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# Local Government Discretion and Accountability: Application of a Local Governance Framework



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## Abbreviations and Acronyms

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ACAO	Assistant Chief Administration Officer
CAO	Chief Administration Officer
CDD	Community Driven Development
CRD	Rural Development Communities
CSO	Civil Society Organizations
CU	Commune Urbaine
DEC	District Executive Committee
DSC	District Service Commission
ESW	Economic Sector Work
LC	Local Council
LLG	Lower Levels of Local Government
LG	Local Government
LGDP	Local Government Development Project
LGIFA	Local Government Integrated Fiduciary Assessment
LGMSD	Local Government Management and Service Delivery
LGTB	Local Government Tender Board
LGU	Local Government Unit
MFPEd	Ministry of Finance, Planning and Economic Development
NGO	Non Government Organization
NRM	National Resistance Movement
OAG	Office of the Auditor General
PAC	Public Accounts Committee
PAF	Poverty Action Fund
PEAP	Poverty Eradication Action Plan
PNGT	Programme National de <i>Gestion de Terroirs</i>
PRSC	Poverty Reduction Support Credit
PTA	Parent Teacher Association
RDC	Resident District Commissioners
UDN	Uganda Debt Network
ULGA	Uganda Local Government Association

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## Executive Summary

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Decentralization reforms and local democratic governance have attracted significant attention as a way to promote good governance and accountability at the local level. Established theories in economics and political science have articulated the efficiency and accountability gains that could accrue from decentralization reforms. However, the empirical literature is full of examples of failures or mixed results in delivering these gains. The underlying contention of this report is that both the theory and the practice of decentralization have suffered from a partial and fragmented approach, undermining the comprehensive and strategic sequencing required for well-designed decentralization reforms.<sup>i</sup>

In this report, we recommend that there is a need to take a step back and evaluate the framework of actual decentralization reforms instituted in decentralizing countries before evaluating their impact. In our view, decentralization is a multi-faceted process which includes giving discretion to local governments and establishing accountability mechanisms at three different levels of governance – political, administrative and fiscal. Therefore, the analysis of the decentralization reforms should also be based on an inter-disciplinary approach, as argued in World Bank (2008).

The report employs a diagnostic framework introduced in World Bank (2008). The key elements of the framework include:

- Decentralization reforms grant local governments new powers and responsibilities in three dimensions: political, administrative, and fiscal. These dimensions provide discretionary space to local governments.<sup>ii</sup>
- Ensuring appropriate use of such discretionary space requires introducing effective accountability systems. Within their discretionary space, local governments would be accountable to higher levels of government (upward accountability) as well as to citizens (downward accountability).
- Public accountability mechanisms safeguard against misuse and abuse of local discretion, but they have imperfections. New forms of social accountability mechanisms, which enable direct engagement of citizens with government, emerge to complement public accountability mechanisms.
- Public and social accountability approaches must be bridged to ensure that citizens have the ability and opportunity to demand accountability and that local governments have the means and incentives to respond to citizen demands for accountability and better service delivery.

We apply this framework to ten countries and two sectors and use case studies as the primary data collection tool, as case studies provide detailed contextual analysis of political, administrative and fiscal aspects of decentralization. The countries identified for country case studies are Angola, Ethiopia, Tanzania, Uganda, Kerala/India, Philippines, Guinea, Burkina Faso, Rwanda and Punjab/Pakistan. The sectors identified are health and education.

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<sup>i</sup> While recognizing that sequencing is a key issue in the decentralization debate, it is mainly due to lack of sufficient research that we refrain from giving prescriptions on sequencing. The theoretical literature on decentralization programs provides a normative discussion on the broad steps in sequencing decentralization reforms. Very few papers analyze this issue. See for example, Spahn (2005) and Bahl and Martinez-Vazquez (2006). World Bank (2008) offers a detailed discussion of sequencing and provides a list of recommendations on fiscal, administrative and political reforms.

<sup>ii</sup> This report does not distinguish between formal and informal discretion. Yet, there is an extensive ongoing debate in the academic literature between formal and informal means of discretion. See Handler (1986) for a general discussion on discretion.



## 1. MAIN FINDINGS OF COUNTRY AND SECTOR CASE STUDIES

The review of our case studies suggests that in most of our case studies local governments do not fare well on many assessment criteria of well-designed decentralization. In addition to the insubstantial discretion available to the local governments, accountability mechanisms are also not well developed. In most countries, social accountability mechanisms to make local governments downwardly accountable to citizens have been largely missing in favor of public accountability instruments that promote upward accountability towards higher levels of government.

The main findings of country-case studies are:

**Significant variations exist in terms sequencing of reforms in political, administrative and fiscal domains.** The sequencing varies depending on the intended outcomes and the interests of political leadership. There are countries such as Ethiopia and Kerala, where fiscal reforms preceded administrative and political ones. In Punjab and Tanzania, political decentralization has superseded administrative and fiscal reforms.

- **Political reforms**—despite many weaknesses, elections remain the principal method through which eligible local citizens can have a voice in service delivery and can hold decision-makers accountable. The case-studies show that political discretion in the absence of appropriate checks and balances can result in local elite capture, single party domination, and nepotistic practices. There is a variety of social accountability mechanisms employed to address some of political accountability failures, however outcome depends on the country context.
- **Administrative reforms**—even when political and fiscal devolution proceed quickly, administrative changes in many contexts have only been understood in terms of deconcentration.<sup>iii</sup> This has at times led to confusion of roles, responsibilities, and conflict of interest between national and local levels, particularly in civil service management. Inadequate devolution over civil service and human resource functions is primarily driven by political factors. Granting administrative autonomy to local governments in civil service management leads to reallocation of jobs geographically and institutionally and loss of central control over financial flows. Therefore, central bureaucracies tend to resist local administrative discretion particularly in situations with strong political allegiances.
- **Fiscal reforms**—reallocation of roles and responsibilities in service delivery across levels of government has proven to be difficult. A major issue is unclear assignment of service delivery responsibilities. The case-studies also show that local governments are particularly unable to raise their own revenues either due to insufficient discretion to do so or due to lack of capacity.

**Decentralization reforms in many contexts failed to create a more participatory environment at the local level.** Decentralization can be an effective tool for better service delivery and better democratic governance. Yet even when they are labelled “democratic,” decentralization reforms have rarely bred empowered democratic local authorities.<sup>iv</sup>

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<sup>iii</sup> The least ambitious level of decentralization, where responsibilities are transferred to an administrative unit of the central government that is spatially closer to the population where service is to be provided, usually a field or regional office.

<sup>iv</sup> See Ribot (2008) on institutional choice to shape local democracy.

**Discretion and accountability relationships depend on the political-economy of each country, historical/colonial legacies, and the level of trust that exists between government and citizens.** The colonial legacies particularly play an important role in the progression of decentralization reforms. In examples from Francophone Africa, such as Guinea and Burkina Faso, the existing *tutelle*<sup>v</sup> authorities have at times hindered the process and led to the reversal of reforms.

**Even in countries with highly developed rules and regulations, significant gaps exist between *de jure* and *de facto* practices.** There remains a significant disjuncture between laws and practices largely due to a) lack of sufficient incentives of both central and local authorities to implement laws, and b) lack of sufficient capacity to carry out the newly assigned roles and responsibilities. In practice, central bureaucracies reluctantly embrace and often resist decentralization reforms as they might jeopardize the long-established institutional and political allegiances. But even when there are clear champions of accountability at the central level, local capacities are often not sufficient to carry out the new functions in service delivery.

**In majority of the countries, decentralization reforms are not well designed to bridge discretion and accountability.** Admittedly, in none of the cases analysed, did decentralization reforms effectively link discretion and accountability and bridge supply and demand side approaches. The case-studies show that the accountability structures are often times upward, particularly in countries where the government system is more centralized. In country examples from Francophone Africa, as well as Ethiopia, Angola, Tanzania and Punjab, current initiatives to strengthen citizen voice and participation seemingly failed to open up space for citizens to monitor government performance and provide feedback for better service delivery.

The main messages emerging from sectoral case-studies are the following:

**Not all public services present a very good case for decentralization.** The services that are non-excludable with a larger impact area than the jurisdiction of the local government are not the best candidates for decentralization. In these services, other forms of decentralization including deconcentration and delegation may work better than decentralization. The study on decentralization in the health sector, focusing on six case-studies has concluded for example, that decentralization leads to over allocation of resources for curative health and under allocation for preventive health services.<sup>vi</sup>

**There is confusion in roles and responsibilities amongst the relevant decentralized bodies and actors, which adversely impacts accountability structures.** In many countries, local education officials and members of Parent Teacher Associations (PTAs) find it difficult to articulate who they are accountable to. This is particularly because of (i) contradictions within different parts of education and decentralization legislations; (ii) non-implementation of legislative reforms owing to uneasy power dynamics between higher and lower levels of the central ministry or an over ambitious timeframe for delegation of responsibilities; and (iii) the absence of a clear information sharing campaign regarding the enactment of decentralization reforms. Similarly, decentralization reforms are likely to engender animosity since power dynamics are altered and central government officials at different levels may have conflicting interests in the reforms. Central authorities may see decentralization as an opportunity to appoint a dependable staff who will unquestioningly implement programs and policies according to national interests.

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<sup>v</sup> *Tutelle* refers to a top-down supervisory model entailing an overseeing role of the central state *vis-à-vis* local governments. The central government, through its *tutelle*, retains large *ex ante* controls on most decisions that should be taken by local governments. For all decisions with financial impact, approval and prior authorization are required. There are other supervisory models such as those observed in Latin American or Anglophone countries. However, such comparative analysis remains outside the scope of this report.

<sup>vi</sup> The six case-studies are India, Pakistan, Philippines, Uganda, Bolivia, and Chile. See Annex II for Discretion and Accountability in the Health Sector.

**Social accountability mechanisms by themselves are not sustainable; integrating mechanisms of upward and downward accountability is essential for improving service delivery performance.** Sectoral case studies point out that social accountability measures seem resource-intensive and require financial/technical/facilitation support from donors to act as intermediaries. Also, citizens are a diverse group with diverse and clashing interests. Citizen-based bodies (e.g. PTAs) can be open to elite capture and can function in an undemocratic manner.

**Assessing local institutional capacities is fundamental to determining an appropriate mix of decentralization.** Lack of capacity, in addition to lack of incentives, is a huge constraint to well-designed decentralization. This is particularly evident in the sectors which require technical expertise, lacking often times even at the central level. The annexes on education and health point out that the development and implementation of a capacity development strategy based on an institutional assessment of all levels of the central ministries is essential for the two sectors, as well as other government agencies with service delivery responsibilities.

## **2. CONCLUSIONS, RECOMMENDATIONS AND MOVING FORWARD**

An effective implementation of decentralization reforms requires a strategy to give discretionary power to local governments and strengthen their accountability towards citizens. We operationalize the concept of a well-designed decentralization system that was identified in World Bank (2008). This operationalization provides precise recommendations regarding mechanisms of a well-designed decentralization system. However, the major thrust of the current report is the recognition that the decision to decentralize is inherently a political one and threatens the current power holders including the central government. Consequently, decentralization reforms are met with a lot of resistance from different sections of the polity, as we have shown, particularly in the case of devolution of administrative functions. Our report has shown that partial reforms are not able to deliver in terms of improving accountability and engendering citizen participation. Therefore we suggest that the commitment to comprehensive decentralization is the pre-condition for effective reforms to be pursued. This also implies that a political economy analysis of the country, preceding the articulation and implementation of decentralization reforms, will encourage the formulation of well-designed decentralization reforms by identifying the hurdles in the commitment towards decentralization. This political economy analysis should comprise the understanding of the configuration of current power-holders, relationship between different actors in the polity and the distribution of economic and political power.

Simultaneously, a number of other operational changes, for example, strengthening the local governments by providing training, better engagement of central governments with the local governments, clarity in the decentralization code to minimize confusion, opportunity of manipulation, and attention towards all three aspects of decentralization can improve the implementation of a well-designed decentralization system.



# 1. Local Government Discretion and Accountability: Linking Theory and Practice of Decentralization

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## 1.1. INTRODUCTION

Decentralization has become the cornerstone of development reforms in many countries. The emphasis on decentralization is the consequence of the debate in recent literature that suggests that ineffective public service delivery in many developing countries is largely attributable to the governance failures arising from lack of strong accountability to citizens. The normative rationale for decentralization comes from many areas of economics and political science literature wherein it is argued that physical proximity, better information and yardstick competition resulting from the decentralization of governance leads to better accountability and allocative efficiency.<sup>1</sup>

However, the empirical studies have not found a conclusively positive impact of decentralization on the service delivery outcomes (Asthana, 2003; Akin Hutchinson and Strumpf, 2005). In order to explain the divergence between the theory and empirical findings, many researchers have moved beyond the efficiency criteria and have attended to the influence of politics in implementation of the decentralization reforms.<sup>2</sup> We, on the other hand, suggest that the primary reason for this disjoint is that decentralization frameworks that are being established do not conform to the best practices according to the theoretical research. Therefore, we need to take a step back and evaluate the framework of actual decentralization reforms instituted in the countries before evaluating their impact. In our view, decentralization is a multi-faceted process which includes giving discretion to the government and establishing accountability mechanisms at three different levels of governance--political, administrative and fiscal. Therefore, the analysis of the decentralization reforms should be based on inter-disciplinary approach, as argued in World Bank (2008). Only after establishing that decentralization reforms have taken place comprehensively at three different levels, can we evaluate the merits of these reforms.

To that end, we use the comprehensive framework developed in World Bank (2008) to analyze the decentralization codes and associated legal frameworks such as public financial management laws and local government codes adapted by ten different countries and by two sectors in order to assess their degree of decentralization. These countries are Angola, Tanzania, Rwanda, Guinea, Burkina Faso, India (Kerala), Pakistan (Punjab), Ethiopia, Philippines, and Uganda. The chosen sectors are health and education.

## 1.2. OBJECTIVE, RELEVANCE AND AUDIENCE

The report is a continuation of the Social Development Department's previous economic sector work (ESW) on local governance (produced as World Bank, 2008) and builds on the feedback received on it. It was suggested that the diagnostic framework developed in the previous ESW should be empirically applied. Specifically, the current exercise contributes significantly at least four ways towards the understanding of decentralization process and its impact. First, it establishes and employs a framework to comprehensively evaluate decentralization reforms. We develop detailed (and easy to use) checklists (see tables at the end of chapter 2, 3 and 4) that we

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<sup>1</sup> For a review of these different rationales, please see the following seminal works: Mueller (2006); Oates, (1972); Oates (1997), Oates (1999); Cremer, Estache and Seabright (1996); Raff and Wilson (1997); Bucovetsy, Marchand and Pestieau (1998); Tibout (1956).

<sup>2</sup> For example see the following: Agrawal et. al (1999), Seabright (1996), Bhardan and Mookherjee (2000), Coning and Kevane (1999), Boone (2003), Cheema and Mohmand (2003) and Cheema, Khwaja and Qadir (2005).

apply to our case study countries to evaluate if a decentralization code conforms to the minimum requirements of a well-designed decentralized system. These checklists serve as an expedient tool that aid not only in evaluation of the decentralization reforms but also in formulation of decentralization frameworks. At the end of the report, we also include annexes to indicate how the framework is relevant to the study of decentralization in the sectors.<sup>3</sup>

Second, the report identifies good and bad policies and practices employed by different countries especially those that attempt to build mechanisms that promote social and public accountability. In this regard, the report becomes an integral part of a broader agenda of promoting accountability through citizen participation that was largely highlighted by World Bank (2004b). The primary message of World Bank (2004b) was that participation of the citizens in service provision and monitoring is critical to improve local government performance. Therefore, concrete country examples of accountability mechanisms and discussions of benefits to citizens and challenges of citizen participation in local decision-making contribute significantly to the advancement of accountability agenda initiated by World Bank (2004b).

Third, the report provides extensive information about the decentralization reforms in our case countries that is valuable for further research, policy analysis or suggestions for reforms in these countries. Fourth, having diagnosed that decentralization codes in many countries do not conform to the minimum requirements of well-designed decentralized system of governance, the report forces us to focus our attention to this disjoint. Unlike research that analyzes the implementation aspect of the decentralization reforms, we take a step back and highlight that implementation of the reforms is not complete in the first place. Thus this report will not only trigger a new set of questions for researchers but also for the practitioners who are engaged in the process of decentralization will also benefit from these insights.

The target audience for this report, therefore, includes the development partners, in particular international organizations, bilateral and multi-lateral donors, and non-governmental organizations that are engaged in analytical and operational work on decentralization.<sup>4</sup> In this respect, this report aims to stimulate research in the field of decentralization reforms, local governance and citizen participation. It also seeks to influence the public debate and decision making on decentralization in the development community.

### **1.3. DIAGNOSTIC FRAMEWORK: DISCRETION AND ACCOUNTABILITY AT POLITICAL, ADMINISTRATIVE AND FISCAL LEVEL**

Decentralization reforms have attracted significant attention as a way to promote good governance and accountability at the local level.<sup>5</sup> The empirical results are, however, less than satisfactory. Part of the reason—and what the diagnostic framework developed in World Bank (2008) argued—is that both the theory and the practice of decentralization have suffered from a

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<sup>3</sup> In this context, the report supports the Bank's Governance and Anti-Corruption (GAC) strategy and implementation plan to mainstream and operationalize Bank efforts initiatives in client countries to develop capable and accountable institutions by providing checklists to guide the diagnosis of accountability in political, administrative and fiscal domains of decentralization. In addition to understanding governance issues at the country-level, it has also become apparent that "GAC in sectors is central to the effectiveness of the agenda as a whole." This is one of the reasons as to why this ESW incorporates the findings of the two sectoral case-studies health and education in addition to country studies to understand the local government discretion and accountability from a sectoral perspective.

<sup>4</sup> However, the use of this report would not be limited to these actors. The report will also be an invaluable resource for the World Bank units engaged in policy and operational decisions on decentralization and local government reforms and will inform World Bank's lending operations and its client countries' policies.

<sup>5</sup> Local governments are sometimes further divided into different levels. To identify the local government unit that we use in our analysis, please refer to Table 1.2 where local government units are distinguished by an asterisk (\*) under the heading "Decentralized System." Some local governments, for example, Guinea, Philippines and Ethiopia are further categorized into rural and urban local governments.

partial and fragmented approach, undermining the comprehensive and strategic sequencing required for well-designed decentralization reforms. The economics and political science theories have taken separate but parallel pathways. Public finance economists emphasize the allocative efficiency gains produced by fiscal decentralization, downplaying the importance of political dynamics. Political scientists, on the other hand, have highlighted the potential of decentralization to cultivate more space for greater participation of citizens in decision making and government oversight thereby overlooking the fiscal aspects required for the effective functioning of local governments. Our diagnostic framework brings these two approaches together to identify the characteristics of a successful decentralized system.

In this section, we will highlight the three main arguments of our framework (please see Figure 1 for a detailed examination of the framework).<sup>6</sup> Firstly, the framework emphasizes the relationship between discretion and accountability. The relationship is quite intuitive and implies that an authority can be held accountable for performing a specific function only if that authority has discretion to perform that function. The framework also argues that accountability is not an automatic outcome of increased discretion and the governments need to make a conscious effort to create structures that would hold local governments accountable.

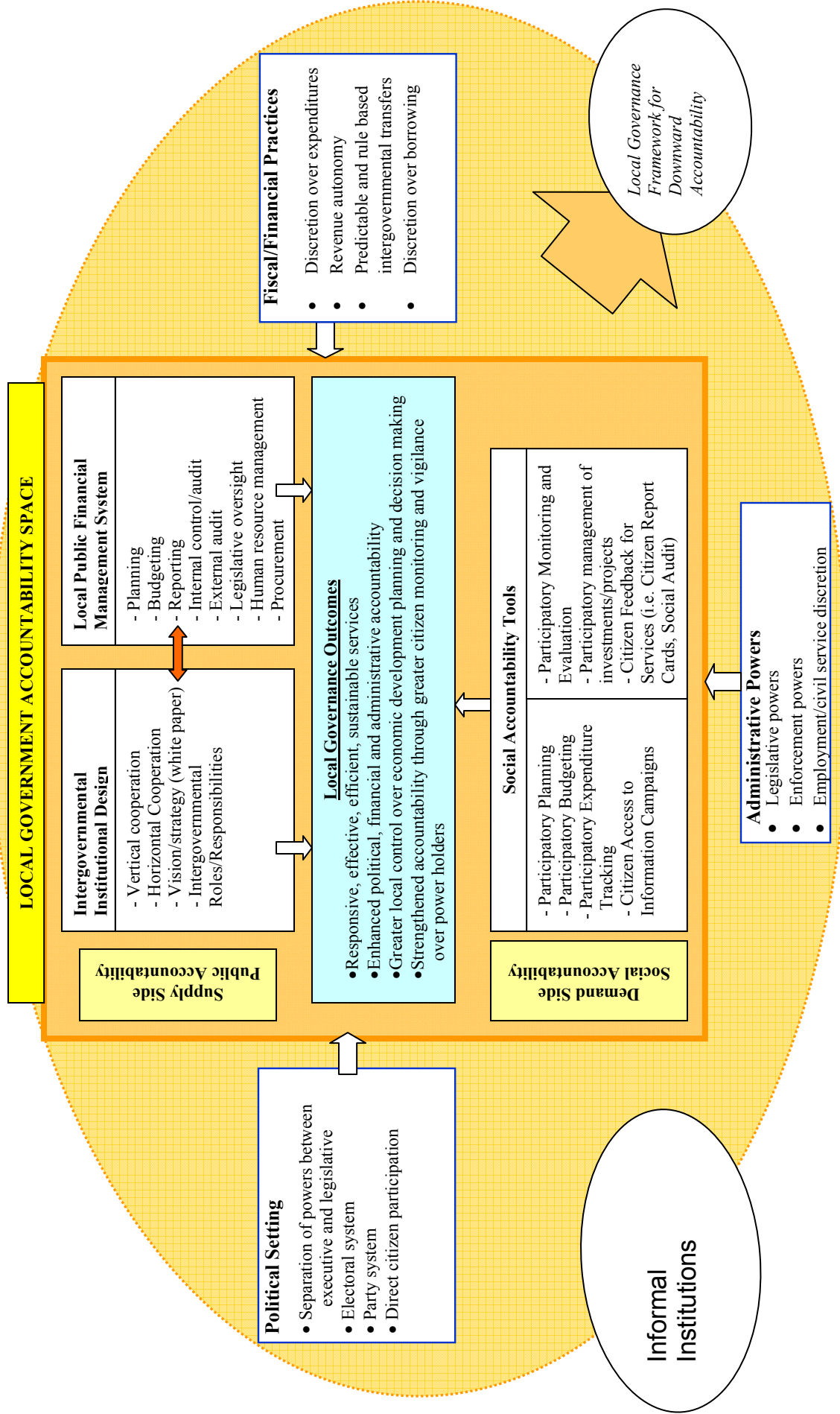
Secondly, our diagnostic framework highlights that the decentralization has to occur at three different levels—political, administrative and fiscal—for it to be effective. Political discretion means that the local government has autonomy over the bureaucracy and is influenced by the institutional arrangements for separation of powers among the executive, legislature and judicial bodies, election laws and the structure of electoral competition, and the characteristics of party systems. Administrative discretion refers to the ability of the government to regulate, procure goods and services that are essential for the service provision and to make civil service and employment decisions. Fiscal discretion, on the other hand, means that local governments have adequate revenues for service provision and is affected by the systems of inter-governmental transfers and restrictions on borrowing and revenue collection by the local government. We discuss the rationale of why local government should have discretion and be held accountable for these three different aspects separately in the later chapters when we discuss the case studies. However, it is important to emphasize that decentralization reforms need to take place simultaneously at the three levels—a point that World Bank (2008) makes implicitly. For example, fiscal discretion without the electoral discretion leads to a deconcentrated system which cannot be assessed as decentralization. Similarly, political discretion without fiscal autonomy leads to incapable local governments.<sup>7</sup>

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<sup>6</sup> For details of the diagnostic framework, please refer to World Bank (2008).

<sup>7</sup> We should also point out that there is not enough theoretical research or empirical analysis to substantiate the above observation. Therefore, it remains a normative hypothesis, further research on which can significantly contribute to the study of decentralization.

**Figure 1. Local Government Accountability Structures (World Bank, 2008)**





The third important aspect of our framework is that it differentiates between public and social accountability. Public accountability (what is also called upward accountability) is defined as the mechanisms where public authorities (governments, elected representatives, and other governing bodies) hold the local governments accountable through various mechanisms.<sup>14</sup> On the other hand, social accountability (which is also called downward accountability) refers to an approach that relies on the participation of the citizens – where citizens demand accountability from the government officials. We emphasize that both public and social accountability mechanisms are important. Public accountability is more important in the sectors where the externalities associated with public good are spread across large areas<sup>15</sup> and objectives are phrased in national terms, for example public health.<sup>16</sup> On the other hand, social accountability mechanisms encourage citizen participation and ensure that citizen preferences remain at the centre of the public service delivery – the cornerstone of the local democratic governance. It is hoped that the understanding of social accountability and its inclusion as an integral part of the decentralization diagnostic framework would encourage an expansion in the repertoire of instruments through which citizens can hold the state to account beyond voting. We further divide social accountability into formal social accountability and informal social accountability. Formal social accountability includes instruments or structures that the government has set up in codes or laws while informal social accountability refers to the accountability mechanisms that are not sanctioned by the law but are initiated and maintained by the non-state actors such as community groups and non-governmental organizations. These definitions become clearer as we give examples in later chapters (See Box 1.1 for more explanation).

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<sup>14</sup> The public accountability measures can be further categorized into, horizontal and vertical accountability. Horizontal accountability denotes the capacity of state institutions to check on the performance of other public agencies and branches at the same level where the term "checks" generally refers to the right and responsibility of each branch of government to monitor or oversee the activities of the others. Vertical accountability involves a public authority at a higher level scrutinizing the activities of other public authorities at the lower level e.g. the capacity of central or provincial government to investigate charges of malfeasance of lower tiers of government.

<sup>15</sup> In these services, the theoretical argument for decentralization is also weak. Since one of the rationales of decentralization is to limit the spillovers to the geographical areas where the public good is consumed, the goods for which the externalities are spread across the country do not make a very good case for decentralization. Consider a fire-protection service versus defense. Fire protection services are used only by a certain locality and the people from another locality can be excluded. On the other hand, the use of defense services is non-excludable and is consumed by the whole nation. Therefore, it makes sense to decentralize the provision of fire-protection services and not the defense services. Similarly, the benefits of some aspects of public health are non-excludable.

<sup>16</sup> The other argument for stronger public accountability mechanism is the knowledge argument, that is, citizens do not demand the services that are the most beneficial for them.

#### BOX 1.1: DEFINITIONS OF ACCOUNTABILITY

**Public accountability:**

Public accountability refers to institutionalized practice of account giving by elected governments, civil servants and public sector institutions to horizontal or higher levels of public servants and public sector institutions. Public accountability as a supply-side approach is critical in establishing controls and efficiency in local government operations. These mechanisms include ombudsman, anti-corruption agencies and legislative monitoring bodies.

**Social Accountability:**

This type of accountability is an expansion of downward accountability (from elected representatives to the citizens) and refers to an approach toward building accountability that relies on civic engagement – in which ordinary citizens and/or civil society organization demand accountability. Other terms used to refer to the same phenomenon include “citizen or civic oversight/monitoring,” “citizen demands for accountability,” “accountability demands.” The role of social accountability is not to replace but to complement and enhance public accountability mechanisms. Social accountability is further divided into two categories.

*Formal social accountability:* Social accountability mechanisms are formal when they are written in laws and codes. For example, a law may require citizens to form a citizens’ board to review the budget or to oversee a project.

*Informal social accountability:* Social accountability mechanisms are informal when they are not written in law but are initiated and maintained by non-state actors. These mechanisms, by definition do not have sanction powers over the elected officials. Nongovernmental organizations’ maintained community groups are an example of informal social accountability mechanism.

## 1.4. METHODOLOGY

We use case study methodology.<sup>17</sup> The criteria that we employed to select the countries were two fold. According to our research question, that is, diagnosing the extent of decentralization, it was imperative to select countries where decentralization reforms have been underway for a significant period of time, and more importantly that have shown significant commitment to the decentralization reforms. In our sample, all countries except Angola have been decentralized for at least eight years. Some countries were decentralized as far back as in the late 1980s and early 1990s, for example, Guinea, Burkina Faso, Kerala and Ethiopia. Table 1.1 (at the end of the chapter) shows the year of inception of decentralization reforms in each country. It also shows that although the rationale for implementing decentralization reforms vary from improving public service delivery to engendering political competition at the local level, every country has committed to implementing decentralization through some kind of legal document and in many cases by incorporating it into the constitution. Table 1.2 shows the basic decentralization structures in our case countries.

We apply the diagnostic framework developed in World Bank (2008) to our case studies in the following manner. We develop assessment criteria (in the form of precise variables and questions) of discretion of local governments as well as public and social accountability in all three aspects of governance, that is, political, administrative and fiscal. We then examine the decentralization codes and associated laws including public finance management and procurement laws in our study countries to observe how they fare on these criteria in each of the

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<sup>17</sup> The case studies were drawn from different sectors and regional networks from within and outside the Bank. The report synthesizes country case studies and sectoral background notes that were contributed by colleagues from Human Development (health, education), Poverty Reduction and Economic Management (public sector governance), and Sustainable Development (urban water & sanitation) networks; and from institutions outside the Bank.

three aspects of decentralization. To this end, our analysis utilizes *de jure* provisions as codified in decentralization laws (or ordinances). We also observe the *de facto* implementation in some contexts. However, this comparison is not systematic since the disjoint between *de jure* and *de facto* is not the primary focus of the current project. Moreover, primary research and field work is required to make the methodical comparison between *de jure* and *de facto*. The occasional comparison strongly indicates the importance of exogenous social and political factors and warrants a more comprehensive study that would require much more ambitious field research.

We would also like to point out that some data that is required to evaluate the *de jure* extent of decentralization using the diagnostic framework of World Bank (2008) was not easily available. Particularly, fiscal data is either not available for many countries in our sample or is challenging to decipher.

## **1.5. PLAN OF THE REPORT AND PRIMARY CONCLUSIONS**

Chapter 2 of the report examines the political dimensions of decentralization reforms by studying political discretion and accountability. Political discretion is further divided into three aspects of the political process; separation of powers, electoral systems and political party structures at the local level. Chapter 3 analyzes the administrative discretion; in particular, it examines the authority of the local government to make, change and enforce laws pertaining to local public services; to govern a procurement system, and to make decisions in civil service and employment areas. Chapter 4 discusses the fiscal dimensions of local government discretion and accountability, in particular, expenditure and revenue assignments of local governments in delivering services, intergovernmental fiscal design systems, and the regulations regarding local government borrowing. Chapter 5 summarizes the findings of our report, provides recommendations and suggests how the research on decentralization can move forward to make the system more effective. The annexes (Annex I and II) apply the diagnostic framework to the education and health sectors to assess the extent of discretion and accountability in these sectors in a number of different countries.<sup>18</sup>

The review of our case studies suggests that in most of our case study countries, local governments do not perform well on many assessment criteria of adequate decentralization. Particularly, local governments do not have fiscal discretion to raise their own source revenue and inter-governmental transfer system is very ad-hoc. Similarly, restrictions on administrative discretion, particularly pertaining to civil service and human resources, are severe and do not allow the local government to respond to the demands of the citizens. In political aspect of the government also, the elected councils usually remain subservient to the bureaucracy or higher levels of government. We also observed that the degree of discretion amongst the three aspects of local government varies significantly. For example in Ethiopia and Tanzania, fiscal reforms are comparatively more pronounced than administrative and political reforms, whereas in Punjab (Pakistan), political decentralization has superseded administrative and fiscal reforms.

