Decentralization and Local Governance: Local Government Discretion and Accountability

Serdar YILMAZ
Background

Good Governance Has Many Entry Points

- **Political Accountability**
  - Political competition, broad-based political parties
  - Transparency & regulation of party financing
  - Disclosure of parliamentary votes

- **Formal Oversight Institutions**
  - Independent, effective judiciary
  - Legislative oversight (PACs, PECs)
  - Independent oversight institutions (SAI)
  - Global initiatives: UN, OECD Convention, anti-money laundering

- **Citizens/Firms**
  - Decentralization and Local Participation
    - Decentralization with accountability
    - Community Driven Development (CDD)
    - Oversight by parent-teacher associations & user groups
    - Beneficiary participation in projects

- **Effective Public Sector Management**
  - Ethical leadership: asset declaration, conflict of interest rules
  - Cross-cutting public management systems: meritocracy, public finance, procurement
  - Service delivery and regulatory agencies in sectors

- **Civil Society & Media**
  - Freedom of press, FOI
  - Civil society watchdogs
  - Report cards, client surveys

- **Private Sector Interface**
  - Streamlined regulation
  - Public-private dialogue
  - Extractive Industry Transparency
  - Corporate governance
  - Collective business associations

From “Strategies for Governance Reform in Developing Countries” by Sanjay Pradhan and Daniel Kaufmann
From Discretion to Accountability

Local Governance Framework for Downward Accountability

**Local Government Accountability Space**

- **Expenditure Assignment**
- **Revenue Assignment**
- **Intergovernmental Transfers**
- **Borrowing**

**Local Governance Outcomes**
- Responsive, effective, efficient, sustainable services
- Enhanced political, financial and administrative accountability
- Greater local control over development planning and decision making
- Strengthened accountability through greater citizen monitoring and vigilance over power holders

**Public Accountability Tools/Approaches**
- Fiscal: Local PFM (Planning, Budgeting, Reporting, Internal control/audit, External audit)
- Administrative: Civil service, procurement Reforms
- Political: Independent candidates, reservations, legislative oversight, recall, referendum

**Social Accountability Tools**
- Fiscal: i.e., participatory planning and budgeting, expenditure tracking, independent budget analysis
- Administrative: i.e., citizen report and score cards, social audits, information campaigns
- Political: i.e., civic awareness campaigns, citizen initiated recall and referenda

**Administrative Discretion**
- Regulatory powers
- Procurement Powers
- Employment/civil service discretion

**Political Setting**
- Separation of powers
- Electoral system
- Party system

**Fiscal Discretion**
- Expenditure Assignment
- Revenue Assignment
- Intergovernmental Transfers
- Borrowing

**Administrative Discretion**

**Local Governance**

- Supply Side
- Demand Side

**Local Discretion**

- Fiscal
- Administrative
- Political

- Regulatory powers
- Procurement Powers
- Employment/civil service discretion

**Fiscal**
- Local PFM (Planning, Budgeting, Reporting, Internal control/audit, External audit)

**Administrative**
- Civil service, procurement Reforms

**Political**
- Independent candidates, reservations, legislative oversight, recall, referendum

**Social Accountability Tools**
- i.e., participatory planning and budgeting, expenditure tracking, independent budget analysis
- i.e., citizen report and score cards, social audits, information campaigns
- i.e., civic awareness campaigns, citizen initiated recall and referenda

**Local Discretion**

**Fiscal Discretion**
- Expenditure Assignment
- Revenue Assignment
- Intergovernmental Transfers
- Borrowing

**Local Governance**

**Framework for**

**Downward Accountability**
Local Political Setting

- Existence and functioning of institutional checks and balances at local levels
  - Role of legislature (local council)
  - Administrative local courts
  - Civil society

- Existence and quality of electoral system for local leaders
  - Majority (plurality) vs. proportional representation

- Nature of party systems and party structures
  - Number of parties competing in local elections (multi party vs. one party systems)
  - Rules governing the financing of parties
  - Rules governing participation of disadvantaged groups
  - Availability of parties based on ethnicity or religion
Supply Side Public Accountability Approaches
    - Safeguards in the electoral system
    - Improving local council oversight

Demand Side Social Accountability Approaches
    - Generic legislation that empowers citizens to demand local accountability
    - Specific bodies and processes for citizen oversight
    - Citizen oversight through CDD
Local Administrative Discretion

- Ability to make, change and enforce laws and regulations
  - Power to initiate regulatory legislation affecting local jurisdiction (local economic development, land use planning and development, zoning regulations, public safety, impact fees, user charges)
  - Power to sanction and punish non-compliance (monetary fine, revocation of license)

- Control over procurement processes and administration of services
  - Procuring goods and services through contracts (service delivery contracts, management contracts, leases, concessions)

- Control over civil service and employment policies
  - Recruitment
  - Performance management and pay policy autonomy
  - Career management control
Local Administrative Accountability

- Supply Side Public Accountability Approaches
  - Accountability structures in the bureaucracy
  - Independent bodies
  - Administrative courts

- Demand Side Social Accountability Approaches
  - Information provision as a basis for citizen monitoring
  - Monitoring procurement and implementation of local government contracts
  - Monitoring local service provision
Local Financial/Fiscal Discretion

- Expenditure Assignment: Role of Local Governments in Service Delivery
  - Decision-making autonomy over service delivery responsibility

- Revenue Assignment: Financing Local Service Delivery
  - Revenue autonomy

- Intergovernmental Transfers: Financing the Fiscal Gap
  - Transparency
  - Predictability
  - Formula based

- Local Government Borrowing: Financing Infrastructure
  - Limitations on borrowing
Local Financial/Fiscal Accountability

- Supply Side Public Accountability Approaches
  - Public Financial Management Tools

- Demand Side Social Accountability Approaches
  - Citizen Participation in budgeting and expenditure processes
  - Public hearings on budget information
  - Participatory public expenditure tracking
  - Social audits
  - Civic monitoring of intergovernmental transfers
<table>
<thead>
<tr>
<th>Domains Components /Rating</th>
<th>Political</th>
<th>Administrative</th>
<th>Fiscal</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>KER</td>
<td>ET, RW</td>
<td>KER</td>
</tr>
<tr>
<td>Medium</td>
<td>GN</td>
<td>KER, PUN, PH, UG</td>
<td>PH, RW, UG</td>
</tr>
<tr>
<td>Low</td>
<td>ANG, ET, PUN, TZ, BF</td>
<td>ANG, BF, PH, GN, ET, PUN, TZ</td>
<td>ANG, BF, PH, GN, ET, PUN, TZ</td>
</tr>
</tbody>
</table>

ANG=Angola; BF=Burkina Faso; ET=Ethiopia; GN=Guinea; KER=Kerala (India); PH=Philippines; PUN=Punjab (Pakistan); RW=Rwanda; TZ=Tanzania; UG=Uganda
We need to take a step back from analyzing implementation of decentralization reforms to understand the disjoint between theory and practice of decentralization.

It is very important to understand the motivations of decentralization that affect the structure of the reforms.

A political economy analysis preceding the articulation and implementation of the reforms is necessary.
Gaps in the Literature and Data Needs

- How partisanship of local elections affect decentralization outcomes in terms of service delivery, accountability and representation?
- How rules of electoral competition affect decentralization outcome?
- How do different political contexts within which decentralization occurs affect decentralization outcomes?