

# DECENTRALISING GOVERNMENT WHAT YOU NEED TO KNOW\*

## Executive Summary

In the last four decades, decentralisation has become a key focus of international development approaches. Governments around the world have transferred significant fiscal, political and administrative responsibilities to sub-national levels of government and semi-autonomous organisations. Initially pursued as an administrative reform process to enhance service delivery and economic efficiency, decentralisation has become widely seen as an essential process for strengthening democratic practice in countries in the Global South and a means of diffusing or sharing power after conflicts.

There are, however, stark differences between the types and degrees of decentralisation being pursued. Their varying levels of success have highlighted key factors for designing effective decentralisation reforms.

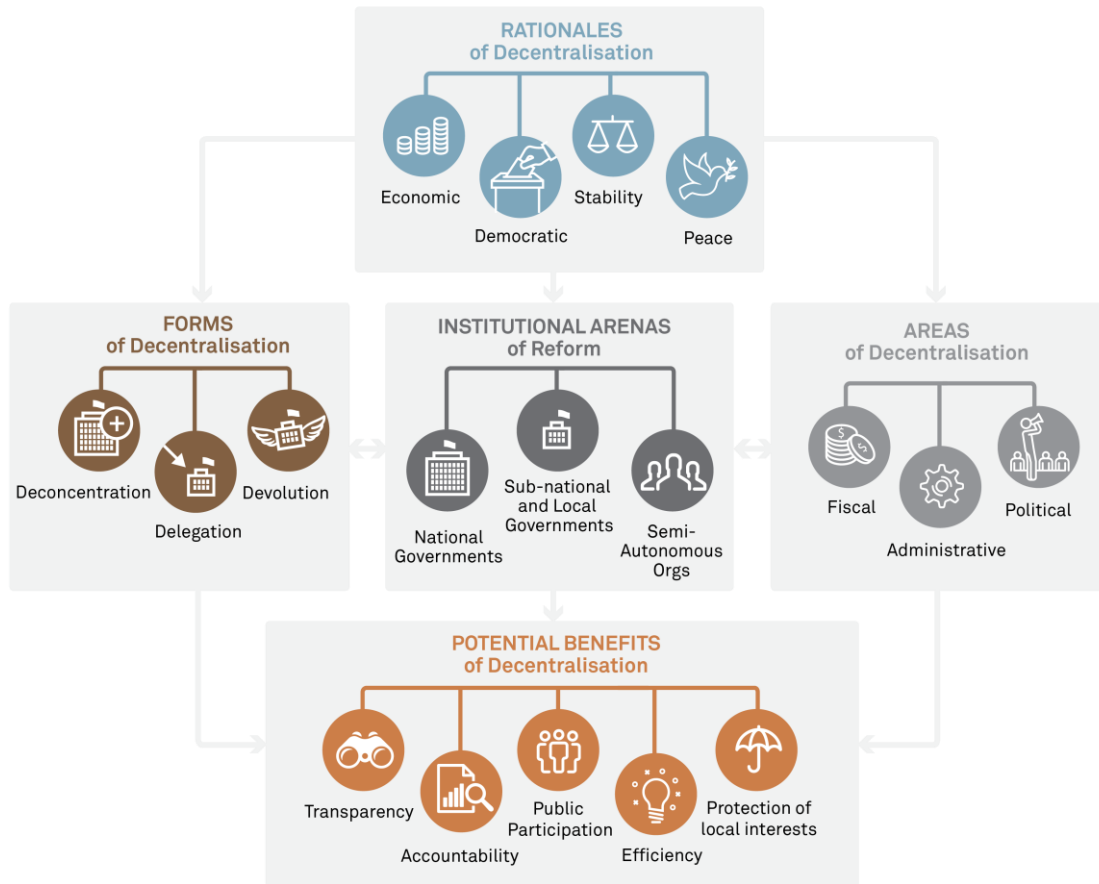
To make decentralisation successful, the following points should be considered:

- All countries (except some micro-states) have some degree of decentralisation.
- There is no decentralisation template. Every country is different; decentralisation reforms need to be adjusted to on-the-ground realities and can draw from a rich menu of options.
- Badly designed decentralisation reforms will likely have negative effects.