We also note that in some instances there is confusion amongst different participants of the local government system regarding their roles and responsibilities. The confusion arises either because of the contradiction among different pieces of legislation or because the information regarding new roles and responsibilities are not shared amongst relevant authorities and citizens. Sometimes, responsibilities for important functions are not even prescribed in the

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<sup>18</sup> The health sector study covers Bolivia, Chile, India, Pakistan, Philippines and Uganda. The education sector study covers Sierra Leone, Kenya, Somaliland, Ethiopia and Andhra Pradesh.

decentralization codes and other relevant legal framework including public finance management and procurement codes.

In addition to the insubstantial discretion available to the local government, accountability mechanisms are also not well developed. In most countries, social accountability mechanisms are largely missing in favor of public accountability instruments. In countries where initiatives have been taken to strengthen social accountability, elite capture of these forums has restricted the space for citizen participation. However, in other contexts, for example in Kerala (India), social accountability mechanisms have strengthened the participation of citizens. Nevertheless, in none of the cases analyzed, did decentralization reforms effectively link discretion and accountability and bridge supply and demand sides of governance.

We also find that significant gaps exist between *de jure* and *de facto* practices, sometimes even in countries with highly developed rules and regulations. We suggest that the disjuncture between laws and practices exist largely due to the lack of sufficient incentives for central and local authorities to implement laws. There is also a lack of capacity at the local level which becomes more apparent in sectors where higher level of technical expertise is required, for example, in the health sector.

The case studies of many countries also suggested that the study of political context in which the decentralization reforms take place is essential to understand the incentives behind the reforms. Interestingly, in most of our case countries, decentralization took place within some form of authoritarian regimes. Under these circumstances, the purpose of decentralization reforms may reach beyond improving responsiveness to local government demands. Many researchers have asserted in the case of Pakistan, for example, that the decentralization reforms are a complementary change to a wider constitutional re-engineering strategy devised to further centralize political power in the hands of the non-representative centre (Cheema, Khwaja, and Qadir, 2005). In other words, design of the local government reforms in these contexts becomes endogenous to the centralization objectives of the non-representative center. The case studies also indicate that colonial legacies particularly play an important role in the design of decentralization reforms, where government structure is more or less a progression of colonial structure. Burkina Faso, Guinea, Pakistan and Philippines are interesting instances of this phenomenon.

Decentralization fundamentally is a process of redistribution of power. Consequently, there is usually a strong resistance to the decentralization reforms from the sectors of the government that stand to lose from this redistribution. Civil service is a classic case in this regard. Granting administrative autonomy to local governments in civil service management leads to reallocation of jobs geographically and institutionally and the loss of central control over financial flows. Therefore, central bureaucracies tend to resist local administrative discretion particularly in situations with strong political allegiances. There are cases, such as Tanzania, where administrative autonomy has been reversed due to this reason.

The findings of our report that are summarized above indicate that decentralization reforms are not implemented in a comprehensive manner in any of our case countries. We observe that the local governments are created but are rarely given discretionary powers to play their role as representative bodies. When the powers are transferred to the local bodies, they largely remain accountable to the higher levels of government rather than to the citizens who are the real principals. These incomplete discretion and accountability structures are coupled with the political landscapes that are susceptible to elite capture and patronage in many countries. Consequently, the empowerment of citizens at the grass roots level remains elusive despite many efforts at decentralization.

**Table 1.1: Commitment to Decentralization**

Tanzania	1998	<b>White Paper – Policy Paper on Local Government Reform</b> promotes popular participation in governance at the local level including increased participation in local planning and budget process; subordinating local public service delivery truly to the local councils; improving financial management and accountability at the local level; securing adequate finances for better public services at the local level; and creating a new system of central-local government relations based not on hierarchical orders but on legislation and negotiations.
Angola	2007	<b>Local Administration Law</b> clarifies the responsibilities for service delivery at the provincial, municipal and communal levels and allows municipalities to become independent budget units, and to establish a direct connection with the central government through the Ministry of Territorial Affairs.
Rwanda	2000	<b>National Decentralization Policy</b> has the following objectives: good governance, pro-poor serviced delivery and sustainable socio-economic development.
Kerala	1993	<b>73rd (Panchayats) and 74th (Municipalities) amendments to the Constitution (1993)</b> , which recognized a third tier of government at the sub-state level, thereby creating legal conditions for local self-rule. These amendments made it mandatory for the state governments to organize local bodies and to hold regular elections as well as to give these local bodies appropriate finances.  In 1993 the Kerala authorities introduced legislation- <b>Kerala Panchayati Raj Act and Municipality Act</b> , to form two layers of local self-government in urban areas, and three layers in rural areas.
Ethiopia	1995	<b>Ethiopia’s Constitution, ratified in 1995</b> , establishes the federal structure based on nine ethnic regional states and gives them the right to secede (Article 39 of the Constitution). The government of four most populous regions decided in <b>2001</b> to move important sector departments from the zonal to the woreda level.
Philippines	1987	Philippines has a clearly-defined formal decentralization framework embodied in the <b>1987 Constitution</b> where autonomy of local governments is enshrined as a state principle. The <b>1991 Local Government Code (LGC)</b> provides a framework for increased local autonomy with its provisions affecting assignment of functions across different levels of governance, revenue sharing between central and local governments, and resource generation and utilization of Local Government Units (LGUs), and the participation of civil society in governance processes. The <b>1989 Organic Act for Muslim Mindanao</b> provides for an expanded share and the automatic retention of national internal revenue collected in ARMM, along with significant discretion in development planning, primary role in delivering basic services and management of natural resources in the region
Uganda	1995	With the <b>1995 Constitution</b> , the local government system was consolidated and the Resistance Councils were renamed Local Councils. <b>Local Governments Act of 1997</b> introduced new administrative structures with a non-subordinated, comprehensive and judicially answerable local administration.
Punjab	2001	<b>Local Governance Ordinance 2001</b> states that the objective of the governance reforms is to allow public participation in decision-making. The essence of this system is that the local governments are accountable to citizens for all their decisions. It enables the proactive elements of society to participate in community work and development related activities. It has also removed rural-urban divide.
Guinea	1985	<b>President Conté declared decentralization as a state vision in 1985 (Général Lansana Conté, Discours –programme du président de la République de Guinée, Conakry, December 22, 1985)</b> . A number of ordinances were enacted to establish the new administrative and territorial organization of the country, starting in 1986 with the Ordinance No 79/PRG/SGG/86 instituting decentralized collectivities. It was followed by the Ordinance No19/PRG/SGG/90 relative to the legal framework for the organization of urban municipalities (CU); the Ordinance No092/PRG/SGG/90 relative to the organization of rural communities of development (CRDs) and the ordinance 002/PRG/SGG/89, 004/PRG/SGG/89 and 021/PRG/-SGG/90 defining special status of Conakry and its 5 CUs.
Burkina Faso	1991	<b>The 1991 Constitution</b> consecrated decentralization as a major organizing principle for political life in the country. The adoption of more complete decentralization guidelines completed in 1998. (Law No. 040/98 concerning guidelines for decentralization in Burkina Faso; Law No. 041/98 concerning the organization of the territorial administration of Burkina Faso; Law No. 042/98 concerning the organization and operation of the local communities; Law No. 043/98 concerning the scheduling of the implementation of decentralization).

**Table 1.2: Decentralization and Decentralization Systems**

	Kerala	Punjab	Philippines	Burkina Faso	Rwanda
Central Gov. ministry	Kerala Local Government Ministry (State Level)	Ministry of Local Government and Rural Development	The Philippines' Department of the Interior and Local Government (DILG)	Ministry of Territorial Administration and Decentralization (MATD)	Ministry of Local Government, Community Development and Social Affairs (MINALOC)
<b>Decentralized System</b>					
Province		(in the country) 4	17 Administrative regions in 2008	13 Regions	5 Provinces (4 + City of Kigali)
District		(in Punjab) 34		45 Provinces	416 Sectors
County				350 Departments	2148 Cells 15000 Villages
Appointed by	Provincial governor is appointed by the Prime Minister in consultation with the President  District mayor (nazim) is elected by the union council		Each region has a Regional Development Coordinating Council composed of provincial governors, city mayors, representatives of different national government agencies and the private sector.  With the exception of ARMM, regions do not have elected bodies and only comprise decentralized administrative units.	Governor is appointed by decree adopted by council of ministers based on proposition by MATD. High Commissary is appointed by decree adopted by council of ministers based on proposition by MATD. Prefect is appointed by decree adopted by council of ministers based on proposition by MATD.	Governor is appointed by the President upon approval by the Senate. Mayor of Kigali is elected by electoral colleges from amongst Kigali City Councilors. Sector Executive Secretary is hired by District Council through competition, with approval of Sector Council. Cell Coordinator is elected from within the Cell Council.
Council				N/A	Provincial Coordination Committee (Chair: Governor) made up of district mayors and other members appointed by prime minister, as well as women and youth representatives indirectly elected. Council of the City of Kigali is indirectly elected by people. Sector Council is directly and indirectly elected by people. Cell Council comprises of all residents of the Cell who have at least eighteen (18) years of age.
<b>Decentralized System</b>					
Urban Municipalities	*999 Gram Panchayats, 152 Block Panchayats, 14 District Panchayats, 53 Municipalities and 5 Corporations	*34 Districts 6 (urban: towns) 116 (rural: tehsils)	In 2007, 81 provincial governments, *131 cities and 1497 municipalities 41,994 barangays	13 Regions *49 Urban Municipalities *302 Rural Municipalities	*30 Districts
Rural Municipalities	Each local govt. level has elected councillors who then select the chairperson.	District Council elected by the union council Tehsil/town council elected by the union council Union council is directly elected by the citizens	Each LGU layer in Philippines is headed by an elected chief executive (governor, mayor, or barangay captain).  On the legislative side, each level of LGU has an elected legislative body ( <i>Sanggunian</i> ). At the municipality and city level, the legislative branch comprises the vice governor/vice-mayor elected by citizens in the jurisdiction and council members. At the barangay level, the legislative arm comprises a chairperson elected by and seven council members citizens in the jurisdiction.	Regional Council is indirectly elected by municipal councilors. It is headed by the Council President Municipalities are governed by a directly elected Council and a Mayor elected by and within the Council.	District council is directly and indirectly elected by people. Mayor is chosen amongst District councilors by elector college composed of Sector and District Councilors.

**Table 1.2: Deconcentration and Decentralization Systems (continued)**

	Angola	Ethiopia	Guinea	Uganda	Tanzania
Central Government Ministry	Ministry of Planning, Ministry of Territorial Affairs, and Ministry of Finance	Ministry of Local Government	Ministry of Decentralization and Local Development (MDDL) Ministry of Territorial Administration and Political Affairs (MTAPA)	Ministry of Local Government	PO-RALG President's Office regional Administration and Local Government
<b>Deconcentrated System</b>					
Province	18 Provinces (headed by Provincial Governor), 163 municipalities (headed by Municipal Administrator) and 532 communes, which are made up of neighborhoods ( <i>bairros</i> ) and populations ( <i>populações</i> )	Zones, woredas and municipalities and kebeles with varying degrees of deconcentration	7 Regions + City of Conakry 33 Prefectures 304 Sub-Prefectures 590 Quarters (administrative sub-division of CU) 2444 Districts administrative sub-division of CRD)		21 Regions (headed by a regional commissioner) Regional Secretariat (RS) 109 Rural Districts and 22 Urban Councils. District Secretariat Wards
Appointed by	Provincial Governor appointed by President. Municipal Administrator is appointed by Provincial Governor with veto power by the President.		Governor appointed by President. Prefect appointed by President. Sub-Prefect appointed by MTAPA Chief of Quarter appointed by Prefect. President of District appointed by Prefect	Resident District Commissioners appointed by the President	Regional commissioner (RC) is appointed by the President. Regional Administrative Secretary (RAS), appointed by the President, is the head of the RS operations and principal advisor to RC.
Council	Councils for Consultations and Social Consensus ( <i>Conselhos de Auscultação e Concertação</i> ). Present at the Provincial, Municipal and Communal levels.	Regions have elected woreda representatives. Woredas have elected kebele-representatives	Regional Administrative Council assisted by 2 consultative bodies: Regional Development Committee (CPD) and Regional and Decentralization Commission. Prefectural Administrative Council assisted by 1 consultative body; Prefectural Development Council (CORD). Quarter council is directly elected by people. District council is directly elected by people.		No council.
<b>Decentralized System</b>					
Urban Municipalities		9 Autonomous Regions	*38 Urban Municipalities (CU)	village (LC 1)- 45,000 parish (LC 2)-5,500	*18 Municipal + 4 City Council
Rural Municipalities		*Rural Woredas *Urban municipalities	*305 Rural Municipalities (CRD)	sub-county (LC 3)-900 county (LC 4)-151 *district level (LC 5)-79 (2007)	*106 District + 5 Town Council
Elected by		Regions councils have elected woreda representatives and a president elected by the council	Municipalities are governed by a directly elected Council and a Mayor elected by and within the Council.	LC1s, LC3s, and LC5s councilors are elected the chairperson of each of these councils is also directly elected by the citizens. LC2s and LC4s councilors are selected by councilors in LC1s and LC3s respectively.	Directly by people. Local government councils elect a council chairman (in the case of urban councils, a mayor) from among their midst to lead the Council.

\* denotes the level of government used as the unit of local government in the current report. Local government units are sometimes further categorized into rural and urban local governments as in the case of Guinea, Ethiopia and the Philippines.

## 2. Setting the Rules of the Game: The Local Political Discretion and Accountability

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Political decentralization critically alters the power structures by transferring political authority to the local government through the establishment of elected local governments. Political decentralization reforms vary the size of municipalities, reformulate local electoral legislation and redefine the relationship between elected local authorities and local executives and administrators (Lankina, 2008; Keating, 1995). They determine the degree of oversight over local governments and set the rules for interaction between elected officials, non-elected bureaucracy and the citizens.<sup>19</sup>

Political discretion is defined as the ability of the local elected government to effectively represent the local population and to ensure their participation in the political process. However, political discretion has to accompany with accountability in order to ensure responsiveness to the demands of the citizens. The political accountability, in turn, is affected by a number of institutional factors, standards, rules and norms. We analyze discretion and accountability in three primary components, namely separation of powers, electoral systems, and political party structures. We draw on country-case studies to examine institutional arrangements. In the process, we also identify the good and bad practices of accountability mechanisms between elected, non-elected officials and citizens. We also attempt to identify where the local political or social contexts create a gap between the laws (*de jure*) and their actual implementation (*de facto*).

Our analysis suggests that significant variation exists across countries, particularly regarding separation of legislature from the executive. In majority of the countries analyzed, a significant gap exists between the political decentralization laws and regulations and their implementation at both central and local levels. Accountability structures fail to provide adequate checks on the elected or non-elected governments. Consequently, political discretion in the absence of appropriate checks and balances has resulted in local elite capture, single party rule, and nepotistic practices.

### 2.1. COMPONENTS OF POLITICAL DISCRETION AND ACCOUNTABILITY

An appropriate political setting for accountability requires a suitable environment for local elected leaders to act independently (even if it conflicts with their own parties or with the central government) and responsively (in line with the demands of the local population). The local leadership and incentive structures will be influenced by at least three sets of factors (World Bank, 2008):

- The institutional arrangements for separation of powers among the executive, legislative, and judicial bodies.
- The election laws and the electoral system.
- The existence and functioning of a party system and political party laws.

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<sup>19</sup> We make a distinction between the elected and executive bodies within local governments because they have distinct roles in local decision-making. Schroeder (2004) depicts local governments (elected and executive bodies) as the provision units rather than producers of services, meaning that they make decisions about the type, quantity, and the quality of services to be made available in the locality, how those services are to be financed, and how they are to be produced. He ascribes the production of services to local public employees, private contractors, or higher jurisdictions under contract with the local government. In this sense, “bureaucracy (and its supporting personnel) is the set of actors that either carry out the production of local services or helps to oversee the private (or public) contractors that serve as production units” (Schroeder 2004: 9). We use the term “local appointed official” interchangeably with “local bureaucracy” and emphasize the important role of local elected representatives in local accountability systems, especially in the oversight of local governments.



### 2.1.1. Institutional Separation of Powers at the Local Level

Separation of powers is a primary tenant of constitutional liberal democracies (Persson, Roland and Tabellini, 1997) and a “venerable notion ... borrowed and amplified by the founders from some classic themes of Western political thought” (O’Toole 1987: 17). It sets the rules for the exercise of discretionary powers, by clearly demarcating the functions of the three branches of the government – the executive, legislative and the judiciary. The equation of power amongst these branches of government has consequences for policy outcomes in terms of accountability (Yilmaz and Beris, 2008). Separation of powers, in the context of the local government, entails that the roles and functions of elected and non-elected branches of government are clearly identified and local councilors are independently able to carry out the oversight function of the local executive bodies, while local courts take the role of impartially resolving conflicts arising between elected and non-elected branches of government and between local governments and citizens.

Different institutional arrangements offer different degrees of separation of powers. For example, if the head of executive is also the chairman of the elected council, the division of authority is blurred. This is usually the case in parliamentary systems as opposed to presidential systems, where the executive branch is completely independent of the legislative branch. In a parliamentary system, the extent of authority of the council chairman relative to the council determines, to a significant extent, the responsiveness and representation of the local government. Similarly, if the head of the executive is appointed rather than elected, the political representativeness and responsiveness is compromised. Based on these two dimensions, four configurations can be formulated which are shown in Table 2.1.

**Table 2.1: Separation of powers configurations**

	<i>Elected executive*</i>	<i>Non-elected executive</i>
Strong Executive	Strong mayor/executive system <sup>20</sup>	Appointed executive with weak council
Strong Council	Strong council system	Council-manager system

*\*The executive can be popularly elected or elected by the council*

In the context of central government, there is both theoretical and empirical literature that studies the effect of different institutional arrangements of separation of powers on a number of political outcomes including accountability and responsiveness to citizens.<sup>21</sup> In the context of the local government, however, such studies, theoretical or empirical, are few and far between.<sup>22</sup> Consequently, we remain largely ignorant of the effects of different political institutional arrangements in local settings.

<sup>20</sup> Various arrangements exist for governing the relationship between mayor and council. For example, the mayor may have charter-based veto authority over council decisions, and procedures may exist for the council to override this veto. Or, the mayor may lack veto power. Mayor-council institutional setups might have an adverse effect on policy outcomes because political and administrative roles are not sharply distinguished under this arrangement. Empirical studies have shown how electoral turnover, particularly when a new mayor defeats an incumbent, results in proclivities for greater public expenditures and policy changes (Wolman, Strate and Melchior, 1996).

<sup>21</sup> For example, Persson and Tabellini (1997, 2003), Mueller (1996, 2003) and a number of other scholars suggest that presidential systems improve the accountability of the elected candidates as compared to in parliamentary systems because the separation of powers is more concrete and allows the voters to observe performances of different actors more clearly (Persson, Roland and Tabellini 1997). On the other hand, empirical studies have also confirmed that separation of powers positively improves accountability and a number of outcome variables, for example corruption and overall public spending. Persson and Tabellini (2003) find that among good democracies presidential regimes have less widespread corruption than parliamentary regimes. The result however, does not hold for countries categorized as bad democracies by Freedom House Survey. On the other hand, Persson and Tabellini (2004) find that parliamentary democracies have larger welfare spending than do presidential democracies, in line with the prediction made by Diermeier and Feddersen (1998). But Persson and Tabellini (2004) results are robust only among the older and better democracies.

<sup>22</sup> One notable exception to the dearth of studies in the local government context, however, is Lankina (2008) which studies the differential impact of strong mayor and strong council system.

The tradeoff between strong council and strong executive is between efficiency and representativeness. Strong executive model may be more efficient as decision making does not require consensus of the whole council; while strong council model may be more representative as the council members represent the preferences of their respective constituents. On the other hand, council-manager configuration, in which the council appoints and contracts with a politically neutral administrator to perform the management functions, is said to preclude politically motivated patronage (Montjuoy and Watson, 1995), yet it also requires high local government capacity for implementation.<sup>23</sup> Another institutional arrangement is referred as the “Commissioner” system. Under this form of local government, elected commissioners also manage separate departments. The commissioners are both legislators and department chairs. All have equal powers even though one commissioner may have the title of mayor. This institutional arrangement blatantly violates the principle of division of power.

**Table 2.2: Separation of Powers: Institutional Mechanisms**

<i>Institutional Mechanism</i>	<i>Main characteristics</i>	<i>Benefits</i>	<i>Risks</i>	<i>Country-Examples:</i>
Strong Executive	The mayor decides public policy and has a strong symbolic role in representing the locality.	Mayor can undertake swift public policy measures.	Local councils are often marginalized.	Cote d’Ivoire, Uganda*, Pakistan, Philippines, Ethiopia
Strong council (parliamentary system)	The election of a mayor by the council, usually from council members.	District Council can have sanction power in case of misconduct.	Local governments cannot implement sound policy decisions.	Rwanda, Guinea, Burkina Faso, Angola, India (Kerala), Tanzania, Indonesia
Council-Manager	The council appoints and contracts with a politically neutral administrator to run and manage the city.	Combines the strong political leadership of elected officials with the strong managerial experience of an appointed administrator. Such an arrangement can preclude politically motivated patronage.	Requires high capacity level among government to institute such a mechanism.	Canada, Australia, Netherlands, New Zealand
Commissioner	The commissioners are both legislators and department chairs.	All have equal powers even though one commissioner may have the title of mayor.	The system may violate the principle of separation of powers.	India

\* Uganda had this system until last year.

Table 2.2 shows that most developed countries follow a council-manager format of separation of powers between legislature and executive at the local level, while our case studies, which cover developing countries, portray a variety of institutional mechanisms. Some countries, such as Angola and Pakistan,<sup>24</sup> follow a strong executive model, whereas Rwanda and Guinea follow a

<sup>23</sup> It has been suggested that city managers are more likely to pursue policy innovations than elected mayors because they are ostensibly more guided by actual effectiveness and efficiency, rather than short-term electoral considerations and pressure group demands, which would have been the case with elected political executives (Montjuoy and Watson, 1995). City managers are not subject to frequent turnover and thus are more likely to ensure policy continuity and to have credible commitments to other actors in local development (Clingemayer and Fejock, 1997).

<sup>24</sup> The case of Pakistan is interesting. The strongest figure in the Pakistan local government is that of district mayor who heads both the council and the executive. He is indirectly elected by the council. Therefore, it is not very straightforward to categorize the system of local government.

strong council model. The degree of separation of powers in all ten case studies is further examined in Table 2.10. The table shows that local governments in Guinea, Burkina Faso, Rwanda, Angola, Kerala and Tanzania have strong councils where the mayor or president is obliged to implement council's decisions without veto power, particularly in controlling municipal accounts, directing administration and local police. On the other hand, Ethiopia, Philippines and Uganda subscribe to a strong executive model, where the mayors enjoy considerable decision-making powers. Going further into the details, we observe that Angola is the only case where mayor (head of the council) is not elected by the council. In addition, in Tanzania elected and unelected branches of local government both have legislative powers that further blur the executive-legislative division of governance responsibilities. More importantly, in Angola, Burkina Faso, Guinea, Rwanda, and Uganda, the mayor of the council is also the head of the executive, thereby eliminating the separation of powers between the legislative and the executive branch of the government.

At this point, it is also imperative to note the difference between *de jure* and *de facto* as certain political and social factors affect the implementation of the rules. It is often observed that the local government employees are beholden to the ruling party administration. In Ethiopia, for example, the *woreda* councils seem to function mostly as arms of central control at the local level. Strong executive model of Ethiopia facilitates such control. Similarly, in Guinea, although the decentralization code entitles *tutelle* authorities to dissolve local councils, as well as the representatives of the executive branch, including the mayor, this rarely occurs. The only actors who have taken such an action are state representatives with strong ties to national party politics.

Kerala, however, is an example where there is a clear separation between local executive and legislature, both *de jure* and *de facto*. The councilors represent each ward at the municipality level; they select the chairperson, the vice chairperson, and chairpersons of the standing committees from amongst themselves. The chairperson is a full-time functionary and the head of the council as well as the *ex-officio* member of every standing committee. In municipal corporations, the mayor is the head of the council and the municipal commissioner—a civil servant appointed by the central government—is the executive head. The secretaries of municipalities and municipal corporations are government servants while the staff belongs to the municipal common service.

Separation of powers between executive and legislature can, however, only be fully effective if there is an independent arbitrator between the two branches of government and between the government and the citizens. In many countries, this is done through administrative courts or alternative dispute resolution mechanisms that mediate between local governments and citizens about administrative actions, such as land use, zoning, and business regulations. Every case-study we observed has established formal court system except for Angola (see Table 2.10). Kerala, for example, has a well-defined judiciary system at the local level. There is a functioning court system with district courts that deal with civil and criminal cases in their jurisdiction. Some village *panchayats* are trying to develop a *panchayat* level civil dispute resolution system known as *Gram Nyayalaya* with the agreement of institutions such as *Lok Adalat* (local court) and Legal Service Authority. In Tanzania, there are ward tribunals in addition to the executive and legislative officials at the sub-national level. These ward tribunals are administratively under the district council but are functionally part of the judicial structure. In Burkina Faso and Rwanda, conflicts resulting from local government actions are brought to the attention of Ombudsman, an independent mediation institution created especially to settle such differences.

However, access to formal court system is challenging for average citizens. The court system is only partially accessible and affordable to ordinary citizens in Ethiopia, Kerala, Guinea, Burkina Faso, Rwanda, Philippines, Pakistan, Tanzania and Uganda. In such scenarios, informal conflict resolution mechanisms play a crucial role in mediation practices. Majority of case-studies we

observed have alternative dispute resolution mechanism (Table 2.10). In many cases, the informal dispute resolution mechanism is much more frequently used than the formal system. For example, in Guinea, although citizens can bring their complaints against the local government to the *tutelle* authority, they tend to refer to the “Council of Wise Men,” an informal traditional system. Its members are nominated by community consensus, and it mediates disputes within and between families as well as resolves land issues. In Burkina Faso, traditional chiefs also sometimes act as intermediaries between local authorities and citizens in inheritance and land issues.

### **2.1.2. Existence and Quality of Local Electoral Systems**

Elections are the cornerstone of any democratic system and largely perform two functions – representation and accountability. Through elections, citizens elect the candidates that best represent their preferences, and through the possibility of re-election, hold them accountable. Therefore, electoral systems shape the incentives of both the elected officials and the citizens and make the elected officials more responsive to citizens’ preferences. In this capacity, elections can act as an empowerment tool particularly for the marginalized groups to express their own choices. Competition among local politicians increases the chances for vulnerable groups to be included in decision-making (Lankina 2008).

The two main electoral systems are proportional representation (PR) and majoritarian or first-past-the-post systems.<sup>25</sup> Under proportional representation system, an incentive exists for candidates or parties to seek out positions favored by even fairly small groups of voters (Mueller, 1996).<sup>26</sup> The straightforward implication of proportional representation system is that there will be numerous political parties, each political party catering to the median voter of each cluster of voters. On the other hand, in majoritarian system with single-member districts, only two parties will emerge as major parties.<sup>27</sup> That is why majoritarian system is also sometimes called two-party system.

The other distinction between the two systems is the extent to which the two systems can hold the government accountable. In PR systems, the accountability of the elected representative is limited, because “in choosing a party to support, the voter cannot predict the legislative outcomes his vote will help produce, but he should be able to make a reasonable prediction of the stance his party will take on the issues at stake” (Mueller 1996: p: 102). The final outcome will depend on a number of factors including the characteristics of the bargaining process amongst the political parties. On the other hand, the majoritarian system establishes a direct link between a citizen’s vote for a particular party and the outcomes from the legislative process. A charge that is frequently levied against proportional representation is that it leads to political instability due to cyclical preferences as defined by Arrow in his impossibility theorem (Mueller, 1996).<sup>28</sup>

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<sup>25</sup> In the proportional representation (PR) family of electoral systems seats are shared in rough proportion with votes gained by each party, whereas a majoritarian electoral system is one which is based on a “winner take all” principle.

<sup>26</sup> In other words, the objective of proportional representational system is to form a legislative assembly with each group of voters represented in proportion to their number in the polity at large by a party or person who shares their ideology.

<sup>27</sup> The logic can be explained using median voter theorem. When only one representative can be elected from a district, a candidate can guarantee victory only by securing at least fifty percent of the vote. This characteristic encourages parties adjacent to one another in the ideological spectrum to merge and discourage minority parties (Mueller, 1996). At the same time, strategic voting also encourages the emergence of only two parties. In other words, when voters expend their vote strategically —i.e. a voter may not vote for his first choice but for the next ordinal choice he believes is more likely to win, the likely outcome is the emergence of two parties.

<sup>28</sup> Arrow’s impossibility theorem, or Arrow’s paradox, argues that no voting system can convert the ranked preferences of individuals into a community-wide ranking while also meeting a certain set of reasonable criteria. For more on the impossibility theorem see Arrow (1950).

Keeping in mind the pros and cons of two electoral systems, the preference of one system or the other depends on the extent of ideological differences that divide the citizens and the existence of minorities. For example, proportional representation system may be more suitable to heterogeneous societies.<sup>29</sup> However, most of the existing research in constitutional political economy, as outlined above, analyzes the differential impact of different electoral systems at the national level elections. Significant differences between the characteristics of local and national level governance structures warrant independent analysis of these institutional arrangements at the local level.<sup>30</sup>

Our review suggests that there are large variations in institutional electoral arrangements at the local level. Both proportional representation and first-past-the-post exist almost equally frequently at the local level in our case-studies. Some countries also mix proportional representation with majoritarian electoral rules where the winning party takes all the council seats allocated through the election. Rwanda exercised the triple balloting system during 2006 local elections, whereas Guinea applied a proportional representation system in 2005, testing it for the first time in both rural and urban communities (CRDs and CUs), as well as incorporating elements of first-past the post system. Other types of electoral systems include run-off voting, approval voting, and ranked ballot. Table 2.3 summarizes the characteristics, benefits and risks of each system along with the country examples from countries in addition to our study countries.

It is important to emphasize another point of electoral systems that distorts the incentives significantly—indirect elections. In Pakistan, only the union council is directly elected while a large proportion of the district council is indirectly elected by the union councilors. Most importantly, the head of the local government is indirectly elected by the union councilors. This implies that an incumbent district mayor is not dependent on voters but on the union councilors for his re-election. Therefore, citizens' preferences are reflected in the policy making only to the extent that the district mayor is willing to listen to the union councilors. Aslam (2009) finds using social network analysis that district mayors in Punjab are deeply embedded within familial and informal political network of politicians at the central and provincial level and therefore have an independent political standing.<sup>31</sup> Therefore, union councilor's future electoral reforms are often linked to the endorsement by the district mayors. In other words, union councilors seek the approval of their respective district mayor rather than the other way around. Therefore, citizens are excluded from the process.<sup>32</sup>

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<sup>29</sup> A number of factors may significantly affect the tradeoffs between PR and two-party systems. For example, accountability is better in the local governments, not just because of elections but also because of the proximity of the principal and the agent. Therefore, it may be easier to overcome the accountability deficit in the PR systems at the local level. Similarly, cyclicity of the policy decisions may not be a significant issue at the local level.

<sup>30</sup> There are very few systematic studies evaluating the relationship between varying institutional electoral arrangements and accountability in local governments (Packel, 2008). This is true both for advanced industrial democracies as well as developing countries. It is therefore very important to develop this research agenda further to better understand how the quality of local electoral systems, local electorate's preferences, the nature of local campaigning and the performance of elected leaders. A number of factors may significantly affect the tradeoffs between PR and two-party systems. For example, accountability is better in the local governments, not just because of elections but also because of the proximity of the principal and the agent. Therefore, it may be easier to overcome the accountability deficit in the PR systems at the local level. Similarly, cyclicity of the policy decisions may not be a significant issue at the local level.

