

MANAGING PUBLIC SECTOR DECENTRALIZATION IN DEVELOPING COUNTRIES: MOVING BEYOND CONVENTIONAL RECIPES

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SUMMARY

Decentralization has become a nearly universal feature of public sector reform in developing countries, but it has unevenly met the often considerable and diverse expectations placed on it. This paper contends that the popular reform has been framed and assessed in standardized—yet disjointed and incomplete—ways that do not offer a suitably robust basis for its effective application. Decentralization is a complex process that is pursued in variable environments, and superficial commonalities that suggest routine remedies are often overwhelmed by great heterogeneity in how it is perceived and unfolds in context. The drivers of diversity—the country setting, national and local political and bureaucratic dynamics, available resources and capacities, and in some cases the role of aid agencies, among others—shape what is intended and what is feasible relative to normative goals. Deeper attention to these factors can inform possibilities for more appropriate design and implementation. This paper discusses basic elements of the persistent decentralization challenge and outlines a preliminary approach to broaden contextual analysis and to define pragmatic ways to tap its potential more productively. Copyright © 2015 John Wiley & Sons, Ltd.

KEY WORDS—decentralization; local governance; local public management; implementation

Decentralization has created fundamental changes in how public functions, and resources are managed globally. Official policies frame it as a means to pursue various goals, including improved service delivery, governance, accountability, and economic/social development.¹ trend has reaped some success, but much of the evidence suggests mediocre performance and ample challenges. Despite this, many countries continue to embrace some form of decentralization, affirming that it is motivated by factors beyond stated objectives. This highlights a need for analysts to go beyond conventional thinking as they try to attain prospective benefits and limit potential harm. More robust assessment of how and why decentralization takes a specific form and yields observed results is needed.

The core premise here is that decentralization has been framed through standardized—but simplified and fragmented—frameworks rather than through the type of nuanced and multifaceted approach needed for effective reform. The basic expectation is that any decentralization will improve some aspect of how local government functions, but there is no consensus about priorities. A local election is an end in itself for some, while others see elections as a means to improve local resource use, which under some conditions may be better realized through deconcentrated management than local representative democracy. The decentralization “gold standard” in recent years has been devolution, encompassing broad administrative, fiscal and political reforms in the belief that empowered, autonomous, and downwardly accountable local governments produce better outcomes.² This approach, however, will not always be desirable or feasible.

The overarching argument is that decentralization is a heterogeneous phenomenon that must be adapted to specific circumstances and objectives and that its form (as a public sector restructuring exercise) will have different

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¹Selected recent overviews include Boex and Yilmaz (2010), Connerley *et al.* (2010), Eaton *et al.* (2011), Martinez-Vazquez and Vaillancourt (2011), Bahl *et al.* (2013), Faguet (2014), and Smoke (2015a).

²These issues are discussed in the references in note 1, particularly Connerley *et al.* (2010).

implications for the organization and execution of local government functions. Although some basic administrative and fiscal management tasks will be relatively universal, how they are managed and lines of accountability will vary. This diversity and the general need for context sensitivity is casually recognized in reform circles, but different actors—policymakers, researchers in diverse disciplines, international agencies, nongovernmental actors, citizens, etc.—often have specific perspectives about what decentralization can do and affect how it emerges on the ground. Although exhaustive assessment is rarely feasible, broader analysis and bridging diverse interests could support improved performance.

This paper does not pretend to develop a comprehensive framework for assessing how to make decentralization work better. Instead, it seeks to highlight neglected issues and suggests how incorporating them into situational analysis can help to promote more informed and pragmatic decisions. The next section briefly highlights the importance of the challenge by summarizing empirical literature on the performance of decentralization on a variety of fronts. This is followed by a review of selected issues that merit more attention in thinking about how to assess and improve decentralization. The final sections present tentative ideas on how to approach more careful analyses with particular attention to how this might result in contextually tailored reforms and better outcomes.

THE STATE OF KNOWLEDGE ABOUT THE PERFORMANCE OF DECENTRALIZATION

Since the pervasive emergence of decentralization a few decades ago, scholars and practitioners have generated a large volume of research that covers a broad range of issues regarding its performance on multiple fronts.³ Early research was dominated by process assessment—how closely reforms followed normative criteria and whether they were implemented as intended. More recent research has prioritized effects, including service delivery (efficiency, equity, etc.), quality of life, and governance (inclusive citizen engagement, transparency, etc.), as well as factors underlying performance.

The evidence is inconclusive. It is clear that many basic tenets of mainstream decentralization theory about improvements in governance, services, and development can be valid in practice, but irregularly. Specific results evidently depend on political, institutional and socioeconomic factors, and reform starting points and trajectories. But few convincing generalizations (beyond the relatively obvious) emerge, and the effects of underlying factors do not appear to vary in easily discernible patterns.