- Decentralisation is not a synonym for democracy or an end in itself. It is a tool for achieving specific social, political and economic goals, and the implemented reforms need to reflect these goals.
- Competition and, at times, overlapping jurisdiction between different levels of government is unavoidable; therefore, a degree of good-faith cooperation and commitment is essential for effective decentralisation.
- Lack of capacity at the sub-national level is often used as an argument against decentralisation, but recent research suggests that a major component of building this capacity is “learning by doing”.
- Particularly in conflict contexts, public debates often focus on the concepts of “unitary” vs. “federal” states. A binary choice like this often leads to political blockages. Federalism is merely one aspect of decentralisation. The content of a reform is more important than its label.
- Sub-national units of government must be carefully designed based on local economic and demographic contexts to maintain a balance between representativeness, efficiency and stability.
- Reforms usually do not all occur at the same time and may occur in different regions at different times, but planning for decentralisation should begin with the design of an overall system that considers asymmetries and sequencing of reforms.

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\* This paper was written by Ezra Karmel. It was reviewed by Michael Meyer-Resende, Dalia Barsoum, Katharina Jautz and André Sleiman of DRI. The paper builds on Markus Böckenförde’s “Decentralisation in Libya”, Democracy Reporting International, August 2013.



## 1. WHY DECENTRALISE?

Many countries in the Global North have long histories of decentralised governance, but decentralisation moved to the forefront of the development agenda in the 1980s, and the next two decades saw a wave of decentralisation sweep across much of the Global South. These decentralisation efforts have been pushed by the claims of practitioners and scholars that decentralisation can offer a number of important benefits. But many of these claims remain theoretical. In most cases, the empirical results – particularly involving studies of countries in the Global South – remain far from conclusive. As such, this section provides an overview of important benefits of decentralisation, but also highlights areas where negative effects have been shown.

### 1.1 Improved Economic Efficiency

A key justification for decentralisation is its potential to make the allocation of public goods more efficient. When decentralisation became a prominent feature of development policy in the 1980s,<sup>2</sup> it was primarily justified as a means of addressing the limitations of centrally controlled national planning that were becoming evident in countries in the Global South. However, growing sub-national debts in decentralised countries (particularly in Latin America) became a major worry in the mid-1990s,<sup>3</sup> and there has since been a surge in research on the economic impacts of decentralisation in terms of efficiency, equity and macro-economic stability. While some research has helped to support the theoretical claim that decentralisation can improve efficiency,<sup>4</sup> a number of case studies have also shown the

<sup>2</sup> This rationale constituted a primary focus of the World Bank's work on decentralisation. See World Bank, *World Development Report 1988* (Washington D.C.: World Bank, 1988); and World Bank, *World Development Report: Investing in Health 1993* (Washington D.C.: World Bank, 1993).

<sup>3</sup> Giorgio Brosio and Juan Pablo Jimenez, "Approaching Recent Transformations of Intergovernmental Relations from Multiple Profiles," in *Decentralization and Reform in Latin America: Improving Intergovernmental Relations* eds. Giorgio Brosio and Juan Pablo Jimenez (Northampton, MA: Edward Elgar Publishing Inc., 2012), 4.

<sup>4</sup> Wallace Oates, *Fiscal Federalism* (New York: Harcourt Brace Jovanovich, 1972); Roy Bahl and Johannes Linn, *Urban Public Finance in Developing Countries* (Oxford: Oxford University Press, 1992); Richard Musgrave, "Who Should Tax, Where, and What?" in *Tax Assignment in Federal Countries* ed. Charles McLure, (Canberra: Centre for Research on Federal Financial Relations, Australian National University, 1983); and Charles Tiebout, "A Pure Theory of Local Expenditures," *Journal of Political Economy* Vol 64, No. 5 (1956): 416–24.

opposite; they indicate that decentralisation can undermine economic efficiency, lead to overspending and corruption among sub-national governments, and undermine macro-economic stability.<sup>5</sup> However, it is worth noting that a number of scholars and practitioners (including the World Bank) have suggested that these negative results are not inherent to decentralisation, but have primarily resulted from design problems,<sup>6</sup> and especially from a lack of hard budget constraints.<sup>7</sup>

Decentralisation has also been pursued based on three other related economic rationales: 1) a reduction in the size of the public sector, 2) benefits for economic growth and 3) improved “competitiveness” of governments and, thus, the possibility that governments will act to satisfy the wishes of citizens. However, there is neither theoretical nor empirical consensus on this.<sup>8</sup>

## 1.2 Improved Service Delivery that Better Reflects Local Needs

Closely related to efficiency, another important rationale for decentralisation is that it allows governmental plans and programs to be disaggregated and modified to reflect the needs and desires of diverse populations within a single country. Given that sub-national authorities usually have better knowledge of local concerns, providing them with greater discretion or power can allow for national projects and policies to be adjusted for diverse local conditions – and even for policies to be formulated that respond to local needs.<sup>9</sup>

The closer proximity of sub-national governments to communities enables the collection of more accurate information, which allows for the design and implementation of more effective government projects and programmes. Local administrations can also be used to provide information about on-the-ground situations and channel political demands from citizens up to the central government.<sup>10</sup>

However, a number of case studies have also shown that decentralisation can negatively impact the effectiveness of

government in cases where sub-national units lack the necessary human resources or have insufficient financial resources to acquire them.<sup>11</sup> This is often a result of the design of decentralisation processes and how political, administrative and fiscal decentralisation reforms are sequenced.