<sup>31</sup> The network analysis reveals that district mayors in Punjab are as embedded in the political network as other politicians at the center and provincial level. The measures of embeddedness include density of network around mayors, their capacity of acting as a broker amongst politicians and their influence in terms of reach to the other members.

<sup>32</sup> Hasnain (2008) also finds (using Pakistan Social and Living standards Measurement survey 2004/05 data and data on elections from Election Commission of Pakistan) that the re-election of union councilors or union mayors is unrelated to the satisfaction of the citizens with provision of services.

Other facets of electoral laws that include those regulating nomination procedures, the characteristics of the franchise, and norms of election campaigns also significantly affect the incentive structure of the elected officials in different ways (Farrell 2001). Table 2.12 presents some of these characteristics of the electoral systems as established in our case studies. Except for Angola, no country has any restrictions on the number of parties that can contest in local elections. Almost, all countries' results show that the opposition parties have equal access to local media—a result which requires more in-depth de-facto analysis. Also, in all countries, there is an independent election organizing body, except for Ethiopia.<sup>33</sup> However, party financing laws are usually not established. Rwanda, Pakistan, Philippines, Tanzania and Uganda do not have well established party financing laws or at least they are not available to the public.

Exogenous factors can also negatively impact the effectiveness of elections in performing the function of representation and accountability. The major factor observed in our case studies is the informal power structure that exists outside the electoral systems. Voters in many local settings cast their votes based on their affiliation with the traditional leaders/tribal chiefs. They are obliged to make their vote public which prevents them from making their choices in a democratic manner (Yilmaz and Beris, 2008). More importantly, informal power structures restrict the entry of candidates into the electoral space as the current power stifle dissent to exclude certain groups and maintain strict hierarchies. For example, in the case of Punjab, the majority of the candidates who contested local elections previously belonged to the landed elite class of their communities and were related to the politicians at the national and provincial levels. Similarly in Burkina Faso, traditional chiefs frequently intercede with the deconcentrated or decentralized authorities, especially in rural areas. In the 2000 local elections, a third of the local mandates were held by representatives from “chiefdoms,” and six mayors were traditional chiefs. In Ethiopia also the *de jure* multi-party electoral competition is dominated by the ruling party. Table 2.4 presents such examples from other countries and emphasizes the detrimental effect that certain political factors can have on electoral competition and consequently on the inclusion of the citizens in the political process.

These factors can also reinforce or exacerbate the negative effects of institutional arrangements that are not deemed the most effective political decentralization practices. For example, in the case of Punjab, the effect of informal power structures worsens the distortions introduced by the indirect elections by creating more opportunities for elite capture. Particularly, when elections take place within an authoritarian centre or one-party regime, local electoral space can be used to co-opt the opposition, create a network for rent-distribution or as an instrument for divide-and-rule strategy (See Box 2.1 for more detail).<sup>34</sup> The case studies of Ethiopia and Pakistan present interesting evidence to substantiate this hypothesis.

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<sup>33</sup> Members of the National Election Board (NEB) in Ethiopia, which organizes the *woreda* and *kebele* elections, are nominated by the prime minister and approved by the parliament dominated by the ruling party. Pausewang, Tronvoll and Aalen (2002) argue that the NEB has been co-opted by the party administration.

<sup>34</sup> Interestingly, a significant proportion of our study countries carried out decentralization reforms within authoritarian centre. Therefore, it is imperative to study decentralization reforms within the context of authoritarian regimes, both theoretically and empirically, not only to understand the incentives behind decentralization but also to identify the way forward.

**Table 2.3: Institutional Electoral arrangements in local governments**

<i>Electoral arrangement</i>	<i>Main characteristics</i>	<i>Benefits</i>	<i>Risks</i>	<i>Country examples</i>
Proportional representation-	<p>Voters generally vote for a party rather than a specific candidate, electoral districts have multiple representatives.</p> <p>The share of votes received by a party is translated by a fixed formula into the number of seats to be held by that party.</p>	More inclusive of minorities and women candidates compared to first-past-the-post.	<p>Independent candidates with no political affiliation can become marginalized.</p> <p>Accountability can be compromised for representation.</p>	South Africa, Indonesia, Turkey, Germany, Sweden, Burkina Faso, Ethiopia, Guinea
First-past-the-post	Election through single-member districts through plurality votes, the person with the highest number of votes is declared the councilor, representing his/her ward.	Voters have greater clarity of the individual they are voting for which leads to better accountability.	Minority candidates may not be electorally represented.	United Kingdom, Canada, United States, Uganda, Tanzania, Pakistan
Mixed systems	Mixture of PR and nomination of district representatives.	May guarantee territorial representation, creates a transition period between other two established systems (PR and FPP).	May create confusion in representation of district candidates.	Rwanda, Angola

### Box 2.1. Institutions within Dictatorships

According to the constitutional economics literature, the primary reason for the presence of seemingly democratic institutions (for example, legislatures and political parties) is the need of the dictator to co-opt the opposing groups to thwart open resistance against the regime. Boix and Svolik (2007) argue that dictators create institutions to share information with the ruling coalition by removing moral hazard problem, thereby discouraging rebellion by the coalition against the dictator especially in the times of economic downturns. Similarly, Folch (2003) argues that dictators create institutions to convince the asset holders that their assets will be respected and protected which in turn leads to greater investment and development. The other reason identified by the literature is that these institutions are used to distribute rents, as a number of historical studies have documented.

Legislature and elections are especially presented as institutions in the literature that fulfills the above objectives. Gandhi and Przerowski (2006) suggest that consultative councils, juntas and political bureaus “neutralize threats from within the ruling elite while legislatures and parties ... are designed to counteract threats posed by groups within society” (p: 17) by providing the potential rivals with an environment of controlled bargaining. Within the halls of assembly, demands do not appear to be acts of resistance and concessions do not seem like capitulations. Consequently, rent distribution (corruption) is tolerated by the regime because it ensures the long-term loyalty of the legislature members. Elections and the resulting legislation also provide an important arena of competition over access to state resources. Blaydes (2008) suggests that elections allow the authoritarian regimes to identify the most valuable colluders, thereby, reinforcing patronage system. This pressure works the other way around as well. The distribution of the discretionary funds is also at the government’s discretion, which puts enormous pressure on the parliamentarians to ‘play by the regime’s rules’ in the parliament (Lust-Okar, 2006). As a result, voters do not vote for the candidate who is not willing to play by the government’s rules. Consequently, elections in authoritarian regimes weaken political parties, fostering personalistic cliques rather than policy-oriented organizations.

Some researchers have also pointed out that legislatures and elections may be instituted to create insider-outsider divide. In other words, dictatorial regimes have the authority to legalize some parties by allowing them to compete in elections (insider) and banning others from participating in the political arena (outsider) (Lust-Okar, 2006). They can also attempt to create cleavages within the opposition in order to dilute their clout, for example, on the basis of ethnicity. Snyder (2000) notes that a substantial number of authoritarian elites in democratizing countries have been surviving and thriving by persuading citizens of the saliency of ethnic cleavages that had not been politicized before. This strategy has resulted in the creation of multiple political parties which being the product of the military regime provide political support to it and see the survival of authoritarian system as part of their own continued existence.



**Table 2.4: Local electoral discretion and accountability: Selected Examples**

<i>Country Election year</i>	<i>De Jure</i>	<i>De Facto (good practices)</i>	<i>De Facto (malpractices)</i>	<i>Local governance outcome</i>
Kerala 2006	A legally mandated term of five years for the local elected officials; a no-confidence motion* by the members of the panchayat to remove the president and vice president; allows independent candidates to run in local elections.	Has a well-functioning State Election Commission which oversees local elections.	Independent candidates for <i>gram panchayats</i> and other local <i>panchayat</i> elections tend to have a party-affiliation.	Elections helped strengthen the institutions and mechanisms of decentralization and reduced the role of state members in legislative assembly (MLAs) in local governance.
Ethiopia 2008	Political parties have been allowed to register for local election.	Election process was daily broadcasted on radio in several languages.	No political space for opposition parties.  Members of the National Election Board (NEB) are selected by the ruling party.	Although Ethiopia has a multi-party system, the political landscape is almost entirely dominated by the ruling party EPRDF.
Guinea 2005	Both urban and rural councils are directly elected by proportional representation, for a term of 4 years.	Autonomous National Electoral Commission (CENA) – composed of representatives from most parties and civil society, in charge of administering elections.  Opposition parties were given access to state their positions in the state radio (GTG).	At the grassroots levels (Village and Cell), the ballot is not secret by law.	Lack of privacy prevents free and fair expression of voter suffrage and choice. Tribal chiefs affect the outcome of elections.
Pakistan (Punjab) 2001	The executive is subject to council oversight by law.	It has been observed councils have been successful in making decisions independent of the executive.	District mayors who are traditional and informal power holders in the area and use their political influence over union councilors.	Elite capture of electoral discretion that result in strengthening of central officials.
Tanzania 2005	There are recall provisions at the village, <i>kitongoji</i> , and <i>mtaa</i> council levels.  Election organized by National Election Committee.	Citizen grievances with the election process can be lodged through petitions in the courts which have the authority to hear and determine the outcomes.	The minister responsible for local governments continues to supervise the local elections. Only affiliates of national parties refer to recall measures.	The central control of local elections limits the political discretionary powers of the local governments and creates ambiguities in accountability structures.

\*A no-confidence motion is traditionally put before a parliament by the opposition or citizen's quorum in the hope of defeating or embarrassing a government. Similarly, at the gram sabha level, a citizen's quorum can decide to remove the president.

### 2.1.3. Nature of Party System and Structures

Another dimension that significantly changes the incentives of the elected officials is the inclusion or exclusion of political parties in the local elections. The primary function of the parties is to provide voters with information about a candidate's position on different issues.<sup>35</sup> Other than the information provision or signaling function, political parties also articulate and aggregate interests, provide channels for the recruitment of leadership, and adjudicate disputes between conflicting interests. In other words, they provide the "linkage" between the ruler and the ruled, the policy-maker and the citizen (Lawson 1980). Key factors that influence party systems include partisanship, the role of national parties in nominating local candidates, rules governing the financing of parties and candidates, the participation of disadvantaged groups such as women or certain minorities, and the availability of platforms based on ethnicity or religion.

*Partisanship and the role of national parties in local elections:* Advocates of non-partisanship in local elections maintain that local government pertains to "bread and butter" issues, which may not demand articulation and aggregation of interests and preferences of the citizens (Oluwu, 2003). Some literature also points out the disadvantages of party systems in local elections. For example, Lankina (2008) and Packel (2008) suggest that party system at the local level promotes patronage by identifying the support base of the candidate, while Ahmad *et al* (2005) suggest that elected officials may be more concerned with taking measures to ensure their promotion and advancement within the internal party structure, rather than in passing policies that benefit the community. Along the same lines, Mueller (1996) argues that political parties can restrict the elected candidates on their policy choices in a way that may come into conflict with the preferences of its constituents.

The positive and negative impacts of parties in local elections can be reinforced or exacerbated by a number of exogenous factors. For example, if the national politics is dominated by one party which has discriminate access to television, radio and state funds, party based elections at the local level inevitably favour the candidates that are representatives of the dominant national party. In these scenarios, the ruling party usually plays a dominant role in selecting candidates for local elections, formulating rules of the electoral competition and coordinating and managing elections. This is found to be the case in Ethiopia. Similarly, in Punjab, most of the district mayors were connected to the ruling party (PML-Q) in 2005 elections (Aslam, 2009). In countries, where multiple parties exist, national parties play an important role in selecting candidates for local elections. For example, in all recently decentralizing Latin American countries, including Bolivia and Mexico, local candidates are selected by national parties. These arrangements are also likely to diminish the capacity of local actors to exercise accountability on local elected officials, because their choices for selecting representatives are likely to be limited (Packel 2008).

On the other hand, holding local elections on non-party basis can exclude a large cadre of political workers that form the base of the political parties, thereby restraining the political development in the country. Non-partisan local elections in Pakistan were strongly criticized for this reason (Aslam, 2009).

The above discussion makes it clear that the advantages and disadvantages of the party based elections need to be studied in more detail. While some analysis of effect of party systems on accountability and other political variables such as representation exists at the national level, studying these dynamics at the local level is imperative since the context of the elections for

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<sup>35</sup> The accuracy of this information depends on if the candidate belongs to a "loose" party system or "disciplined" party system.

higher level of government may be significantly different than the context of the local government.

Table 2.11 shows that in our case-studies, almost all electoral competitions are held on party basis. The only countries where local elections are non-partisan are Kerala/India, Guinea, Pakistan and Rwanda. In all the countries where elections are partisan, multiple parties are allowed to contest. However, in Philippines and Rwanda, some parties are specifically not allowed to contest in the elections. In Rwanda, ethnic and religious parties are banned at the national level, while local elections are non-partisan.

**Table 2.5: Linkage between political parties and local elections**

<i>Country</i>	<i>De Jure</i>	<i>De Facto</i>
<b>Tanzania</b>	According to Multi-party system was introduced in 1995, all contestants at all levels of local government are required to have membership of a political party which is registered under the Political Parties Act. Independent candidates are not allowed to run in elections.	There are no local parties in the country. The legislation requiring party affiliation creates nepotistic linkages between national and local party politics, adversely affecting political accountability.
<b>India/Kerala</b>	Panchayats operate on non-partisan basis.	So called independent candidates for gram panchayats and other local panchayat elections tend to have a party-affiliation resulting in national parties playing an active role in their campaign.
<b>Guinea</b>	Only registered political parties were entitled to present contenders in 2005 elections, no independent candidates were allowed to run.	National party plays an active role in the selection of local candidates. De jure requires that all candidates need to be tied to a political party. Under this rule, candidates prefer to be tied to the dominant party in order to reap the benefits of being associated with a party in power, which strengthens the hand of the national party in local elections.
<b>Punjab</b>	Local elections are not non-partisan.	Aslam (2009) shows that most of the district mayors in Punjab have first degree familial links to the politicians that formally belong to a political party (majority belonged to the ruling party at the centre).

It is, however, significant to note that in many countries, majority of the candidates identified themselves with a national political party even if *de jure* elections were held on non-party basis (see Table 2.5 for the configuration of *de jure* and *de facto* linkages between political parties and local elections.). This observation can give important insights into role of political parties in local elections.

*Financing of parties:* Understanding of the local party finance systems plays a critical role in analyzing local governance structures. Corrupt practices related to covert party funding streams, influence peddling, and leveraging state resources for party purposes may compromise the faith and support of ordinary citizens in the political processes (Bryan and Baer, 2005). A recent study by the National Democratic Institute of twenty two countries highlights many areas of concern, such as the role of wealthy business interests in funding campaigns to gain access to lucrative state contracts (Bryan and Baer, 2005). Although there are established rules for party financing available to the public at least in theory in countries such as in Guinea and Rwanda, there is very little knowledge available on how political party finances play out locally. In other countries,

such as in Pakistan, accurate information about party funding sources and political spending practices is not available to the public.

*Participation of disadvantaged groups:* Without clear rules that stipulate the inclusion of certain disadvantaged or minority segments of society, an electoral system may easily engender a system of dominance by the majority groups and more powerful social groups. Exclusion of the disadvantaged and minority groups from the party system (and inevitably, a local council and government agenda)—based on race, gender, ethnicity, or religion—reflects a party agenda, undermining the interests of the excluded. In the absence of sanctions against such exclusion, downward accountability of locally elected leaders is damaged, leading to a skewed policy-making and greater rent seeking. Similarly, allowing independent candidates to contest elections is necessary to provide representation to marginalized groups whose preferences and interests do not conform to any party’s agenda or a specific minority group.

Many countries in our sample provide for independent candidates and quotas for minorities and women. Table 2.11 shows that all countries, except Burkina Faso, Guinea and Tanzania, allow independent candidates to contest elections. Angola, Kerala/India, Philippines, Rwanda and Uganda reserve seats for women and other minorities, while Tanzania reserves seats for women only. However, the legal provisions are not enough to ensure meaningful participation of women and other minority groups. The evidence from case-studies show that, as demonstrated in Table 2.6, even when there are quotas for reserving seats for women in local executive and legislative bodies, women face severe challenges to effective participation in decision-making processes.

**Table 2.6: Increasing representation of women in local government:**

<i>Country</i>	<i>Local body</i>	<i>De Jure</i>	<i>De Facto</i>
Tanzania	Ward Tribunal	Three of the Ward Tribunal members have to be women.  There are seven women’s special seats, which is around 25% of the total 25 members.	There are no legal measures in the system to address the representation of disadvantaged groups, such as disabled people or youth.
Pakistan	Union Council	Seats for women on district council must equal thirty three percent of the total number of union councils in the district; women are elected in electoral districts defined by district <i>tehsils</i> .	These measures have not proven adequate enough to provide women with meaningful participation in decision making. The female councilors have complained of discrimination in the availability of funds and participation in decision making.
Rwanda	District Council/District Executive Bureau	As provided for the Constitution, at least 30% public body seats are reserved for women (art. 49). The District Executive Bureau comprises three persons (the Mayor and two Deputy-mayors) at least one of whom is a woman.	2006 elections allowed women to earn 45% of district council seats and 33.3 % of posts in district executive committees Yet, majority are serving as “vice mayor for social affairs” rather than mayors.
India (Kerala)	Gram Sabha	The quorum has been raised from 50 to 100 (or 10% of voters with 30% women).	They can be denied access to membership in political parties, as in the case of India, where women were 20% less likely to attend <i>gram sabha</i> meetings.

## 2.2. MAKING LOCAL POLITICS DOWNWARDLY ACCOUNTABLE

Strengthening public accountability in the political arena requires some safeguards on the supply side regarding local electoral systems and local council oversight that include recalls and term limits for elected public officials. On the demand side, social accountability measures allow for citizen-initiated legislations, citizen-based committees, and other procedures, such as referendums or public protests, public petitions to adopt, amend, or repeal an act, law, or executive order. Social accountability mechanisms empower citizens to demand public hearings on policy decisions and action and to appeal to citizen ombudsman offices in local governments.

### 2.2.1. Public Accountability Approaches

*Safeguards in Electoral systems:* Political accountability is a process whereby citizens hold elected officials to account for their behaviour and performance through elections (Aucoin and Heintzman 2000). Despite many weaknesses, elections remain the principal method whereby all eligible local residents can have a voice in the electoral outcome. However, the accountability function of the elections can be enhanced by introducing a number of electoral safeguards such as recall elections. Recall provides a swifter method of holding government officials accountable than the possibility of re-election. Moreover, unlike elections, in which voter decision-making is likely to incorporate expectations for the future as well as evaluation of past actions, the decision to recall is confined more to evaluations of past actions. In Africa, recall provisions are present in Ethiopia, Guinea, Rwanda and Nigeria (Olowu, 2003). India's panchayati raj law varies across different states, but some of the most progressive legislation for recall exists in Madhya Pradesh, where the gram sabha (village assembly – open to all adult residents) has the right to dismiss the panchayat chairperson in the event of wrongdoing (Johnson, Deshinger and Start, 2005).

In our case-studies, recall elections are part of the code for all the councils except in Guinea (where only *tutelle* authorities can call for recall). Similarly, members of legislative councils can also be recalled in all countries except Tanzania. It should, however, be noted that recall alone may not engender downward accountability, can rather exacerbate it, if the only actors capable of exercising this power are beholden to national political parties (Packel, 2008). Bolivia illustrates this risk. Its law that allows council members to recall mayors has attracted attention, because of its widespread use. This provision, known as the *voto constructivo de censura* (constructive censorship vote), allows the town council to remove the mayor with a three-fifths majority vote in cases of misconduct. But in 1997, one year after the first mayors entered office following implementation of decentralizing reforms, thirty percent of them were replaced through the recall vote. This indicates, as argued by Hiskey and Selingson (2003), that the *voto constructivo* was being used as a political manoeuvre and not as an accountability mechanism. Indeed, this high use demonstrated that the recall hindered downward accountability, as mayors ended up being selected by council members, rather than being chosen by the electorate. Consequently, Hiskey and Selingson (2003) find that citizens voiced less support for the political system than in municipalities where the recall was not exercised.

Another commonly used safeguard that can foster accountability is setting term limits. Term limits can prevent local politicians from becoming entrenched in their positions and locked into relationships of patronage. In addition, it is also expected that the representatives who were recently private citizens would be more attuned to the concerns and interests of the community than career politicians (Packel 2008). On the other hand, if term limits are too restrictive, council members may not have enough opportunity to master the responsibilities of their position before their terms expire, thus impeding performance (Cleary 2007; Grindle 2006). One country that imposes term limits on local elected officials is Mexico, where mayors and local council members are elected for three years and are barred from holding the same position again for at least one term (Grindle, 2006). In our case-studies, all the countries have term limits (see Table 2.11).

*Improving local council oversight:* Local councils are the core units of representative governments. In an ideal setting, local councils make policies and laws—as representative bodies for collective decision-making—and they collaborate with the local government’s executive branch to implement their policies. Therefore, a local government where legislature has the authority to oversee the executive has a greater ability to be more responsive to the demands of the citizen. The situation in our case case-studies varies.

Table 2.10 presents a number of variables including veto power of the council over the executive, ability of the council to establish standing and ad-hoc committees and the provisions regarding no-confidence votes against the executive. A broad view at these indicators suggests that local council is relatively stronger than the executive in Punjab,<sup>36</sup> Guinea and Kerala. In all these countries, the executive cannot over-rule the council decision while the council can over-rule the decision of the executive. The council can also take decisions independently of the executive and council members can remove executive officials by no-confidence votes (except in Punjab and Guinea<sup>37</sup>). Local councils in these countries also have the ability to establish standing and ad-hoc committees to monitor the activities of the executive. In Pakistan, for example, Monitoring Committees are formed to oversee everyday business of the local government by presenting quarterly reports and suggesting corrective actions to the Executive District Officers. On the other hand, local councils in, Ethiopia, Angola and Philippines, Uganda and Tanzania have very little authority to oversee the executive. Councils have the authority to monitor the function of executive and remove executives. However, the fact that the executive can over-rule all council decisions makes the above powers of the council rather irrelevant.

Legal codes must be compared to the de facto positions. Table 2.7 shows some of these comparisons. Apart from the legal codes, a number of factors influence the effective oversight by the council. A major constraint to oversight functions is the council’s lack of capacity, to properly overview the planning, budgeting, and service delivery processes, such as in Guinea. The second constraint is the lack of incentives because of low salaries. Although executives are generally paid as full-time staff, in many settings, councillor positions are low paying and part time. In some cases, local councillors hold full-time jobs, other than their position in the council (Pelissero and Krebs 1997). Holding two different jobs simultaneously negatively affects their efficiency.

In Ethiopia, majority of the cabinet members in all woredas are also members of the council and are thus unable to objectively oversee the cabinet. In Russia, local councils in some parts of the country are packed with senior employees of medical and educational institutions, such as hospital directors and school principals (Lankina, 2004). Such councillors are less likely to adequately aggregate and articulate the preferences of the citizens who elected them.<sup>38</sup> Other countries demonstrate similar conflicts of interest. In Ghana, a third of the local councillors are formally appointed by state bodies, while in Kenya as well as Ghana, the members of parliament could be ex officio members of local councils (Olowu, Wunsch, and Ayee, 2004). In many countries, councillor positions also overlap with key patrimonial, social, or other informal power structures in the locality, therefore impeding accountability.

In addition to electoral safeguards and local council oversight, there are other country-specific public accountability tools, such as the *imhigo* process in Rwanda. *Imhigos* are formal performance

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<sup>36</sup> Punjab presents an interesting case. Although, council is strong relative to the executive branch of the government, within the council mayor who is elected by the council is very strong and also heads the executive.

<sup>37</sup> In Guinea, only *tutelle* authorities can remove executive officials.

<sup>38</sup> In some instances, public employees, such as school principals, appointed by higher-level bureaucracies on a contract basis, sit in local councils. They tend to satisfy the political preferences of regional authorities because their jobs are subject to short-term contracts, which could be revoked. Even heads of private enterprises are subject to control and manipulation by higher authorities because their tax privileges and licenses could be withdrawn at random (Lankina 2004).

contracts signed between the district mayor and the President of Rwanda proclaimed publicly. The district mayor commits to execute the measures outlined in his annual development plan, and the President makes commitment to the District for providing the required financial, technical and human resources for the fulfilment of these goals.

**Table 2.7: Public Accountability: Local Council Oversight**

<i>Country</i>	<i>Legal function</i>	<i>Strengths</i>	<i>Weaknesses</i>	<i>Governance Outcome</i>
Tanzania	Council oversees executive policy implementation and service delivery.	In the districts and municipalities, the council is the decision making political body. All committees have specific mandates that reflect council objectives.	Councils are only allowed to form up to three committees.  Councils are required to obtain permission from the local government minister.  The council's oversight role is limited by the role of deconcentrated central staff.	Local councils cannot be said to have complete discretion over the formation of these committees and cannot hold the local bureaucracy accountable for its performance.
Angola	Law 02/07 grants oversight powers to local councils through the establishment of the municipal councils (CMACS).	The CMACS is composed of diverse stakeholders, including farmers etc.	The municipal administrators can override concerns put forth by citizens in the CMACS.  Provincial Governors are still political appointees.	Councils have been used in an uneven manner at Municipal level hampering downward accountability.
Ethiopia	Council oversees executive policy implementation and service delivery.	<i>Woreda</i> councils have standing committees to oversee sector activities.	Councilors occupy dual roles as full-time executive functionaries.	This creates a conflict of interest and undermines the councilors' ability to oversee.
Guinea	CCL empowers the council to 'terminate the delegation of executive tasks.'	Executive reports to the council at each compulsory session and upon request.	There are no legal specifications for sanctions, councilors lack capacity to fulfill oversight functions.	Capacity constraints hamper the supervisory mission given to councils by law, confining it to little more than rubber stamp to executive.

### 2.2.2. Social Accountability Approaches

Social accountability mechanisms can give economically and socially marginalized groups in the society a more direct voice in the policies that local governments formulate and implement than through elections and local councils. Social accountability approaches can attempt to ameliorate the challenges of patronage, clientelism, and elite capture and are, therefore, part of broader efforts to deepen democracy and ensure a robust public sphere for citizens where they can give feedback and control government action.<sup>39</sup> These mechanisms include (i) generic legislation

<sup>39</sup> These efforts represent a new approach to democratic governance that some scholars have called "Empowered Participatory Governance" (Fung 2004). It looks at how alternative political and administrative designs can "surpass conventional democratic institutional forms on the quite practical aims of enhancing the responsiveness and

empowering citizens to demand explanations and justifications from local governments; (ii) specific bodies and processes for citizen oversight; and, (iii) political culture for citizen oversight mainly through community-driven activities.

*Generic legislation empowering citizens to demand accountability:* Some local governments have introduced legal mechanisms empowering citizens to redress grievances or request explanations of municipal legislation. Public hearings and consultations, the right to demand a public hearing, public petitions, and the right to initiate a recall or referendum are examples of such initiatives. The provision to establish non-governmental and community-based associations is a critical avenue for empowering citizens to hold their governments accountable. In Angola, the Law of Association (14/91) was the first piece of legislation to set the ground for the creation of nongovernmental organizations. The 1992 Constitution, (Article 31) guaranteed “freedom of expression, meeting, demonstration, association, and other forms of expression” of citizens. In Rwanda, the current law on District organization has enabled citizens to submit a petition to trigger the recall of any District councillor. Table 2.8 provides further examples for formalized social accountability practices that have taken effect through legislation.

**Table 2.8: Citizens demanding accountability through generic legislation**

Country	Practice	Main characteristics	Strengths	Weaknesses	Outcome
<b>Tanzania</b>	Petition	Used when councilor does not fulfill his or her duties effectively.  Request is made in writing containing at least two hundred names and signatures of the residents of the Sector with voting rights.	A number of environmental and human rights NGOs, such as LEAT, LHRC has effectively used this measure.	Rarely used by ordinary citizens.	It can be further utilized if the legal requirements of petition are better explained to citizens.
<b>Bangladesh</b>	Hartal *	A political strike where people gather in the streets and paralyze the cities.	Very effective, every elected Government has been brought down by <i>hartal</i> .	The slums are mobilized to participate and are controlled by <i>mustands</i> who are aligned to a party.	The poor do not benefit, unless perhaps to be rewarded for their participation. It has become a tool of politicians to exploit masses for narrow gains.
<b>Rwanda</b>	Public Accountability Day	District executive committee prepares a progress report to the District Council and after its approval it is presented to the public on an occasion called public accountability day.	Useful for citizens to discuss with their leaders at District level the objectives in the previous three months.	N/A	One of the regional best practices in promoting ethics and integrity in local governance.

\* *Hartal* is a political strike where people gather in the streets and paralyze the cities.

effectiveness of the state while time making it more fair, participatory, deliberative, and accountable” (Fung and Wright 2001: 8).



*Specific bodies and processes for citizen oversight:* Citizen-based committees are one of the most common forms of social accountability. These committees can take the form of citizen juries, forums for various social groups, such as the young or the elderly, and neighbourhood assemblies, among others. Table 2.9 demonstrates examples of such committees with varying functions. Scholars have acknowledged the potential of such committees for reinvigorating local politics, citizen activism, and accountability. Citizen oversight bodies can comprise all citizens in the municipality (*gram sabha* in India), several citizen representatives (vigilance committee in Bolivia), or an elected member (citizen ombudsman in Japan). A potential benefit of such committees is that they can encourage the normally passive and disinterested citizens into public life and activism (Lankina, 2008).<sup>40</sup> On the other hand, some of these deliberative forums could be logistically complicated, time consuming and dominated by local elites instead of citizens at large.

**Table2. 9: Formal Social Accountability Measures-Citizen-Based Committees**

Country	Committee	Function	Strengths	Weaknesses
Kenya	Barazas (school parliaments)	Formed to develop positive civic behavior in students.	Successful in improving the targeting of resources, teaching and learning, assessment, discipline, school management issues.	Still heavily dominated by teacher's concerns, rather than students.
Kerala	Gram sabhas (neighbourhood groups)	Allows participation of citizens in village development plans.	Intermediates between community and local government structures. Plays an important role in planning and social audits.	Elected representatives at times may dominate the agenda.
Rwanda	Community Development Committees	Operates at the cell, sector, and district levels to coordinate development activities.	Democratically elected. They gather the information via the <i>Ubudehe</i> process to be incorporated into the District Development Plan (DDP).	CDC operations are hampered by lack of funds, mainly due to delays in financial and fiscal decentralization. They lack capacity for project planning, budgeting, monitoring.
Tanzania	Village Assembly	Composed of all adult members in the village. The assembly elects a village council of 15 to 25 members. The chairperson of the Council is elected by the village assembly.	Considered the most powerful and decisive organ in the village.	Its functions as defined by the act are too broad e.g. economic and social development.  No mechanisms are in place for the assembly to remove any members before the end of the tenure.
Pakistan	Insaaf (Justice committee) (a)  Musalihati anjuman (committee conciliators) (b)  Community citizens board (CCB)	a, b: Facilitate disputes, offers mediation, arbitration services.  A CCB can be established by a group of citizens to oversee development projects and monitoring.	a,b: monitoring body to the local court system.  CCB is an attempt to include citizens in the monitoring of the local government and participation in the service delivery.	These structures are operational in only a small number of villages. Even when these structures their membership is dominated by local landed elites, family members of local landed elites, biradari/zaat head and political organizer.

\* See Annex II

<sup>40</sup> The size of the locality and its cohesiveness are important factors that determine the effectiveness of such forums (Sisk, 2001).

\*\* CCBs exist in only three percent of the 138 villages, while only forty-eight percent of the villages have committee of conciliator.