This state of affairs reflects the complexity and diversity of decentralization (more in the succeeding text) and the different interests of those who assess it. The overall body of research is heterogeneous in terms of the countries and issues covered as well as with respect to disciplinary perspectives and methodologies employed (reflecting a range of incentives and priorities that differ by academic discipline and field of practice). Studies use varied assumptions, units of analysis, types/sources of data, methods, and time periods, among others. There is a particularly great rift between quantitative and qualitative research, but even within broad categories, studies are not easy to compare. Very few case studies or comparative papers have convincingly used more integrated and mixed methods.⁴

Data availability and quality (especially subnational) can be a major constraint. There has even been much debate about how to measure decentralization and whether its interdependent components can be neatly delineated for analytical purposes.⁵ Even with a clear research question and good data, results may be inadequately contextualized. Some research, for example, does not even clarify whether a “decentralized” activity being assessed is managed by a deconcentrated agent of the center, a local government in a devolved system, or a special purpose body or a nongovernmental organization—or how much control the officially accountable entity actually has over the management of the activity.

The overarching implication is that assessing how well decentralization works requires a more grounded and integrated approach than is typically used. Studies that show how a local governance mechanism functions or that

³An extensive review of the literature on decentralization outcomes and related analytical challenges is provided in a Local Development International (2013) review for UK Department for International Development (DFID).

⁴For an example and discussion of a more holistic approach, see Faguet (2012) and Faguet (2014).

⁵See, for example, Ebel and Yilmaz (2003), Schneider (2003), Eaton and Schroeder (2010), and Boex (2011).

document the results of decentralizing a service are useful. But for policymaking and management purposes, it is also necessary to explain—in sufficiently accurate and nuanced terms—which actors and processes were involved, what specific steps they took, and which factors aided or impeded progress. Without such knowledge, policy analysts and managers can derive incomplete or unsound conclusions and pursue inadequate or inappropriate solutions.

NEGLECTED ISSUES IN CONVENTIONAL DECENTRALIZATION ANALYSIS

The empirical literature clearly suggests that there is room to improve how decentralization is assessed. Within the larger framing and methodological issues outlined earlier, a number of factors (and their implications) are particularly neglected.⁶

Decentralization is diverse: multiple goals, diverse forms, integrated elements

Much of the interest in decentralization is officially based on the types of governance and development goals noted earlier. Actual goals, however, are more diverse, and this is reflected in the form and strength of local government empowerment. The specific path to crafting an intergovernmental system differs depending on priority goals.⁷ Many common goals are interrelated and can be mutually supportive—better services, for example, can improve political credibility, promote development, and address poverty. Similarly, enhanced democratic engagement can strengthen political credibility and lay the groundwork for improving services and economic development.

Although there is not a stark trade-off among them, some goals may be prioritized at certain reform stages. In countries where citizens are dissatisfied with public services or government generally, establishing credibility through better services and development policies may be a top goal. In some cases, this might mean, at least initially, focusing more on technical capacity than democratic processes. Promoting peace and unity may be the dominant concern in post-conflict states, and this may initially necessitate providing resources to subnational jurisdictions before developing robust systems and procedures. In countries in democratic transition, local democratic elections may be the most urgent priority. Even if there is a vision for eventual devolution and all that entails, performance must be judged by what a reform is trying to achieve at a particular point in time.

These goals play out in varied systems that reflect historical forces with durable influence. If countries have multiple government levels, analysts must assess which are empowered, how and why. Practice varies widely. Kenya has one subnational level, but most countries have more. Some countries (Indonesia and South Africa), devolve strong powers, while others (Cambodia and Egypt) do not.⁸ Ethiopia empowers states, while Indonesia targets local tiers. Uganda has only local governments (with five levels), and Ghana has elected local governments but administrative regions. Relations among levels range from hierarchical to independent. In federal countries, such as India and Mexico, states heavily influence local powers. In short, global experience with local power and degrees of higher-level control defies generalization.

None of these power-sharing arrangements is inherently good or bad, but they may present binding constraints on how local functions and resources are assigned and managed. Thus, local action and potential reforms must be understood in terms of institutional frameworks and formal/informal relationships among variously empowered actors. What decentralization experts/reformers see as obvious technical or institutional steps to improve performance may be incompatible with the historically determined context.

Another important issue is that key elements of the local government system (administrative, fiscal, and political) must work synergistically, but they are often treated independently, with various laws, agencies, and experts promoting selective reforms based on narrow technical or political concerns. Robust fiscal powers are unlikely to be used well if not disciplined by administrative and political mechanisms, and weak fiscal powers constrain

⁶These issues are treated more fully in Smoke (2014) and Smoke (2015a).