### Text Box 1: Federalism and Decentralisation

The use of the word “federalism” can transform technical discussions of decentralisation into political controversies. In Libya, the division of groups identifying themselves as federalists and anti-federalists after the fall of Muammar al-Qaddafi contributed to the outbreak of conflict. In Jordan, the decentralisation process stalled when federalism entered the debate because some Jordanians feared that federalism was the first step in a ploy to integrate a Palestinian state.

But what is the exact relationship between federalism and decentralisation? One may think that a federal state is automatically more decentralised than a unitary state, but that is not necessarily the case. Some “unitary” states (such as the UK and the Netherlands) are more decentralised than some “federal” states (like Russia or the Netherlands). Although there are different opinions about how to define federalism exactly, there is wide agreement that federalism means that there is at least a second tier of political units (states, Länder, provinces, cantons, etc.) with genuine legitimacy that is not derived from the central power and with constitutionally guaranteed prerogatives. At the core, a federal arrangement is based on an agreement between two (or more) levels – an agreement that cannot be unilaterally changed by either side.

## 1.3 Deepening Democracy

While the initial rationale for decentralisation initiatives was improved administrative efficiency and service delivery, the focus has shifted to the government’s relationship with its citizens and their political participation.<sup>12</sup> This shift has occurred

<sup>5</sup> Luiz de Mello, “Fiscal Decentralization and Intergovernmental Fiscal Relations: A Cross Country Analysis,” *World Development* Vol. 28, No. 2 (2000): 365-380; Hamid Davoodi and Heng-fu Zou, “Fiscal Decentralization and Economic Growth: A Cross-Country Study,” *Journal of Urban Economic* Vol. 43, No. 2 (1998): 244-257; Rémy Prud’homme, “The Dangers of Decentralization,” *The World Bank Research Observer* Vol. 10 No. 2: 201–220; Vito Tansi, “Fiscal Federalism and Decentralization: A review of Some Efficiency and Macroeconomic Aspects. World Bank Conference on Development Economics 1995, Washington D.C., The World Bank, 1996, 295–316. But, also see Charles McLure Jr., “Comment of Prud’homme,” *World Bank Research Observer* Vol. 10 (1995): 221-226; and David Sewell, “The Dangers of Decentralization According to Prud’homme: Some Further Aspects,” *World Bank Research Observer* Vol. 11 (February 1996): 143-50.

<sup>6</sup> World Bank, “World Development Report 1988,” 13; and G. Shabbir Cheema and Dennis Rondinelli, “From Government Decentralization to Decentralized Governance,” in *Decentralizing Governance: Emerging Concepts and Practices*, eds. G. Shabbir Cheema and Dennis Rondinelli (Brookings Institution Press, 2007), 8.

<sup>7</sup> See, e.g., Jonathan Rodden, Gunner Eskeland and Jennie Litvack eds., *Fiscal Decentralization and the Challenge of Hard Budget Constraints* (Cambridge, MA: MIT Press, 2003).

<sup>8</sup> In regards to the size of the public sector, see Wallace Oates, “Searching for Leviathan: An Empirical Study,” *American Economic Review* Vol. 75 (1985): 748-757; and Jaber Ehdaie, “Fiscal Decentralization and the Size of Government,” Policy Research Working Paper 1387, World Bank, Washington, D.C., 1994. In regards to economic growth, see Davoodi and Zou, “Fiscal Decentralization and

Economic Growth; Robert Ebel and Serdar Yilmaz, *On the Measurement and Fiscal Impact of Fiscal Decentralization* (Washington D.C.: World Bank, 2001); and Justin Yifu Lin and Zhiqiang Liu, “Fiscal Decentralization and Economic Growth in China,” *Economic Development and Cultural Change* Vol. 49, No. 1 (2000): 1-22. In regards to competitiveness, see Pierre Salmon, “Decentralization as an Incentive Scheme,” *Oxford Review of Economic Policy* Vol. 3, No. 2 (1987): 24–43; and Koleman Strumpf, “Does Government Decentralization Increase Policy Innovation,” Working Paper, Department of Economics, University of North Carolina at Chapel Hill, 1999.

