

RETHINKING DECENTRALIZATION: ASSESSING CHALLENGES TO A POPULAR PUBLIC SECTOR REFORM

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SUMMARY

Decentralization is among the most globally ubiquitous public sector reforms. In the past few decades, many countries have taken formal steps to empower local governments, typically with a mix of stated developmental and governance goals. Although decentralization receives much attention, our systematic practical knowledge about it remains limited, and it is fair to say that it often does not meet expectations. Even supporters have begun to express frustration, and references to stalled decentralization or even recentralization have emerged in both policy debates and in practice. This paper briefly recaps what decentralization was expected to achieve, broadly summarizes what we know about performance, and highlights factors that support and impede reform. It also discusses weaknesses and challenges in how decentralization has been conceived, analyzed, designed, and implemented. The core argument is that this type of reform is more diverse and complex than has conventionally been acknowledged and that more careful analysis and strategic action tailored to a specific country are needed to help to realize more effective and sustainable decentralization. The paper closes with thoughts about future directions for how we conceptualize and pragmatically approach this diverse and consequential reform. Copyright © 2015 John Wiley & Sons, Ltd.

KEY WORDS—decentralization; local governance; public sector reform; linking theory and practice

INTRODUCTION

Public sector decentralization has become a prominent global phenomenon. In recent years, many developing and middle income countries have decentralized with a mix of stated objectives(s), such as to deliver better public services; to enhance public management, governance, and accountability; to bolster economic development; to improve equity in service delivery and development outcomes; and/or to promote a more stable and peaceful state, among others. The goals and nature of reform in a particular country reflect its specific context.

Although decentralization has been widespread and conspicuous, its performance has been uneven, and our systematic practical knowledge of how it works is relatively modest.¹ Much early literature documented unsatisfactory performance, with the more encouraging assessments often based on anecdotal instances of success or enthusiastic confidence about expected benefits.

Despite the relatively limited empirical evidence of generally beneficial outcomes and the “best” ways to approach productive reform, many countries continue to pursue decentralization, at least officially. This raises a number of questions. Why do countries continue to support such reform if broadly achieving its official goals is difficult and/or elusive? Why is the evidence on decentralization not more robust? How can policymakers and practitioners better design and implement decentralization so as to reap potential benefits and limit potential problems?

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¹Examples of some of the many and diverse reviews of decentralization include Bird and Vaillancourt (1998), Litvack *et al.* (1998), Burki *et al.* (1999), Smoke (2001), Ahmad and Tanzi (2002), Ndegwa and Levy (2003), Wunsch and Olowu (2003), Shah *et al.* (2004), Ahmad *et al.* (2005), World Bank (2005), Bardhan and Mookherjee (2006), Smoke *et al.* (2006), Cheema and Rondinelli (2007), Slack (2007), Crawford and Hartmann (2008), Ichimura and Bahl (2009), United Cities and Local Governments (2007, 2010), Connerley *et al.* (2010), Martinez-Vazquez and Vaillancourt (2011), Faguet (2014), and Dickovick and Wunsch (2014).

Before considering these questions, it is first useful to review some basics about decentralization that underlie key challenges to making it work. The core of the paper then focuses on fundamental decentralization-related issues that are often neglected, explaining how they are relevant and arguing that they merit more attention. This is followed by a succinct review of the empirical evidence on the impacts of decentralization and a review of the factors that hinder more definitive analysis. Finally, the closing section presents some thoughts about how policymakers and practitioners might think about decentralization going forward.

REVIEW OF DECENTRALIZATION BASICS

Overview

Decentralization is generally understood as the assignment of public functions to subnational governments along with structures, systems, resources, and processes and that support implementing these functions to meet specific public sector goals.² It takes multiple forms—deconcentration (establishing local units of higher level governments), devolution (creating elected local governments with autonomous powers), and delegation (essentially contracting a central function to a public or private entity)—and has multiple dimensions—administrative, fiscal, and political. These basic concepts are well known and will not be defined in detail here, but their importance in assessing decentralization is selectively discussed in the succeeding text.³

Decentralization can be undertaken in unitary systems in which the central government determines local powers or in federal/quasi-federal systems in which an intermediate government (state or province) has powers to determine functions of lower tiers of government. In strong federal systems, states often play a dominant role in defining the relationship between themselves and the federal government, and different states may have different approaches.

Decentralized service provision—especially under devolution in which elected local governments are directly accountable to citizens—is expected to enhance the coverage, quality, and efficiency of service provision through better governance and resource allocation. Theory posits that the closeness of local governments to citizens gives the latter more influence over local officials, promotes competition among local governments, and alleviates corruption through improved transparency and accountability relative to centralized systems. At the same time, decentralization may have a negative impact because of the nature of local politics or because local governments do not have the capacity or incentives to act as the theory predicts.

*Does a coherent decentralization analytical framework exist?*⁴

There have been many attempts from by academics and international development agencies to characterize decentralization methodically and create a diagnostic for analyzing it.⁵ A simplified version of one possible framework is shown in Figure 1.⁶ Experts could contest this figure and the terminology used, but the current purpose is to ground the discussion in a systematic way, not to be definitive. The figure outlines a set of interrelated system outputs and processes, intermediate outcomes and primary outcomes that are often targets of decentralization reform. It also provides a selective sense of contextual factors that influence the shape of reform and a set of illustrative inputs and support mechanisms.

²Recent overviews include Boex and Yilmaz (2010) and Connerley *et al.* (2010).

³One of the earliest synthetic elaborations of these basics is Rondinelli *et al.* (1983).

⁴This section is substantially based on Local Development International (2013).

⁵Selected examples include United Nations Centre for Human Settlements/UNCHS HABITAT (2002), United Nations Development Programme/UNDP (2004), United Nations Department for Economic and Social Affairs/UNDESA (2005), United Nations Capital Development Fund/UNCDF (2006), European Commission (2007), Newsum (2008), UNCHS (2009), World Bank (2004, 2005, 2008), and United States Agency for International Development/USAID (2009).