⁷Overviews of these goals and related literature reviews are provided in Connerley *et al.* (2010), United Cities and Local Governments (2007, 2010), Brinkerhoff (2011), and Bahl *et al.* (2013).

⁸More detailed examples are provided in Smoke (2013a).

elected local governments from responding to constituent needs. Failure to recognize and incorporate systemic interdependencies—within constraints imposed by priorities, capacity, and other factors—can constrain performance.

Decentralization policy reflects national political economy forces

In the general literature on decentralization, the role of politics is often imprecisely framed in terms of need for “political will”—as reflected in policies espousing lofty political, economic, and social goals. The political economy literature holds that dominant motives are more nuanced and may be less developmental, depending on incentives by national politicians.⁹ Even some countries with strong legal frameworks (considered a sign of political will) have not fully designed and implemented them.

The first concern is how political economy affects the initial shape and strength of decentralization. Reform can be a reaction to political or economic crises that create demands/openings for change. Crisis entails urgency, however, so there may be limited time (even with intent) to cultivate more than superficial agreement from key actors on form and process. Hasty accord may also result in a limited grasp of decentralization, adoption of weak policies and strategies, and opposition during implementation, especially from national agencies who belatedly see decentralization as a threat to them.

Seemingly similar situations and political drivers can lead to different reforms. Ethiopia empowered ethnically identified states to promote unity after the breakaway of a key state, Eritrea. Indonesia, facing comparable pressures after Suharto’s fall and the loss of East Timor province, empowered a lower tier (cities/districts) in the hope of averting further provincial secession. In some federal countries, the center has tried to reduce state/provincial constraints on lower tiers. India passed a constitutional amendment to get states to strengthen local governments (with limited effect), while Brazil adopted a constitution allowing direct federal transfers to municipalities. Thus, inter-governmental political dynamics can heavily influence subnational powers and management structures.

Finally, it is important to acknowledge that conditions can change rapidly. In competitive political environments or with emergence of crisis situations, the tables can quickly turn. Powers and resources can be decentralized or recentralized when a national opposition party takes control or a crisis creates incentives to change or appear to change course.

Decentralized operations reflect bureaucratic (domestic/external) dynamics

Responsibility for full design and execution of decentralization frameworks is assumed primarily by administrators. National agencies commonly disagree on reform, which unfolds in complex and fragmented bureaucratic settings.¹⁰ Multiple national agencies may be called on to develop and manage some aspect of reforms—general oversight (e.g. ministry of local government or interior), core management mandates (e.g. planning, finance, and civil service) and sector-specific mandates (e.g. education and water).

Even with official consensus, these agencies may not be motivated to cooperate. Some may compete to control reform and resources, creating conflicting policies that hinder development/operation of the system. Common examples include contradictory initiatives from local government and finance ministries on fiscal decentralization; civil service commissions unduly controlling local staffing; and sectoral agencies restricting local governments through control of sectoral plans, budgets, transfers, user fees, among others.

The dangers of such inconsistencies do not negate the justification for legitimate central government regulation and oversight. But problems occur if the frameworks are inconsistent (confusing local actors and hindering action), excessive (more restrictive than necessary to meet national objectives), or arbitrarily applied (leading to disparities that undermine trust in the system). There is no easy solution, but being aware of such concerns is a first step in seeking ways to improve consistency and coordinated action.

⁹Relevant literature includes Manor (1998), Wunsch and Olowu (2003), Eaton (2004), O’Neill (2005), Ribot and Larson (2005), Bardhan and Mookherjee (2006), Smoke *et al.* (2006), Ahmad and Brosio (2008), Booth (2010), Connerley *et al.* (2010), Eaton *et al.* (2011), and Smoke (2014).

¹⁰Some elaboration is provided in Smoke and Lewis (1996); Tandler (1997); Litvack *et al.* (1998); Smoke (2007), and Eaton *et al.* (2011).

Although loss of power and interagency competition provide strong incentives for bureaucrats to engage in overtly or covertly obstructive behavior, less obvious dynamics also occur. Especially in weak institutional environments, informal mechanisms for raising and managing resources, often clientelistic or patrimonial in nature, may dominate formal systems and resist change.¹¹

Within agencies, individual employees will be concerned about personal career trajectories. Even influential civil servants who support decentralization may be unable or unwilling to take actions that reflect this if their views clash with the official stance of their agency or supervisor. Thus, people who by personal inclination and official position may seem well placed to promote decentralization reform may not do so.