<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.27.4043&rep=rep1&type=pdf>

<sup>9</sup> Dennis Rondinelli, “National Investment Planning and Equity Policy in Developing Countries: The Challenge of Decentralized Administration,” *Policy Sciences*, Vol. 10, No. 1 (August 1978): 45-74.

<sup>10</sup> John Cohen and Norman Uphoff, “Participation’s Place in Rural Development: Seeking Clarity through Specificity,” *World Development*, Vol. 8, (1980): 213.

<sup>11</sup> A number of authors have noted that a key factor in this regard is the increased ability of the central government to attract more qualified candidates, as it offers better career opportunities and financial compensation. See Prud’homme, “The Dangers of Decentralization,” 201–220; and Tansi, “Fiscal Federalism and Decentralization.”

<sup>12</sup> G. Shabbir Cheema and Dennis Rondinelli eds. *Decentralizing Governance: Emerging Concepts and Practices* (Washington, DC: Brookings Institution Press, 2007).

alongside growing international attention to democratic governance, which emphasises participation, transparency, accountability and the separation of powers.<sup>13</sup> Because decentralisation has been identified as a key means of achieving each of these qualities, it is now seen as an “integral part of the logic of democratization.”<sup>14</sup>

### 1.3.1 Public Participation

The potential of decentralisation to enhance public participation in decision-making processes (via local elections and a variety of other forums) has become a key driver of decentralisation processes in the Global South.<sup>15</sup> Decentralisation can create opportunities for citizens to participate in governance processes from which they were excluded in more centralised systems.<sup>16</sup> It can also help to foster the development of vibrant civil societies, as local governance can open up greater space for civil society to emerge and engage.<sup>17</sup> Decentralisation carries the potential not only to improve the overall participation of the public, but also the participation of women and minorities.<sup>18</sup>

However, the results of decentralisation on participation vary from country to country.<sup>19</sup> Some case studies have shown 1) that local governments may also limit citizen participation and 2) that the mere allowance of enhanced participation and civil society engagement does not necessarily equate to real citizen empowerment. They point out that there is still insufficient evidence about the “extent and quality” of participation and the outcomes of this participation.<sup>20</sup> Clearly, the effect of decentralisation on participation depends heavily on how well the decentralisation process reflects local opportunities and constraints.

### 1.3.2 Transparency and Accountability

Closely related to participation, transparency and accountability can also be enhanced by decentralisation. The decentralisation process can break up central authority and bring government closer to the people, thereby allowing them to monitor governmental activities.<sup>21</sup> Service users can more effectively evaluate the cost and needs of local programmes and projects, and they can directly monitor delivery. As a result, elected local officials who perform poorly face increased threat of being removed from office.

<sup>13</sup> G. Shabbir Cheema, “Devolution with Accountability: Learning from Good Practice,” In G. Shabbir Cheema and Denni Rondinelli eds. *Decentralizing Governance: Emerging Concepts and Practices* (Washington, DC: Brookings Institute Press, 2007), 170-188.

<sup>14</sup> UNDP, “Factors to Consider in Designing Decentralized Governance Policies and Programmes to Achieve Sustainable People-Centred Development,” Management Development and Governance Division, February 1998, 1.

<sup>15</sup> Susan Steiner, “Decentralization and Poverty Reduction: A Conceptual Framework for the Economic Impact,” German Overseas Institute (DÜI), Working Papers, Global and Area Studies No. 3, Hamburg, 2005.

<sup>16</sup> World Bank, *World Development Report (WDR 1999/2000: Entering the 21st Century)* (New York: Oxford University Press, 2000); and Richard Cook and Alan Sturla Sverrisson, “Decentralization and Poverty Alleviation in Developing Countries: A Comparative Analysis or is West Bengal unique?” Working Paper 130, Institute of Development Studies, Sussex, 2001.