⁶This figure was prepared for a UK Department for International Development study on the impacts of decentralization: Local Development International (2013).

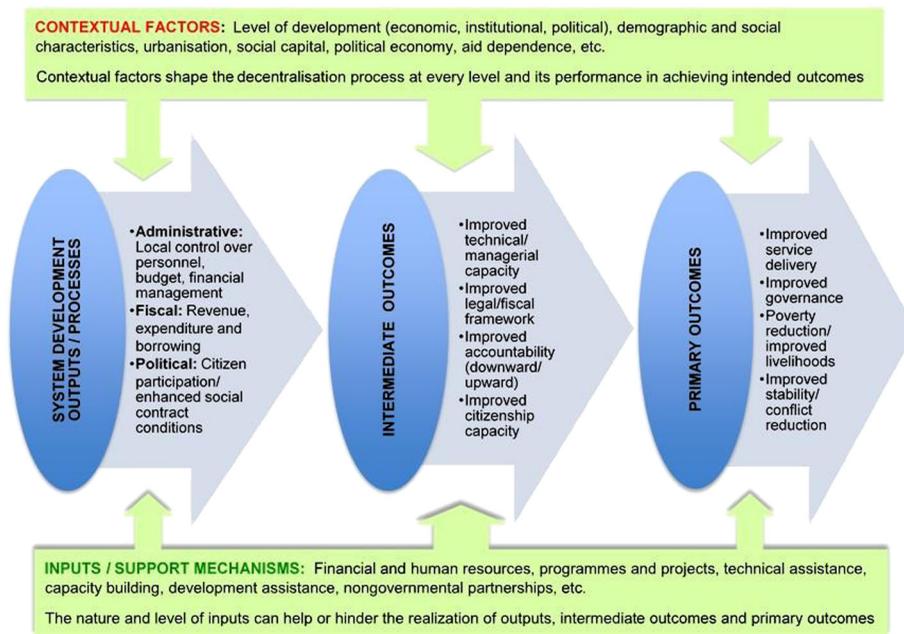


Figure 1. The broad landscape of decentralization.

Primary outcomes

The right-center portion of Figure 1 outlines primary outcomes often considered to be ultimate goals.⁷ These include improved service delivery (coverage, efficiency, equity, and quality), enhanced accountability and governance (broader/deeper), poverty reduction, improved citizen quality of life, and reduced conflict/improved stability. Each of these is individually complex, and they are related in ways that are intuitively logical. Improved public service delivery, for example, can enhance governance and quality of life, and it can also alleviate social conflicts.

A number of relationships, however, such as the impact of service delivery on development, are more complex, face great obstacles, and may only evolve gradually over time. Primary outcomes can be mutually reinforcing, but some may not be simultaneously attainable, at least at certain points in the reform process. For example, it may initially be easier to improve some services by bypassing rather than empowering local governments. In this case, if service delivery is pursued as a top priority goal, the development of local governance may be delayed.

Intermediate outcomes

Certain intermediate outcomes (central portion of Figure 1) are considered prerequisites to the attainment of primary outcomes through decentralization. These may include the adoption or improvement of a legal and fiscal framework, building capacity, enhancing accountability (downward, upward, and horizontal) through elections and other means, and nurturing capacity for citizenship. Individual intermediate outcomes can be pursued and targeted to support specific primary outcomes (e.g., capacity building can be directed to priority services, revenue generation, and awareness raising to improve citizen capacity to engage with local governments).

Ultimately, however, intermediate outcomes interact with and depend on each other for effective decentralization. For example, local technical capacity without enhanced accountability channels need not produce services

⁷Fairly recent reviews of the literature on decentralization objectives and mechanisms is provided in Connerley *et al.* (2010) and United Cities and Local Governments (2007 and 2010). A useful concise discussion is provided in Ribot *et al.* (2010).

more closely tailored to local demand, an expected result of decentralization. And as with primary outcomes, there can be trade-offs or sequencing issues with respect to the pursuit of the intermediate outcomes of decentralization reform.

System development outputs and processes

Attaining intermediate outcomes depends on creating system development outputs and processes (left-center portion of Figure 1). Examples include administrative reforms that initiate or improve systems for and local control over human resources, budgeting, and financial management; fiscal reforms that augment local expenditure and revenue powers and processes; and political reforms that enhance citizen engagement and social contract conditions.

These outputs and processes are interdependent. Inadequate fiscal decentralization, for example, can undermine the ability of and incentives for local staff and elected representatives to meet their responsibilities. At the same time, fiscal powers are unlikely to be used well if not disciplined by appropriate administrative and political mechanisms. Similarly, even if local people participate in well-structured political mechanisms, they may disengage from local democratic processes if they do not feel they receive sufficient benefits from local governments, a likely scenario if local officials have weak fiscal and administrative means to deliver services.

Contextual factors

These sets of system development outputs, intermediate outcomes, and primary outcomes—and their various interrelationships—can obviously unfold in very different environments. Diverse contextual factors (upper portion of Figure 1) heavily and variably influence the shape decentralization takes and how it performs in a specific country. The size/nature of the economy, degree of institutional and political development, demographic and social characteristics, the extent of social capital, the level of urbanization, a range of political economy factors, and the degree of aid dependence, among others, can be critically important.

Again, some relationships are comparatively simple and easily understood. For example, all other things being equal, wealthier countries with established institutions and greater capacity would be expected to be able to adopt effective decentralization more rapidly than poorer countries with weak institutions and capacity. Similarly, aid-dependent countries are more likely than more self-sufficient countries to be enticed or pressured by donors into decentralization reforms even if they are not well tailored to the national context. Other contextual factors, such as political economy, have more diverse—and typically harder to assess definitively—influences on decentralization and how it performs (more in the succeeding text).