The role of international agencies/donors as partners of government bureaucracies can be important in aid-dependent countries.¹² Donors often feel obligated to support their own institutional policies and accountability practices, even through parallel mechanisms. Such practices can retard cohesive public sector system development and burden national and local governments. Despite rhetoric about alignment and institution building, such efforts take time and face risks. In the current “results oriented” era, gradual institutional reform can complicate donors’ ability to please their headquarters and funders.

A core concern is that when an agency has particular priorities, how it thinks about decentralization may be incompatible with other donors. A pro-decentralization perspective may privilege local empowerment over financial management or service delivery. If decentralization is viewed through a financial management lens, there will be more focus on central control than local autonomy. A sectoral lens tends to prioritize service delivery and may see results as easier to achieve through deconcentration or empowerment of service facilities (e.g. schools) rather than devolution to local governments. Donors focused on empowering citizens through community-driven development may prefer to circumvent local governments.

These diverse perspectives and resulting actions can be significant.¹³ Different donors (or departments of the same donor) gravitate towards particular client country agencies holding compatible views derivative of the institutional interests noted earlier. Claims of national support for a project may really mean that “one ministry supports one project of one department of one donor.” This may in turn undermine a decentralization project in another ministry supported by a different (or even the same) donor.

To some extent, such scenarios are inevitable—governments and donors are heterogeneous entities that can reasonably disagree about priorities. Centralizing reforms can even correct issues arising from excessive local autonomy, so such scenarios may offer benefits from a developmental perspective.¹⁴ Nevertheless, it is vital to know if donors are reinforcing tensions among (unevenly empowered) national agencies by defining activities that are mutually beneficial to the two parties directly involved but may not be compatible with official national policy or other efforts of the same donor.

National frameworks unfold in diverse and complex local contexts

It is well recognized that key assumptions of theories about the behavior of local actors under decentralization are not well met in many developing countries.¹⁵ How local governments use authority depends on the distribution of local political power—business elites, ethnic groups, political parties, unions, civil society actors, etc.—and the resulting incentives faced by local politicians and bureaucrats. Recent literature offers some positive experience, but much depends on political and fiscal arrangements in a country.¹⁶

¹¹See, for example, Rakner (2004), Fjeldstad (2006), and Andrews (2013).

¹²Decentralization-specific treatments of donor behavior are found in Romeo (2003), OECD (2004), Fritzen (2007), World Bank (2008), Donor Partner Working Group (2011), Smoke and Winters (2011), and Dickovick (2014). More general treatments of the political economy of development assistance and how to better use political economy analysis include Duncan and Williams (2012) and Carothers and de Gramont (2013).

¹³See examples in Connerley *et al.* (2010), Eaton *et al.* (2011) and Development Partner Working Group (2011).

¹⁴Smoke (2013b) discusses recentralization cases and effects.

¹⁵Various perspectives on local governance/accountability are reviewed in Campos and Hellman (2005), Bardhan and Mookherjee (2006), Shah (2006), Cheema and Rondinelli (2007), Boex and Yilmaz (2010), Brinkerhoff and Azfar (2010), Yilmaz *et al.* (2010), Agrawal and Ribot (2012), and Faguet (2014).

¹⁶Altunbas and Thornton (2012) and Bjedov *et al.* (2010).

In the subnational political landscape, elections are seen as the foundation of governance, but there are few certainties regarding their effects.¹⁷ Much depends on contextual factors outlined earlier and specific rules and processes on electoral and fiscal systems. Even where local political competition exists, elections are an imprecise means for downward accountability. This recognition has generated the impetus to adopt other mechanisms, such as participatory planning and budgeting, town meetings, oversight boards, user committees, citizen report cards, and social auditing.

Such mechanisms can promote better public understanding of how resources are raised and used, but again, context is key.¹⁸ Citizen engagement can be mechanical and constrained by politics. If it is token or non-inclusive and advisory rather than influential, or if the process is captured by elites, neither governance nor functional goals may be realized. Equally important, citizens must be aware of and understand accountability mechanisms, as well as wish to use them. If people do not grasp the purpose, face barriers, or feel intimidated, these are empty processes.

Another important local concern is horizontal accountability—between elected councils and staff who execute local functions. In newly decentralizing countries, staff transferred from the central to local governments may maintain strong upward relationships to their former employers, especially if central agencies face the incentives to resist decentralization outlined earlier. This can limit the ability of local councils to respond to demands from the citizens who elected them.

Beyond local governments, some countries have other accountability channels with various roles, funding sources, and processes at the local level. Local governments may coexist with deconcentrated administrations, and other mechanisms—parliamentary constituency funds, community-driven development programs, and non-governmental organizations—may play roles in service delivery. With multiple lines of accountability and funding channels for local service delivery without clarity on division of labor, citizens may be uncertain about which actor to hold accountable, and service gaps, redundancies and inequities may also occur. How should local government performance be assessed under these conditions?