In some countries local development programs transfer discretionary resources to local governments only on the condition that they create multi-stakeholder forums, with representation from civil society, local councillors, and deconcentrated offices.<sup>41</sup> In the Philippines, for example, the Local Government Code mandates that all provincial, municipal, and village governments establish a local development council to set the direction for economic and social development and review local government budgets. One-quarter of the council members should come from nongovernmental organizations and community-based organizations (Estrella and Iszatt, 2004).

*Creating a political culture for citizen oversight through community-driven development operation:* By introducing mechanisms for marginalized groups of citizens to participate in decision-making and accountability processes, community-driven development (CDD) programs have promoted a culture of citizen oversight.<sup>42</sup> A community-based program that empowers citizens to be informed and have a say over local public expenditure creates the expectation that all programs should follow the same standards. CDD operations can have both supply-side and demand-side impacts. In the Philippines, CDD funds enable cash-strapped governments to finance projects they could not afford on their own and develop the administrative skills of municipal and *barangay* officials for inclusive and transparent local governance.<sup>43</sup> On the demand-side, CDD activities in the Philippines include the training of volunteers at the *barangay* level, which helps build confidence among community members to participate in the governance processes. In Burkina Faso, a CDD project called “Programme National de *Gestion de Terroirs*” (PNGT) seeks to involve the local people in planning for natural resources use and give them full responsibility for managing those resources within the limits of their *terroir* (“lot”). The project introduces mechanisms for community participation in decision-making and for local transparency and accountability, therefore promoting social engagement and citizen oversight through community-based operations.

### 2.3. CONCLUSION

The aspects of the governance discussed in this section—namely, separation of powers among the executive, legislative, and judicial bodies, electoral systems, and party systems—define the local political setting in which local elected officials interact with the other local actors, including the citizens. The findings indicate that there is a large variety of institutional arrangements for political competition that provide varying degrees of discretion and accountability. The examples show that despite many weaknesses, elections remain the principal method through which eligible local citizens are represented in decision making processes and can hold decision-makers accountable. However, a deeper analysis of the electoral systems reveals that institutional arrangements prevalent in many of our case countries fail to provide effective separation of powers. We also find that enough safeguards are not provided within the electoral system in some countries thus compromising accountability. Consequently, the system becomes prone to exploitation by local elites and central

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<sup>41</sup> Although these forums provide a venue for greater coordination and control, they have to be properly designed to complement the role of the local council.

<sup>42</sup> A community-driven development approach tries to improve the well being of poor people by increasing their control over the way investment resources are planned, executed, and managed. Because communities do not act in isolation but in a local space where they interact with local governments, sectoral service delivery units, the private sector, and civil society organizations, the community-driven development approach has lately been expanded into a broader local governance approach that captures the quality of these local interactions (Helling, Serrano, and Warren 2005; McLean et al. 2006).

<sup>43</sup> Phase II Report: Philippine Case Studies Of CDD And Local Governance, (October 7, 2008).

authorities. These circumstances give rise to a situation where citizens are excluded from the decision making process.

In terms of social accountability, there are a number of successful cases of citizen-based committees (for example, see Table 2.9) that are formed either formally, through legislation, or created informally through the efforts of citizens themselves. Yet, a large number of these citizen-based committees seem to be suffering from capacity needs and from the domination of the committee agenda by the local officials, which in turn constrict the space for citizens to demand accountability from local authorities.

Our review also identifies a number of areas where more research is required to comprehensively understand the effects of different institutional arrangements on number outcomes such as accountability and discretion. For example, there is very little research on how the party structures (partisan and non-partisan) affect electoral accountability in the local setting. Moreover, our occasional comparison between *de jure* and *de facto* electoral competition has shown that political landscape of the country significantly affects the de facto outcomes. For example, the decentralization process in authoritarian regimes yields different results than the decentralization process under democracies. Those differences are rarely explored in the current decentralization and local governance literature.

**POLITICAL DISCRETION AND ACCOUNTABILITY\***

**Table 2.10: Separation of Powers: Institutional Mechanisms and Functioning of the three branches**

Countries <sup>1</sup>	ANG	BF	ET	GN	KER	PH	PUN	RW	TZ	UG
<i>Overall institutional arrangement (1)</i>	SC	SC	SE	SC	SC	SE	SE	SC	SC	SE
<i>Is mayor elected by the council?</i>	○	●	○	●	●	○	●	⊙	●	○
<i>Do councilors select the chairperson among council members?</i>	○	●	○	●	●	○	●	●	●	○
<i>Is the mayor also the chairman of the council?</i>	●	●	○	●	⊙	○	●	●	●	●
<b>Executive(2)</b>										
<i>Does the executive have veto power over council decisions?</i>	●	○	●	○	○	●°	○	○	●	⊙
<i>Can the executive occupy dual role/employment?</i>	⊙ <sup>φ</sup>	⊙	●	○	○		○	⊙	○	○
<b>Legislature (Local councils)(3)</b>										
<i>Can councils take decisions independently of the executive?</i>	○	●	○	●	●	●	●	●	●	●
<i>Does the council have veto power of executive decisions?</i>	○	●	⊙	●	●	⊙	⊙	●	●	●
<i>Can council call executive for hearings/ask for testimony?</i>	○	●	⊙	●	●		●	●	●	●
<i>Does the council receive periodic reports from the executive?</i>	○	●	⊙	●	●	●	○	●	●	●
<i>Do local councils have the authority establish standing committees?</i>	○	●	●	●	●	●	○	●	●	●

Countries <sup>1</sup>	ANG	BF	ET	GN	KER	PH	PUN	RW	TZ	UG
<i>Do local councils have the authority establish ad-hoc committees?</i>	○	●	○	●	●	○	○	●	●	●
<i>Can the councilors hold other positions? (eg. employees of medical/senior institutions)</i>	●	●	●	●	●	⊙ <sup>α</sup>	●	⊙	●	●
<i>Can council members to remove executive officials by no-confidence vote?</i>	○	●	●	●	●	○	○	●	●	●
<i>Can citizens remove councilors from office./trigger a recall</i>	●	○	●	○	●	●	○	●	○	●
<b>Judiciary(4)</b>										
<i>Is there an effective formal court system?</i>	○	●	●	⊙	●	●	●	●	●	●
<i>Are local courts easily accessible to average citizens</i>	○	○	⊙	○	⊙	⊙	○	○	⊙	⊙
<i>Is there an informal court system/alternative dispute resolution mechanisms</i>	●	●	●	●	●	○	●	●	●	●

(1) SE=Strong Executive, SC=Strong council, CM=Council manager, CO=Commissioner

(2)- (4) ●=yes; ○=no, ⊙=partial; N/A= non-applicable, information not available

\* The findings indicated in this table represents "de jure" situation on political decentralization. Laws and regulations are often not implemented as such and there are significant differences between "de jure" and "de facto", which is discussed in the above section on political discretion and accountability.

\*\* Country Coding: ANG=Angola; BF=Burkina Faso; ET=Ethiopia; GN=Guinea; KER=Kerala (India), PH=Philippines; PUN=Punjab (Pakistan) ;RW=Rwanda; TZ=Tanzania; UG=Uganda

○ But council can over ride veto with 2/3 majority.

⊙ In Guinea, Burkina Faso and Rwanda, there are incompatibilities in law about whether the executive can occupy dual employment.

α Not during office hours and not if its conflict of interest

**Table 2.11: Electoral Systems in Case Study Countries**

Countries Component*	ANG		BF		ET		GN		KER		PH		PUN		RW		TZ		UG	
	Exe	Leg	Exe	Leg	Exe	Leg	Exe	Leg	Exe	Leg	Exe	Leg	Exe	Leg	Exe	Leg	Exe	Leg	Exe	Leg
<b>Overall electoral arrangement</b>																				
Type of electoral system(1)	RB	RB	PR	PR	PR	PR	PR	PR	FPP	FPP	FPP	FPP	FPP	FPP	MS	MS	FPP	FPP	FPP	FPP
District (constituency) size (2)	N/A	N/A		L	L	S	L	L	L	L	L	L					L	L	L	L
Type of Voting system (3)	SW	SW	MW	SW	SW	MW	SW	SW	SW	SW	SW			SW	SW	SW	SW	SW	SW	SW
<b>Electoral Discretion and Accountability (4)</b>																				
Are local officials elected through direct elections? $\phi$	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Are there election thresholds(3)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Can multiple parties run in elections?	N/A	N/A	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Are parties outlawed in local elections?	N/A	N/A	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Are local elections partisan?°	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Is there an election committee as an organizing body?(4)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Does the election committee function independently of executive?	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Are there recall elections?(5)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Are there Term Limits?(6)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Are there quotas for women?(7)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Are there quotas for other	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•

Countries Component* minorities?	ANG		BF		ET		GN		KER		PH		PUN		RW		TZ		UG		
	Exe	Leg	Exe	Leg	Exe	Leg	Exe	Leg	Exe	Leg	Exe	Leg	Exe	Leg	Exe	Leg	Exe	Leg	Exe	Leg	
Can national parties affect the outcomes of local elections?(8)	○	○	●	●	●	●	●	⊙	●	●	●	●	●	⊙	●	●	●	●	●	●	●
Can traditional leaders affect outcome of the elections?	●	●	●	●	●	●	●	●	⊙	●	●	●	●	●	○	○	●	●	●	●	●
Can independent candidates run in local elections?(9)	●	●	○	○	●	●	○	○	●	●	●	●	●	●	●	●	○	○	○	○	●

(1) Type of voting system: PR=Proportional Representation, FPP=First past the post, MS= Mixed Systems, (includes RV =Runoff voting, AV= Approval Voting, RB=Ranked Ballot)

(2) District (constituency size): L= Large, S=Small

(3) Type of voting system: SW= Single-winner (includes binary voting, ranked voting, rated voting). MW= Multiple winner (non-party list systems, party-list PR, additional member system, parallel voting). Small constituency size is correlated with SW system, and large constituency size is correlated with MW system.

(4): ●=yes; ⊙=partial; ○=no, N/A=non-applicable, information not available

\*Exe=Executive; Leg=Legislature

φ In the case of Pakistan, for example, both executive and council officials at the district level are indirectly elected, whereas electoral college (union councilors) is directly elected.

° In a number of countries, parties with ethnic/racial/religious affiliations are banned during local election. However, in reality, local candidates run on a partisan basis.

**Table 2.12: Party Systems in Case Study Countries**

<i>Countries</i>	ANG	BF	ET	GN	KER	PH	PUN	RW	TZ	UG
<i>Are there limits on the number of political parties?</i>	●	○	○	○	○	○	●	○	○	○
<i>Are there quotas for women in political parties?</i>	●	○	○	⊙	○	○	●	●	○	○
<i>Are there quotas for ethnic/religious minorities in parties?</i>	○	○	○	○	○	○	●	○	○	○
<i>Do the opposition parties have access to media to express their opinions?</i>	●	●	●	●	●	●	●	●	●	●
<i>Are there established rules for party financing?</i>	●	●	●	●	●	●	○	○	○	⊙
<i>Are party rules and systems available to public?</i>	●	●	⊙	●	●	●	○	●	●	●

(1) ● =yes; ⊙=partial; ○=no, N/A=non-applicable, information not available



### 3. Local Administrative Discretion and Accountability

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In many countries “political and fiscal devolution may have proceeded apace, but administrative changes may only approximate deconcentration,” and the result is “weakened accountability for service delivery, conflicts of interest” (Ahmad *et al*, 2005, p: 10) and the reduced conformity to the local demands. The local governments need to be endowed with administrative autonomy in order to be able to respond to local needs effectively. World Bank (2008) identifies three broad powers as being crucial for local governments to be administratively autonomous: to make, change and enforce regulatory decisions and laws; to govern a procurement system (based on national standards); and to make civil service and employment decisions.

The purpose of this chapter is to review the practices being followed in our case countries in three different aspects of administrative discretion as listed above. We study the local government regulations in these countries to understand the level of discretion that exists and make some comparisons between *de jure* and *de facto* practices. Service delivery responsibilities are a key component of local government discretion. Review of our case studies suggests that while local governments have the regulatory ability over some local issues, their administrative ability is curtailed because of restrictions on procurement processes and management of civil service and other employment. Consequently, local governments cannot deliver their responsibilities effectively. While citizens in some countries (for example India, Kerala) have proactively devised methods to hold the local governments administratively accountable, overall the administrative accountability structures are not well-developed.

#### 3.1. FACTORS AFFECTING LOCAL ADMINISTRATIVE DISCRETION

##### 3.1.1. Ability to Regulate

As part of administrative autonomy, local governments need a minimum set of powers and capacities to initiate regulatory legislation on issues affecting their jurisdiction. Their powers usually extend to local economic development, land use planning and management, zoning, and public safety – and in certain cases, to some aspects of public health, social protection, education, and environmental protection (World Bank, 2008).

Local governments have two characteristics that allow them to institute regulations that are closer to citizens’ preferences thereby improving allocative efficiency. Firstly, since local government’s jurisdiction comprises lesser number of people, the interest and preferences of citizens are not as varied as in larger geographical areas. Therefore, it is possible for the local governments to be flexible to different interests and at the same time regulate on more specific subjects.<sup>45</sup> The smaller constituency size of the local governments also allows them to aggregate the preference of the citizens more effectively thereby reducing information asymmetry between the regulatory authority and the citizens. Secondly, local governments can enhance the use of local information to formulate policies that are most effective in specific local contexts. In other words, powers that enhance the discretionary authority of the local governments allow them to take effective and efficient “actions concerning [those] who can benefit from given resources or opportunities, how, and to what extent” (Agrawal and Ribot, 1999, p: 480).

For example, while formulating land zoning laws and regulations for issuing building permits, one locality may put a heavier premium on preserving historical sites while the other locality may prefer commercialization. Only if local governments have the discretion to regulate the

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<sup>45</sup> Central government might define certain minimum standards that local governments should adhere to in the formulation of more specific laws that are more amenable for each locality.

zoning laws in their localities, would they be able to cater to varied preferences of different localities, have better information about the preferences of the citizens and assess effectively the impact of certain restrictions on environment or preservation of historical sites in specific localities. Empirical research substantiates these arguments. For example, Vandergeest (2007) shows that local governments are the most effective regulators in environmental regulatory networks for shrimp farming in Thailand. However, it should be noted that in certain sectors some regulatory authority needs to be maintained at the centre, for example health. Please see Box 3.1 for more explanation.

**Box 3.1. Health: Regulatory discretion to the local or the central government?**

Some services, for example, health services do not present a very good case for complete decentralization of regulatory and service provision authority to the local level. The services that have the following two characteristics require cautious decentralization of regulatory and service provision authority. First, the services for which the non-excludable externalities (or spill-over effects) are spread over a large area (larger than the local government jurisdiction), the theoretical argument for decentralization is weak. The local government would ignore the larger externality effects of these services while deciding the quantity of these services at the margin. Therefore, in such services if service provision and policy making authority is left completely at the behest of the local government, most often the services suffer at the hands of the services that are excludable and more visible to the citizens. Health case study substantiate this argument by arguing that decentralization leads to over allocation of resources for curative health and under allocation for preventive health services.

Secondly, the autonomy to regulate the services that require technical expertise and knowledge should be maintained at the central level. For example, health case study argues that local preference may not always conform to the practices that are well-established as effective for public health. In other words, the knowledge that is required to ensure the adequate quality of health services may be lacking on part of the citizens as well as the local governments. Similarly, recruitment of skilled staff at the local level may be difficult.

Our review of the extent of regulatory discretion in different countries finds mixed results. Table 3.3 suggests that most countries have regulatory powers over functions like cleaning, cultural and entertainment activities, traffic and parking, maintenance of public property, and local businesses including retail and livestock. In other areas, such as land zoning and acquisition, land assignment and use, building permits and construction regulation, the configuration of local government authority is more varied. Kerala/India, Philippines and Rwanda are the only countries in our sample that have regulatory authority in all of the above mentioned areas. On the other hand, Punjab/Pakistan has full autonomy in some of these areas while Ethiopia, Tanzania and Uganda are restricted in most of these domains. The most commonly restricted areas are social protection, environmental protection, crime prevention, local tourism, provision and maintenance of local sport facilities and regulation of retail and agricultural businesses. The partial authority of local governments over regulation in crime prevention, social and environmental protection is understandable because these public goods are partially non-excludable at the national level.<sup>46</sup> On the other hand, local tourism, provision and maintenance of local sport facilities, and retail and agricultural business are purely local goods.

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<sup>46</sup> In other words, externalities of environment and social protection fall beyond the jurisdiction of local government. If one community provides environmental protection, other communities also benefit. As a result, no community has a personal incentive to provide environmental protection. On the other hand, local tourism also has positive externalities for other communities but the community providing the tourism facilities can reap the benefits in terms of profits. The

Generally, Burkina Faso, Guinea and Angola have the narrowest regulatory powers, while Kerala/India has the broadest regulatory discretion, followed by the Philippines, Punjab/Pakistan and Rwanda. There are also cases where the authority is not prescribed at all in the local government code. For example, in Angola, the code is silent on the division of regulatory authority in local businesses, for example, barbers, local restaurants and other retailers.

In addition to the ability to regulate, local governments also need the power to change and enforce these laws and sanction non-compliance. One such tool is administrative penalty that is applied through a locally issued ordinance and administered by a local governing body, such as a local council or a special committee. The penalties usually entail monetary fines or the revocation of licenses or rights related to, say, an economic activity or land use. Although sanction authority requires a qualified workforce to monitor non-compliance, endowing local governments with such an enforcement power could prove more practical and cost-effective than prosecution through litigation.<sup>47</sup> In our case-studies, however, we observe that none of the countries have the authority to sanction non-compliance with the directives issued by the local governments, except Rwanda and Guinea.<sup>48</sup> This inability of the local government seriously diminishes its regulatory authority. Another factor that can restrict the regulatory authority of the local government is the need to adhere to certain minimum standards set by the national government. While it may be desirable to prescribe to the minimum standards sometimes, those standards that are too stringent can leave the local government paralyzed. We find this to be the case in Ethiopia, where the local government primarily remains accountable to targets set at the higher level of government rather than to the priorities defined by its constituents. Similarly, in Guinea and Burkina Faso, the deconcentrated bureaucracy is stronger relative to the local government which limits local governments' discretion.

### **3.1.2. Discretion to Procure and Administer Services**

Expanded mandates and responsibilities for the provision of new services require that local governments be endowed with discretion over processes for procuring goods and services. The procurement contracts can take many forms including service or management contracts, leases, concessions, joint ventures and full or partial ownership.<sup>49</sup> The ability to carry out these arrangements requires flexibility in procurement laws and regulations. Procurement process can be divided into a number of steps that include specifying goods and services to be procured, designing the contract, selecting suppliers, appraising technical and financial qualification of the bidders, managing bid process, finalizing bid process and contract management. While the role

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argument can be made that because of the positive externalities, each local community would provide less than the optimal quantity of the local tourism but Coase theorem suggests that these kinds of externalities can be internalized through exchange between the communities.

<sup>47</sup> Administrative penalties do not replace criminal prosecution, and the legal system is important for local administrative autonomy. Enforcing local administrative rulings would be effective and legitimate only when there is recourse to challenge local government decisions. As discussed in section 2, the existence of a specialized administrative court system for local affairs would be instrumental in establishing checks and balances between local executive and legislative bodies.

<sup>48</sup> In Rwanda, the District Law provides Districts with the ability to impose administrative penalties to those who contravene to instructions or decisions of the council (article 47). The penalty consists of a fine of ten thousand Rwanda Francs (about 20USD). The Mayor of the District is also supposed to inform the Police Commander in the District who will prosecute the person in case (s)he does not respect the instructions. The concerned citizen always has the possibility to file a charge with a competent court if (s)he feels the sanction is not justified. In Guinea, local governments can edict police decrees for public order and security as well as public health and hygiene purposes. The Code of Local Collectivity (art. 314-3) entitles local governments to impose a fine ("*amende*") to citizens that contravene such police decrees. Modalities for the payment of the fines are defined by the local executive.

<sup>49</sup> Private sector participation in service delivery through service and management contracts, leasing, concessions and joint ventures alleviates pressures on budgets. It also brings skills and knowledge, improves the efficiency of service delivery and insulates operations from political interventions.

of the local government in each of these processes can vary significantly, an important requirement for adequate discretion is that the local governments have clearly defined roles in each of the above mentioned processes. Generally, the greater the role of the local government in the above-mentioned processes, the more ability it has to respond to the demands of the public.

Our findings (see Table 3.4) suggest that procurement discretion of a local government usually does not vary across types of procurement contracts. For example, Ethiopia, Philippines and Kerala have the authority to engage in all kinds of procurement contracts including service contracts, management contracts, lease concessions, joint venture leases and full or partial ownership. On the other hand, Uganda and Tanzania only have partial authority to enter into all these types of contracts with private or non-governmental sector. However, a constrained area in particular is the ability of the local government to enter into full or partial ownership contract with the private sector. This procurement mechanism requires substantial participation of private sector and is restricted in Angola, Guinea, Tanzania, Uganda and Punjab. Leases and joint venture leases require relatively less participation of private sector than full or partial ownership but significantly greater participation than service and management contracts and concessions. Consequently, these two types of contract are the second most frequently constrained areas for procurement of local governments.

Regarding the participation of community, local government and executive in the procurement process, we observe that only in Kerala, Philippines and Punjab, local governments are fully empowered to carry out the procurement processes. In Rwanda, community representative also actively participate in all steps of the procurement process. On the other hand, central government intervenes in Burkina Faso and Guinea in all the procurement phases overshadowing the role of local government in the process. In Tanzania and Uganda, however, bureaucracy is completely in charge of the procurement process.<sup>50</sup>

One phase of procurement in which central government almost always participates is the appraisal of technical and financial qualification of the bidders. The intervention is understandable because a variety of expertise is required for different projects and it is very difficult for the local government to acquire such variety of specialized expertise. For example, acquiring medical equipment for local health centre requires services of a health professional while acquiring materials for road construction requires services of a civil engineer. Therefore, the participation of bureaucracy or the higher levels of government is necessitated in the procurement process. This necessity, however, compromises the ability of the local government to act according to the preferences of its constituents and, requires innovative approaches to involve citizens in the process despite the technical nature of the procurement processes; Kerala presents an example of an innovative structure where citizens provide oversight of procurement process through beneficiary committees (see accountability section for details). Citizens beneficiary committees, however, face a number of challenges such as non cooperation of government engineers and sometimes control by vested interest.<sup>51</sup> With the exception of Kerala and Rwanda, community participation in procurement process is very minimal. In Ethiopia, Burkina Faso and Guinea communities are only involved in identifying needs for goods and services. Even where the community participates, the participation is limited due to the dominance of bureaucracy in the process.

In addition to the lack of technical expertise, other factors can also severely limit the discretion of the local government. These factors include insufficient training in other aspects of process, for

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<sup>50</sup> In Tanzania, the Public Procurement Act, No. 21 of 2004 provides for the establishment of tender boards as key bodies for the procurement process. The procurement regulations were changed to exclude councilors largely because councilors were found to be engaged in corrupt practices. But the field visits by Steffensen et al (2004) revealed that in 2003 most of the councils visited still had elected councilors on the council tender board.

<sup>51</sup> This is the problem of elite capture which we find to be rampant in many different contexts.

example accounting and paucity of budget available to the local government. Both these issues were rampant in many of our case countries. Particularly, lack of capacity was found to be the restraining factor in Tanzania, Rwanda, Burkina Faso and Guinea. Therefore, a plan of devolving the procurement function to the local government must be accompanied by training of local staff in procurement practices. It should also include other strategies to strengthen the local governments' technical expertise.

It should be noted at this point that the above findings are applicable to the projects where the value of procurement is below a certain threshold. In most countries, the process of procurement is handled at the higher levels of government without any participation by the local government if the value exceeds a specified threshold. Therefore, threshold is another instrument that the government uses to control the discretion of local government in procurement process. We find that there is a lot of variation in these thresholds in our case countries. For example, in Burkina Faso, the procurement is handled by higher levels of government if the value of procurement exceeds \$2000. On the other hand, this threshold for Rwanda is \$350, 000.<sup>52</sup>

### ***3.1.3. Discretion over Civil Service and Employment Policies***

Civil servants form a crucial link in bringing government closer to people by bringing public sector activities and decisions in line with the popular preferences. Human capital is an essential form of resource that the government needs to control in order to operationalize the government activities. The relationship between decentralization and civil service management is a two-way process. The behaviour of civil servants has important consequences for government performance in a decentralized setting. Conversely decentralization alters both the incentives of and the demands on the civil service (Green, 2005). Therefore "civil service management—or more broadly human resource management—should be seen as an essential component in the design of decentralization rather than a separate, stand-alone process" (Green, 2005, p: 129).

Local government competency and discretion over civil service and employment policies ideally covers pay policy autonomy (setting overall wage rates as well as local hardship and remote allowances), budget transparency (paying staff from one's own budget), budget and establishment control (controlling staff numbers and authority to remove surplus staff), recruitment autonomy (recognition as formal employer), career management control (vertical and horizontal mobility, including transfers to other units within the local government system), and performance management (directing and supervising activities and tasks, conducting evaluations, and exercising the ability to discipline and fire) (Evans, 2004). The discretion over these functions allows the local government to hold staff accountable and to allocate staff efficiently by aligning their skills with local activities while managing financial resources. For example, pay policy autonomy and performance management not only enhance the accountability of the local staff to the local government but also gives the local government authority over managing fiscal resources. In other words, if the local governments are not in control of each one of the above mentioned functions, the structures of accountability remain misaligned.

Table 3.5 illustrates the distribution of local government power over different functions that determine the degree of discretion in civil service and employment policies. The observations indicate that the civil service rarely enters the decision calculus of decentralization design and is not recognized as essential to successful decentralization. Almost in all countries, local governments hardly have any authority to make decisions on employment policies as central

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<sup>52</sup> Although we cannot make conclusive comparisons between different countries without normalizing these amounts using purchasing power parity but the large range of thresholds does indicate the importance of this variable in assessing the administrative discretion of the local government.

governments participate in every aspect of the employment management including budget payroll, recruitment, setting up standards, and even performance management. Local government in Guinea does not even have partial control over any civil service and employment activities. Burkina Faso (at least according to the local government code) and Rwanda relatively have more authority in the area of civil service and employment as compared to other countries in our sample. However, even they lack authority over key functions such as controlling staff numbers in individual local offices and facilities.

One of the major arguments in favour of the retaining of the employment and civil service by the central government is the need to identify and enforce national minimum standards for qualification of the civil servants, which for some services like health and education, become particularly important. The sectoral case studies emphasize this point (see Annexes I and II). Furthermore, the public choice literature elucidates reasons for why central governments are reluctant to devolve power in the area of civil service and employment. One such disincentive is the potential redistribution of power that results from devolving civil service to the local government. Granting administrative autonomy to local governments in civil service management means reallocation of jobs and consequently power, geographically and institutionally. Therefore, bureaucracies—the power holders in status quo prior to decentralization—tend to resist reforms as they stand to lose prestige and prospects for career enhancement. Our education sector study strongly indicates the presence of such conflicting interests to be the reason for the resistance to reform (see Annex I). This resistance is particularly marked in situations where bureaucracies maintain strong links with the central executive and possess political allegiances. Ascendancy of un-elected bureaucracy relative to the elected officials at all levels of government in many of our case countries is a colonial legacy. (See Box 3.2 for more details).

Other than the resistance from bureaucracy, the central government may also want to retain control over financial flows and human resources to the local government for political reasons. Central authorities may see decentralization as an opportunity to appoint a dependable and proven individual who will 'tow the party line' and design and implement reforms according to national political interests rather than local ones. This may be one rationale for deconcentrating rather than devolving power. Moreover, employment and civil service is an efficient medium for distribution of patronage. Our case study on Ethiopia strongly substantiates these observations. Local governments in Ethiopia are responsible for recruitment, retrenchment, hiring and firing of staff. However, the party plays major role in all these decisions, so much so that the local government cabinet members and administrators are selected from the party lists.

### **Box 3.2. Strong bureaucracies: colonial legacies**

In many countries, executive branch of the government remain ascendant in the government as legacy of colonialism. Executives were made strong, relative to the elected officials, in order to maintain control of the colonial authorities over the administrative function of the country (Jalal, 1995). However, in many instances these overbearing bureaucratic structures are retained. For example, in Pakistan, bureaucracy has not only maintained its dominance in the administration arena but has significantly become more entrenched in every aspect of political life (Jalal, 1995; Alavi, 1971; Waseem, 2006). Hence, any reorganization of power in the political landscape that gives elected authorities ascendancy over bureaucracy is strongly resisted by the powerful bureaucratic structure.

Similarly, in Francophone countries strong bureaucracies remain as legacy of French colonial rule. For example, in Guinea and Burkina Faso, bureaucratic structures inherited from French Colonial system, now known as *tutelle*, provide a strict oversight mechanism that dominates decision making and leave very little discretion for the local government.

As a consequence of these inherent disincentives, when decentralization takes place, civil service remains largely unaffected. The *de facto* transfer of authority is even less pronounced than what is prescribed in the decentralization codes (Table 3.1 summarizes these challenges along with country examples). In some countries central government officials were simply transferred to local governments after decentralization reforms were instituted. For example, in India despite the fact that most states have instituted the laws that clearly transfer the functions to the local government, the transfer of civil service authority to the local level remains incomplete. Similarly, in Pakistan despite devolution of responsibility for education to school districts, school teachers remain provincial government employees, with the elected district executive, having little authority over them (Ahmed *et al*, 2005).

**Table 3.1 Challenges to employment discretion of the local government**

Challenges	Country Examples
Transfer of functions but not the functionaries	Punjab/Pakistan, Kerala/India, Burkina Faso, Tanzania (health and education sector)
Operational control retained by the central government despite transfer of employees to the local government	Ethiopia, Tanzania
Dual control by the central and local government	Philippines, Kerala/India
Insufficient local staff	Guinea

In Burkina Faso, despite the adoption of a law that provides the local government discretion to hire, promote and fire staff at all levels of the local government, most of these decisions continue to be taken at the central level of the government and local employees remain subject to the central government regulation due to persisting resistance from civil servants.<sup>53</sup> The same situation is observed in Tanzania where teachers and health professions were temporarily exempt from the implications of the decentralization act and instead were deployed directly by the local government. In some countries the disincentives are severe enough to inhibit the hiring of local staff altogether. For example in Guinea, the *secrétaire communautaire* in most local governments cumulates all the responsibilities because of insufficient staff.

Even when local governments are recognized as the formal employer, they can nonetheless face restrictions in the use of funds transferred from the centre. China presents an example of this type of distortion where although the share of sub-national employees in total government employment is over ninety percent, the central government retains a significant degree of control over the size, structure and wage levels of civil service, while retaining significant control over career and performance management of sub-national civil service (Green, 2005). Similarly in Tanzania, although the local government is the formal employer of the local staff, the Employment Board—a body responsible for carrying out employment activities—is heavily dominated by the representatives from the central government agencies.<sup>54</sup>

In Kerala and Philippines, the “double subordination” (Green, 2005) of local government staff to the local executive and the relevant central agency creates confusion and further weakens downward accountability of local civil servants. In all of the above situations where some discretion has been transferred to the local government, the transfer pertains only to transferring

<sup>53</sup> The Ministry of Civil Service in Burkina Faso decided to keep the staff currently working in structures to be devolved to LGs under the authority of the central government, until those servants reach retirement age or leave office. In addition, the state has a policy of posting one top civil servant in all urban municipalities for the key position of secretary general local authorities cannot carry out their administrative and financial tasks properly.