Inputs and support mechanisms

Finally, decentralization is shaped by inputs and support mechanisms (lower portion of Figure 1) provided by governmental, nongovernmental, and international actors. These include resources, technical assistance, capacity building, and partnerships. The nature and level of inputs can help or hinder realization of outputs and outcomes. Human resources, for example, can be developed and deployed to enable or limit good performance. Similarly, aid can promote effective service delivery, or it can undermine development of local institutions and capacity needed for effective decentralization (e.g., by creating parallel systems). Ideally, inputs should reflect contextual factors discussed earlier and be adapted to changing conditions (more in the succeeding text).

Bottom line: decentralization is inherently more complex than analysts acknowledge

Given the points outlined earlier, it is fair to say that understanding the nature and performance of decentralization is often far from straightforward. It is—both conceptually and practically—highly complex and diverse, even more so than most other public sector reforms. Furthermore, decentralization does not and cannot emerge or develop independently. The need to contextualize reform sufficiently poses additional challenges to developing definitive and generalizable assessments of how it shapes outcomes and universal policy prescriptions.

An added consideration is the emerging broader view of decentralization that focuses on empowering autonomous local governments to meet a general mandate to provide for the welfare of and account to their constituencies rather than simply on their assumption of specific roles and functions assigned to them by the central government.⁸ Framing decentralization in this way may more fully capture the true essence of devolution, but it also considerably complicates the evaluation of local government performance across jurisdictions and countries.

CHALLENGES TO/CONSTRAINTS ON MAKING DECENTRALIZATION WORK

The previous discussion documents the conceptual and practical complexity of decentralization and the chain of interrelated steps and processes generally needed for it to be successful. Beyond this basic reality, a number of important factors and challenges may particularly affect how decentralization emerges, unfolds, and functions and explain why it is undertaken in spite of the uneven evidence to recommend it. Many of these were noted or implied earlier, but further elaboration is useful. Given space constraints, the treatment is necessarily selective and condensed, focusing on several issues: the diversity of institutional arrangements, national political economy factors that condition motives for decentralization, the effects of the national bureaucratic environment, the role of international development agencies, local political power and dynamics, and the neglected role of implementation.

*Diversity of institutional arrangements*⁹

The diversity of institutional arrangements for decentralization creates considerable challenges, particularly for cross-country comparison. In many countries, there are multiple subnational levels, and these often blend the various forms of decentralization (devolution, deconcentration, and delegation) in different ways.¹⁰ One form may dominate, or forms may differ across levels, for example, devolution at one level and deconcentration at another. Intermediate tiers (states, provinces, and regions) may be more powerful than lower tiers (municipalities, districts, etc.), or the opposite may be true. Dimensions of decentralization may also vary across levels; for example, provinces are fiscally strong, but local governments are more decentralized politically.

Although much of the decentralization literature on developing countries focuses on local level devolution, local governments are rarely the only (and may not be the principal) service providers; there are often relationships among levels and/or joint responsibility for services. There may also be other governmental (at one or more levels), parastatal and/or private actors with specific functional responsibilities, and these may or may not with elected local governments. In some cases, other actors overtly infringe on the legally defined functional territory of local governments.

Thus, decentralization performance must be understood in terms of the institutional framework in a particular country and the formal and informal relationships among differentially empowered levels of government and other governmental and nongovernmental actors. In the absence of such an understanding, it may be difficult to explain the observed performance of decentralization adequately or to interpret properly the factors that shape it.

*National political economy*¹¹

The formal objectives of decentralization—as outlined in government policy documents (and promoted by international agencies)—receive the most attention. These objectives, such as service delivery and poverty reduction,

⁸Romeo (2013) elaborates this perspective and reviews the literature on it.

⁹Diversity is a theme throughout the literature. Some volumes focus on countries, including Bahl and Smoke (2003) and Alm *et al.* (2004), or are regional specific, including Burki *et al.* (1999), World Bank (2001), Wunsch and Olowu (2003), World Bank (2005) and Dickovick and Wunsch (2014). Others are cross-regional, including Bird and Vaillancourt (1998), Ahmad and Tanzi (2002), Bardhan and Mookherjee (2006), Shah (2006), Smoke *et al.* (2006), Connerley *et al.* (2010), and Martinez-Vazquez and Vaillancourt (2011).

¹⁰Even if a level of government or individual units at one level are considered nonviable based on technical criteria, it is difficult politically to dissolve historically entrenched jurisdictions. Only a few countries, such as Kenya and South Africa, have managed to adopt major institutional restructurings, and not without controversy.

¹¹A recent synthetic review is Eaton *et al.* (2011). Other sources include Manor (1998), Eaton (2002), Wunsch and Olowu (2003), Eaton (2004), Ribot (2004), Campos and Hellman (2005) O'Neill (2005), Bardhan and Mookherjee (2006), Smoke *et al.* (2006), Ahmad and Brosio (2008), Bland (2010), Brinkerhoff and Azfar (2010), and Connerley *et al.* (2010).

however, may not be the principal concerns motivating reform. A core issue is historical context and immediate conditions under which decentralization began, for example, as part of an ongoing public sector reform in a stable state (Bhutan), as part of a major political transition (South Africa), in response to political and economic crisis (Indonesia), as an element of gradual economic transition (Vietnam), or as part of a state building strategy in a threatened or post-conflict state (Ethiopia). Whatever the situation, political forces are at work, and this will influence the way decentralization unfolds and how it can be judged. Political motivations in fact likely explain the persistent pursuit of reform despite robust evidence.

The essentially political nature of decentralization is reflected in a sophisticated academic literature on the political economy of decentralization. In the mainstream literature and in policy circles, however, the role of politics is often inadequately characterized as the need for “political will” to decentralize.¹² This seems to imply the commitment of a benevolent and unified central government to empowering local governments. In contrast, a key message of the political economy literature is that the main motives are usually more complex (and may be less benign) than service delivery and the like, depending on incentives faced by national legislatures and political parties. Furthermore, even (apparently) strong political will is not sufficient. Many countries that have adopted vigorous constitutional and/or legal decentralization frameworks have failed to fully design and/or implement them or have even undermined them in practice.