Implementation is often neglected

As suggested earlier, decentralization is often demanding and complex at both national and local levels and depends on cultivating new behaviors and capacities. Even with strong national commitment and careful design, implementation—the substance, timing, and sequencing of how new systems and processes are rolled out on the ground—is increasingly recognized as a key factor in whether positive outcomes can be realized and sustained.¹⁹ Implementation has both national and local dimensions.

National aspects dominate where decentralization is new/in process, and the state must decide how to devolve functions and resources. Without effective direction and coordination, implementation may proceed along the fragmented lines noted earlier, with various agencies acting independently and imposing onerous constraints on local governments. Coordination, of course, is challenging, and decentralization policies and strategies need to take account of realities on the ground and how to bring them to life.

Implementation is commonly approached in a standardized and mechanical way. A more “developmental” approach would involve systematic asymmetric treatment of local governments with varied capacities as they move towards assuming new roles at different paces. Capable local governments could be left more on their own to adopt devolved powers, while others might assume powers more slowly (according to clear criteria) in conjunction with targeted capacity building and support. Such an approach can be justified because allowing strong local autonomy without basic functional capacity and a degree of accountability to local citizens is a recipe for poor performance.

There are two core challenges with this type of approach. The first is how to determine an appropriate initial balance between upward and downward accountabilities, which can evolve as local governments mature and are better able to manage functions more independently. A second is how to reduce opportunities for the approach

¹⁷A review of local elections is provided in Bland (2010).

¹⁸See, for example, de Mello (2002), Blair (2006), Platteau (2006), Manor (2007), and Brinkerhoff and Azfar (2010).

¹⁹See, for example: Smoke (2003), Shah and Thompson (2004), Falleti (2005), Bahl and Martinez-Vazquez (2006), Smoke (2007), World Bank (2008), Smoke (2010), and Eaton *et al.* (2011).

to be undermined by the complex political economy dynamics outlined earlier. Some local governments could sidestep national processes if they are well connected or monitoring is weak. Thus, a national developmental approach is no magic bullet, but some elements may outperform conventional approaches if appropriately applied in context.

Local governments also face implementation decisions when adopting decentralization reforms. Even if capable, they need to be strategic in rolling out reforms that require major changes and skills. If, for example, local governments receive stronger revenue powers, significant quick action to use these powers may promote taxpayer resistance. An alternative is to begin with simpler, more politically acceptable reforms. Linking revenue reforms to concrete service improvements can enhance local political credibility.

Local institutional innovations can facilitate reform. Adoption or tailoring of civic education, citizen engagement, and oversight mechanisms may enhance public awareness, generate valuable input, and improve acceptance. The dangers of mechanical reforms were outlined earlier, but determined local governments can use transparency, participatory planning/budgeting, citizen report cards, complaint and appeals boards, and so on to begin a process of improving downward accountability.

Finally, capacity building is a vital element of implementation that is rarely neglected but often treated inadequately.²⁰ Efforts tend to focus on technical/managerial staff and mechanics of systems and procedures, with more limited attention to improving the nature and quality of interactions among actors—levels of government and local actors (elected officials, staff, and citizens). Capacity building also tends to use orthodox “supply-driven” classroom training (rather than more “demand-driven” on-the-job/on-site support) that inadequately prepares recipients for using new skills on the ground.

HOW DEEPER UNDERSTANDING OF DECENTRALIZATION CAN MATTER ON THE GROUND

There is no grand framework to systematically guide improved reform. Yet it seems evident that lack of appreciation of the issues outlined earlier can lead to inappropriately designed and mechanically or haphazardly implemented efforts to improve the structure and management of local governments and how they interact with other governmental and nongovernmental actors whose behavior affects local public sector operations. A better understanding of these factors could allow more reflective, integrated, and pragmatic application of reform principles and produce stronger systems and results. Broader recognition of the value of such analysis has emerged more generally in recent years in the political economy/“doing development differently” literature.²¹

Neglect of the broader landscape at least partly comes back to the old cliché that “where you stand depends on where you sit.” Politicians and bureaucrats often act based substantially on individual and institutional positions and incentives. Policy analysts frame their work around their own identity and values—scholars or practitioners; specific fields/disciplines (fiscal, managerial, political/economics, politics, sociology); preferred methodology (broader quantitative or deeper qualitative); etc. Even within a given field, analysis can be too narrow (e.g. fiscal experts focused on local revenue collection may neglect how national resource sharing affects local revenue-generation incentives). The result is that much analysis misses points relevant for shaping workable reforms.