<sup>54</sup> The composition of the recruitment board is as follows: three members are drawn from central government agencies on the Board and only two, a community member and a local government member, from local level.

staff burdens to local governments, without the discretion to manage civil service and hold it accountable to the local preferences. Retaining these functions at the central level do not only restrict the discretion of the local government to effectively deliver but also has consequences for the fiscal discretion, as we will see in the next chapter. Therefore, the reluctance of the central governments in this regard instructs us to look deeper into the motives, as this section has done, to make the decentralization more effective.

## **3.2. MAKING LOCAL ADMINISTRATION DOWNWARDLY ACCOUNTABLE**

Local governments need to be held accountable to ensure that misconduct and corruption are avoided in administrative functions, for example during procurement process and staff payments, and local government officials perform the job attributed to them. The contracting and implementation of public works and services suffer from a high risk of corruption and mismanagement. Civil service discretion is especially prone to abuse of power since providing jobs on the basis of political affiliation rather than merit is an effective channel of rent distribution. For example, our health case study found that in the Philippines greater discretion in civil service and employment was associated with higher levels of corruption. These challenges call for appropriate measures and actions that can be initiated by public authorities, civil society groups and citizens.

### **3.2.1. Public Accountability Approaches**

Public accountability in the administrative sphere refers to local civil servants being held accountable to their top administrative officers and to outside officials or entities such as public audit officers, ombudsmen, regulators, a particular administrative agency, or a board or committee. Public sector generally relies on four mechanisms to improve administrative accountability. These mechanisms are structures within bureaucratic hierarchies, specially designed independent bodies, administrative courts, and performance based financing.

*Accountability structures in the bureaucratic hierarchy* imply that civil servants are responsible to higher administrative officers, public audit offices, supervisors, and legislative bodies. Higher authorities may instigate investigations or audits of the use of administrative discretion by lower bureaucrats. These methods include internal control and audit, and are important as a first step to uncover information about misadministration by local governments. The issues arising due to lack of sound control and audit systems range from collusive practices in procurement in Indonesia (World Bank, 2003) to the lack of compliance with procurement laws in the Philippines (World Bank, 2004).

*Independent bodies* can conduct administrative audits on local governments. Accountability through such specially designed independent bodies emerged as a mechanism in response to increased complexities of bureaucracy and new government challenges that require specific expertise. As a result, independent agencies have become a widespread accountability measure. Examples include independent auditors (external auditors) who scrutinize the use of public funds for signs of misuse, ombudsmen who hear citizens' complaints about local governments' regulatory decisions and actions, or theme-specific bodies<sup>55</sup> (such as the anti-corruption commissions, environmental review boards, or commissions for sustainable development) that address compliance issues with sector-based standards set by the national government. These bodies may also focus on the process for administrative decisions.

The review of the accountability provisions in our case countries (Table 3.5) shows that *ex-post* audit of accounts or individual government projects are carried out by the executive (local or

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<sup>55</sup> Legislatures set up these agencies to make inquiries, to obtain information, and to issue regulations or judgments. Although their judgments may lack sufficient legal sanctions, they can cause departmental embarrassment and, to a limited extent, governmental changes in policy and decisions (Zarei 2000).



national). The only exception to this rule is Punjab where ex-post audit of individual government project is also carried out by local parliamentary audit committee. On the other hand, *ex-ante* audits of government's budget proposal and individual government proposal are carried out by the parliamentary accounts committee in most countries. The only exceptions are Guinea and Burkina Faso where these audits are also done by internal executive audit office. More importantly, the auditors do not have the authority to issue opinions or recommendations on government propositions or to advocate alternative propositions.

Similarly, accountability for certain administrative tasks is not prescribed in most countries. Where theme specific bodies (for example, to oversee environment, sustainable development or service delivery) are present they are most often under the control of central or regional governments. While participation of central government is not unusual, the participation of community in these committees or the local government is also minimal. Local government participates in these accountability bodies only in Kerala and Punjab and to some extent in Tanzania and Uganda. Guinea and Burkina Faso seem to be the most centralized countries in this respect.

Administrative courts with local expertise address local conflicts that may arise between local government and citizens from the potential misuse of local governments' regulatory and administrative decisions. They ensure compliance with national laws, regulations, and standards. A court system that can levy credible check on local government and ensure its accountability should have the authority to issue binding decisions on legal compliance by local governments. In France, for example, *les tribunaux administratifs* (administrative tribunals) are the court of first instance with "full jurisdiction" over disputes related to local government actions. However, in many of our case countries, the function of courts was found to be very limited. In Ethiopia and Guinea, local courts while accessible to the citizens are used to mediate only over petty disputes on land and domestic violence and do not challenge local government decisions.

The establishment of local ombudsman can also provide speedy, cost effective and an authoritative grievance redress mechanism. Such an ombudsman has been set up locally in Kerala<sup>56</sup> and nationally in Rwanda and Burkina Faso. The Appellate Tribunal is proposed to be set up at the district level in Kerala. It is supposed to be a semi-judicial body managed by a district judge who is appointed by the government in consultation with the high court. It has the power to hear appeals from citizens aggrieved by decisions of local governments in exercise of their regulatory power.

Performance based financing of development needs is another mechanism by which central or regional government can hold local governments accountable. According to this mechanism, provincial level government makes the financing of specific local government project dependent on fulfilment of certain pre-determined criteria. For example, in Chile, funding to local health systems is not automatic and is distributed by regional health services after their evaluation. Similarly, in Uganda under the Local Development Grant program, only the local governments that meet certain minimum governance criteria (for example adequate financial management capacity) can access funds for capital investments in development projects. The top twenty percent of the districts receive twenty percent increase in funds for the subsequent year while bottom performers are penalized by twenty percent for the next year's budget. There are indications that Local Development Grant mechanism has met with significant success since its inception and has improved planning, financial management, accountability and transparency in

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<sup>56</sup> It is a seven-member body consisting of a High Court Judge as the chairperson, other judges, and nonpolitical representatives appointed after consultation with opposition parties. However, it was found that only thirty four percent of the complaints were settled by the Ombudsman in 2001.

development projects, including greater communication of decision to stakeholder and levels of the system.

### **3.2.2. Social Accountability Approaches**

Public accountability approaches are necessary to provide channels for uncovering basic information on regulatory decisions, civil service practices, and services. Yet, public approaches alone fall short of ensuring proper use of administrative discretion. Therefore, there is a need to complement the public accountability approaches with monitoring by citizens in all fields of administrative discretion that include quality of services, procurement processes and civil service management. The advantage of social accountability is that information asymmetry is reduced as citizens—the principals—directly deal with their agents—the local government. There are many instances where citizen mobilization has affected local government outcomes. For example, Mathew and Mathew (2003) find that in the state of Rajasthan in India, public hearings with wide publicity and social mobilization forced public officials to return public money they had misallocated.

Our research reveals many innovative approaches undertaken by citizens that have significantly improved accountability of local governments towards the citizens. These approaches spread across all administrative functions of local governments including service provision, procurement process and implementation of local government contracts. These initiatives can be categorized as follows: wide dissemination of information, engendering competition, community organizations in the form of user groups and oversight councils, and consultation meetings.

*Information provision for citizen monitoring:* Making information available to the public is the starting point for many social accountability initiatives. Therefore, many governments have provisions for information dissemination. All local governments, with the exception of Ethiopia in our sample, require local governments to disseminate information regarding service delivery process. Uganda and Rwanda, for example, introduced report cards in selected districts. These report cards provide communities information about the status of service delivery in their own district relative to other districts and relative to the government standards. Community meetings were also held to publicize and disseminate the information.

Media has also become a significant channel for information dissemination. For example, in the Philippines, the Philippine Centre for Investigative Journalism institutionalizes an avenue of journalistic work that highlights issues of corruption, resource allocation and influence of local politicians on the provision of public service delivery. Similarly, in Guinea, some localities make use of radio programs to ensure information dissemination and therefore downward accountability. In Kourroussa, for example, the local government frequently uses the radio to transmit live messages to its constituents. At least twice a week, the mayor gives an interview to answer questions and respond to complaints of the audience. Some countries have also instituted special events specifically aimed at dissemination of information about different aspects of governance in the communities. For example, Rwanda organizes Public Accountability Day where local government officials open up their offices to citizens. This public meeting is held every three months at every district. Citizens are given the time and opportunity to ask questions, raise concerns, and seek explanations.

There are also indications that failure of information dissemination negatively affects the ability of citizens to hold local government officials accountable. In Ethiopia, a 2002 survey conducted by the Institute of Educational Research (IER) found that the accountability of service providers is affected by the lack of information on how and where to lodge complaints, disillusionment with the effectiveness of the national integrity system, fear of retribution by perpetrators, and absence of legal protection for whistleblowers.

Complementary to the dissemination of information and a very basic requirement for accountability is the availability of formal structures for registering grievances and feedback. We notice that many local governments do not have prescribed procedures for this purpose. Only Angola, Kerala, Philippines, Burkina Faso and Rwanda provide formal structure for registering grievances of the citizens.

*Citizen Oversight Councils:* Citizen-based initiatives complement internal government accountability mechanisms and oversee administrative processes of the local governments. A typical source of local government corruption and collusion involves drafting tender documents in ways that unfairly benefit one contractor over others. Consequently, in many countries, citizens have organized public consultations in which different parties get a chance to comment on draft tender documents before the start of bidding. For example, in Philippines, the Local Government Code defines special bodies in which accredited nongovernmental and community-based organizations have a seat on the pre-qualification, bid, and award committee for local contracts. In Argentina, the Municipality of Morón, assisted by the local chapter of Transparency International, introduced two mechanisms to monitor the contracting of the waste collection service, which had been widely criticized for alleged corruption during the previous administration (Yilmaz, Beris and Serrano-Berthet, 2008).<sup>57</sup>

Kerala also presents a good practice of citizen oversight of the procurement process. Procurement in Kerala is carried out at the local level according to the instructions provided by *panchayat* and Volunteer Technical Corp (VTC)—a body of volunteer experts created to appraise projects and plans of local bodies.<sup>58</sup> Other than the procurement process, local governments in many countries have instituted social audit committees. In India, social audit committees comprise respected individuals with impeccable reputations, who scrutinize local decision-making and publicize findings on how public money is allocated and spent (Mathew and Mathew, 2003). On the other hand, citizens do not participate in the oversight of procurement process in Burkina Faso, Guinea, Pakistan, Tanzania and Uganda.

*User Groups and monitoring local service provision:* In service delivery, public representation in service-specific institutions can channel citizen complaints and allow regular oversight. Therefore, citizens have established user groups specific to different services that ensure that services are delivered as intended by enabling the citizens to interact more effectively with the local government administration.<sup>59</sup> Usually these are multi-stakeholder councils formed by different combinations of users, civil society organizations, government, and private sector representatives. Our review suggests that communities differ widely where establishment of user groups is concerned. For example, Guinea has established Parent Teacher Associations that monitor schools and reports on absenteeism. It has also established water point committees composed of users who monitor maintenance of water points and the safety of drinking water. Similarly, in the mining sector, some companies have set up community forums comprising representatives from the community, local authorities, and the mining company. Other countries have also established user groups like health boards (Tanzania) and school management

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<sup>57</sup> At an extraordinary session of the city council, attended by 500 people, participants discussed the draft tender document with the bidders. As a result of the hearing, the contract value for waste collection services was reduced from about \$45 million to \$32 million.

<sup>58</sup> Isaac (2000) claims that because of the involvement of beneficiary committees, the nexus between the contractor, engineer and politician has been broken in a large number of local bodies. But Pillai et al (2000) report that only a small number of beneficiary committees function effectively and a number of them are controlled by vested interest. In addition, there are claims that contractors manage to be part of beneficiary committees and abuse funds (World Bank, 2000).

<sup>59</sup> The empirical record of these mechanisms is mixed, and no systematic evaluation of their effectiveness exists (Oluwu, Wunch and Avey, 2004).

committees (Pakistan). On the other hand, Angola does not seem to have user groups to monitor public service delivery.

Complementary to the user groups is the citizen charter -- a pact between the community and the service providers that spell out expectations and roles, enabling the citizens to interact more effectively with the local government. The charters specify the expected standards of the services, identify who is responsible, and outline the procedures for the redress of complaints. For example, the Citizens' Charter in the Municipality of Mumbai, India, covers detailed public services for each municipal department. Similarly, in Rwanda, *Imihigo* - following the local tradition - is a performance pact between different levels of government and between government and citizens and is taken publicly. The feedback loop between the citizens and their elected representatives and executive is strengthened by holding a number of public events, such as Public Accountability Day, where the assessment of each local government is conducted, and Annual Innovation Day, where executive secretaries who implement the best development strategies for their sector are awarded.

In Rwanda, failure to achieve targets set in the contract has arguably led to resignations of district leaders. For example, recently, in the district of Gasabo, one of the vice mayor was forced to resign after failing to comply with the requirements of the performance contract. Similarly, in Nyabihu District, the mayor was pressured by the provincial authorities to resign due to his poor performance in implementing the *Imihigo*.

In Tanzania also, similar practice is followed by instituting Client Service Charter (CSC). A CSC is a social contract between a public service provider, which may be a ministry, department or executive agency, and its users. It specifies standards of service delivery in the form of a set of commitments by the provider and provides rights of redress to users if these standards are not met. Monitoring progress towards achievement of CSC commitments is overseen by the President's office of Public Service Management (PO-PSM). The primary evaluation instrument used for this purpose is the annual service delivery survey which covers all municipal development authorities with charters.

Tables 3.2 and 3.6 suggest that communities differ widely in their attitudes and capabilities towards establishing social accountability structures. Countries like Rwanda and Kerala/India are very proactive in establishing effective mechanisms to hold the local government accountable for different administrative functions. On the other hand, in Punjab/Pakistan even the established community structures do not deliver in terms of promoting accountability of the local government. Therefore, it would be very instructive to identify different characteristics of the communities that tend to support social accountability measures compared to the societies where these mechanisms do not work.

It is also very important to note here that citizen monitoring of administrative decisions should be seen as a complement and not a substitute for public accountability mechanisms. Citizen-based actions may fail to provide effective oversight for several reasons. Firstly, local citizens often lack the knowledge to adequately assess the quality of complex services, which results in "market imperfections" (Lankina 2008). What voters can assess, are highly visible projects, whose implementation also rewards narrow clients, not the broader citizenry (Ahmad *et al.* 2005). Therefore elected officials provide only the services that are relatively excludable and highly visible at the cost of other necessary services. This was the case in the Czech Republic, where one badly performing municipality decided on a very costly, but also highly visible bridge across the river that runs through the city (Lankina, Hudalla and Wollmann, 2007). Amongst our case studies, Pakistan presents an example where politics is dominated by patronage. Most of the local government spending is on highly visible infrastructure projects, for example, road construction

and building of water courses, while non-excludable services that have wide target audience like health and education remain neglected.

Secondly, caution is needed to judge the quality of participation in community activities to monitor local government service delivery. Even if participatory mechanisms are in place, the levels of participation within the community are likely to be lower among the less economically advantaged and the benefits of the new participatory arrangements biased towards the better off sections of the community (Lankina, 2008). A study in Uganda found that education and income were determinants of membership in such key local government committees as health and school management (Azfar, Kähkönen, and Meagher, 2001). In Tanzania a study by Boon (2007) found that the selection process of district health board members and the school committees was dominated by the government. Similarly, most of the citizens' committees are dominated by either local landed-elites or government officials. Thirdly, the leverage these committees have in terms of actual impact is very negligible and insignificant. This was, for example, found to be the case in Ethiopia. However, more empirical research needs to be carried out in order to learn the true impact of social accountability mechanisms on outcomes.

**Table 3.2: Innovative social accountability practices:**

Countries	Area of intervention	Description	Local governance outcome
Kerala	Procurement process monitoring	Volunteer Technical Corps (VTC) comprising retired technical experts and professionals, panchayat secretary to appraise technical aspects of tenders. VTC also interacts with potential beneficiaries of the projects.	The collusion between the contractor, engineer, and politician becomes difficult and has been broken in large number of local bodies as reported by (Isaac, 2000).
Kerala	Service delivery and other administrative monitoring	Grievance and Dispute Redressal Body (GDRB) in Karakulam and Nellanadu panchayats comprise elected representatives, voluntary activists, women's representatives and legal experts.	Increased participation of citizens in monitoring.
Guinea	Information dissemination	The radio in Kouroussa hosts a weekly open mic session during which citizens can express their opinion about issues, make suggestions to the LG authorities or other administrative services.	The show provides a feedback mechanism from citizens to the elected officials and also provides a platform for the citizens to participate in problem solving on administrative issues.
Rwanda	Monitoring overall performance of the government	<i>Imihigo</i> is a publicly recorded performance contract among local officials. The contract is a commitment to fulfil certain development targets. The information regarding performance is disseminated through annual "Public Accountability day" and "National Dialogue" meeting.	Direct accountability of the local government officials to the citizens.

### **3.3. CONCLUSION**

The review of our case studies suggests that many countries have not been able to incorporate administrative discretion in their local government codes. If local governments have the ability to regulate in certain areas, they do not have the authority to sanction non-compliance. Similarly, local governments are not authorized to make certain types of procurement agreements and require the approval of the central government or executive. The largest restriction on the discretion of the local government that was observed in all our case-studies is on civil service and employment decisions. We observed that central governments heavily control all aspects of employment from budgetary payroll to recruitment and performance management. Therefore, it is not surprising to find that public accountability mechanisms are not strong enough to hold local government accountable for their functions in most countries.

**Table 3.3: Legislative jurisdiction and legislative authority**

	ANG	BF	ET	GN	KER	PH	PUN	RW	TZ	UG
<b>Legislative Jurisdiction</b>										
Public Safety	•	⊙	⊙	⊙	○	•	⊙	•	⊙	⊙
Land zoning	⊙	⊙	⊙	⊙	•	•	•	•	•	•
Land acquisition	⊙	⊙	○	⊙	•		•	•	○	⊙
Land conservancy	•	⊙	⊙	⊙	•	•	•	•	⊙	⊙
Land assignment and use	⊙	⊙	•	⊙	•	•	•	•	•	•
Building permits	•	⊙	•	⊙	•	•	•	•	•	•
Building and construction regulation	⊙	⊙	•	○	•	•	⊙	•	•	•
Social protection	•	⊙	⊙	○	•	○	⊙	•	⊙	⊙
Environmental protection	NP	⊙	⊙	⊙	⊙	•	•	•	•	⊙
Cultural and entertainment activities	•	⊙	•	⊙	•	•	•	•	•	•
Local tourism		⊙	⊙	○			•	○	⊙	⊙
Crime prevention	•	⊙	⊙	⊙	○	⊙	⊙	•	⊙	⊙
Fire-fighting services	⊙	⊙	•	⊙	•	⊙	•	•	•	•
Billboards and the display of advertisements in public places	•	⊙	○	⊙	•	•	•		•	•
Cemeteries, funeral parlours and crematoria	•	⊙	•	⊙	•	•	•	•	•	•
Cleaning	•	⊙	•	⊙	•	•	•	•	•	•
Facilitates for the accommodation, care and burial of animals	NP	⊙		⊙			•	•		
Local sport facilities	NP	⊙	⊙	⊙			•	•	•	•
Markets	•	⊙	•	⊙	•	•	•	•	•	•
Traffic and parking	•	⊙	•	⊙	•	•	•	•	•	•
Crisis management e.g. following flood, earthquake, storms	NP	⊙	○	NP	⊙		⊙		⊙	⊙
Maintenance of public property	•	⊙	•	⊙	•	•	•	•	•	•
Regulation of local businesses	•	○	•	⊙				○		
• Barbers	NP	○	•	NP			•	○		
• Local restaurants and other food consumption	NP	○	•	⊙	•	•	•	○	•	•
• Retail	NP	○	•	○		•	•	○	•	•
• Animal husbandry and livestock	•	⊙	•	⊙	•	•	•	•	•	•
• Agriculture	•	⊙	⊙	⊙		•	⊙	⊙	⊙	•

○= total control of the central government; ⊙= partial control of the central government; •=complete control of the local government; NP=not prescribed  
 Note: legislative authority is partial if there is an ex-ante involvement of executive or higher levels of government (for example, if local council cannot make laws without consultation with the bureaucracy). However, only if ex post intervention is observed (for example, the authority of the executive to over-ride local council's decisions) then de jure legislative authority is totally in control of the local government.

**Table 3.4: Discretion over procurement**

Types of Contracts	ANG	BF	ET	GN	KER	PH	PUN	RW	TZ	UG
Service Contracts (1)	⊙	⊙	•	⊙	•	•	•	•	⊙	⊙
Management contracts (2)	⊙	⊙	•	⊙	•	•	•	•	⊙	⊙
Lease*(3)	○		•	○	•	•	•		⊙	⊙
Concessions** (4)	•		•	⊙	•	•	•		⊙	⊙
Joint venture leases*** (5)	○		•	○	•	•	•		⊙	⊙
Full or partial ownership**** (6)	○		•	○	•	•	○		⊙	⊙
<b>Participation in the phases of procurement processes</b>										
Identifying needs/ Specification of the goods and services (7)	G, L	L, Com	Com,E	L, Com	L	L	L	L Com	E	E
Appraising options of bidders (8)	C, G	CEL	E	CEL	L	L	L	L Com	E	E
Design and specification of the contract (9)	L	CEL	E	CEL	L	L	L	L Com	E	E
Supplier selection (10)	L	CEL	E	CEL	L	L	L	L Com	E	E
Technical and financial qualification of bidders (11)	C, L	CEL	E	CEL	L, Com	L	L	L Com	E	E
Bid process management/evaluation of bids (12)	L	CEL	E	CEL	L	L	L	L Com	E	E
Bid finalization process (13)	C, G	CEL	E	CEL	L	L	L	L Com	E	E
Contract management (14)	L	EL	E	EL	L	L	L	L Com	E	E
<b>Threshold for the total value of procurement by the local government</b>										
Total value in USD										

For 1-6: ○= no control of the local government ⊙= partial control of the central government NP =not prescribed

For 7-14: C=central executive E= local executive; G= Higher level of elected officials Com= community L= local council; NP =not prescribed

\*Lease: under this arrangement, a private firm would lease a capital asset, such as a utility, and take on the responsibility for its operation and maintenance

\*\*Concession: in a concession structure, the private sector takes responsibility not only for operation and maintenance, but also for investment in the facility. These arrangements are usually long term. Concession arrangements are common for private participation in infrastructure projects such as toll roads, bridges, tunnels etc.

\*\*\*Joint Venture leases: while government retains majority control under this structure, a new joint venture company is created, in which the private sector normally holds a minority equity participation. This joint venture is then responsible for running the leases and concessions, usually to the private sector partner, but the government retains management control. Such arrangements require clarity in terms of who has control over day-to-day operational decisions

\*\*\*\*Full or partial ownership: a much greater degree of private sector participation is involved in a divestiture in which the government actually sells assets or asset shares through a management buyout.



**Table 3.5: Discretion over civil service and employment**

<b>Budget Payroll</b>	<b>ANG</b>	<b>BF</b>	<b>ET</b>	<b>GN</b>	<b>KER</b>	<b>PH</b>	<b>PUN</b>	<b>RW</b>	<b>TZ</b>	<b>UG</b>
Authority to dismiss surplus staff	○	⊙	⊙	○	•	•	⊙		⊙	⊙
Determine the wage envelop	○	○	○	○	⊙	⊙	⊙		○	○
<b>Establishment Control</b>										
Controlling overall staff numbers	○	○	⊙	○	⊙	•	⊙		○	⊙
Controlling staff numbers in individual local offices and facilities	○	⊙	⊙	○	⊙	•	⊙		○	⊙
<b>Recruitment</b>										
Recognized as a formal employer	⊙	•	⊙	○	⊙	⊙	⊙	•	⊙	⊙
Authority to hire	○	•	⊙	○	⊙	•	⊙	•	⊙	⊙
Independent merit-based recruitment mechanism	⊙	⊙	⊙	○	⊙	⊙	⊙	•	⊙	⊙
<b>Career Management</b>										
Promotion	•	⊙	⊙	○	⊙	•	⊙		⊙	⊙
Horizontal mobility within the local government	•	Not clear	⊙	○	⊙	⊙	⊙		○	○
Transfers within local government	•	•	⊙	○	⊙	⊙	⊙		○	○
<b>Performance Management</b>										
Direct and supervise activities and tasks	•	•	•	○	⊙	⊙	⊙	•	⊙	⊙
Conduct evaluations	•	•	⊙	○	⊙	⊙	⊙		○	⊙
Offer financial rewards	⊙	?	○	○	○	⊙	⊙		⊙	⊙
Discipline and fire underperforming staff	•	⊙	○	○	•	⊙	⊙	•	⊙	⊙
Pay Policy	○	○	○	○	○	⊙	⊙		○	○
Set overall wage rates	⊙	○	○	○	○	⊙	⊙		○	○
Set local incentives/salary top-ups	○	•	○	○	○	⊙	⊙		⊙	○

○= total control of the central government ⊙= partial control of the central government •: complete control of the local government NP =not prescribed

**Table 3.6: Administrative accountability approaches**

	ANG	BF	ET	GN	KER	PH	PK	RW	TZ	UG
<b>Audit</b>										
Ex-post audit of accounts (1)	IA, IE	IA, IE	IE	IE	PE		PE	IE IA	IE,PE	IE,PE
Ex post audit of individual government projects (2)	IA	IA	IE	IE	PE		IP, Ind*	IE IA	IE,PE	IE,PE
Ex ante audit and evaluation of the government's budget proposal (3)	IP	IE	IP	IE	IP		IP		IP	IP
Ex ante audit and evaluation of individual government projects (4)	IA*	IE	IP	IE	IP		IP		IP	IP
Right of the auditor to issue opinions and recommendations on government propositions (acceptance/rejection) (5)	NP	○	IP	○			NP		IP	IP
Right of the auditor to advocate alternative propositions (6)	NP		NP				NP			
<b>Who manages the accountability of the following?</b>										
Anti-corruption (7)	NP	C	NP	C	R,L	NP	R, L		C	C
Environment (8)	NP		C,R,L		R,L	C,L	R, L		C,L	C,L
Sustainable development (9)	NP		NP		R,L	C	R, L		C	C
Disciplinary committee for the oversight of the conduct of local officials (10)	R	C	C,R	C	R	C	L		C,L	C,L
Service delivery oversight (11)	R, L	C L	C,R,L	C L	L	C,L	L	L Com	C,L	C,L
Monitoring committee for day-to-day business (12)	R, L		C,R,L		L	L	L		C,L	C,L
<b>Social Accountability: Information provision and citizen participation</b>										
Are there provisions for in the code for information availability?	•	•	○	•	•	•	⊙	•	•	•
Is there any structured participation of the community in procurement monitoring?	•	○	⊙	○	•	•	○	•	○	○
Is there any structured participation of the community in service provision monitoring, e.g. through user groups?	○	⊙	○	⊙	•	•	⊙	•	•	○
Is there any formal structure for registering grievances and feedback?	○	•	•	⊙	•	•	•	•	•	○

1-4: IA=Independent auditor; IE= Internal executive auditor; IP=internal parliamentary auditor; PE=provincial/national executive auditor; PP= provincial parliamentary auditor; N=no audit; NP =not prescribed

5-6; 13-16 ○= yes ⊙= partially •: no; NP =not prescribed

7-12: C=Central government (executive and legislature), R=Regional government (executive and legislature), L=Local/municipal government, Com=Community; NP =not prescribed

\*= for government projects greater than a prescribed threshold

## 4. Fiscal Discretion and Accountability

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Local government accountability is intrinsically linked to the scope and nature of intergovernmental fiscal arrangements. Fiscal decentralization provides the link between incentives for the better performance of the local government with the electoral support from the citizens. It rearranges roles and responsibilities among different levels of governments with the intent of transferring some fiscal decision-making powers from central to sub-national governments.

Fiscal decentralization is primarily concerned with implementing an effective intergovernmental fiscal system. Intergovernmental fiscal rules determine expenditure responsibilities and revenue resources of local governments as well as the design of intergovernmental transfers system and local governments' access to capital markets (Bird, 2000). Fiscal discretion requires assigning public services that have high local-public-good characteristics to local governments. It gives revenue-raising autonomy to local governments to finance its expenditure obligations which will allow the voters to assess the performance of their elected representatives with respect to the amounts and qualities of services they are getting for the taxes that they are paying (Mueller, 2006). Therefore, if local governments are denied the fiscal instruments and funding to make real use of their political and administrative autonomy, decentralization is likely to be ineffective.

Our review suggests that local government spending often comprise a negligible part of the total economy of the country. The share of sub-national expenditures in GDP is very low (see Table 4.1) compared to OECD average of seventeen percent.<sup>60</sup> Angola's local governments contribute the highest share amongst our case-studies to the country's GDP (10.8 percent) while Guinea contributes the smallest (0.04 percent). The GDP of other local governments including Philippines, Rwanda, Tanzania and Burkina Faso comprise less than 5 percent of the country's GDP. Moreover, local government spending generally forms a very small proportion of total public sector spending. Ethiopia and Angola are the countries with the largest local government spending, which makes up more than forty percent to the total public sector spending in their countries. On the other hand, local governments in Burkina Faso and Guinea contribute only 1.9 and 0.2 percent to the overall public sector spending.

The own source revenues of the local governments are minimal. As a result, inter-governmental transfers make up the most significant portion of the local governments' budgets. Moreover, intergovernmental transfer systems remain discretionary, and in some countries are also unreliable. Locally elected representatives also have little decision-making power over expenditures. Moreover, lack of capacity, guiding legislation and accountability mechanisms result in low fiscal accountability. Therefore fiscal devolution is negligible in terms of expenditure assignment, availability of funds and control over budgetary planning.

### 4.1. DETERMINANTS OF LOCAL FISCAL DISCRETION: FISCAL DECENTRALIZATION

#### 4.1.1. *Expenditure Assignment: Defining the Role of Local Governments in Service Delivery*

Since the primary goal of decentralization is to improve the responsiveness of the local government to the local preferences, devolving expenditure responsibilities for the public goods to local governments is an important step of decentralization. Oates's decentralization theorem (1972) states that local governments should provide services to identifiable recipients up to the point where the value placed on the last (marginal) amount of services for which recipients are

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<sup>60</sup> <http://siteresources.worldbank.org/INTDSRE/Resources/WBFDISummaryNote17Aug2004.doc>

willing to pay is equal to the benefits they receive. The ability of the local government to fulfill this calculation depends on the extent of discretion available to the local government to make their own expenditure allocation decisions for local public goods with necessary reporting, monitoring, and sanctioning of this expenditure. The assignment of the expenditure for local public goods to the local government also increases the participation of the citizens in local decision-making.<sup>61</sup>

Table 4.2 summarizes the expenditure discretion of different levels of government across a number of different services in our case study countries. We find that the expenditure systems in most of our case-studies are highly centralized. Specifically, focusing on the assignment of expenditure responsibilities between central and local governments, we find that our case-studies do not always conform to the generally accepted principles for setting the right incentives for efficient and equitable delivery of public services. For example, we find that central government intervenes in the financing of services such as water and sanitation in many countries (Punjab, Rwanda, Tanzania, Angola, Burkina Faso and Guinea) while it is a highly local function worldwide. In addition to the centralization of many functions, the roles and responsibilities are also not clearly delineated. The clarity in roles is essential for any accountability practice to take place.

In practice, we observe unclear division of responsibilities in many countries that have embarked on the decentralization reforms. East Asia, a region going through major decentralization reforms, for example, faces the problem of unclear assignment of service delivery (Mountfield and Wong 2005). In Indonesia, although the decentralization law of 1999 gave all authorities to local governments, “since authorities are broader than functions there is confusion about who is responsible for what, from legislation to planning to implementation” (Mountfield and Wong, 2005, p: 95). As noted above, unclear boundaries of responsibilities are especially a problem in countries where administrative system operates in nested hierarchies, for example in China and Vietnam, and more than one level of government is operating in the same geographical area (Mountfield and Wong, 2005). In Punjab, too there are ambiguities regarding level of government allocating the expenditure, level of government carrying out the expenditure and that monitoring the expenditure.