**Text Box 2: Decentralisation in Bolivia  
Positive and Negative Effects on Democracy**

Before 1994, local governments in Bolivia existed only in name and the majority of the country’s rural population was excluded from local governance, as only urban centers constituting provincial and regional capitals were recognised as municipalities. With the passing of Bolivia’s Law for Popular Participation (LPP) in April 1994, 198 new municipalities were created. In addition to the redrawing of territorial jurisdictions, the LPP provided the municipalities with real powers, allowing for the public election of municipal officials and providing the municipalities with increased financial resources and responsibility for local services. The LPP also granted formal recognition to territorial grassroots organisations (such as indigenous communities as well as peasant and neighbourhood associations), encouraging these groups to form oversight committees. These committees were given the power to petition the central government to suspend transfers to the municipality if it were accused of bad management. The impact of the new system was significant, creating 1) new opportunities for Bolivians (especially indigenous Bolivians) to engage in political processes, and 2) creating a space for civil society oversight of local governance. But successes also came with drawbacks. While participation has increased, so too has political instability. Designed to prevent corruption, the LPP stipulates that the municipality can recall its mayor through a majority vote. This mechanism has frequently been used to remove mayors for political reasons rather than transgressions. With frequent shifts in political alliances, the life expectancy of Bolivian mayors is very short.

For more information, see Kathleen O’Neill, “Decentralization in Bolivia: Electoral Incentives and Outcomes,” in *Decentralization and Democracy in Latin America* eds. Alfred Montero and David Samuels (Notre Dame: University of Notre Dame Press, 2004), 35-66.

The perceived lack of accountability in more centralised states has been a major driving force behind decentralisation processes,<sup>22</sup> and some quantitative studies have shown that public perception of corruption declines as a result of decentralisation.<sup>23</sup> Yet, while public trust in governance might improve as a result of decentralisation, there is disagreement

<sup>17</sup> United Nations (DDSMS and UNDP), “Report of the United Nations Global Forum on Innovative Policies and Practices in Local Governance,” Gothenburg, Sweden, 23-27 September 1996, ref St/Tcd/Ser.E/46, 28.

<sup>18</sup> Robertson Work, “Overview of Decentralisation Worldwide: A Stepping Stone to Improved Governance and Human Development,” New York, United Nations, 2002, 4.

<sup>19</sup> Cheema and Rondinelli, “From Government Decentralization to Decentralized Governance,” 8.

<sup>20</sup> Abdulai Mohammed, “Decentralization and Participation: Theory and Ghana’s Evidence,” *Japanese Journal of Political Science* Vol. 17, No. 2 (2016): 232–255.

<sup>21</sup> Steiner, “Decentralization and Poverty Reduction.”

<sup>22</sup> Pranab Bardhan and Dilip Mookherjee, “Corruption and Decentralization of Infrastructure Delivery in Developing Countries,” Boston University, Institute for Economic Development, (2000) <<http://rojasdatabank.info/ddinf1.pdf>>

<sup>23</sup> Luis Diaz-Serrano and Andres Rodriguez-Pose “Decentralization and the Welfare State: What Do Citizens Perceive?” *Social Indicators Research* Vol 120,

about its actual impact on corruption. While some studies have shown that decentralisation decreases corruption,<sup>24</sup> others have shown that the impact is ambiguous,<sup>25</sup> and still others have demonstrated that poor implementation can increase opportunities for corruption because local government is prone to capture by local elites.<sup>26</sup> Some studies have provided more qualified results, suggesting, for instance, that decentralisation will only improve accountability in the long term,<sup>27</sup> or that decentralisation may yield a positive effect on corruption in countries with an active press, but it can exacerbate issues in countries where monitoring mechanisms are not in place.<sup>28</sup>

#### 1.4 Enhanced Stability and Peace-Building

Closely related to the democratic rationale, decentralisation has also been pursued as a strategy for reducing ethnic conflict and secessionism because it brings the government closer to the people, increases opportunities for democratic participation, and provides diverse groups with greater control over their political, social and economic affairs.<sup>29</sup> Because groups are better able to protect their own interests, there is less reason to either come into conflict with other groups (for what is viewed to be unfair treatment) or to pursue secessionist objectives. However, a key quantitative study has also shown that decentralisation can increase ethnic conflict and secessionism, as it may encourage the development of regional parties.<sup>30</sup> These parties can strengthen ethnic and regional identities and even lead to the passing of legislation that privileges certain groups over others. Other studies have highlighted that decentralisation reinforces ethnic divides,<sup>31</sup> or it can reduce tensions at one level while leading to their development at another.<sup>32</sup>

## 2. WHAT IS DECENTRALISATION?

### 2.1 Defining Decentralisation

Decentralisation is a process of state reform that transfers responsibility for planning, management, and the raising and allocation of resources from the central government to sub-national units or levels of government.<sup>33</sup> The concept is closely linked to the principle of subsidiarity, which suggests that public administration should function at the smallest possible level, with higher levels of government performing only the tasks that cannot be performed more effectively at a lower level.<sup>34</sup> Decentralisation does not seek to replace central governance, but to establish complementary roles for national and sub-national actors to co-operate to reach desired outcomes.<sup>35</sup> In practice, almost all states in the world – regardless of their being unitary or federal (see text box 1) – have some degree of decentralisation.