Equally important, some contextual factors and power relationships may be largely fixed or resist change, such that commonly promoted (normatively inspired) reforms may not be realistic or have unintended consequences (that could have been better anticipated). For example, a national attempt to reconfigure an intergovernmental system so that roles and relations are more in line with normative principles could prove impossible, although there may be alternative ways to work within existing constraints to improve interactions and performance. At the local level, the types of measures typically recommended for effective decentralization may also be inconsistent with national constraints imposed on local government behavior and/or local political and institutional realities. If more pragmatic steps are to be taken, analysts need to learn to think more broadly and collaboratively, to define specific

²⁰There are many treatments of capacity, with some useful ones including Green (2005) and UNCDF (2006).

²¹See, for example: Andrews *et al.* (2013), Booth and Unsworth (2014), Levy *et al.* (2014), Rocha (2014), Whaites *et al.* (2015), and Smoke (2015b). See also <http://doingdevelopmentdifferently.com>

problems and potential solutions in more systematic and contextually nuanced ways, and to be more strategic in implementation.

Learning to think more broadly

Much of the preceding discussion will be familiar to people who work on decentralization and local governance, yet many issues covered are treated selectively or superficially in practice. The complexity of decentralization and the contexts in which it unfolds do generate considerable diagnostic challenges, but this is no excuse for overly narrow analysis when performance has been so mediocre and so much is at stake.

If performance fails to meet expectations—e.g. in local service delivery—the most basic concern is why. This is obvious, but local public management problems identified and targeted by reformers may only be symptoms of underlying issues that need to be unpacked and addressed. A simple example is a case in which service delivery is seen to be undermined by poor cost recovery. A typical solution from ministry experts (and/or aid agency advisors) is to cost the service properly and raise user charges or local taxes to cover the gap. Enormous effort and resources flow to such perfunctory approaches despite their common failure to deal with core factors underlying poor cost recovery. The fragmentation of expertise noted earlier and poor incentives for holistic analysis seem to explain the durability of narrow technocratic solutions to complex problems.

An alternative is to conduct a more multidimensional analysis strategically designed and used to assess the local context. Poor cost recovery may in fact result from a wide range of factors—incomplete or inappropriate national service delivery and finance policies, weak local capacity, technical issues that compromise service quality or reliability, fragile governance mechanisms that weaken local government responsiveness and limit user expectations, satisfaction and willingness to pay, etc. Even if such challenges are considered, insufficient attention may be given to understanding the political and bureaucratic dynamics that often underlie them.

How to expand the analysis depends on the problem and the relevant point of view. From a national perspective, a central agency may want to assign or modify a function, allow a new revenue, or create a new management mechanism. The feasibility of this and the path to doing so should depend on the agency's own situation, how other agencies are affected and will likely react, and what may happen when the new policy meets local context on the ground. From a local perspective, local officials may desire to modify their operations and how they interact with other governments and civil society.

Additional perspectives are also possible—citizen groups may wish to step up efforts to hold local governments accountable, or aid agencies may want to identify new country actors they can fruitfully engage with and establish how to do so. Any of these actors would obviously do some assessment before taking action, but probably within the confines of how they are used to thinking and behaving. In many cases, they could potentially adopt more viable and sustainable efforts if they would move beyond their immediate perspective to diagnose a specific problem and forces that shape it and then try to craft a workable approach to make progress in resolving the situation.

Going deeper: beyond the obvious problem to what lies beneath

The initial (obvious) step in considering how to improve local government performance is to document the specific nature of the problem. To continue with the service delivery illustration, the starting point is to understand if a service is generally lacking or only certain elements of the service or certain groups are affected. Is the problem with quantity, quality, reliability, some mix of these, or some other factor(s)?

The next move is to develop an adequate understanding of why the problem exists and local managers have been unable to or unwilling to solve it. This requires detective work. Service deficiencies can occur for technical reasons, but local actors may not be sufficiently empowered or national actors may not have followed up on further defining local roles outlined in legal mandates or developed requisite systems and procedures. Weak empowerment could be intentional or an oversight in design, while poor follow-up might result from limited incentives or inadequate financial and human resource capacity. Political economy forces—of various types—could drive any of these situations.

In some cases, national agencies might actively obstruct implementation of legally devolved functions or not provide local governments with technical support for which they are responsible. This could be a function of weak central capacity, funding limitations, indifference, bureaucratic manipulation, and so on. Another line of inquiry would focus on local government failure to adopt allowable powers and associated systems. Again, multiple factors could contribute—understaffing, lack of resources, insufficient capacity, a preference to rely on the central government, low demand from citizens, and so on.