#### ***4.1.2. Revenue Assignment: Financing Local Service Delivery***

Own source revenue is the most important source of revenue for the local government to finance its activities for three reasons. Firstly, own source revenues do not come with strings attached, and therefore improves the local government’s ability to be more responsive to the citizens as has been argued by Faguet (2008). Secondly, own source revenue allows the government to “couple” each expenditure with a tax to finance it (Mueller, 2006, p: 208). This coupling is necessary so that the voters are able to assess the performance of their elected representatives with respect to the amounts and qualities of government services they are getting for the taxes that they are paying (Mueller, 2006). On the other hand, when local governments are using a number of different sources, it becomes difficult for the citizens to distinguish between the service delivery that is funded by the local taxes and the one that is funded by the central governments. This may lead citizens to overestimate the extent of public services provided by the local government and diminish their ability to monitor the performance of local governments.<sup>62</sup> Enhanced revenue autonomy also improves budgetary predictability thereby enhancing the accountability of the local governments.

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<sup>61</sup> In countries where decentralization does not end up transferring such responsibilities to local governments, central government departments and public sector companies continue to deliver most services that have high local characteristics. Examples include such services as primary education, health, and public security that are still delivered by central government (through deconcentrated units) in many countries.

<sup>62</sup> This provides incentive to the local governments to expand local budgets beyond efficient level. This effect is called fly-paper effect.

Thirdly, and most importantly own source revenues ensure that local government equal cost and benefit of providing a service at the margin ensuring allocative efficiency. On the other hand, if the pleasure of expenditure benefits is separated from the pain of taxation (Bahl and Schroeder, 1983) the local governments tend to spend more. In other words, if costs can be shifted to central budgets, local governments may not be able to make the most efficient decisions (Campos and Hellman, 2005). Rodden (2003) provides substantiation to this argument by empirically finding that in countries where decentralization involves reliance on own taxation at provincial and local levels, local governments tend to be small. But where decentralized government is financed primarily with transfers from above, the local governments have much more resources and soft budgets that can result in increase in the size of the overall public budget. Therefore, a large proportion of own source revenues in the total budgets of the local government is critical to encouraging the accountability and increasing the efficiency of local government operations.

Table 4.3 assesses the discretion of the local government to raise own-source revenues. Local governments in developed countries rely on a number of own source revenues that include taxes (for example on property), fees (for example, for licenses and permits), rent on local government property (for example, building and equipment) and user fees (for example, tolls on roads and bridges owned by the local government). Although there is no set of prescribed rules in revenue assignment, Bahl (1999) suggests that local governments should at least have rate-setting authority over locally assigned revenues. On the other hand, a complete autonomy over revenue collection requires that a tax is assessed and collected by the government with proceeds accruing to local governments (Bird, 2000; Bird and Vaillancourt, 1998).

Our review, however, suggests that local governments in our sample countries do not have such autonomy. Table 4.3 shows the percentage of own-source revenue in local government ranges from zero percent in Angola to forty eight percent in Ethiopia, and about thirty two percent in Philippines. Punjab/Pakistan, Tanzania and Rwanda also fare worse than other countries as the share of their own source revenue in the total revenue is very low compared to other countries; 7.1 percent for Punjab, ten percent for Tanzania and Rwanda. The table also shows that no local government has complete authority over setting up tax rate, tax base and tax collection. Local governments in Punjab, Ethiopia, Kerala, Philippines, Rwanda and Uganda, however, have the authority to collect most local taxes including taxes on vehicles, fees, rents and user fees. Local governments in Kerala and Ethiopia also have authority over the collection of property tax, while local governments in Kerala and Rwanda also have autonomy to set the tax rate – the only countries in our case-studies to have such autonomy. Only local governments in Kerala, Philippines and Rwanda have authority over the utilization of own-source funds. In other contexts, the central government intervenes in setting the tax rates and specifying the utilization of the collected revenue. Local governments in Angola, Philippines, Punjab, Tanzania and Uganda only have partial authority to set tax rate. In the case of Philippines, for example, the Local Government Code constrains local revenue collection by prescribing rules on rates, assessments, appeals, and administrative responsibilities (USAID, 1999). Similarly, in Uganda, local governments may impose additional taxes, but only with the approval of the Ministry of Local Government, while there are no standards established for the Minister of Local Government to approve or reject proposed new revenue sources (Azfar, Kähkönen, and Meagher, 2001). The arbitrariness that is allowed at the central level adversely affects the incentives of the local government and discourages them from exploiting their own resources. It also creates incentives for the local government to respond to the demands of the central government rather than their constituencies, since by responding to the preferences of the centre, the local government officials have access to resources that otherwise would be denied to them. Lockwood (2002) and Besley and Coate (2003) find empirical evidence that in the presence of discretionary powers, central governments in fact do discriminate among different local governments.

It has been observed in some cases that even when the local governments are given independent revenue raising powers, they are not able to use it effectively. For example, we find this to be the case in Kerala. A number of reasons have been suggested for this in the fiscal decentralization literature, including, an unwillingness of the local officials to enforce the tax laws, the limited capacity of the local government officials to effectively administer a revenue system, weak administration procedures such as ill maintenance of tax rolls (World Bank 2004).

#### **4.1.3. Financing the Fiscal Gap: Intergovernmental Transfer System Design**

Intergovernmental transfers are an essential component of intergovernmental fiscal arrangements.<sup>63</sup> Central transfers cover a significant portion of the sub-national finance in most countries. As mentioned in the last section, reliance of the local government on sources of revenue other than its own adversely affects accountability.

Four elements of the intergovernmental transfer system have important local government discretion and accountability implications (Yilmaz and Bindebir, 2003):

- Rules that determine the total amount of transfer – the distributable pool.
- The way the distributable pool is allocated among local governments.
- The purpose of the transfer system – an unconditional general purpose grant versus a conditional specific transfer.
- Management of the intergovernmental transfer system.

Revenue and expenditure assignments give rise to vertical fiscal balances i.e. the disparity between revenue sources and expenditure needs of local governments. Total elimination of vertical imbalance is implausible since some degree of mismatch between expenditure needs and revenue capacity is unavoidable. Intergovernmental transfers are designed to redress this vertical imbalance.

The first step in designing a transfer system is to determine the total amount of resources to be transferred to local governments, i.e. establishing the size of the distributable pool. There are three ways to determine the total amount of transfers: (i) rule-based fixed percentage share of dedicated revenues; (ii) *ad hoc* (usually as a part of annual budget decision); (iii) as a proportion of approved specific local expenditures to be reimbursed (Yilmaz and Bindebir, 2003). A rule-based transfer system will bring greater stability and predictability, and thereby promote good planning and efficient service delivery effort. On the other hand, if distributable pool is determined by the central government in an *ad hoc* and opaque manner, there would be uncertainty at the local level regarding the receipt of the transfer revenues. This uncertainty leads to poor budgeting practices and weaken the accountability linkage between local governments and citizens. In our review, we find that the practice in all of our case studies match the best practice of fixed rule of determining distributable pool. The only country excluded from this list is Uganda.

Once the amount in the distributable pool is determined, the next step is to distribute the pool amongst local governments. There are four general mechanisms that are used for distribution: (i) the derivation principle (allocating revenues based on jurisdictions where they were collected), (ii) *ad hoc*/discretionary, (iii) formulae based on pre-specified variables and (iv) reimbursement of costs. In general, distribution of funds by formulae or derivation principle is the most effective

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<sup>63</sup> The direction of a transfer mechanism can encompass all levels of government, such as central to provincial, provincial to local, or directly central to local.

system.<sup>64</sup> On the other hand, ad hoc transfers are expected to induce allocative inefficiency by providing an incentive to the local government to respond to the preferences of the centre in order to get access to funds, rather than to their constituency. Central governments may also purposefully discriminate among different local governments to the extent that transfers may become a political decision, perpetuating existing power structures and further exacerbating allocative efficiency. For example, Aslam (2009) finds using network analysis that the total allocation of discretionary funds in each district is directly related to the network distance between the mayors and the central executive. The degree of network embeddedness of a district mayor in the network of national and political level politician also positively affects the total allocation of discretionary funds to each district. Moreover, in situations where discretionary transfers are a possibility, and central governments cannot make a credible commitment to a hard budget constraint, central government may act as a ready “bail-out” for the local governments. These options provide virtually irresistible incentives for decentralized governments to extend public programs beyond efficient levels (Oates, 2005; Faguet, 2008).

Discretionary transfers are also uncertain, therefore diminishing the local government’s capacity for better planning, which, in turn, negatively affects accountability. In our review we find that fixed grants are almost always substantiated by ad-hoc transfers by the central or regional government. The *ad-hoc* transfers introduce the factor of arbitrariness, and therefore make the system vulnerable to manipulation. This is found to be the case in Angola, Ethiopia, Kerala, Punjab, Rwanda and Uganda. Guinea, on the other hand, completely relies only on *ad hoc* grants from the central government.

We also observe that the use of funds is restricted in many different ways. For example, intergovernmental grants can be ear-marked for specific projects. This is found to be the case in Ethiopia, Philippines, Punjab, Rwanda, Tanzania and Uganda. Restrictions on the use of funds transferred to the local government also adversely affect the allocative efficiency by diminishing the ability and discretion of the local governments to respond to the preferences of the citizens. The conditional grants also allow the departmental ministries or departments to maintain control over the local governments. The simultaneous provision of both arbitrary unconditional and conditional grants makes the system even more prone to the pressures of patronage. Uganda, Punjab and Philippines present the worse examples of fiscal discipline as almost all kinds of grants flow from the regional and central government to the local governments, undermining stability and predictability in the local policy making and also making the system more prone to the political pressures.<sup>65</sup>

Other than the earmarked funds, substantial portion of the inter-governmental grants are specified for recurrent expenditure and the central government plays a strong role in determining

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<sup>64</sup> Even when transfer system is formula-driven, political concerns can play an important role in the selection of variables for the formula (Khemani, 2007).

<sup>65</sup> Consider the case of Punjab in detail to illustrate the extent of arbitrariness involved in the revenue transfer processes, which increases avenues for elite capture and the politics of patronage. The primary transfer to the local government from the provincial government is formula-based through the Provincial Finance Award. However, revenues are also distributed directly from the federal to the local government for example through Khushhal Pakistan Program, the federal Education Sector Reform and the President’s Program for improvement of Watercourses (Jaffery and Sadaqat, 2006). The province also makes direct transfers from the province retained funds most of which are tied or are conditional grants for education and health under the provincial Education Sector Reform Program and Health Sector Reform Program. Additional funds for the social infrastructure improvement are also transferred to local accounts on ad hoc basis under the Chief Ministers Accelerated Program for Social Development. In addition to all the transfers listed above, funds are transferred arbitrarily amongst different levels of government through development/special grants, executive’s discretionary funds, and parliamentarian funds (Ahmed et al, 2007). Hasnain (2008) estimates that in 2006/07 the non-PFC development transfers to local governments in Punjab totaled to Rs. 14.5 billion which is larger than the local government’s allocation through the PFC (which was Rs. 11.8 billion). This kind of transfer system is manipulable at every level and is prone to rent-seeking by officials at every level of government.

the quantity and structure of most of these expenditures. In Punjab and Ethiopia, for example, substantial portion of the transfers is spent on personnel salary for staff recruited and hired by the central government. Similarly in Guinea, the grant from the central government covers only recurrent cost. Even within the conditional non-wage grants transferred to the local governments, earmark allocations for specific purposes exist. For example grants specified for health spending may further be earmarked to be spent on procurement of pharmaceuticals, outreach and administration. This is found to be the case in Uganda, Punjab and Kerala. Similarly, in the case of education, resources are accompanied by tightly prescribed rules and procedures regarding their use. In Ethiopia, for example, only in-kind resources are available to the local government or schools, thus significantly reducing the discretion of the schools to respond to the citizens' demand.

Moreover, irregularity and shortfalls between the budgets approved for the local government and the funds actually received makes the intergovernmental transfers even more uncertain and create mistrust between local and the central government officials. Local governments' over-dependence on intergovernmental transfer revenues, coupled with uncertainty about the amount and timing, "facilitates local evasion of responsibility under the guise of fiscal powerlessness" (Khemani, 2006, p: 22). Unclear mechanism of transfers amongst and to local governments from the central government exacerbates the problem of uncertainty and therefore restricts fiscal discretion of the local governments

The last important issue is the authority to make management decisions on intergovernmental transfers system. In countries where laws and regulations governing transfer system limit central government's power to make changes in the design and implementation of the transfer system, local governments are less susceptible to the central government's ad hoc decisions, especially when there is a fiscal crunch. However, we observe that only Kerala has the authority in management of transfer systems, while Ethiopia, Philippines, Rwanda, Tanzania and Uganda only have partial authority. Punjab, Guinea, Burkina Faso and Angola do not have any authority in this regard.

#### ***4.1.4. Financing Infrastructure: Local Government Borrowing***

Local borrowing is the fourth pillar of intergovernmental fiscal system and can act as a significant source of revenue for the local government especially in countries where own source revenues and intergovernmental transfers fall short of responding to local investment needs. For Oates (2005: 362) access to "efficient credit markets in the context of mature banking system" is a better option for the local government financing than discretionary and earmarked transfers from the central government as it can enhance the discretion of the local government without compromising the allocative efficiency. However, heavy reliance on borrowing put macroeconomic stabilization at risk. The option of bail-out by the central government creates a moral hazard problem for the local governments and results in inefficiency and over-spending at the local level. Therefore, many central governments limit, control, or even prohibit the issuance of debt by local governments. Our review (Table 4.3) conforms to this view. None of the local governments observed in the sample are given full discretion to borrow. Local governments in Burkina Faso, Ethiopia, Kerala, Philippines, Rwanda, Tanzania and Uganda, however, have partial authority over borrowing.

## **4.2. MAKING LOCAL FINANCES DOWNWARDLY ACCOUNTABLE**

Fiscal accountability refers to the public financial management systems that provide an oversight to all the facets of budgetary processes, expenditure process and budget execution. The oversight can be provided by the higher levels of government, de-concentrated bureaucracy or the citizens. Without the institutions that strengthen the accountability processes, fiscal discretion alone "[is] likely to negate any advantages that might be inherent in bringing public services 'closer' to local



communities” (Ahmad, Albino-War, and Singh, 2006, p: 405) as in the absence of such structures, local governments are vulnerable to waste, corruption, and inefficiencies (Baltaci and Yilmaz, 2006).

#### **4.2.1. Public Accountability Approaches**

Public sector measures to improve accountability focus on setting up an effective, efficient, transparent, and rules-based public financial management system.<sup>66</sup> They include setting standards for control on intergovernmental transfer revenues, monitoring transfer figures, observing clear rules for responsible local borrowing, providing public access to borrowing information; and setting clearly defined rules for hard budget constraints on local governments. Our review suggests that there are significant shortcomings with regard to public financial accountability measures in preventing the misuse of public resources, resulting in fraud and corruption, among others.

Observing financial practices in our selected countries (See Table 4.4), we see that in most countries public financial management rules are prescribed. However, in some countries the prescribed rules do not match the best practices. For example in Ethiopia revenue projections are not part of the local government’s budget planning exercise. Therefore, the budget is a wish-list with capital works projects without any assessment for budget viability. Consequently, it is impossible to hold the local government accountable if there are no performance variables available.

Moreover, in none of the countries documentation adheres to generally accepted standards of accounting. For example in Tanzania, only about fifty percent of the local authorities have computerized accounts. Lack of the proper documentation is the most critical hurdle in maintaining public accountability, since information is the basis of monitoring. For example, even in Rwanda, that maintains relatively better documentation compared to other case countries, Public Expenditure and Financial Assessment carried out in 2007 finds that incomplete reporting from the district governments and public enterprises has led to a situation of weak oversight of fiscal risk.

Most countries including Rwanda, Guinea, Tanzania and Punjab attribute the absence of this documentation to the lack of capacity and training at the local level. This incapacity is highlighted when the budget process becomes complex and requires multiple bank accounts to manage funds coming from a number of different sources. This situation was particularly seen in Ethiopia and Tanzania.

Other method of instituting public fiscal accountability is the formation of a parliamentary committee to oversee the budget process. Ethiopia, Philippines, Punjab, Tanzania and Uganda have such parliamentary committees, while they are absent in other countries. Some countries

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<sup>66</sup> The term “public financial management” (PFM) refers to all components of the budgeting process and relates to both “upstream” (preparation and programming) and “downstream” (execution, accounting, control, reporting, and monitoring and evaluation) phases of budgeting and budget execution processes. The Public Expenditure and Financial Accountability (PEFA) Initiative summarizes the core dimensions of good public financial management that promotes transparency and accountability in each step of the cycle (PEFA 2005). These include *budget credibility* (the budget is realistic and is implemented as intended); *comprehensiveness and transparency* (the budget and fiscal risk oversight are comprehensive, and fiscal and budget information is accessible to the public); *policy-based budgeting* (the budget is prepared with due regard to government policy); *predictability and control in budget execution* (the budget is implemented in an orderly and predictable manner, and there are arrangements for the exercise of control and stewardship in use of public funds); *accounting, recording, and reporting* (adequate records and information are produced, maintained, and disseminated to meet decision-making control, management, and reporting purposes); *external scrutiny and audit* (arrangements for the scrutiny of public finances and follow up by the executive are operating).

have also experimented with creating incentive-based accountability mechanisms. For example in Tanzania, local governments that do not adhere to the guidelines specified in the Local Government Financial Memorandum receive lower development funds as compared to the last year's funds.

**Table 4.5. Public Accountability Mechanisms in Fiscal domain: Selected Examples**

Country	Mechanism	De Jure	De Facto	Local governance outcome
Burkina Faso	Court of Accounts, created in 2000	Responsible for auditing state, local governments and public enterprises' accounts.	Its recommendations are seldom followed.	the scope of its control is very weak, as it concerns a very limited number of local governments
Ethiopia	Financial auditing units under the finance and economic development unit of woredas	Both the inspection and auditing units submit annual plans to finance and economic development department. After clearance, they are transmitted to the woreda administrator, cabinet and woreda council.	The woreda planning exercise does not take into account its revenue projections. Capital works projects in particular are not assessed for budget viability.	This makes it difficult to hold the woredas accountable to their plans.
Kerala	Requirement for panchayats stipulated by the <i>Kerala Panchayat Raj Act 1994</i>	Panchayats prepare annual statements of all receipts and expenditures.	The registers and books of accounts are outdated and unable to account for the increased and diversified flow of resources. There are no uniform accounting codes or rules for panchayats.	The result is a confusing system of accounting system that is yet to be computerized.
Philippines	LGU financial management mechanism	The local chief executive is assisted by three key financial officials: the treasurer, the budget officer, and the accountant. Each of these officials is independent from one another.	In 2000, for instance, only 250 of the 1,689 LGUs audited were given clean audit reports by the central Commission on Audit (COA)- LGU's lack of single leadership on financial management at the local level (with three financial officials) only adds to the weakness.	The internal control environment and institutional arrangements for financial accountability remain extremely weak at the LGU level.

#### 4.2.2. Social Accountability Approaches

Until recently, financial management processes were seen as purely technical matters and, for that reason, were dominated by the executive branch of national and local governments. The legislators, civil society and public often lacked the capacity to scrutinize these processes,

particularly at local levels. In the last two decades, however, civil society organizations have acquired skills and confidence to intervene in financial decision-making processes.<sup>67</sup>

The most common social accountability mechanisms include making local government financial information accessible to the public (including budgets and end-of-year financial statements); allowing strong public involvement in the budgetary process through participatory budgeting practices and initiating independent budget analysis and participatory public expenditure tracking programs that monitor budget execution and leakage of funds.

*Public access to financial information:* Almost all countries in our case studies are legally mandated to make budgetary process transparent by publishing key budget documents (See Table 4.4). The only countries that are excluded from this requirement are Angola, Ethiopia and Uganda. However, in many countries these requirements of proper dissemination are not being fulfilled. In Tanzania, for example, a citizens' survey conducted by Fjeldstad et al (2004) in six councils found that as many as 86 percent of all the respondents had never received information on the amount of tax revenue and user charges collected in their area. Similar situation is observed in Rwanda where information is not readily available to the citizens or is available in the formats that are not readily accessible. An important challenge, therefore, is to provide information on fiscal issues in ways which are understandable and which reach the general public, as has been successfully attempted in Sabadou Baranama, Guinea (details in Table 4.6). Generally, these demand side pressures have opened a public space to demand budget discipline, tax reforms, and local revenues to the extent that legislators at national and local levels are becoming increasingly involved in budget debates, and the media are reporting the misuse of public expenditures. Where targeted measures such as publicizing local government expenditures through radio or other media were introduced (Uganda), they have had a strong impact on preventing the misuse of public funds (Khemani, 2006).

*Citizen monitoring of budget process:* To allow citizens to monitor the budget process, local governments need to make budget information available to ordinary citizens and to report regularly on the status of execution of the previous year's commitments. As citizens gain ownership of the process, they are motivated to oversee the implementation of their approved projects. The deeper involvement of citizens in planning and budgeting creates conditions for them to demand more accountability. After its start in Porto Alegre, Brazil, in 1988, participatory budgeting has been taken up voluntarily by more than 140 municipalities in Brazil. Amongst our case studies, participatory budgeting is mandatory and regulated by state legislation in Kerala. Similarly in Uganda, local government is required by the constitution to make the budget process democratic and participatory. In the Philippines, NGO network Barangay-Bayan Governance Consortium (BBGC) has initiated participatory budget process in 2500 villages.<sup>68</sup> Similarly, the Priority Development Assistance Fund (PDAF) Watch project of the Caucus of Development NGO Networks (CODE-NGO) aims to monitor projects funded by the legislators' Priority Development Assistance Fund (PDAF), in other words pork barrel funding. <sup>69</sup> In Ethiopia, Older

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<sup>67</sup> In 2006, the International Budget Project has launched an Open Budget Index for 59 countries in collaboration with researchers and nongovernmental organizations. The International Budget Project estimates that close to 100 organizations in 70 countries were engaged in this type of activities in 2005, compared with 10 organizations a decade earlier. See [www.openbudgetindex.org](http://www.openbudgetindex.org).

<sup>68</sup> Rocamora (2004) finds that this intervention has led to substantive achievements in terms of generating new perspectives at the local level on how public monies are to be spent and has generated new capacities among political organization leaders, who have evolved from being experts in "expose and oppose" politics to being able to devise active propositions for solving commonly-perceived problems in engagements within state institutions.

<sup>69</sup> The project mobilized volunteers to monitor PDAF projects in 37 congressional districts of the country. In 2006, the group was successful at lobbying for the insertion of a provision in the 2007 General Appropriations Act requiring legislators and government agencies to make information on the PDAF easily accessible to the public.

Citizens Monitoring committee engages with older citizen monitoring groups in participatory planning and budgeting work aimed at addressing the concerns of older people and their communities.

However, in most countries, our study shows participation of the citizens remains perfunctory. There does not seem to be much evidence of community level gatherings to discuss the composition or the delivery of the budget in Punjab, Guinea, Tanzania and Angola. Ordinary members of the public have little apparent awareness of how the overall budget is composed and has been spent. There are indications in research that active engagement with the citizens can lead to improving fiscal social accountability. For example, in the Philippines

**Table 4.6. Innovations in social fiscal accountability:**

<i>Country</i>	<i>Initiative</i>	<i>Activities</i>	<i>Local governance outcome</i>
Sougueta, Guinea	Participation in financial management (informal)	The youth association (AJDVSP): demands information on budget processes and verifies the actual expenditures.	Reduced reports of abuse of funds.
Sabadou Baranama, Guinea	Information sharing to promote transparency by the local government (formal)	Local government prepares and distributes widely a document to the local population that explains in detail the expenditure done by the local government, including breakdown of revenue from different sources including taxes, fees, grants and remittances.	Improved information dissemination
Oromiya, Ethiopia	Participatory public expenditure management (informal)	Older Citizens Monitoring: the project engages with older citizen monitoring groups in participatory planning and budgeting work aimed at ensuring the concerns of older people and their communities.	More participatory planning and budgeting.
Philippines	Monitoring of discretionary transfers to the local government (Informal)	Caucus of Development NGO Networks (CODE-NGO) aims to monitor projects funded by the legislators' Priority Development Assistance Fund (PDAF), in other words pork barrel funding. The project mobilized volunteers to monitor PDAF projects in 37 congressional districts of the country.	In 2006, the group was successful at lobbying for the insertion of a provision in the 2007 General Appropriations Act requiring legislators and government agencies to make information on the PDAF easily accessible to the public.
Philippines	Citizen participation (Informal)	Training communities in social engagement for participatory barangay development planning.	This initiative has generated new perspectives in citizen participation and local politicians, who have evolved from being experts in "expose and oppose" politics to being able to devise active propositions for solving commonly-perceived problems in engagements within state institutions (Rocamora, 2004).

### **4.3. CONCLUSION:**

Our review has shown that most of the local governments severely lack fiscal discretion. In particular, they lack the discretion to raise their own revenues. In instances where the local governments are allowed to collect taxes, tax base and rates are usually set at the central level. The inter-governmental transfer system almost always comprises discretionary and arbitrary elements that undermine the accountability of the local government and leave the system open to political manipulation. Moreover, the local governments do not have effective authority to change the rules of the intergovernmental transfer management. Consequently, local governments are unable to respond to the demands of the citizens effectively

In addition to these restrictions, most of the grants to the local government are ear-marked or are consumed towards the personnel costs that are hired and retained at the central government level. None of the local governments are fully allowed to borrow, although some have limited discretion to borrow. As a result, local governments remain credit constrained and unable to perform their function. At the same time, the accountability mechanisms are generally weak. Public accountability mechanisms are almost absent. Detailed procedures for financial public management are prescribed in many countries but there are no mechanisms to ensure that the requirements are adhered to in practice. Similarly, only half of our study countries have parliamentary committees to oversee the budgetary process. Lack of capacity and complex financial systems exacerbate the impact of absence of accountability mechanisms. While some countries have attempted to encourage participatory budgeting (for example Philippines and Kerala) social accountability mechanisms remain largely undeveloped in most countries. Social accountability is also hampered due to insufficient dissemination of information and lack of capacity of the citizens in understanding and monitoring the budget process.

**Table 4.1: Share of Local Government in GDP and in Total Government Expenditures**

Country (Year)	Percentage of GDP	Percentage of total public sector spending
Angola (2008)	10.8%*	42.9%
Burkina Faso (2005)	0.5	1.9
Ethiopia (2007/08)		44.1%
Guinea (2005)	0.04	0.2
Kerala (2004)		18% of state expenditure
Philippines (2003)	3.8% of GNP	25.6%
Punjab (2005/06)		
Rwanda (2006)	3.4	12.3
Tanzania (2003/04)	3.23	18.65% of recurrent public sector spending
Uganda (2005)	7% of GDP	32%

*\*Please note that 2008 is the first year in which fiscal transfers were made to local governments in Angola.*

**Table 4.2: Expenditure Assignment**

Function	Macro Policy/Oversight						Financing						Provision					
	ANG	BF	ET	GN	KER	PH*	ANG	BF	ET	GN	KER	PH*	ANG	BF	ET	GN	KER	PH*
<b>Social Services</b>																		
Social Welfare	C,R	N/A	C,R	C	C,R	C	C,R	N/A	C,R	C	L	L	R	N/A	R,Z,L	R,L	L	L
Hospitals	C	C,R	R,Z	C,R	C,R	C	R	C,R	R,Z	C,R	R	C,L	R,L	C,R	R,Z	C,R	R	C,L
Public Health	C	C,R	R,Z,L	C,R	C,R	C	C,R	C,R	R,Z,L	C,R,L	L	C,L	R,L	C,R,L	R,Z,L	C,R,L	L	C,L
Universities	C	C,R	C	C,R	C,R	C	C	C,R	C	C,R,L	C,R,L	C	C,R	C,R	C	C,R	C,R,L	C
Secondary Education	C,R	C,R,L	R	C,R	C,R	C	R	C,R,L	R	C,R	L	C	R	C,R,L	R	C,R	L	C
Primary Education	C,R,L	C,R,L	C,R,L	C,R	C,R	C	R,L	C,R,L	L	C,R,L	L	L	R,L	C,R,L	L	C,R,L	L	L
Housing	C,R	C,R,L	R,Z,L	C	C,R	C,L	C,R	C,R,L	R,Z,L	C	L	C,L	C,R	C,R,L	R,Z,L	C	L	C,L
<b>Transportation</b>																		
Urban Transportation	C,R	C,R,L	C,R,Z, L	C,R,L	C,R,L	C,L	C,R	C,R,L	R,Z,L	C,L	C,R,L	C,L	R	C,R,L	L	C,L	C,R,L	C,L
Railroads	C	C,R	N/A	C,R	C,R	C	C	C	N/A	C	C,R	C	C,R	C	N/A	C,R	C,R	C
Airports	C	C,R	C,R	C,R	C,R	C	C	C	C,R	C	C,R	C	C	C	C,R	C,R	C,R	C
Ports and Navigable Waterways	C	N/A	N/A	C,R	C	C	C	N/A	N/A	C	C,R	C	C	C	N/A	C,R	C	C
Urban Highways	C,R	C,R,L	C,R,Z, L	C,R	C,R,L	C,L	C	C,R,L	R,Z	C,L	C,R,L	C,L	C,R	C,R,L	R,Z,L	L	L	C,L
Interurban Highways	C,R	C,R	C,R,Z, L	C,R	C,R	C,L	C	C	R,Z	C,R	C,R,L	C,L	C,R	C	R,Z,L	C,R	C,R	C,L
<b>Utility Services</b>																		
Electricity	C	C,R,L	R,Z,L	C,R	C,R,L	C,L	C,R	C,L	C,R,Z	C	L	C,L	R	C,L	R,Z,L	L	L	C,L
Waste Collection	L	R,L	L	R	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Water and Sewerage	C,R,L	C,R,L	L	R,L	R,L	L	R,L	C,R	L	R,L	L	L	R,L	L	L	L	L	L
<b>Other Services</b>																		
Fire Protection	R	R,L	L	L	R,L	C,L	R	R,L	L	L	L	L	R	R,L	L	L	L	L
Heating	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Irrigation	C,R	C	R,Z,L	C,R,L	R,L	L	R,L	C	L	C,L	L	L	R,L	R,L	R,Z,L	C,R,L	L	L
Police	C,R,L	C	C	C,R,L	C,R	C,L	C,R,L	C	C	C,R,L	R	C,L	C,R,L	C,R,L	C,R	C,R,L	R	C,L

C: Central Government R: Regional Government L: Local Government N/A: Not applicable (For Ethiopia Z: Zone)

\*Does not include autonomous region of ARMM. Any infrastructure project at local level can be funded by national legislators through pork barrel funding.