Thus, the critical issue is why, under what conditions, and how reform was undertaken, and what this implies for the level and durability of “political will” to empower local government. Decentralization could be a response to a crisis that creates pressures or opportunities for change. Because crisis implies urgency, there may not be enough time (or genuine intent) to develop more than a shallow consensus. Fragile or rushed consensus may imply weak appreciation of the true nature of decentralization, create frameworks incompatible with stated objectives, neglect implementation, and result in indifference or resistance from key actors who—after reform is enacted—come to perceive decentralization as damaging to their interests. The bulk of these latter dynamics occur in the response of bureaucrats (see succeeding text) to political decisions to decentralize.

National politics can obviously support or undermine specific decentralization policies. They influence, for example, which functions and revenues are devolved, the degree to which the central government is willing to grant subnational autonomy, and the process and support structures that enable local governments to assume new roles. Reluctance to decentralize may reflect an unwillingness of the center to relinquish functions and resources, or efforts to pursue reforms superficially may result from clashes between the legislature and the executive or among groups within legislatures (based on party politics). On the other hand, a regime may strategically decentralize to gain support and to consolidate power. Intergovernmental political dynamics can also play a role. In many developing areas, subnational governments are not strong, but in some cases, particularly in Latin America, politically influential subnational governments may take advantage of a crisis or an unstable situation to place demands on the central government for their greater empowerment.

National bureaucratic environment

Attaining decentralization objectives does not depend only on laws and policies approved by politicians. Most responsibility for detailed design and implementation falls to administrators. Various central agencies have some role, including local government ministries (sometimes Interior, Home Affairs, etc.), coordinating ministries with a national mandate for public sector operations (finance, planning, civil service, etc.), special purpose ministries (urban or rural development, etc.), and ministries involved in service delivery (agriculture, education, health, transport, etc.).

Even if there is (or appears to be) broad national consensus on decentralization, these agencies may have incompatible opinions regarding how far reform should go and what their role should be. The impetus for a specific reform may originate from ministry policy analysts, but if it comes from one ministry that fails to consult others who see it as a rival, broad support may be withheld in implementation. In some cases, central agencies may overtly or

¹²For a more detailed discussion of this issue, see Smoke (2003).

covertly obstruct reform. Such behavior can be linked to relationships between agencies and political parties or legislatures, but it may simply result from an agency's reluctance to accept a diminished role.

Another critical problem is that even if major central government agencies are not open rivals, they may have little or no incentive to work together cooperatively. In some cases, powerful agencies engage in direct competition for control of the decentralization agenda (or some aspect thereof) and the substantial internal and external resources that may be involved. Weak cooperation can hinder the development and operation of the overall intergovernmental system.

A consequential manifestation of fragmented bureaucratic environments is the lack of attention to the relationship between decentralization and other public sector reforms (financial management, civil service, sector/service delivery, etc.).¹³ There are many instances, for example, of public financial management, civil service, or sector reform efforts (managed by different ministries) that (intentionally or inadvertently) undermine the formal legal role of local governments. Community driven development and other efforts to strengthen civil society, while not strictly public sector reforms, are also crucial for developing local governance, and how they are framed can affect the degree to which decentralization can meet its objectives.

It is important to emphasize that concerns about the problematic role of central agencies do not suggest that they should not exercise legitimate authority over, for example, national standards for service delivery, financial management, or information and monitoring. These are key elements of an intergovernmental system if based on reasonable principles. Inadequate regulations and oversight can result in problematic variations in local financial management, service delivery, or revenue generation. In short, central agencies have key roles, but problems can result if these play out in a fragmented environment and some agencies are indifferent to the legitimate roles of others.

The overall conclusion is that it is essential to understand any important constraints on decentralization imposed by different public sector agencies, reforms, and programs. These can greatly affect implementation and performance—failing to account for them can create severe analytical failures. Strong (or weak) performance in local service delivery, for example, may be influenced by larger civil service operations or sector policies, such that it would be misleading to say that local governments have improved or worsened outcomes independently when other policies have been as or more important than decentralization in producing the observed results.

International development assistance

The role of international development agencies as partners of government bureaucracies in supporting decentralization and other public sector reforms should not be underestimated, especially in aid-dependent countries.¹⁴ Although they have been modifying their behavior, many donors long emphasized technical approaches to decentralization, often through parallel mechanisms that were not politically and institutionally sustainable. There was also a (now progressively dissipating) propensity to draw on experiences of dissimilar countries, endorsing reforms that were inappropriate or difficult for other client countries to implement successfully.

Perhaps most important, donors compete with each other and even internally across departments of large agencies. Such dynamics may reinforce rivalries among government agencies and reform programs, for example, with one donor supporting a national agency promoting decentralization and another supporting a different national agency promoting a public sector reform—financial, management, civil service, or sector specific—that undermines the autonomy of local governments. In some aid-dependent countries, such behavior by donors has likely contributed to the development of internally inconsistent decentralization policies and systems.¹⁵

Problematic relationships among national agencies, across elements of public sector reforms and among donor programs can result from institutional weaknesses, capacity limitations, and ineffective coordination, but they are

¹³The political economy of public sector reform in the context of decentralization is discussed in Eaton *et al.* (2011). Decentralization in the context of civil service and public financial management reform is, respectively, considered in Green (2005) and Fedelino and Smoke (2013).

¹⁴Donor behavior to support decentralization is discussed in Smoke (2001), Romeo (2003), OECD (2004), Fritzen (2007), Development Partner Working Group on Decentralization and Local Governance/DeLoG (2011), Smoke and Winters (2011), and Dickovick (2014).