Such detailed interrogation can be tedious, but this is the only effective way to begin to focus on the real problems and determine if they can be alleviated. Certain issues might be ruled out fairly quickly, and others would merit deeper exploration. For example, if resource constraints were identified as key despite formal provisions for intergovernmental transfers and local sources of revenue, additional questions would need to be pursued. With respect to transfers, the problem could be with overall funding volume (and how it is determined), how the resources are allocated among local governments, or inappropriate/excessive conditions on how transfers can be used by local governments, perhaps restricting them to expenditures they do not prioritize. These factors in turn could reflect a shortage of technical expertise by the relevant central government agency, insufficient data, political or bureaucratic dynamics, and so on.

An additional revenue concern could be poor local collection. This could result from improper assessment of the tax base or very low rates. Such situations may in turn reflect national regulations, explicit central interference, perverse incentives created by intergovernmental fiscal transfers, or local political dynamics. If citizens do not pay local revenues, there may be affordability considerations, inadequate local government administration, or citizen dissatisfaction—with services provided, with local government in general, or in terms of perceived fairness in how revenues are assessed and collected.

There could, of course, be a greater range of questions posed, and a proper assessment would dig deeper, adaptively following the analysis where earlier lines of questioning lead. Further assessments could target a better understanding of factors that affect local government actions and performance: national agency behavior (policy inconsistency and coordination of implementing agencies); relationships between and within subnational levels (cooperation between intermediate and local governments and among neighboring local governments); local electoral accountability and its implications for the relationship between local governments and their electorates (competition and fairness); and non-electoral citizen engagement processes that could improve how residents perceive and interact with local governments (accessibility and degree of influence).

Fully exhaustive analyses of individual problems are not practical, but there will often be room to improve how assessments are conducted. The analysis can be selective but should be sufficiently broad based, probing, and adaptive. Even obtaining a sense of the answers to some basic questions can begin to suggest the types of further inquiry needed and to identify potential solutions. An informed analyst can learn to draw the boundaries of the assessment to focus on things that matter most for concrete action.

Depending on who initiates the assessment and where it leads, different actions will involve different lead actors. For example, only the central government can deal with weak local empowerment or central agency interference in local functions (although motivated local governments can often work within existing constraints). Willing local governments can improve their capacity and engage more deeply with constituents to improve services and revenue yields. Citizens themselves can pressure local governments to modify how they operate or what they provide. All actors must face incentives to act, and their actions may catalyze others or provoke resistance, some of which can be anticipated. Even the most obvious solutions can only work under suitable conditions, so that those seeking change need to consider the viability of actions they wish to take.

Crafting and executing strategic action

A pragmatic strategy to address a specific decentralization issue should be based on some version of the analysis outlined earlier rather than a generic template. This is potentially arduous, and specifics of the approach depend on context and which actor takes the lead. Yet all strategies need common elements to achieve their goal—an entry point, an expected trajectory, incentives, capacity building/support structures, and a managerially oriented

monitoring and feedback mechanism. If a central agency tries to improve local service delivery, for example, a strategy might involve certain steps.

Determining starting points and sequencing

Initial steps could engage motivated partners and focus on easier wins. This requires determining priorities and concentrating on more basic tasks that do not overly intimidate prevailing power bases or unduly stress capacity. Still, it is desirable to choose a task that is sufficiently significant and visible and that can begin to move in the right direction on potentially viable path.

National reforms often treat local governments similarly. Handling those with weak capacity as if they can assume major roles tempts disappointment, while overly controlling those that are capable wastes resources and undermines local accountability. Asymmetric starting points can be constructive, and some reforms may be partly negotiated with local governments rather than framed as paternalistic directives, placing an obligation on them to honor agreements.

In selecting and sequencing reforms, individual elements should be sufficiently linked as needed, even if in a basic way. As noted earlier, a fragmented approach can result in reforms that seem to meet certain normative principles but in fact are insufficient to produce good results. Improved managerial accountability mechanisms, for example, require sufficient funding—a seemingly evident point not always reflected in practice.

Generating incentives

Positive and negative incentives (rewards and penalties) can motivate central and local governments to behave as intended under reforms. Where many actors (central ministries, donors, or others) are involved, a coordinating mechanism would ideally oversee and enforce implementation, pressuring all parties to act as mandated. The political economy of such mechanisms is often challenging, but disappointing performance also reflects unrealistic expectations and poor design.

Inventive approaches may facilitate local government adoption of reforms. These include monitored accountability mechanisms (e.g. central government contracts with local governments to meet targets); financial incentives for reform adoption/performance gains (e.g. compliance-based or performance-based grants); and tournament-based approaches (e.g. competitive contests that bring recognition by rewarding notable achievements).

Facilitating capacity

Capacity building and technical assistance for both central and local actors are essential for reform, but they are often framed by governments and aid agencies in a uniform and mechanical way. The preceding discussion noted specific concerns—a preference for traditional classroom training and technical skills, with less emphasis on civil society capacity or relations between elected and appointed officials.