4.2: Expenditure Assignment (continued)

Function	Macro Policy/Oversight					World wide	Financing					Worldwide			
	PUN	RW	TZ	UG	World wide		PUN	RW	TZ	UG	Worldwide				
<b>Social Services<sup>®</sup></b>															
Social Welfare	N/A	C,R	C,R	C,R,L	C	N/A	C,L	C	C	C	N/A	L	C,L	L	C,R,L
Hospitals	C,R	C,R	C,R	C	C	R	C,L	C	C	C,R,L	R	C,L	C,L	C,L	C,R,L
Public Health	C,R	C,R	C,R	C,L	C,R	C,R	C,L	C	C,L	C,R,L	C,R,L	C,L	C,L	L	C,R,L
Universities	C	C,R	C	C	C,R	C	L	C	C	C,R,L	R	C	C	C	C,R,L
Secondary Education	R	C,R	C,R	C	C,R	R	C,L	C	C	C,R,L	R,L	C,L	C,L	L	C,R,L
Primary Education	R	C,R	C,R	C,L	C,R	R	C,L	C,L	C,L	C,R,L	R,L	C,L	L	L	C,R,L
Housing	C,R	C,R	N/A	N/A	C,R	C,R	C,L	C,L	N/A	C,R,L	C,R,L	C,L	L	N/A	C,R,L
<b>Transportation<sup>®</sup></b>															
Urban Transport	C,R	C,R,L	C,R,L	C,L	C,R,L	C,R	C,L	C,L	C,L	C,R,L	C,R,L	C,L	C,L	C,L	C,R,L
Railroads	C,R	C,R	C,R	N/A	C,R	C,R	C	C	N/A	C,R	C,R	C	C	N/A	C,R
Airports	N/A	C,R	C	C	C,R	N/A	C	C	C	C,R	N/A	C	C,L	C	C,R
Ports and Navigable Waterways	C	C	C	C	C	C	C	C	C	C	C	C	C,L	C	C
Urban Highways	R	C,R,L	C,R,L	C,L	C,R,L	R	C,L	C,L	C,L	C,R,L	R	C,L	L	C,L	C,R,L
Interurban Highways	C	C,R	C,R	C,L	C,R	C	C	C,L	C,L	C,R	C	C	C,L	C,L	C,R
<b>Utility Services<sup>®</sup></b>															
Electricity	C	C,R	C,R	C	C,R,L	C,R	C,L	C,L	C	C,R,L	C,R	C	C,L	L	C,R,L
Waste Collection	L	R,L	R,L	L	L	L	L	C,L	L	L	L	L	C,L	L	L
Water and Sewerage	R	C,R,L	R,L	L	L	R	C,L	C,L	L	L	R	C,L	L	L	L
<b>Other Services<sup>®</sup></b>															
Fire Protection	L	C,L	R,L	L	L	L	C,L	C,L	L	L	L	C,L	L	L	L
Heating	N/A	N/A	N/A	N/A	L	N/A	N/A	N/A	N/A	L	N/A	N/A	N/A	N/A	L
Irrigation	R,L	C,R	R,L	L	L	R,L	C,L	C,L	L	L	L	C,L	C,L	L	L
Police	R	C,R,L	C,R,L	L	C,R,L	R	C,R,L	C,L	L	C,R,L	P	C,R,L	C,L	L	C,R,L



**Table 4.2a: Revenue Assignment**

<b>Revenue Assignment</b>	
<b>Angola</b>	Taxes are collected but are sent to the Single Treasury Budget Account; funds do not remain at the local level.
<b>Burkina Faso</b>	Taxing authority remains largely with the central government. Under the decentralization law, the regions will not have taxation powers. The central government retains control over the determination of base and rates on the most significant local taxes, while local governments have autonomy to revise base and rates on limited number of taxes. The central government has control over the collection of local taxes because the public accountants in charge of collecting taxes for local governments are agents of local branches of the Treasury Department of the Ministry of Finance and Budget (MFB).
<b>Ethiopia</b>	Woreda budget consists of transfers from the region, own revenues (direct taxation provided over half of total own source revenue), and off-plan resources.
<b>Guinea</b>	Currently, local governments do not have real fiscal autonomy as, in many cases, the establishment of the tax base and rates are the prerogative of the central government, determined through the annual finance law by the Ministry of Finance. 10 out of 17 own source revenue taxes, the tax rate is set exclusively by the central government, and CRD/CUs collect only 9 out of 17 local taxes. The new Local Government Code envisions increased autonomy for local governments over own source revenues, entitling local councils to decide to introduce new taxes if those taxes have been created by law and to change the tax rate of existing taxes up to the maximum tax rate set by law.
<b>Kerala</b>	Apart from grants, the major sources of revenue are tax and non tax revenues. Taxes comprise a large part of the panchayat's revenues, property tax based on rental value being the largest source. Sources of non tax revenue include user charges, beneficiary contribution, and donation in cash or in kind (land, material, or labor).
<b>Philippines</b>	The three main sources of revenue for the LGUs are The Internal Revenue Allotment (IRA), the main fiscal transfer to local governments; Own Source Revenues (including borrowing) and smaller shared revenues; expenditures by national government departments and agencies on devolved functions and activities. LGUs are assigned property taxes, business taxes, fees and user charges, and poll taxes.
<b>Punjab</b>	While the significant proportion of local government revenue comes from transfers from provincial and federal government, local governments may levy taxes (for example, on the transfer of immovable property, property taxes, tax on vehicles other than motor vehicles, property tax according to the prescription of the provincial government), fees (for example, fees on sale of animals, market fees, fees for licenses or permits), rates, rents (for example on land, buildings, equipment, machinery owned by the local government) and tolls on roads and bridges owned by the local government.
<b>Rwanda</b>	Own source revenues for Districts mainly consist of local taxes and fees collected and administered at local level. Local governments have discretion to set tax rates, determine the tax base and administer the collection of the taxes, fees and user charges.
<b>Tanzania</b>	Property tax, levied on the owners of real property (excluding land). LGAs have the power to set the rate, however, in practice many councils charge a flat rate. Service levy, collected from businesses with turnover higher than TSh. 20 million. Rate is fixed at 0.3 percent of turnover across all councils. Agriculture produces cess, imposed on the sale of crops. LGAs have the power to set the rate but central government set the ceiling of 5 percent of the farm-gate price. License fees, imposed on vehicles and fishing vessels. Business and professional license fees, imposed on commercial fishing, liquor sales, private health facilities, taxis, transportation vehicles.
<b>Uganda</b>	Graduated tax (suspended in FY 2004-2005), market dues, licenses and fees, and in the case of municipalities, property tax and ground rent.

**Table 4.3: Transfer Characteristics and Allocation Rules**

	Transfer Characteristics	Source	Allocation Rules
<b>Angola</b>	\$5 million to all municipalities	National Budget	No allocation rules - equal transfers to all local governments.
<b>Burkina Faso</b>	<ul style="list-style-type: none"> <li>Part of revenue from Single Tax on Petroleum Product is transferred to local governments (<i>Taxe unique sur les produits petroliers - TUPP</i>).</li> <li>In addition, since 2007, direct unconditional subsidies for operation and equipment (<i>"Dotation Generale d 'Equipement' "</i> (DGE) and <i>"Dotation Generrale de Fonctionnement"</i> are in place.</li> <li>Revenues from the Permanent Development Fund for Local Governments (FPDCT)</li> </ul>	Single Tax on Petroleum Product  National Budget  National Budget + Donors' contributions	10 percent of the TUPP transferred to the local governments.  Modalities for appropriation of grants are determined each year by a joint decree of the MATD and MFB.  Allocation rules are still being finalized.
<b>Ethiopia</b>	<ul style="list-style-type: none"> <li>Federal government transfers funds to regions through formula-driven general-purpose grant system, often referred to as the "block grant system."</li> <li>Regions are allowed to choose their own approach for making block grant allocations, as long as this is done in a non-discretionary, formula-based manner.</li> </ul>	Federal and Regional Governments	The weighted formula usually used comprises three parameters – population, the development or infrastructure gap, and revenue performance.
<b>Guinea</b>	<ul style="list-style-type: none"> <li>Transfer for operating expenditures to all local governments (<i>dotation de fonctionnement</i>)</li> <li>Exceptional grants related to investment costs to specific CRD/CUs (<i>dotation d'equipement</i>).</li> </ul>	National Budget	Amount of transfer negotiated between the Ministry of Finance and Ministry of Decentralization, then indexed on GNI and readjusted whenever new responsibilities are transferred

	<b>Transfer Characteristics</b>	<b>Source</b>	<b>Allocation Rules</b>
<b>Kerala</b>	Kerala's intergovernmental transfer system is a formula based transparent one.	<ul style="list-style-type: none"> <li>• Non-plan grants are broadly divided into statutory and non-statutory grants. Statutory grants are the largest of these two components and consist of assigned taxes and vehicle tax compensation. The assigned tax consists of a basic tax on land and a surcharge (4 percent) on stamp duty collected. Non statutory grants include rural poll grants, maintenance grants for transferred institutions, and social security pensions.</li> <li>• Plan grants (largest source of funding) from the state.</li> <li>• Local bodies receive grants through sponsored schemes where the local bodies act as agents of the central and state governments.</li> </ul>	The amount is fixed for each district, block and gram panchayat in the state budget. As a result, each local government knows in advance the fund at its disposal.
<b>Philippines</b>	Local governments receive IRA transfers and categorical grants or non-IRA central transfers.	IRA is distributed across local government units based on the following shares: 23 percent to provinces, 23 percent to cities, 34 percent to municipalities and 20 percent to barangays.	The respective shares of local governments are determined on the basis of population (50 percent), land area (25 percent) and equal sharing (25 percent).
<b>Punjab</b>	<p>Transfers are made under from province following heads with no de jure discretion to re-allocate across categories</p> <ul style="list-style-type: none"> <li>• recurrent expenditure (85% of the total transfer from the province)</li> <li>• development expenditure</li> <li>• conditional grants for education and health</li> <li>• Additional funds for the social infrastructure improvement are also transferred to local accounts on a more ad hoc basis under the Chief Ministers Accelerated Program for Social Development.</li> <li>• Direct grants from federal government to the local government</li> </ul>	The significant proportion of revenues is collected by the centre and then redistributed vertically between the federal and the provincial governments, and horizontally among the provinces through National Finance Commission (NFC). Provinces then redistribute revenues (including the taxes collected at the provincial level) among lower tiers of the government.	<p>From center to the province: National Finance Commission mainly based on population.</p> <p>From Provinces to the local government: Provincial Finance Commission primarily based on population (However, the overall percentage of provincial funds to be distributed to the local government is at the discretion of the provincial government).</p>

	<b>Transfer Characteristics</b>	<b>Source</b>	<b>Allocation Rules</b>
<b>Rwanda</b>	Un-earmarked block grant Earmarked Grants Revenues from the Common Development Fund (CDF).	Central Government's Local Authority Budget Support Fund (LABSF) Line Ministries' Budget  National Budget + Donors' contributions	<ul style="list-style-type: none"> <li>• Formula based on population, revenue per capita, area, "percentage increase in revenue collection" (an incentive component with regard to revenue generation) and "finance gap of District" (with respect to operating cost - an equalization component)</li> <li>• Allocation based on transparent formulae or allocations divided equally by the number of Districts.</li> <li>• District government access to CDF resources from the Government is formula driven, whereas allocation of funds provided by donors is usually earmarked to specific Districts.</li> </ul>
<b>Tanzania</b>	<u>Sectoral block grant</u> for recurrent expenditures in primary education, health, water, roads and agriculture. Capital development grant is a discretionary grant that may be used either for new infrastructure or rehabilitation of the existing infrastructure.	PMO-RALG ( Prime Minister's Office- Regional and Local Government)	Both are formula based.
<b>Uganda</b>	Block grants Conditional grants (largest portion) Equalization grants	Central Budget	Formula based.

**Table 4.3b: Revenue sources: own-revenue sources, intergovernmental grants and borrowing**

Function	ANG		BF		ET		GN		KER		PH		PUN		RW		TZ		UG			
Revenue Assignment																						
How much control do local governments have over (1)	R	B	C	R	B	C	R	B	C	R	B	C	R	B	C	R	B	C	R	B	C	
• Property tax	⊙	⊙	⊙	⊙	⊙	⊙	●	⊙	⊙	●	⊙	●	⊙	⊙	⊙	●	●	⊙	⊙	⊙	●	
• Taxes on vehicles	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	
• Fees (for example on sale of animals, market fees, fees for license and permits)	⊙	⊙	⊙	⊙	⊙	⊙	●	⊙	⊙	●	⊙	●	⊙	⊙	⊙	●	●	⊙	⊙	⊙	●	
• Rents (for example on land, buildings, equipment, machinery owned by the local government)	⊙	⊙	⊙	⊙	⊙	⊙	●	⊙	⊙	●	⊙	●	⊙	⊙	⊙	●	●	⊙	⊙	⊙	●	
• User fees (for example toll on roads and bridges owned by the local government)	⊙	⊙	⊙	⊙	⊙	⊙	●	⊙	⊙	●	⊙	●	⊙	⊙	⊙	●	●	⊙	⊙	⊙	●	
How much control do local governments have on budget utilization from own source revenue? (2)	○	○	⊙	⊙	⊙	⊙	⊙	⊙	⊙	●	⊙	●	⊙	⊙	⊙	●	●	⊙	⊙	⊙	⊙	
What is the percentage of own revenues of total local government revenue?	0				11-48% (2001)			CRD: 7 % CU: 24 %				31.5 % (2002)	7.1 % (2005-06)*			10% (2008)		10% (2009)				
Intergovernmental Transfers																						
Distributable pool (3)	F			F	F					F		F	F			F		F		F	F, AH	
Distribution across local governments (4)	F			AH	F			AH		F		E, AH	F, AH			F		F		F	F, AH	
Purpose of transfers (5)	UCBG			UCBG	UCBG, CEG			UCBG		UCBG		UCBG, CEG	UCBG, CEG			CEG, UCBCG		CEG, UCBCG		CEG, UCBCG	CEG, UCBCG	
Management of transfer system (6)	○			○	⊙			○		●		⊙	○			⊙		⊙		⊙	⊙	
Ability to Borrow																						
Do local governments have discretion to borrow? (7)	○			⊙	⊙			○		⊙		⊙	○			⊙		⊙		⊙	⊙	

R= Rate setting; B= Base setting; C= Collection; 1-2, 6-7: ●= Full control of the local government ○= No control of the local government ⊙= Partial control; 3,4: F= Formula based; AH= Ad hoc; 5: UCBCG= Unconditional block grant; CEG= Conditional earmarked grant.

\*This is average of three districts, Sargodha, Chakwal and Bahawalpur. The own source revenue vary widely from 1% in Chakwal to 16.3% in Bahawalpur. The data was obtained from District Government budgets which are not published regularly and can only be obtained in hard copies from the district government offices.

**Table 4.4: Public Financial Accountability**

Do the following exist?	ANG	BF	ET	GN	KER	PH	PUN	RW	TZ	UG
De jure requirement for the publicity of budget documents	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Proper documentation of budgetary documents	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Legislation (rules) prescribed for the budget preparation process	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Parliamentary Committee to oversee the budgetary process	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>

●= Yes ○= No

## 5. Conclusions, recommendations and moving forward

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### 5.1 MAIN FINDINGS

Decentralization reforms and local democratic governance have attracted significant attention as a remedy for poor governance. The emphasis on decentralization is the consequence of the debate in the economic and political science literature that suggests efficiency and accountability gains from decentralization reforms. However, there has been a marked disjoint between theory and empirical evidence regarding the impact of decentralization reforms. We contend that the primary reason for this disjoint is a partial and fragmented approach towards the theory and practice of decentralization. Therefore, we suggest, it is imperative to evaluate the framework of actual decentralization reforms instituted against a comprehensive framework that differentiates between political, administrative and fiscal aspects of decentralization before assessing their impact. To that end, we use the comprehensive framework developed in World Bank (2008) to analyze decentralization reforms at three levels—political, administrative and fiscal—by employing case study research methodology.

None of the countries that we examined have undertaken decentralization reforms comprehensively as outlined by the World Bank (2008) framework. We suggest that a major reason behind incomplete reforms is the lack of sufficient incentives on the part of established power holders that include central government and bureaucracies. For example, many of our case-studies showed that central bureaucracies often resist decentralization reforms as the consequent reorganization of power relationships would jeopardize the long-established institutional and political allegiances. The dilemma at the heart of all delegation relations is the national leaders' desire to control the local governments as much as possible while giving considerable discretion that is necessary to obtain benefits (Hopkin and Hourten, 2009). Largely triggered by this dilemma are contexts as diverse as Tanzania, Philippines and Pakistan where decentralization reforms have been blocked only to be re-introduced a few years later.<sup>70</sup>

Significant variations exist in the extent of fiscal, political and administrative domains amongst our case countries. Table 5.1 shows that there is no systematic pattern amongst countries in terms of breadth of reforms in different aspects of decentralization process. For example, Guinea has relatively well developed decentralization structures in political aspect of decentralization but fiscal aspect of decentralization framework remains weak. Similarly, in contexts such as Ethiopia and Kerala, fiscal reforms are comparatively more advanced than administrative and political ones. In Punjab and Tanzania, on the other hand, political decentralization has superseded administrative and fiscal reforms.

We also find that significant gaps exist between *de jure* and *de facto* practices. We find that the disjoint between laws and practices is largely due to the lack of capacity of the local government to implement laws, inability of the central government to provide local government with adequate support, confusion between roles and responsibilities amongst different participants of the decentralization system and the lack of incentive on the part of the central and local government officials to implement decentralization laws.

#### **5.1.1 Main Findings on Political Dimension of Decentralization**

Political discretion is assessed on the variables that include separation of powers among the executive, legislative, and judicial bodies, electoral systems, and party systems. These variables

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<sup>70</sup> In Tanzania, the national leadership abolished local governments in 1972 and reintroduced it ten years later. Similarly in Pakistan, Zulfikar Ali Bhutto abandoned the local government system in 1971 and decentralization reforms were re-launched in 1979.

define the local political setting in which local elected officials interact with the other local actors, including the citizens. The findings indicate that there is a large variety of institutional arrangements for political competition that provide varying degrees of discretion and accountability. The most dominant form of separation of power arrangement is the *de jure* strong council model (prevalent in Rwanda, Guinea, Burkina Faso, Angola, Kerala and Tanzania) followed by strong executive (in Angola, Punjab, Philippines and Ethiopia). However, local courts remain weak, non-existent or inaccessible to the citizens. This aspect significantly undermines the separation of power rationale in many countries.

Similarly, a variety of electoral competition arrangements exist in our case studies. Proportional representation and first-past the post systems are found almost equally frequently at the local level. For example, Burkina Faso and Ethiopia employ proportional representation rules for the local elections, while Uganda, Tanzania and Pakistan use first-past-the-post system. Some countries also mix proportional representation with majoritarian electoral rules where the winning party takes all the council seats allocated through the election (for example, in Rwanda and Angola).

The most important result of our review is that political discretion, when given to the local governments in the context of political landscape that are dominated by local actors, results in local elite capture and single party rule. In some case studies, the structure of political decentralization provides incentives that can make local government officials beholden to the party administration or central authorities. In Ethiopia, for example, the *woredas* function mostly as arms of central control at the local level due to lack of clear separation of powers. Similarly, indirect election of district mayor and existing political landscape in Punjab lead to a situation where union councillors tow the district mayor's line and citizens are excluded from the process. Informal power structures also influence electoral competition process more directly by restricting the entry into electoral competition space and by sometimes influencing the voters' choices. The lack of clearly established laws on party financing and the unavailability of information of party financing to citizens reinforces these impacts.

### ***5.1.2 Main Findings on Administrative Dimension of Decentralization***

The review of our case studies suggests that many countries have not been able to incorporate administrative discretion in their local government codes. Local governments have regulatory authority in some areas but we do not find a consistency in the division of such authority across countries and domains. For example, in Rwanda, local governments have full autonomy over land zoning, acquisition and conservancy laws but no autonomy in the case of market regulations. On the other hand, Punjab local governments have regulatory authority in these areas, while, local governments in Burkina Faso and Angola only have partial or no autonomy in these areas. However, this discretion is severely curtailed due to the inability of the local governments to sanction non-compliance.

Similarly, central government intervention limits the extent of discretion on procurement decisions that require private sector participation. In general, local governments do not have full authority to enter and manage different types of service or management contracts. Yet, it is the discretion over employment that is most strongly resisted by central authorities. Central governments heavily control all aspects of employment from budgetary payroll to recruitment and performance management. Granting administrative autonomy to local governments in civil service management leads to reallocation of jobs geographically and institutionally and the loss of central control over financial flows. Therefore, it is not surprising to find that central government still holds considerable influence over these functions.

We also observed that there is significant confusion over the division of roles and responsibilities between central and local levels of government and between elected and non-elected officials in



administrative domains. These confusions breed conflict of interest amongst participants of the system that negatively affect the discretion of the local government.

### ***5.1.3 Main Findings on Fiscal Dimension of Decentralization***

Our review has shown that many local governments severely lack fiscal discretion. In particular, they lack the discretion to raise their own revenues. In instances where the local governments are allowed to collect taxes, tax base and rates are usually set at the central level. Due to inadequacy of revenues collected by the local government, inter-governmental transfers make up the most significant portion of the local governments' budgets. The inter-governmental transfer system almost always comprises discretionary and arbitrary elements that undermine the accountability of the local government and leave the system open to political manipulation. In some countries, inter-governmental transfers are also unreliable that negatively affects the planning capacity of the local governments. Moreover, the local governments do not have effective authority to change the rules of the intergovernmental transfer management.

In addition to these restrictions, most of the grants to the local government are ear-marked or are consumed towards the personnel costs that are hired and retained at the central government level. As a result, local governments remain severely credit constrained and unable to respond to their constituencies' preferences. Lack of capacity of the local governments to perform budgetary functions, for example accounting, also limits their discretion.

### ***5.1.4 Challenges to Public Accountability***

Public accountability refers to institutionalized practice of account giving by elected officials and public sector institutions to horizontal or higher levels of public servants and public sector institutions. We find several factors that hinder the establishment of such mechanisms. The most critical factor is the presence of entrenched power relationships. Public oversight mechanisms, for example tutelle in Francophone Africa and bureaucracy in Pakistan, are much stronger than the council. As a result, the oversight of these institutions turns into intervention that severely diminishes the discretion of the local elected government to the extent that local elected government becomes another arm of these established institutions. We observed this to be the case in many countries in all three aspects of decentralization. Ethiopia, Philippines and Angola particularly face this challenge. Tanzania and Uganda also have overbearing public sector oversight structures. This characteristic of the landscape also impedes the effectiveness of safeguards introduced in the system to ensure representation of all groups in the society, such as reservation of seats for women, youth and vulnerable groups.

The other factor that constrains the ability of the local government to fulfill the conditions laid out by the accountability mechanisms is the lack of capacity of the local governments to adhere to the practices outlined in such mechanisms. This factor is most pronounced in the fiscal aspect of decentralization. Local governments in most of our case countries were unable to maintain proper documentation that is required for any accountability mechanism, such as audits, to be performed. Similarly, local government officials were not trained accounting procedures to be able to adequately monitor the fiscal activities of the local government.

### ***5.1.5 Challenges to Social Accountability***

The case-studies overwhelmingly show that, except for Kerala, Philippines (especially in the participatory budgeting process) and Rwanda, social accountability mechanisms are generally absent in favor of public accountability mechanisms. In other countries, we find sparse examples of innovative social accountability mechanisms, but most of the time they are not even institutionalized on the country scale. For example, dissemination of information through radio programs remains limited to Kourououssa region in Guinea (for more examples see Table 4.6 and 3.2).

However, even when these institutions are in place caution is needed to judge the quality of participation in community activities. Even if participatory mechanisms are in place, the levels of participation within the community are likely to be lower among the less economically advantaged and the benefits of the new participatory arrangements biased towards the better off sections of the community (Lankina, 2008). Similarly, social accountability institutions are dominated by either local landed-elites or government officials that constrict the space for the citizens to participate in decision making and accountability. Moreover, these institutions usually lack capacity to be able to perform their function of oversight and participation in the local government activities. This is especially pronounced in the case of fiscal social accountability as the ability to monitor fiscal processes sometimes requires specialized knowledge about accounting and budgetary processes. Lack of information regarding local government activities also hampers social accountability.

Lastly, the leverage these committees have in terms of actual impact has not been very well researched in the literature. Therefore, more empirical research needs to be carried out in order to learn the true impact of social accountability mechanisms on outcomes such as service delivery.

## **5.2 RECOMMENDATIONS**

This report follows the theoretical framework presented in World Bank (2008) to identify a well-designed local government system. We operationalize the theoretical framework to provide indicators of discretion and accountability in three different aspects of local governance—political, administrative and fiscal. In that respect, we endorse the recommendations that were proposed by World Bank (2008). We go a step further to identify more precise steps in the form of checklists that entail a well-designed decentralization system. The report also highlights the confusions that remain regarding the effects of different institutional structure of decentralized governments (for example, role of political parties in local elections, use of term limits as an accountability measures) due to scarcity of theoretical and empirical research on these subjects. Therefore, in order to seek precise and detailed recommendations regarding the institutional arrangements for a well-designed decentralization structure, please refer to the checklists at the end of chapter 2, 3 and 4 which give a step by step guide to achieve and assess a decentralization structure.

This space, however, will be used to delve into the challenges that hamper the adoption of the theoretically established well-designed decentralization reforms. For example, it is one thing to say that citizens should be provided with adequate information to enable them to hold elected officials accountable but quite another to identify the potential factors and deficiencies in the political or operational context that lead to the inability of the local government to publicize the required information. Similarly, identifying that civil service management should be devolved to the local government is different from highlighting the reasons behind such disjoint between theory and practice. Checklists provided at the end of chapters 2, 3 and 4 perform the former function in a precise and comprehensive manner while this section fulfills the latter.

The following table identifies key challenges in political and operational context that hamper the implementation of a well-designed decentralization structure. We also present recommendations as a first step towards overcoming these challenges.

**Table 5.1. Overview of challenges and recommendations to achieve a well-designed decentralization system**

Challenges	Recommendations
<p><i>Political Context:</i>  <b>Entrenched interests</b> (e.g. strong bureaucracy or landend elites) that are powerfully embedded in the system restrict any change to the reorganization of political relationships.</p>	<p>It is imperative to identify the existence of such entrenched interests and devise a strategy to include all stakeholders in the discussions regarding design of the decentralization reforms. Two possible approaches are observed in our case studies that attempt to deal with the rampancy of entrenched interests. First is the big bang approach applied in Kerala and the second is the gradual approach employed in Punjab. The effect of each approach depends on the political context of each country. Therefore, political economy analysis would inform the possible solution.</p>
<p><b>Capture of the local government by the center</b> for reasons that may include political domination (e.g. Ethiopia and Pakistan) and control over flow of funds (See Box 2.1 for more explanations).</p>	<p>Political economy analysis that identifies the characteristics of power holders and the informal power networks (for example, land concentration could be a factor) is indispensable to charter a pre-reform formulation strategy to overcome such capture post-implementation. Encouraging citizen participation through training can also provide an independent avenue to change political equation in local communities (see the cell below).</p>
<p>In most of the case studies <b>local elites who intermediate between citizens and the state</b> are rampant and constrict the space for social accountability mechanisms (formal and informal) and undermine political competition by restricting entry in the electoral competition.</p>	<p>Germinating political consciousness in the citizens through education, training and information dissemination about their rights. Also, enabling and establishing new avenues of information sharing and dissemination, for example through local media, can increase the frequency of direct citizen participation and aid in breaking the hold of land elites.</p>
<p><i>Operational Level:</i></p>	
<p>Local government reforms are <b>selectively instituted</b> at political, administrative and fiscal aspects.</p>	<p>While sequencing of decentralization reforms is a complex topic where there is a dearth of empirical investigation, we propose that partial reforms that focus on one or the other aspect of decentralization often fail to provide the expected benefits of decentralization. Therefore, sequencing if done, should be carefully studied and analyzed at the articulation stage within the political context of the country in question.</p>
<p><b>Capacity of the local government</b> to carry out their responsibilities is generally inadequate.</p>	<p>There should be a clear and precise strategy of building capacity at the local level through trainings and other methods. Lack of capacity at the local level should not act as an excuse for inadequate discretion.</p>
<p><b>Central level government involvement</b> in strengthening the local government is generally missing.</p>	<p>Central governments should build their own capacity to improve the design and gauge the direction, pace and extent of decentralization. They should develop instruments to disseminate information to the local governments and directly engage local government in decentralization process. Central governments should also devise a strategy that consolidates human resources, expertise and capacity at the local level by making them partners with the local government.</p>
<p><b>Unclear roles and responsibilities</b> that sometimes not prescribed in the code; rules may overlap in different laws of the country; language is kept vague; the information regarding roles is not widely disseminated.</p>	<p>Decentralization laws (and other related laws, for example, public management laws and public procurement laws) should be clear and precise so that there is no room left for manipulation. A distinct effort should be made to ensure that decentralization laws conform to the other laws in the country.</p>

### 5.3 MOVING FORWARD

An effective implementation of decentralization reforms requires a strategy to give discretionary power to local governments and strengthen their accountability towards citizens. Such a strategy prescribes certain actions on the political, administrative and fiscal dimensions of decentralization that we have outlined in this report in the form of precise variables and questions in the tables at the end of chapter 2, 3 and 4. These tables can also be used to assess the degree of discretion and accountability in each country. We observe that in none of our case studies decentralization reform codes conform to the practices that are widely recognized as well-designed in the literature. The reason for this disjoint, we suggest, is the inherent political nature of the devolution of power that redistributes power between different participants of the government system. It can also create new contenders of power, for example citizens, that were previously excluded from the government system altogether. Therefore, it is no surprise that the central bureaucracies reluctantly embrace, often resist, and in some cases make contradictory decisions about their support for decentralization reforms as the reforms may jeopardize the long-established institutional and political allegiances. Therefore, we suggest, that the presence of political will and commitment is the pre-condition for effective decentralization reforms to be pursued.

This also implies that a political economy analysis of the country, preceding the articulation and implementation of decentralization reforms, will encourage the formulation of effective decentralization strategy by indentifying the hurdles in the commitment towards decentralization. This political economy analysis should comprise the understanding of the configuration of current power-holders, relationship between different actors in the polity and the distribution of economic and political power. Understanding political environment is not only imperative to encourage comprehensive decentralization reforms in a country but also to bridge the gap between de jure and de facto by helping us to understand how the prescribed rules are expected to be implemented.

Research in two other areas can greatly enhance the effectiveness of decentralization reforms. The first is the empirical documentation of de jure and de facto practices in the decentralized countries, empirical reasons behind these divergences and the steps that have been taken to ameliorate them. The second area is the theoretical understanding of how decentralization works in different political environments. Most of the literature on decentralization analyzes the impact of decentralization on accountability, citizen participation and service delivery within democratic regimes. However, we observed that in many of our case study countries, decentralization took place within authoritarian centers. The incentive structures of both the central and local governments are different in the two scenarios which need to be explored in detail in order to ensure that we are aware of the consequences when decentralization reforms take place in non-democratic environments.

Another gap in the literature that became apparent during the course of our research is the understanding of the impact of different institutional structures, particularly electoral competition and party structures, on outcomes in local governments. For example, we do not know how and why party based local electoral competition affect the accountability of the local government. There are some sporadic empirical studies but no conceptual framework to answer this question is available. Similarly, the impacts of different forms of electoral competition (proportional representation versus majoritarian rule) on accountability, citizen participation, representation and service delivery remain un-explored. These areas have been analyzed for national institutional structures but there are enough differences between local and national governance and political structure to warrant a separate study of these aspects in local governments.

Last but not the least, an important area of work to study is the comparative application of decentralization framework in different sectors. Empirically, decentralization is more conducive to certain sectors than others. For example, as was highlighted in the report, health sector is not a good candidate for decentralization. Therefore, a cross-sectoral study that evaluates the impact of decentralization in different sectors can provide valuable lessons not just for the management of sectors but will also help us understand the process of decentralization better. This type of study can also identify the sectors that lend themselves to decentralization better than others.