¹⁵Examples are given in Blair (2000), Fjeldstad (2006), Connerley *et al.* (2010), Eaton *et al.* (2011), and Development Partner Working Group on Decentralization and Local Governance/DeLoG (2011).

often rooted in the types of political economy considerations noted earlier—the incentives of various (often unevenly empowered) actors to pursue different and perhaps incompatible objectives. This clearly includes the international development partners, who face specific incentives that shape their individual behavior, their interactions with other development partners, and how they work with country counterparts.

Local political power and dynamics

It is well known that some of the key local governance assumptions (explicit and implicit) of mainstream decentralization theories are only weakly met in many developing countries.¹⁶ Even with the adoption of policies and systems consistent with core principles and under the most favorable national political and bureaucratic conditions, decentralization can face daunting subnational political challenges that limit its ability to perform as expected.

How subnational governments use powers depends in great part on the true levers of local political power—economic elites, ethnic/religious groups, members of particular political parties, labor unions, civil society movements, and so on—and the resulting incentives faced by local politicians. Under certain scenarios, strong autonomy (a conceptually desirable feature of decentralization) may allow elite capture or arbitrary or politicized provision of local services and enforcement of revenue compliance. Corruption may be more or less likely under decentralization depending on the nature of local social and political relationships.

A well-conceived decentralization framework that includes an appropriate degree of upward accountability and incentives for subnational governments to behave responsibly can help to reduce unduly politicized local behavior, but the character and exercise of local accountability can overwhelm good policy. Ultimately, how this all comes together in terms of service delivery, revenue generation, and so on will affect whether citizens feel fairly treated (in terms of benefits received for revenues paid and relative to other local residents) and, therefore, whether they are inclined to vote, to make local revenue payments demanded of them, to use local participatory mechanisms, and to engage with local governments more generally.

Elections are typically seen to be a cornerstone of decentralized governance. They are, however, a blunt accountability instrument. Much effort has gone into expanding other civic engagement/feedback mechanisms, even where western-style political competition is limited (e.g., Vietnam). Cultural traditions, ethnic identification, and political party loyalties (which may be linked to ethnic loyalties) can influence elections and lead to politicization of decisions, such that patronage, clientelism, and nondemocratic behavior dominate how local public resources are used. Other challenges include weak (poorly understood) civic engagement processes and dominance of civil society by narrow interest groups, local elites, or external actors.

In some countries, other local accountability channels, revenue sources, and decision-making processes—deconcentrated agencies, community funds, constituency development funds, and so on—co-exist with local governments. These can be structured to complement local government roles, but they can also compromise the downward accountability required for decentralization to work if they compete unproductively, and there is insufficient clarity about their respective roles. These mechanisms can also exacerbate the effects of or directly interact with national dynamics outlined earlier, such that some local governments and actors are privileged through party, ethnic, or commercial linkages with the national legislature and/or key central government agencies.

The neglected role of implementation¹⁷

Decentralization is typically a lengthy process rather than a one-time policy action, but this is often unsatisfactorily recognized in how reforms are defined and assessed. A new system that meets the norms of decentralization theories and the aspirations of reformers is often a very long way from what exists on the ground, and it can rarely be realized quickly. If there is feeble consensus on the form and trajectory of decentralization because reforms were

¹⁶Reviews of local governance from various perspectives are provided in Tendler (1997), Manor (1998), Schneider (1999), Blair (2000), Olowu (2003), Wunsch and Olowu (2003), Ribot (2004); Shah and Thompson (2004), Ribot and Larson (2005), Bardhan and Mookherjee (2006), Shah (2006), Cheema and Rondinelli (2007), Booth (2010), Connerley *et al.* (2010), and Yilmaz *et al.* (2010).

¹⁷Some work frames decentralization as a process, for example, Smoke and Lewis (1996), Litvack *et al.* (1998), Falleti (2005, 2013), Bahl and Martinez-Vazquez (2006), Ebel and Weist (2006), Shah (2006), Smoke (2007, 2010), and Bahl and Bird (2008).

pushed rapidly under political pressure, even key actors may poorly understand decentralization, and there may have been insufficient time to define and develop the intermediate outputs necessary for success.

It is particularly important to recognize that decentralization requires major changes in behavior. Central governments must learn to support local governments as autonomous political entities instead of continuing to control them as administrative subordinates. Local governments must learn how to interact with constituents, and local technical staff must make the transition from higher-level direction to working with elected local councils. Citizens, for their part, must develop the skills needed to interact with local governments and hold them accountable. These are formidable, even overwhelming behavioral changes, and they will often be difficult and slow to realize, especially in countries with weaker institutional capacity.

Even with consensus about reform and a robust legal framework, provisions may be altered or ignored during implementation. This can result from weak central capacity, resource constraints, or the types of political economy forces noted earlier. Transfer of functions and resources may set in motion bureaucratic struggles, both between and within central agencies and across levels of government. These can affect implementation at the national and local levels. Local capacity and resource constraints, as well as the types of local political dynamics noted earlier (party politics, elite capture, corruption, etc.) in diverse local jurisdictions, may also greatly influence the use of new or reformed mechanisms on the ground.

Another implementation consideration is that the different decentralization aspects can vary in importance at different stages. Administrative, fiscal, and political decentralization can be rolled out in different sequences on the basis of technical or politically motivated strategies. Sequencing does not always occur, but it is important to be aware if it is, why it was adopted, and how it may affect performance. A case can be made for appropriately (gradually) rolling out local functions and related levels of autonomy (more in the succeeding text), but it is important to know if sequencing is part of a defined (strategic) approach to support reform or if it instead primarily reflects political and institutional dynamics intended to hinder reform.