There is general consensus on the need to nurture both local technical capacity (of government actors) and local governance capacity (of citizens, elected officials, and staff to work together). But related efforts are rarely designed to facilitate such interaction. Beyond conventional courses, “on-the-job” training can enhance skills and retention.

Consolidating a strategy, monitoring progress, and adjusting as needed

The reform path (asymmetric if needed) should ideally be directly linked to national efforts to improve capacity and performance. Technical reforms can be implemented to tie capacity building to functions being developed during a specific period. By using defined criteria, reforms can be rolled out so that they build on each other. Such an approach is not easy to design and can become overly bureaucratic, but if approached carefully it holds potential to reduce arbitrary or politicized decisions and limit stalled reform.

For such an approach to work, there must be transparent monitoring of progress and performance as new reforms are implemented. There have been many decentralization monitoring efforts, but they are not often used

to try to adjust general approaches or task-specific/location-specific reforms. Even if they are, analysis often focuses on adopting a “symptom treating” type of reform. Monitoring mechanisms have great potential as managerial tools, especially if linked to the diagnostic style outlined earlier.

CONCLUDING THOUGHTS

This paper reviews neglected constraints on effective public sector decentralization in developing countries and calls for thinking in a broader way about designing and implementing reform. The focus is on selected key factors that are often inadequately or separately considered by different actors dealing with local government. This is not intended to be yet another formal framework to map out a neat path to reform. Instead, the goal is to provide food for thought to those working on this challenging topic. There are several main messages.

First, decentralization is rarely adopted only or primarily for the reasons it is considered desirable in theory and in policy circles. It is intrinsically a political phenomenon that is pursued when it supports the interests of those in power. If adopted quickly in a crisis, preparation may be inadequate and its full consequences may not be understood by those affected and whose support is needed to make reform work. If adopted for political show, the obstacles are also great. Whatever the general political intent, central agencies responsible for detailed design and implementation often face conflicting incentives to pursue or undermine decentralization, either officially through how they frame new rules and systems or more informally through how they influence implementation. Weak oversight and coordination of such actors—and in aid-dependent countries the often reinforcing behavior of international agencies—can limit local government effectiveness. There is rarely much that policy analysts can do to influence these core forces, but they can try to be more aware of the implications of the larger political context as they consider if and how to support some form of decentralization.

Second, local political realities can constrain the effective implementation of even a well-designed intergovernmental fiscal system that is enthusiastically endorsed by national politicians and bureaucrats. The form of local elections and non-electoral accountability mechanisms; the nature of the local economy and social relations and the associated distribution of power; the type and extent of informal non-democratic practices (clientelism, patronage, etc.); the strength and characteristics of civil society; and other diverse contextual factors all influence whether local governance mechanisms can have their intended effects broadly or in a particular jurisdiction.

Third, in assessing constraints on decentralized operations, it is important to pursue analysis of sufficient depth to distinguish between symptoms and causes and to appreciate linkages among related issues that ultimately require attention for effective and sustainable reforms. This can seem onerous, but the analysis need not be exhaustive to inform positive steps—it must embody “good enough” rigor such that decisions are based on an informed and sufficiently broad assessment. The core need is to press people used to thinking about reforms in specific ways to move outside of their comfort zone and work with others who have a different lens and can challenge their views.

Fourth, complex challenges cannot be solved simultaneously or quickly. The style of assessment briefly sketched earlier seeks improved avenues to begin the process of reform. These will differ by problem and lead actor—capacities, political, and bureaucratic dynamics—and the openings they suggest can differ substantially at the national and local levels and across local governments. Although one generalization is that gradualism is often necessary, opportunities where bolder steps can be taken with a reasonable prospect of success should be enthusiastically seized.

Finally, if a modest start is called for, much can be gained by taking a strategic approach to implementation. Various elements of strategy have been proposed, such as engaging the right set of interested actors in defining and executing reforms, as well as the potential use of asymmetry, negotiated reforms, performance incentives, targeted and demand driven and demand-driven capacity building, and creative local civic engagement. A viable strategy may incorporate some or all of these, but the main argument is that it must be designed in the context of a specific country and within a country to reflect local conditions. This is another one of those points that seems common sense but is often not embraced.

Much more work is needed to develop the type of approach outlined here and to illustrate its application and potential value with a range of robust cases. At the same time, analysts can do more immediately to try to

understand decentralization more deeply, to identify and decode relevant national and subnational political and bureaucratic dynamics, and to assess the implications of these broader analyses for the pursuit of pragmatic, strategic, and sustainable decentralization reforms.

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