### 2.2 Areas of Decentralisation

Decentralisation processes are commonly divided into three areas:<sup>36</sup>

#### 2.2.1 Political Decentralisation

Political decentralisation creates arenas for sub-national representation. In addition to increasing citizen participation in the selection of political representatives, political decentralisation also includes 1) changes in the structure of government where power and authority is transferred to sub-national units or level of government and 2) the formation of power-sharing institutions through federalism or autonomous regions.<sup>37</sup> It is important to note that the holding of sub-national

No. 2 (Jan. 2015): 411–435; and Luis Diaz-Serrano and Andres Rodriguez-Pose, “Decentralization, Subjective Well-Being, and the Perception of Institutions” *Kyklos* Vol. 65 No. 2 (2012): 179–193. Also see Robert Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton, NJ: Princeton University Press, 1993).

<sup>24</sup> Anwar Shah, “Corruption and Decentralized Public Governance,” World Bank Policy Research Working Paper 3824, 2006, 1–28; and Raymond Fisman and Roberta Gatti, “Decentralization and Corruption: Evidence across Countries,” *Journal of Public Economics* Vol. 83 No. 3 (2002): 325–345.

<sup>25</sup> René Véron, “Decentralized Corruption or Corrupt Decentralization? Community Monitoring of Poverty-Alleviation Schemes in Eastern India,” *World Development* Vol. 34, No. 11 (2006): 1922–1941.

<sup>26</sup> Pranab Bardhan, “Decentralization of Governance and Development,” *Journal of Economic Perspectives*, Vol. 16, No. 4 (2002): 185–205; Pranab Bardhan and Dilip Mookherjee, “Decentralization and Accountability in Infrastructure Delivery in Developing Countries,” *Economic Journal* Vol. 116 No. 508 (2006): 101–127; and Prud’homme, “The Dangers of Decentralization.”

<sup>27</sup> Maria Escobar-Lemmon and Ashley Ross, “Does Decentralization Improve Perceptions of Accountability? Attitudinal Evidence from Colombia,” *American Journal of Political Science* Vol. 58, No. 1 (2014): 175–188.

<sup>28</sup> Christian Lessmann and Gunther Markwardt, “One Size Fits All? Decentralization, Corruption, and the Monitoring of Bureaucrats,” *World Development* Vol. 38, No. 4 (2010): 631–646.

<sup>29</sup> Chaim Kaufman, “Possible and Impossible Solutions to Ethnic Civil Wars,” *International Security* Vol. 20, No. 4 (1996): 133–175; Ted Gurr, *Peoples Versus States: Minorities at Risk in the New Century* (Washington, D.C.: United States Institute of Peace Press, 2000); Ian Lustik, Dan Miodownik and Roy Eidelson,

“Secessionism in Multicultural States: Does Sharing Power Prevent or Encourage It?” *American Political Science Review* Vol. 98, No. 2 (2004): 209–229; and Jean-Pierre Tranchant, “Decentralization and Ethnic Conflict: The Role of Empowerment,” MPRA Paper No. 3713, 26 June 2007. <<https://mpra.ub.uni-muenchen.de/3713/1/>>

<sup>30</sup> Dawn Brancati, “Decentralization: Fueling the Fire or Dampening the Flames of Ethnic Conflict and Secessionism?” *International Organization* Vol. 60, No. 3 (2006): 651–685.

<sup>31</sup> Kent Eaton, “The Downside of Decentralization: Armed Clientelism in Colombia,” *Security Studies* Vol. 15, No. 4 (2006): 533–562.

<sup>32</sup> Roland Gjoni, Anna Wetterberg and David Dunbar, “Decentralization as a Conflict Transformation Tool: The Challenge in Kosovo”, *Public Administration and Development* Vol. 30, No. 5 (2010): 291–312.

<sup>33</sup> Dennis Rondinelli and John Nellis, “Assessing Decentralization Policies in Developing Countries: A Case for Cautious Optimism,” *Development Policy Review* Vol. 4, No. 1 (1986): 3–23.

<sup>34</sup> See Walter B. Stohr, “Subsidiarity: A Key Concept for Regional Development Policy,” *Regional Development Paradigms*, Vol. 3 (UNCRD, 2001).

<sup>35</sup> UNDP, “Factors to Consider in Designing Decentralized Governance Policies and Programmes to Achieve Sustainable People-Centered Development,” February 1998, 1.