Finally, it is critical to recognize that situations can change. If an opposition party wins an election, if a crisis that motivated decentralization is resolved, if a serious new crisis emerges, or if empirical evidence that documents unsatisfactory local government performance emerges, attitudes about decentralization can change, sometimes quickly. If this happens, policies and resources can be (formally or informally) modified in ways that promote or hinder the ability of local governments to deliver services or meet other decentralization objectives effectively.

In short, issues surrounding the timing and sequencing of decentralization are complex and need exploration. If evidence of poor performance emerges, it is critical to determine if this reflects inherently undesirable reforms or flaws in implementation. For example, were too many resources provided before sufficient local capacity was built? Was excessive autonomy given before adequate downward accountability had been developed? Did a powerful central actor regain control over local decision-making in a sector after major political change? These illustrative dynamics have different implications for policy and further reform options.

EMPIRICAL EVIDENCE AND ANALYTICAL CHALLENGES

What does the evidence tell us?

Over the years, scholars and practitioners have produced much research on decentralization covering a vast array of issues. Some focuses on assessing processes—the mechanics of reforms and the extent to which they were adopted as planned. Another major stream of work focuses on expected outcomes, such as service delivery (efficiency, effectiveness, equity, etc.), quality of life and livelihoods, and governance (participation, inclusion, transparency, accountability, conflict resolution, etc.).¹⁸ Other sets of literature assess the factors underlying decentralization and its performance—such as socioeconomic context, institutional design, and political economy relationships and capacity.

¹⁸An extensive review and assessment of the literature on decentralization outcomes and the challenges underlying empirical analysis is provided in a DFID report by Local Development International (2013). This discussion summarizes and comments on that review.

Unfortunately, the evidence on most fronts is highly inconclusive, although a few observations can be made. First, there is evidence that many issues outlined in the framework provided earlier are valid, but no robust generalizations emerge—outcomes seem to depend on political, institutional, and socioeconomic context and how reform is approached, but in rather idiosyncratic ways. Those seeking success or failure will both be able to find evidence to support their view, and those with no preconceived expectations may be left confused. Second, instances of relatively good performance exist, but many empirical studies reveal more problems than achievements. Third, potentially critical relationships in how decentralization works (some noted earlier)—what really underlies observed performance—remain unsatisfactorily explored.

What is behind the inconclusive results?

Three basic issues underlie the disappointing lack of clarity in the empirical evidence on decentralization. One is the substantial diversity of research in terms of the countries covered, the issues treated, the disciplinary underpinnings of analytical perspectives and methodologies used, and the scope and quality of the findings. This is to some extent inevitable given the great global variations in the context and nature of decentralization efforts discussed earlier.

Second, there are often considerable constraints on the types, quality, and time frames of available data and information. This is, of course, not uncommon with the analysis of many phenomena in developing countries, but it is particularly problematic for decentralization. This is true both because of the complex, multifaceted nature of decentralization and because even countries with reasonable national level data often have limited reliable subnational level data.

Third, research on decentralization is largely driven by specific incentives and concerns, for example, academics grounded in a specific discipline or methodology, or government agencies or donors focused on one service or one aspect of governance. A few case studies or comparative papers have taken a more holistic/integrated perspective and employ mixed methods.¹⁹ The general rule, however, is that the empirical literature is disjointed, and individual studies rooted in a certain approach rarely interface deeply with other aspects of decentralization or subgroups of related research. In other words, much of the existing empirical literature is not clearly placed, even superficially, in the type of broader analytical framework outlined earlier.

More specifically, the empirical literature is fragmented along multiple fronts—conceptual grounding, methodological approach (especially quantitative versus qualitative), scale of analysis (comparative/single country/selected local governments within or across countries), and scope of analysis (intermediate versus primary outputs, larger reforms versus more limited elements—specific service sectors, revenues, governance reforms, etc.), among others. This is not entirely unexpected because the motives of the various actors conducting research differ. Yet the practical consequences are great. Different studies use diverse assumptions, data, and methods, and they contextualize and explain their results to different degrees. In some cases, it is not possible to determine the nature of the reform, for example, whether a “decentralized” service (one provided at the local level) is delivered by a deconcentrated agent of the center, a local government in a devolved system, or a community organization without governmental status.

Extracting clear generalizable messages—beyond the relatively obvious—from the findings of the diverse studies populating this complex landscape of research and evaluation is very difficult. Indeed, without a more consistent approach to research and a better sense of how the various streams fit together, ambiguity prevails.

Methodological debates and challenges

In addition to the fragmented perspectives of decentralization research, there are multiple (often interrelated) methodological challenges. First, there has been considerable debate in the literature about even the most basic issues, such how to measure decentralization and how easily its components can be separated.²⁰ Fiscal decentralization,

¹⁹For an example and discussion of a more holistic approach, see Faguet (2012) and Faguet (2014).

²⁰See, for example, Ebel and Yilmaz (2002), Schneider (2003), Eaton and Schroeder (2010) and Boex (2011).

for example, is often measured as the local government share of public revenues or expenditures. This definition, however, ignores the extent of local fiscal autonomy and the nature and strength of local accountability channels (e.g., local elections), both prerequisite to achieving the expected benefits of decentralization benefits. Problematic definition of other variables is also common, for example, defining citizen engagement as attendance at local participatory meetings (without reference to the type and influence of input generated) and revenue effort as yield (without reference to local revenue base or trends). The use of such crude measures for what is often the main explanatory variable in quantitative analyses raises serious questions about the interpretation of results and policy implications.

Second, there are trade-offs involved in designing research. Considering decentralization in broader terms and across countries is useful but likely to yield only general insights. On the other hand, the results of narrower analyses may yield deeper insights but be relevant mostly for specific places and issues. Focusing on processes and intermediate outcomes may say little about their effect on primary outcomes, whereas focusing on primary outcomes may miss critical contributions of intermediate outcomes. For example, a good study of local financial management or participatory structures may not consider the quality of service outcomes associated with the adoption of demonstrably improved processes or systems, whereas a robust study documenting improvements in service delivery may not recognize that the results depended on the use of particular local systems and processes (technical or political).