Table 5.1: Local Government Discretion and Accountability: Case-study Ratings

Domains Components/Rating	Political			Administrative			Fiscal		
	Discretion	Pub. Ac.	Soc. Ac.	Discretion	Pub. Ac.	Soc. Ac.	Discretion	Pub. Ac.	Soc. Ac.
<b>High</b>	KER PH UG RW	ET RW	KER		RW BF ET KER PH GN	KER UG		ET KER TZ UG	
<b>Medium</b>	GN	KER PUN PH UG	PH RW UG	PH ET KER PUN RW UG	PUN UG TZ	PH RW	ET UG KER RW PH	RW PH PUN	PH KER UG
<b>Low</b>	ANG ET PUN TZ BF	ANG BF GN TZ	ANG BF PH GN ET PUN TZ	ANG GN PH GN ET PUN TZ	ANG	GN ANG ET TZ BF	ANG BF PUN TZ GN	ANG GN	ANG RW ET BF GN PUN RW TZ

ANG=Angola; BF=Burkina Faso; ET=Ethiopia; GN=Guinea; KER=Kerala (India), PH=Philippines; PUN=Punjab (Pakistan); RW=Rwanda; TZ=Tanzania; UG=Uganda

## Annex I: Discretion and Accountability in Education Sector

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Despite sweeping decentralization reforms in education systems across the world, the links between education decentralization, governance and social accountability are poorly documented in developing country contexts. This policy brief seeks to analyze levels of discretion of local education authorities at subnational and school levels, the process for the appointment of education and Government officials at decentralized levels and finally social accountability mechanisms and the challenges to their development at district and community levels in Sierra Leone, Kenya, Somaliland, Ethiopia and Andhra Pradesh. The case studies were selected owing to the fact that they provide models of both deconcentrated and devolved power.

Proponents of decentralization argue that it can create room for greater participation in decision making on the part of civil society while also improving quality, relevance, efficiency, equity, development and resource management. Decentralization is seen to be particularly appropriate in countries with high levels of diversity and also as a strategy for addressing low level internal conflicts. Furthermore education planning, management, administration and financing are opened up to local government officials and civil society.

Nevertheless, decentralization has not brought about all the changes expected of it; indeed there are some questions related to the link between decentralization and improved service delivery in developing countries. Levels of participation have not increased as a matter of course, sometimes due to a lack of culture of participation in public life, particularly where there are high levels of illiteracy and owing to the absence of space for creativity or innovation in education management and delivery due to the regulatory framework and the general political climate.

The rationales for decentralization can be wide ranging and Table 1 identifies the explicit, and in some cases, hidden objectives and purposes for decentralization in each of the countries or territories.

**Table A1: Rationales for Education Decentralization**

	Sierra Leone	Somali-land	Kenya	Ethiopia	Andhra Pradesh
Diversification of funding sources		<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
Increased efficiency	<b>X</b>				
Increased equity	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b>
Increased participation	<b>X</b>	<b>X</b>			<b>X</b>
Increased relevance				<b>X</b>	<b>X</b>
Increased availability	<b>X</b>	<b>X</b>		<b>X</b>	
Improved school performance / learning outcomes	<b>X</b>		<b>X</b>	<b>X</b>	<b>X</b>
Extension of central Government's control		<b>X</b>	<b>X</b>	<b>X</b>	

### DISCRETION AT LOCAL LEVELS

The process for the delegation of discretion to local levels has an important impact on the effectiveness of decentralization reforms, the quality of education service delivery and local

governance outcomes, particularly where substantial new powers are delegated. Analysis of data from the 5 case studies revealed that the nature and extent of financial discretion, related to fundraising, budgeting and budget execution, delegated or devolved to lower tiers of Government or the Ministry of Education (MOE) provided a key indicator of the authenticity of the powers delegated. Where financial responsibilities were accompanied with stringent and prescriptive funding formulae regarding the grants' use, true discretion was reduced. There is a need for a balance between funding formulae which seek to equalize regional disparities while also allowing local education service providers the space to be responsive to their regional context by allocating finances for programmes which address local priorities. The management of the teacher payroll was identified as a contentious area in the delegation of fiscal responsibilities since the payroll represents the largest share of the education budget. The location of the body or government agency which manages the payroll reveals the willingness of the central Ministry to delegate meaningful and appropriate discretion to lower levels.

District Councils in all of the case studies had tax levying powers, however, only 3 had the authority to allocate tax revenues towards education (and other sectors) at local levels. It is the responsibility of national Governments to ensure that local revenue raising power and expenditure do not heighten inequitable national development, through the design of equalizing intergovernmental fiscal transfers.

Local education officials and members of Parent Teacher Associations (PTAs) in all case studies found it difficult to articulate where their accountabilities started and ended. This served to reduce their effectiveness and was due to 1) contradictions within different pieces of education and decentralization legislation or policies, 2) non-implementation of legislative reforms owing to uneasy power dynamics between higher and lower levels of the MOE or an over ambitious timeframe for delegation of responsibilities, 3) the absence of a clear information sharing campaign (within the MOE and amongst civil society) regarding the enactment of decentralization reforms.

The following factors or conditions must be in place for the successful delegation or devolution of discretion:

- clarity regarding the levels of authority and lines of accountability distributed amongst the relevant decentralized bodies and actors, set out in education legislation that is aligned and consistent with decentralization legislation
- the development and implementation of a capacity development strategy based on an institutional assessment of all levels of the MOE as well as other government agencies with education service delivery responsibilities
- appropriate financial discretion with accompanying equalizing transfers from the central authorities
- a robust information system within the MOE which promotes upwards, downwards and vertical flows of information
- a change in the organizational ethos throughout the Ministry.

## **SCHOOL-BASED MANAGEMENT**

All the case studies revealed that important responsibilities had been delegated or devolved to PTAs under national decentralization reforms. In fact, in some cases PTAs enjoyed greater financial discretion than district education authorities particularly since the introduction of fee free primary education. The division of financial responsibilities between the head teacher and the remaining members of the PTA was not in accordance with education legislation in all countries. For example in Kenya and Sierra Leone, power remained centralized with the head



teacher despite the existence of legislation seeking to neutralize the position of the head teacher and promote democratic participation. In fact the premise that the PTA is a democratic body is in most cases a false one. In Andhra Pradesh, the School Education Managing Committee can be used by the Chairperson as a platform to gain political credibility for local elections.

Owing to the inadequacy of the capitation grants provided by Governments, in quantity and / or timeliness, PTAs and head teachers collected community contributions or levied school charges to make up the sizeable shortfall. As a result, a substantial burden for education financing falls on community members. This raises the question of equity regarding the proportion of state and community financing in public schools. This question is particularly urgent since it is clear that the increasingly 'creative initiatives' taken by head teachers and PTAs to supplement formal school budgets impact negatively on poor children's ability to access and complete primary school.

Since the collection of community contributions is unofficial and often unrecognized by the central MOE, there are no regulations in place related to their management or audit, thus increasing opportunities for governance malpractices. This situation is unlikely to change owing to the political imperative of maintaining the rhetoric regarding fee free primary education in each of the countries / territories, even where there are no Government subsidies or grants for schools in place, as is the case in Somaliland. The key challenges and respective policy or practical recommendations regarding school governance are detailed in Table 2.

It may be appropriate to investigate whether elements of the model of school-based management successfully adopted in parts of Central America may be transferable in certain Sub-Saharan African and Asian countries. This would entail delegating or devolving even more discretion to PTAs, strengthening their capacity and developing strong systems for accountability and governance.

## **NOMINATION OF LOCAL EDUCATION AUTHORITIES, DISTRICT COUNCILS AND PTAs**

Figure 1 reveals the process for appointing the most important decision-making bodies according to decentralization frameworks in the different countries / territories. District Councils, which played a key role in education service delivery in all of the case studies, were elected by local citizenry in national or local council elections and therefore were accountable to the electorate. Nevertheless the other education service providers at regional and district levels in all countries / territories were appointed by more senior Government officials and as a result the lines of accountability were upwards rather than downwards. While decentralization provides an opportunity to manage diversity in-country and represent the electorate appropriately, the case studies in Kenya and Somaliland revealed that it can also conversely provide an opportunity to extend the central Government's control over the country, thus restricting true discretion and downward accountability.

## **SOCIAL ACCOUNTABILITY MECHANISMS AT LOCAL LEVELS**

It is increasingly acknowledged that downward or social accountability is at least as important as upward accountability. In 3 out of the 5 case studies there were formal structures embedded within the education decentralization frameworks to monitor and formally involve representatives of civil society in policy and planning. A change of culture within the MOE will be required before these structures can be truly functional and effective, for example in sharing

information regarding the more sensitive parts of their work related to financial flows and procurement practices.

Good practice has been identified in Kenya related to the creation of *barazas* in schools as an appropriate avenue for developing democratic behaviours and positive engagement with school authorities on the part of service users. Positive changes have also been documented in schools in Ethiopia in relation to teaching and learning, enrolment and school management following the creation of the PTA. Nevertheless the nature of the hierarchies and inter-dependencies inherent in communities and represented in all PTAs, have an important impact on the levels of participation within the Associations and their effectiveness.

The ability of civil society to hold service providers to account is premised on the availability of relevant and accurate information. This presents a challenge, particularly in countries with high levels of illiteracy, where information regarding the roles and obligations of education services providers, details of national standards in education or funding formulae for schools, with the requisite level of technical detail, need to be communicated in ways that will be appropriate and relevant for improving governance, accountability and the quality and supply of education services. Education Boards and Committees or education NGO networks should be responsible for developing the capacity of civil society groups at district and community levels to conduct research into these areas and to subsequently speak with one voice and formally engage with service providers. The civil society groups should have clear mandates and be seen to be authoritative, by service providers and service users alike. Without such authority they will be ineffective in holding service providers to account.

In conclusion then it is clear that there is still progress to be made in developing accountable education systems with appropriate levels of discretion at subnational and community levels in Sierra Leone, Kenya, Somaliland, Ethiopia and Andhra Pradesh. Nevertheless pockets of good practice related to local discretion and accountability have been identified in the case studies. This reveals that despite the fact that decentralization reforms are between 5 and 15 years old in the countries and territories analyzed here, it is a slow and complex process where there are no quick wins related to governance and social accountability. There is a need to further document school governance practices in relation to the expenditure of capitation grants as well as community contributions, while also identifying good practice related to social accountability at local levels.

**Table A2: Overview of Challenges and Recommendations Related to Improving School Governance**

<b>Selected Challenges in Developing Good School Governance</b>	<b>Suggested Recommendations to Improving School Governance</b>
Non-enforcement of legislation relating to the number of signatories of school bank	Compliance by banks with education legislation and regulation relating to the number of signatories on school bank account
Poorly documented school expenditure of capitation grants, attention has focused on documenting financial flows from national through to school level (through Public Expenditure Tracking Surveys)	School governance tools relating to financial expenditure developed and piloted in various countries collecting and comparing data
Lack of formal mechanisms for reporting expenditure of capitation grant to district level education authorities (upwards accountability)	Training on and use of formal template for reporting expenditure to be submitted by PTA treasurer to District Education Office (or other relevant Government agency) every term or once a year
Lack of regulations regarding the collection (and caps), management, expenditure or auditing of community contributions	National Government guidelines regarding the purpose of community contributions, setting out procedures for their collection, management and reporting; to be adapted at regional and district levels
Likelihood of mismanagement of school funds increases due to unrealistic expectations regarding head teacher or PTA's book keeping skills	Inclusion of book keeping and financial management training initiatives within regional or district decentralization capacity development programs
Objectivity jeopardized where the PTA raises and manages community contributions and is simultaneously responsible for monitoring expenditure and governance	Creation of executive committee within PTA responsible for expenditure of community contributions, remaining PTA members responsible for monitoring governance with distinct reporting lines
Unreasonable requests for financial and in-kind community contributions justified on the grounds of increasing community participation in education	Research to be conducted to document and quantify the extent of community financing of schools in proportion to Government expenditure
Lack of formal mechanisms for reporting expenditure of capitation grant and community contributions to parents and community members (downwards accountability)	National and local information campaigns regarding details and timing of Government school subsidies, using various media including radio; public hearings or community meetings reporting financial expenditure; training on multi-stakeholder accountability and dissemination of social accountability tools by national good governance campaigns or NGO forums
Unequal power dynamics within PTA where authority and decision-making power are vested in the head teacher reduces the likelihood of the PTA enforcing disciplinary measures against head teacher	Training on formal role of PTA and Job Descriptions developed for each member, enforced and overseen by district education authorities as well as local village committees
Lack of enforcement of disciplinary action taken against head teacher for embezzlement or fraud by district education authorities	Education legislation and regulations set out disciplinary action to be taken by respective levels of the MOE against teachers; inclusion of the responsibility in the Job Description of district level school Supervisors
Large geographic distance between the management of the teacher payroll and the schools weakens the monitoring and enforcement mechanisms related to teacher absenteeism and ghost teachers	Decentralization of management of the teacher payroll to regional or district levels (within the context of a capacity development program); district-wide teacher verification exercises conducted annually by local education authorities, the district council and education bodies including representatives of civil society and teacher payroll updated; effective use of Education Management Information System data and strong link established with teacher payroll data



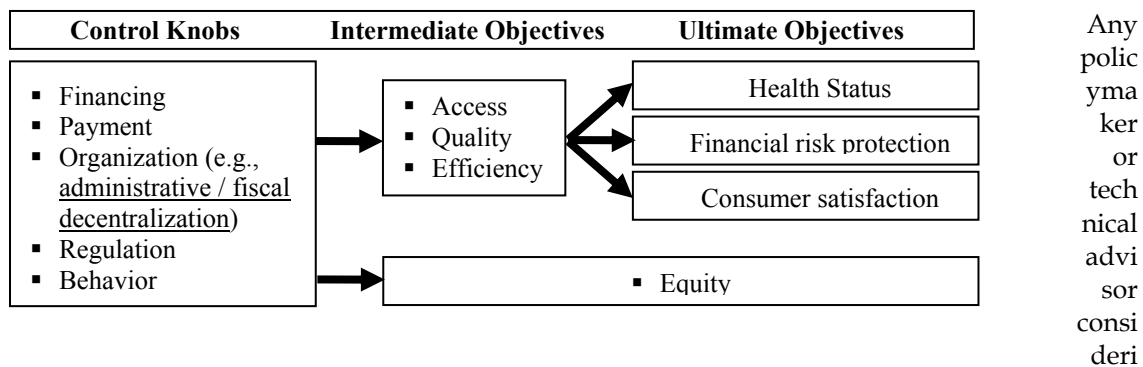
## Annex II: Discretion and Accountability in Health Sectors

In the last two decades, health sector decentralization policies have been implemented on a large scale throughout the developing world as part of a broader process of political, economic, and technical reform to increase the process of democratization and modernization of the state.<sup>1</sup> However, the impact of decentralization on the health sector has raised questions about whether or how decentralization can contribute to improved performance of the health system. This policy brief presents recommendations for policy decisions about decentralization of the health sector based on a review of evidence from six case studies of decentralization in Asia (India, Pakistan, Philippines), Africa (Uganda) and Latin America (Bolivia, Chile).<sup>2</sup>

In the health sector, the ultimate goal of decentralization is to improve health system performance (see

Figure ). Using a framework developed by the WBI/Harvard School of Public Health Flagship Course on Health Sector Reform, we consider the ultimate objectives of health sector to be more equitable and improved health status, financial risk protection and citizen and patient satisfaction. Intermediate objectives are increased and equitable access, quality of services and efficiency in the use of scarce resources.<sup>3</sup> We measure the performance of policies by whether they help achieve these objectives. Decentralization is only one of the types of system changes that can contribute to improved performance. Other changes can be made in “control knobs” of financing, payments, regulation, behavior change and other organizational changes such as appropriate use of the public/private partnerships.

**Figure 3. Decentralization from a health sector perspective**



ing decentralization as a lever to improve health sector performance will need to address the following policy choices<sup>4</sup>:

- Who gets more choice?

<sup>1</sup> Yilmaz, S. and Y. B. R. Serrano-Berthet (2008). Local Government Discretion and Accountability: A Diagnostic Framework for Local Governance. Washington, DC, World Bank.

<sup>2</sup> This note is based on: Bossert, T. and A. Mitchell (2009). Background Note on Sectoral Decentralization and Local Governance for an Economic and Sector Work (ESW): Health Sector, Prepared for the World Bank (Social Development Unit).

<sup>3</sup> Roberts, M., W. Hsiao, et al. (2004). Getting health reform right : a guide to improving performance and equity. Oxford ; New York, Oxford University Press.

<sup>4</sup> Bossert, T. and A. Mitchell (2009). Background Note on Sectoral Decentralization and Local Governance for an Economic and Sector Work (ESW): Health Sector, Prepared for the World Bank (Social Development Unit).

- How much choice can actors make over which functions?
- How much capacity is needed to make appropriate choices?
- To whom are actors accountable and how may that affect performance?

We review these choices with some general recommendations based on a study of six countries from Africa, Asia and Latin America. The study was based both on reviews of secondary sources and on research done by the authors. Because the evidence base attributing performance of health systems to types and structures of decentralization is quite limited, the recommendations suggested here are tentative and should be evaluated taking into account different contextual factors for different countries.

## **POLICIES ON: WHO GETS MORE CHOICE**

Many countries decentralize health sector authorities to local offices of the Ministry of Health (commonly referred to as *deconcentration*) or semi-autonomous agencies (i.e., *delegation*). Increasingly, however, policy choices are made to shift significant authority to local elected officials through a process called *devolution*.<sup>5</sup> To address questions of local governance and accountability in the context of decentralization, the cases reviewed here have involved devolution of health sector responsibilities. It is nonetheless important to recognize that the devolution – the most politically/democratically oriented form of decentralization – may not improve health system performance to any greater or lesser degree than more administratively oriented forms of decentralization (i.e., *deconcentration*, *delegation*). While devolution may heighten responsiveness to local preferences to a greater degree than *deconcentration* or *delegation*, these latter forms of decentralization may be more responsive to overall health sector priorities set by the national Ministry of Health. From the perspective of health sector performance, policymakers should therefore seriously consider the advantages and disadvantages of each form of decentralization – *devolution*, *delegation*, *deconcentration*, or some combination – that is best positioned to improve performance of the health sector in that health system.

## **POLICIES ON: HOW MUCH CHOICE OVER WHICH FUNCTIONS**

The choices here are related to different health functions for which local officials may have greater or lesser degrees of choice, which can be referred to as “decision space” or “discretion”<sup>6</sup>. There are a variety of health sector functions governments commonly control, including: required norms and/or programs (e.g., minimum technical standards; centrally funded activities); degree of hospital autonomy; insurance plans; contracting with organizations for services; human resources (both those relating to public sector employees and private providers); and expenditures and sources of revenue (e.g., user fees). The degree of discretion accorded to local officials over these functions may ultimately improve or detract from performance. While the evidence base relating policies of decentralization to performance remains underdeveloped, the cases we reviewed suggest that decentralizing more choice may be more effective and/or feasible for some functions than others. For some functions, there are compelling economic efficiency-related reasons to retain a relatively high degree of centralization, such as procurement of pharmaceuticals or pooling of resources for insurance plans. For instance, there is evidence to

<sup>5</sup> Rondinelli, D. A. (1981). "Government decentralization in comparative perspective: theory and practice in developing countries." *International Review of Administrative Science* 47: 133–45.

<sup>6</sup> Bossert, T. (1998). "Analyzing the decentralization of health systems in developing countries: decision space, innovation and performance." *Soc Sci Med* 47(10): 1513-27.

suggest that a multitude of locally managed and overseen pharmaceutical procurement systems in the Philippines has resulted in economic inefficiencies and low quality.<sup>7</sup> For others, greater local discretion may allow service delivery to be more responsive to local conditions which can vary widely from locality to locality, such as many human resource functions. In Uganda, for example, there are indications that greater local discretion over recruitment has resulted in a much faster process than previously.<sup>8</sup> For most, if not all, functions, the country studies also highlighted the important role that local (and national) capacities plays in determining an appropriate level of decentralization, such as oversight capacities for contracting with organizations or individuals for delivery of services. The case studies also emphasized that local discretion is commonly constrained by administrative rules that affect the public sector more generally, such as centralization of civil service salaries, or for political reasons of patronage or advantage of governing political parties.

**Table A 2.1. Decision Space Options**

Function	Optimal local discretion			Comments
	Low	Med	High	
<b>Administrative decentralization</b>				
<b>Norms/Programs</b> (e.g., staffing patterns; vertical programs)	↔			<u>Avoid extremes</u> : too little discretion = central-level micromanagement; too much discretion = lack of effective national stewardship
<b>Hospital Autonomy</b>	↔			Greater autonomy requires <u>mechanisms to balance</u> responsiveness to local preferences doesn't detract from national-level goals
<b>Insurance Plans</b>	↔			<u>Most aspects benefit from economies of scale</u> ; some aspects may be amenable to greater local discretion (e.g., enrollment of subsidized beneficiaries)
<b>Contracting</b> (with organizations)	↔			Appropriate <u>degree of discretion inversely dependent on oversight capacities</u> (local and national)
<b>Procurement</b> (e.g., pharmaceuticals)	↔			<u>Standardized aspects benefit from economies of scale</u> ; (e.g., inventory control); other aspects may be amenable to greater local discretion (e.g., budgeting)
<b>Human Resources</b>				
<b>Civil Service</b> (e.g., salaries, selection, termination)	↔			Discretion over civil service terms of employment <u>can be a powerful tool</u> for enhancing accountability / improving performance, <u>but public sector rules often preclude local control over salaries</u>
<b>Contracting</b> (with individuals)	↔			Appropriate <u>degree of discretion inversely dependent on oversight capacities</u> (local and national)
<b>Fiscal decentralization</b>				
<b>Expenditures / Revenues</b>	↔			<u>Limits on discretion should be exercised through administrative decentralization functions</u> , not high conditionality on central transfers or limiting ability to raise/use own-source revenues

<sup>7</sup> Lieberman, S. S., J. J. Capuno, et al. (2005). Decentralizing Health: Lessons from Indonesia, the Philippines, and Vietnam. *East Asia decentralizes*. W. Bank. Washington, D.C., World Bank: ix, 267.

<sup>8</sup> Ssengooba, F. (2005). Human resources for health in decentralized Uganda: developments and implications for health systems research. Mumbai, India, Forum 9.

On balance, the country analyses suggest that there are many reasons why limiting local discretion across a range of functions may be warranted in terms of improving performance, particularly in balancing responsiveness to local preferences and needs with national-level priorities. Based on findings from the case studies, Table A 2.1 provides policy recommendations and considerations for a range of health functions. The double-ended arrows indicate the degree of discretion/decision space over each health sector function previously listed that, in contexts similar to our case studies, will likely be the most appropriate for improving sector performance.

## POLICY OPTIONS ON: CAPACITIES

The case country analysis highlights that adequate institutional capacities are necessary to translate increased decision space and discretionary opportunities at the local level into improved health sector performance. There are two main policy conclusions that can be drawn from this reality. First, policymakers need to take existing levels of capacities into account when deciding upon which functions to decentralize and in which ways. In many contexts, for instance, providing local governments *carte blanche* for contracting with providers may not be effective from the perspective of improving performance as local capacities are often lacking to effectively oversee the process. When the Philippines transitioned malaria control from a centrally run to municipal-directed program, for example, research suggests that the quality of the program has suffered due to lack of central government involvement and assistance for local health administrators<sup>9</sup>. As an alternative, a more selective approach to granting discretion may be a preferable option given existing capacities. Both Bolivia and Pakistan, for instance, have had success in permitting contracting for services with a significant degree of continued central involvement that takes into account capacities to manage the process (approval of contracts on a case-by-case basis in Bolivia; signing of a memorandum of understanding with central health authorities in Pakistan)<sup>10</sup>.

Second, policymakers should think through how decentralization itself may impact existing or future institutional capacities. Policies of decentralization should not be disregarded simply because local capacities are currently weak; local capacities can often only be strengthened through experience, trial and error. Where capacities are lacking, however, decentralization should be viewed as a long-run process and not be expected to improve performance in the short run. In Uganda, for example, the use of bottom-up and participatory planning/budgeting may be an appropriate long-term use of fiscal decentralization, but current capacity to link development activities with local budgets and priorities – or even do more than take the previous year's budget and add a percentage – is low. In other contexts, such as India and Pakistan, health sector programming continues to be dominated by civil servants rather than active participation by local governments. Yet, over time, it is possible that such approaches will strengthen local-level ability to oversee health sector activities and ultimately improve performance; as such, policies of decentralization may be warranted over the long run.

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<sup>9</sup> Espino, F., M. Beltran, et al. (2004). "Malaria control through municipalities in the Philippines: struggling with the mandate of decentralized health programme management." *Int J Health Plann Manage* **19 Suppl 1**: S155-66.

<sup>10</sup> Lavadenz, F., N. Schwab, et al. (2001). "[Public, decentralized and community health networks in Bolivia]." *Rev Panam Salud Publica* **9**(3): 182-9, Loevinsohn, B., I. U. Haq, et al. (2008). "Contracting-in management to strengthen publicly financed primary health services-The experience of Punjab, Pakistan." *Health Policy*.



## POLICY OPTIONS ON: ACCOUNTABILITY

A basic premise of decentralization is that greater responsiveness to the preferences and needs of local populations will result in improved service delivery. To achieve this, adequate mechanisms of accountability need to be in place to translate a wider scope for local authority into better performance. The case country analysis provides examples of a number of different mechanisms of accountability used to encourage better performance on the part of providers and institutions in a decentralization framework. These include measures of both public accountability – such as performance agreements between national and sub-national health authorities/local governments – and social accountability – such as use of facility report cards. They also include mechanisms oriented primarily towards local preferences (i.e., downward accountability), such as facility oversight boards, combined with those oriented primarily towards national health authority goals (i.e., upward accountability), such as minimum technical standards. Table A2.2 describes various mechanisms of accountability used in the case countries analyzed.

**Table A2.2. Accountability and decentralization**

<b>Function</b>	<b>Public Accountability</b>	<b>Social Accountability</b>
<b>Administrative decentralization</b>		
<b>Norms/Programs</b>	<ul style="list-style-type: none"> <li>▪ Minimum technical standards (e.g., staff establishments)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Area-wide performance agreements/rankings (Bolivia)</li> </ul>
<b>Hospital Autonomy</b>	<ul style="list-style-type: none"> <li>▪ Limited autonomy to certain hospital functions (Philippines)</li> <li>▪ Performance agreements for nationally-important indicators (e.g., immunization coverage)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Hospital boards (with government representation) (India)</li> <li>▪ Facility/provider report cards (Bolivia; Uganda)</li> </ul>
<b>Insurance Plans</b>	<ul style="list-style-type: none"> <li>▪ Use matching grants to encourage some components (e.g., enrollment of subsidized beneficiaries)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Community-based financing</li> </ul>
<b>Contracting (with organizations)</b>	<ul style="list-style-type: none"> <li>▪ Permit local contracting under case-by-case approval from central government (Bolivia, Pakistan)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Institutionalized community identification and implementation of projects (e.g., Pakistan)</li> </ul>
<b>Procurement</b>	<ul style="list-style-type: none"> <li>▪ Retain strict standards for uniform functions (e.g., inventory control) / allow greater discretion over variable functions (e.g., budgeting)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Institutionalized transparency (e.g., information dissemination on prices) with purchasing decision left to localities (Chile)</li> </ul>
<b>Human Resources</b>		
<b>Civil Service</b>	<ul style="list-style-type: none"> <li>▪ Allow increased short term contracting of some professionals to increase flexibility</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provider/facility report cards (Uganda)</li> </ul>
<b>Contracting (with individuals)</b>	<ul style="list-style-type: none"> <li>▪ Allow increased short term contracting of some professionals to increase flexibility</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provider/facility report cards (Uganda)</li> </ul>
<b>Fiscal decentralization</b>		
<b>Expenditures / Revenues</b>	<ul style="list-style-type: none"> <li>▪ Match expenditure to revenue assignments</li> </ul>	<ul style="list-style-type: none"> <li>▪ Participatory budgeting (Uganda)</li> <li>▪ Performance agreements (Uganda, Bolivia)</li> </ul>

Experiences from the case country suggest two major lessons. First, given the wide range of activities and health system goals, integrating mechanisms of upward and downward accountability are particularly important in improving health sector performance. Too much

emphasis on downward accountability (i.e., to local preferences) can result in a de-emphasis on important national objectives or activities with large public goods aspects. Some locally overseen hospitals in India, for instance, have been found to improve curative services with greater decision space but neglect preventive services that are also part of their mandate<sup>11</sup>. Too much emphasis on upward accountability can hinder local-level ability to adapt services to local needs, such as excessive reliance of centrally sponsored schemes in India which impose rigid requirements on service delivery. Instead, approaches to accountability are needed to heighten responsiveness to local preferences and health needs but maintain national objectives in mind. Bolivia attempts to balance these aims through the use of regional/municipal performance agreements signed with the national Ministry of Health in Bolivia coupled with civil society-represented health network oversight boards to both align local decisions with national priorities and increase responsiveness of service delivery to local needs.

Second, while mechanisms of accountability are important for improving performance, they are inherently resource-intensive whether upward/downward or public/social. Bolivia's performance agreement approach is promising, but it has also entailed significant donor backing to sustain the process. An experiment in citizen report cards in Uganda led to increased utilization and improvements in health outcomes, but bringing such a program to scale would involve significant technical and financial challenges<sup>12</sup>. Also in Uganda, citizen-represented health management committees have been found to fall into inactivity when donor funding has dried up. These examples suggest that using mechanisms of accountability to demand better performance under a decentralized framework entails significant transaction costs, both locally and nationally.

## CONCLUSION

Under the right circumstances, there are several ways in which decentralization can help improve health system performance. Better local-level knowledge of disease priorities and responsiveness to the health needs and preferences of local populations may result in a better allocation of resources and quality of services. There are other circumstances, however, under which decentralization may not be expected to improve health sector performance. Many health sector activities are public goods or benefit from economies of scale, health is a complex good that can be difficult for citizens to observe or value, and there are inherent tensions between health system objectives (e.g., equity and efficiency); the case for decentralization may be undercut for many health functions.

The preceding analysis provides policymakers with the following four messages to consider whenever embarking on policies of decentralization to improve performance:

1. Given the criteria against which health sector decentralization is evaluated – improved system performance – the most extensive and/or democratically oriented form of decentralization (devolution) is not necessarily the most appropriate form of decentralization.
2. There are many legitimate reasons for central authorities to limit local discretion over certain health functions, including:

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<sup>11</sup> Sadanandan, R. and N. S. Kumar (2006). Rogi Kalyan Samatis: a case study of hospital reforms in Madhya Pradesh. *Reinventing Service Delivery in India: selected case studies*. V. K. Chand, Sage: 186-224, Yoong, J. (2007). Does Decentralization Hurt Childhood Immunization?, Stanford University.

<sup>12</sup> Björkman, M. and J. Svensson (2007). Power to the People: Evidence From a Randomized Field Experiment of a Community-based Monitoring Project in Uganda. London, Centre for Economic Policy Research.

- those for which local knowledge will not produce better performance, such as risk pooling for insurance schemes;
  - those which benefit from economies of scale, such as pharmaceutical purchasing;
  - those with large spillover effects, such as immunizations.
3. Institutional capacities at the local and national levels strongly affect the effectiveness of decentralization, both in the short and long run. These include capacities in:
- monitoring delivery of services, as in contracting for services;
  - participatory budgeting and planning;
  - human resource management
4. Given the co-existence of public/private health goods and multiplicity of health system objectives, a combination of effective mechanisms of accountability (public/social, upward/downward) are important in translating promises of improved performance into realities. In particular:
- Mechanisms of downward and/or social accountability are best positioned to improve performance when local preferences correspond with health system objectives, such as improved curative services (i.e., private health goods).
  - Mechanisms of upward and/or public accountability are best positioned to improve performance when local preferences may not correspond with health system objectives, such as improved preventive services (i.e., public health goods).
  - Integrating mechanisms of upward/downward and public/social accountability can be used to improve local health services more generally, such as performance agreements to a Ministry of Health combined with local accountability to oversight boards.

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