<sup>36</sup> Some authors include economic decentralisation as a fourth category, which includes market liberalisation, deregulation, the privatisation of state enterprises and public-private partnerships.

<sup>37</sup> Cheema and Rondinelli, “From Government Decentralization to Decentralized Governance,” 7.

elections does not by itself demonstrate that a country is highly decentralised, as elections are but one aspect of the broader process; without fiscal and policy autonomy, sub-national elections can be quite meaningless.<sup>38</sup>

### 2.2.2 Administrative Decentralisation

Administrative decentralisation involves the transfer of the delivery of social services (e.g. education, health, social welfare) to sub-national units or levels of government. This process includes 1) the deconcentration of state structures and bureaucracies away from the centre, 2) the delegation of the central government's authority and responsibility to semi-autonomous actors and 3) decentralised cooperation of government agencies that perform related functions. In addition to the deliberate transfer of authority, administrative decentralisation can also occur when a lower level of government assumes responsibility for an area of public policy where there is poor coverage at higher levels of government.

### 2.2.3 Fiscal Decentralisation

Fiscal decentralisation refers to reforms designed to increase 1) the revenues of sub-national governments (through grants and tax-raising powers) and 2) the expenditure autonomy of sub-national governments (i.e. they can decide what to spend the funds on). These two forms of fiscal decentralisation may or may not occur at the same time or to the same degree. Fiscal decentralisation touches upon administrative and political decentralisation because the relationship between resources and responsibilities will influence the effectiveness of the newly-empowered sub-national units.<sup>39</sup>

## 2.3 Forms of Decentralisation

In addition to the areas of decentralisation, there are three different forms of decentralisation (which can also be understood as degrees of decentralisation<sup>40</sup>): 1) deconcentration (opening a branch office in another region), 2) delegation (tasking a sub-national government to carry out functions) and 3) devolution (allowing sub-national government to take over functions autonomously). Some governments have used all three forms of decentralisation either at the same or at different times.

### 2.3.1 Deconcentration

Deconcentration is the weakest form of decentralisation, but it is also the most common form in the Global South.<sup>41</sup> Some people argue that deconcentration is not a form of decentralisation at all. Deconcentration occurs when the central government shifts – usually by administrative decree – responsibilities for certain services to regional and local levels by 1) establishing field offices of national departments and 2) transferring some authority for decision-making to regional field staff. As such, this process does not involve the transfer of power to lower levels of government because authority and responsibility are simply moved from one level of the central government to another, while keeping the sub-national units accountable to the central government.<sup>42</sup> Newly-decentralising countries often use deconcentration as a first step toward improving the efficiency and effectiveness of service delivery. In its weakest form, deconcentration can mean little more than shifting a department's or ministry's workload from the central headquarters to its field offices outside the capital; however, when it involves more than just reorganisation, deconcentration can provide field agents with limited discretion for the planning and implementation of projects or for tailoring policies to reflect local conditions (within the central ministry's guidelines).<sup>43</sup>

### 2.3.2 Delegation

Delegation involves the transfer – usually by administrative decree – of authority and responsibility to sub-national units of the government or semi-autonomous organisations that are not necessarily branches or local offices of the central government but are ultimately accountable to it. Even though delegation transfers some accountability to sub-national units, accountability primarily remains vertical, leading back up to the delegating authority. Delegation can be understood as a contractual “principal-agent relationship”, with the central government constituting the principal and the local institution the agent.<sup>44</sup> Nonetheless, these sub-national units usually wield significant discretion in decision-making. As such, a key issue in designing delegation reforms is ensuring that the agent is constrained by incentives that oblige it to act not in its own self-interest, but in conformity with the wishes of the principal.

### 2.3.3 Devolution

Devolution, the most extensive form of decentralisation, involves giving sub-national governments authority for decision-making, finance and management. Units that are devolved are recognised as independent legal entities and are ideally elected (although

<sup>38</sup> Alfred Montero and David Samuels, “The Political Determinants of Decentralization in Latin America: Causes and Consequences,” in *Decentralization and Democracy in Latin America* eds. Alfred Montero and David Samuels (Notre Dame: University of Notre Dame Press, 2004), 7.

<sup>39</sup> Work, “Overview of Decentralisation Worldwide,” 18.

<sup>40</sup> Dennis Rondinelli, “Government Decentralization in Comparative Perspective: Theory and Practice in Developing Countries,” *International Review of Administrative Sciences* Vol. 47 (1981): 137.