To explore this point on trade-offs further, it is useful to consider the common divide between quantitative and qualitative research on decentralization.²¹ Quantitative methods are required to establish statistical correlation or causality and (assuming comparable data are available) are essential to uncover general patterns across countries. Qualitative methods can help analysts develop a more nuanced appreciation of context and to document and understand certain phenomena not easily be explored or captured only crudely with quantitative methods, but their results are specific to the sites/issues/services studied.

These two classes of analytical methods may each be suitable for studying particular phenomena for specific purposes, but they have distinct flaws from the perspective of policy makers and practitioners. Even robust quantitative studies can be poorly contextualized, reporting findings without sufficiently explaining them for policy formulation purposes. They may, for example, provide hard evidence that a certain type of decentralization reform “works best” under certain conditions or that devolving a particular service rarely improves outcomes. The policy conclusions, however, are less clear. Should a country without the advantageous conditions not decentralize or try to modify (perhaps rigid) conditions that seem to impede reform? Or is the real message that the degree of decentralization or the approach taken to a specific reform requires adjustment? Does evidence that devolving a particular service fails to improve results justify recentralization? Or could the problem in some specific design feature—inadequate funding/revenue authority, weak accountability mechanisms, insufficient attention to capacity building, and so on—or perhaps the service is atypically susceptible to political manipulation? It is unusual for quantitative research to address such concerns (due both to the interests and backgrounds of researchers and the fact that some key concepts are difficult to quantify).

On the other hand, robust qualitative research often provides very rich detail and sheds considerable light on how contextual factors support or undermine decentralization. Such analyses, however, typically focus on a limited set of sites and issues. It is quite challenging to conduct comparative qualitative research across many countries given the extensive knowledge required and the considerable time and resources involved. Thus, qualitative analyses may suggest concrete actions for the place(s) and aspect(s) of reform being studied, but robust generalizations cannot be drawn. Still, such research may offer analysts working in other areas and other aspects of decentralization insights into what to examine and how to do so.

Third, even the best policy research can face challenges in measuring and interpreting some types of decentralization outcomes. It is possible, for example, to measure whether certain basic systems and mechanisms (e.g., public financial management reform and participatory planning) have been adopted and whether service and revenue outcomes have improved, provided relevant data are available. Measuring more qualitative and expansively

²¹Much has been written on this topic. A useful general overview is Creswell (2013), and more in depth discussion specific to decentralization is found in Local Development International (2013).

defined outcomes, such as improvements in governance, however, is considerably more complex. The term governance is applied very broadly, ranging from various core features of public sector systems and the behavior of public sector actors (in terms, for example, of rules and processes, transparency provisions, and civic engagement) to the behavior and perceptions of citizens (participation rates, citizen assessments of government credibility, actions and services, etc.)

Fourth, researchers must make decisions about how to frame and judge decentralization performance. Should this be performed using an absolute standard or relative to the starting point in a particular case? Should performance be assessed with respect to normative principles or in terms of key objectives in a country at a particular point in time? For example, if creating basic citizen trust in government is initially more critical than better services, should performance be compared with a country where improving service delivery is an immediate priority objective?²²

Fifth, attributing many aspects of performance specifically to decentralization is difficult, especially to move beyond association to causality. Certain desired outcomes, such as poverty alleviation and improved livelihoods and development, are affected by many factors, policies and initiatives, including, broader macroeconomic policies, demographic and socioeconomic changes, government programs, and community level action. Attribution is an even greater challenge if a central ministry or international development agency is seeking to evaluate the impact of a specific decentralization-related program on a particular development outcome.

Finally, and perhaps most critically, the core implication of the aforementioned discussion is that documenting whether decentralization affects outcomes is not sufficient for good policy analysis. It is also essential to explain—in sufficiently precise and nuanced terms—which actors, structures, and processes were critical; what was actually carried out; and which factors facilitated or hindered the measures taken. If health services, for example, were improved under decentralization, analysts need to know the extent to which this is attributable to particular delivery modes, the behavior of specific actors (governmental and nongovernmental) at one or more levels, specific conditions (capacity, political culture, etc.) in place or developed as intermediate reform outcomes, particular timing or sequencing of reforms, and so on. If such detailed considerations are not made, policy analysts can derive partial or faulty conclusions and prescribe flawed policies.

LOOKING FORWARD: IMPLICATIONS FOR CONSIDERING FUTURE DECENTRALIZATION REFORM

It is challenging to synthesize in a satisfying way the complex territory covered in this paper, but a few key points can be offered. First, decentralization is more complex and diverse than it is often recognized by either academics or practitioners. There has been some continued tendency—despite rhetoric about “context-specific reform” and understanding “political will”—to continue to treat decentralization first and foremost as a relatively technical public administration reform and too often to analyze various aspects of reform—administrative, fiscal political—as if they were separable phenomena rather than elements of an inherently integrated process.

Second, there are powerful challenges to realizing effective and sustainable decentralization. Institutional structures that evolved in specific contexts can be difficult to change or adapt to meet the normative demands of decentralization. There has often been—in the literature and in policy circles—insufficiently robust and complete assessment of the political economy dynamics (national, intergovernmental, and local) surrounding decentralization, as well as a lack of explicit recognition that officially expressed goals may not reflect the most salient motivations for pursuing decentralization reforms. Equally critical, there has been much more attention given to designing decentralization well (according to normative principles as adapted to a specific context) than to the even more challenging task of implementing it on the ground.

Third, given the complexity and the challenges involved, the empirical evidence on decentralization remains a somewhat unsatisfying black box. Individual studies do confirm many conceptual expectations about decentralization to various degrees, for example, it can improve service delivery and governance. Such results occur, however,

²²This can be a particularly thorny issue for donors contemplating new or assessing existing support if they are more focused on service performance than the country being assisted and face pressure to target resources to attain improvements in specific outcomes (such as those favored by the Millennium Development Goals or Poverty Reduction Strategies in particular countries).

only under certain (not necessarily uniform) conditions, without which reform may only have a minor impact or even worsen outcomes. Furthermore, much of the empirical literature focuses on limited aspects of decentralization in dissimilar contexts, producing results not easily compared and synthesized.

In the final analysis, there is no strong empirical basis for drawing robust generalizations about if and how to adopt decentralization beyond broad (more or less known) points. Perhaps the central conclusion is confirmation of the degree to which “context matters” in approaching reform and realizing results. The literature provides many examples of how mainstream approaches that were not adequately customized to specific countries failed to perform as expected. One might also argue that there are cases of “excessive contextualization”—reform distorted or undermined by powerful political and bureaucratic dynamics—in ways that weakened its efficacy. But the various streams of related literature and their findings are simply too diverse—in terms of context, data, variable measurement, methodology, locations covered, underlying assumptions, and so on—to permit the drawing of broad, definitive policy imperatives.

What does this sobering set of conclusions imply regarding how to think about decentralization as a public sector reform going forward? First, contextual analysis generally needs considerably deeper and more pragmatically oriented attention than it usually receives. Some aspects of context explain why decentralization has been or is likely to be framed in a certain way. Others offer perceptions and insights about specific features or the timing and sequencing of decentralization reform. It is one of the great clichés of decentralization that context matters, but it is clear that there is insufficient effort devoted to understanding how it matters in a specific case and to using that knowledge effectively in policy formulation.

Second, there is a persistently weak appreciation of the need to try to integrate the elements of decentralization for benefits to be realized. At present, the field remains dominated by specialized approaches to reform, and this often produces considerable policy incoherence that leads to critical inconsistencies in the structure and operation of decentralization-relevant reforms. The typical bifurcation between technical and political aspects of local governance is a conspicuous instance of dysfunction on this front. But even narrow technical aspects of reform can be fragmented, for example, creating intergovernmental fiscal transfers that weaken incentives for local governments to raise revenue or the adoption of local planning and budgeting procedures that are weakly linked to participatory mechanisms they are supposed to be influenced by.

Third, political economy considerations need to be more centrally assimilated into decentralization analysis and policy. These are often lumped under the banal rubric of “political will” without recognizing that even actors supportive of decentralization may be mostly concerned with their own diverse objectives (which need not be consistent with genuine decentralization). More generally, all actors involved (politicians and bureaucrats, national and subnational, etc.) face incentives of varying strength to support or oppose reform. These incentives are grounded not only in their views about service delivery, poverty reduction, and so on but also in electoral ambitions, institutional priorities, career paths, security of tenure, and so on. Political economy shapes how policy is initially defined, how actors end up behaving during implementation, the evolving relationships (technical and political) among levels of government, and how reforms play out on the ground in often complex local multi-stakeholder environments.

Fourth, international development agencies often play an important role, and they can even be endogenous actors in decentralization reforms in aid-dependent countries. These agencies sometimes feed problematic country political economy dynamics and engage in unproductive competition with each other. There is much scope for them to act more constructively and strategically in framing their support for decentralization.

Fifth, it is essential to redress the striking imbalance between design and implementation. Where strategies for the latter exist, they are often mechanical, not executed as planned, or fragmented across central agencies. The limited literature available shows that how reform is implemented can powerfully affect how it functions. Some evidence suggests that a more gradual, staged, context-tailored process could allow local governments—and central actors with altered functions in decentralizing environments—to acquire experience and capacity needed to meet new and evolving roles. Even modest reform in low capacity environments can establish a foundation and provide momentum for further efforts that have potential to be institutionalized and sustained. A process that is too modest and gradual, however, can stall before much happens, so a strategic approach must contemplate how to keep

reforms moving. Developing an effective strategy, of course, requires coordinating the diverse cast of characters involved, an additional challenge for reform. Clearly, this is not an easy territory to navigate, but more can generally be performed to develop a more strategic approach to rolling out (and adapting) sustainable reform.

Finally, given the nature and diversity of decentralization, research on it is fragmented along the lines outlined earlier. Both quantitative and qualitative analyses have much to offer the study of decentralization, but each suffers from specific limitations. It can be useful to apply only one or the other for specific purposes, but this may lead to misinterpreted or incomplete (not fully explained) results. Ideally, mixed methods research should be used more where feasible. At a minimum, researchers and analysts need to try to be clearer about the questions their results shed light on and potentially important matters they do not address.

With prominent differences in context and needs across countries and analysts, there is no single best approach to assessing the prospective and actual role of decentralization. Yet the importance of trying to advance on this front is obvious. Whatever current or future empirical evidence may find, decentralization in some form seems likely to persist in many countries. Its most essential drivers are political, even if normative goals embodied in theory and development assistance frameworks are valued or emerge as priorities over time. And while decentralization is by no means universally desirable, it seems likely to offer benefits in many contexts.

The pressing challenge for analysts and policy makers is how to help shape decentralization reforms that meet both political and conventional development objectives. This requires establishing an evolutionary balance between the roles of central and local actors in pursuing sustainable development outcomes. Much more work is needed to improve the body of evidence on decentralization in general and in specific cases. It is, however, essential to frame future research to cover more fully the neglected issues outlined here if the analysis is to have a meaningful effect on the crafting of more effective and durable decentralization reforms.

ACKNOWLEDGEMENTS

The author would like to thank Richard Bird, Jamie Boex, Paul Collins, Jie Gao, Nilima Gulrajani, Blane Lewis, Leonardo Romeo, and several anonymous reviewers for their advice and insightful comments. This article is partly based on a literature review of the impacts of decentralization on local development outcomes (Local Development International 2013). The author gratefully acknowledges the UK Department for International Development for support of and extensive feedback on that review. Any errors of fact or interpretation are solely the responsibility of the author.

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