<sup>41</sup> Jeni Klugman, “Decentralisation: A Survey of Literature from a Human Development Perspective,” UNDP Human Development Report Office, Occasional Papers, 1994.

[http://hdr.undp.org/sites/default/files/jeni\\_klugman.pdf](http://hdr.undp.org/sites/default/files/jeni_klugman.pdf)

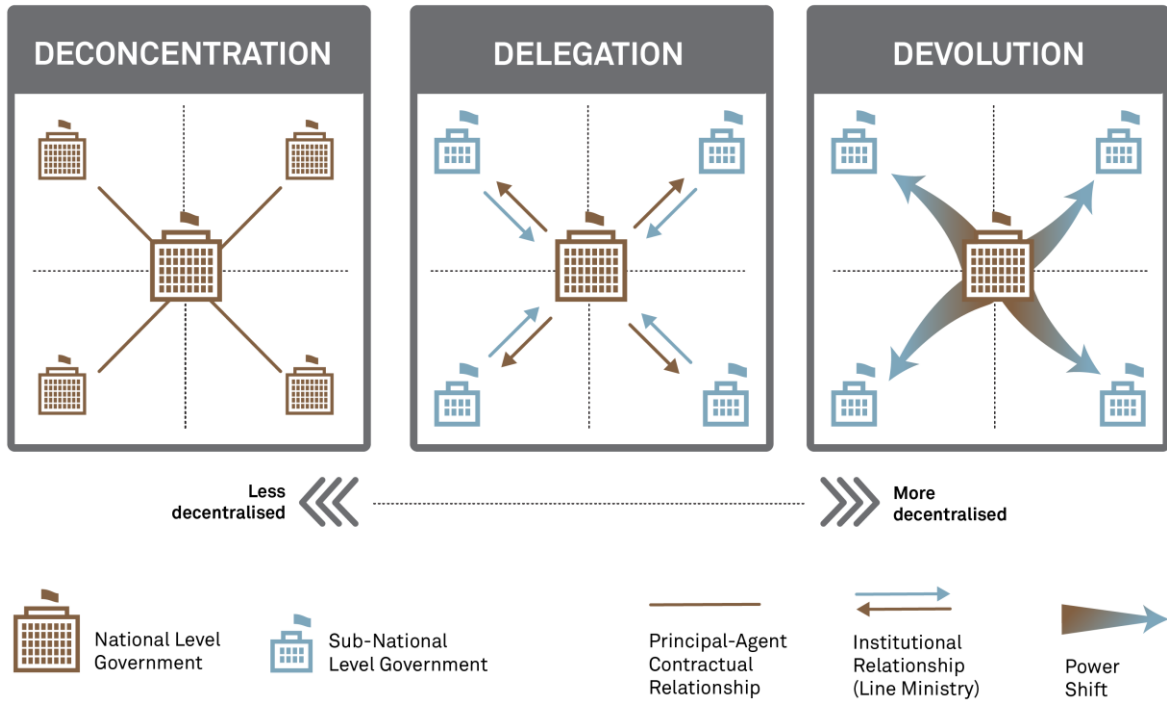
<sup>42</sup> Work, “Overview of Decentralisation Worldwide,” 6.

<sup>43</sup> Rondinelli and Nellis, “Assessing Decentralization Policies in Developing Countries.”

<sup>44</sup> Jennie Litvack, Junaid Ahmad and Richard Bird, “Rethinking Decentralization in Developing Countries,” The World Bank, Washington, D.C., 1998.

not necessarily).<sup>45</sup> Devolution involves giving sub-national governments clear, legally recognised territorial boundaries where they can exercise authority over certain areas and independently perform public functions. Devolution requires the creation of reciprocal and mutually-beneficial relationships

between the central and sub-national governments. This means that the local government should have the ability to “interact reciprocally with other units in the system of government of which it is a part.”<sup>46</sup>



<sup>45</sup> Work, “Overview of Decentralisation Worldwide,” 6.

<sup>46</sup> Dennis Rondinelli, James McCullough and Ronald Johnson, “Analyzing Decentralization Policies in Developing Countries: A Political-Economy

Framework,” *Development and Change* (SAGE, London, Newbury Park and New Delhi), Vol. 20 (1989), 75.

### 3. MAKING DECENTRALISATION A SUCCESS

Many of the potential negative effects of decentralisation are less a result of inherent weaknesses in the concept of decentralisation itself than a result of poor design or ineffective implementation.<sup>47</sup> While there are no definitive answers for what will work and what will not (especially in countries in the Global South for which less research data are available), consensus has emerged around some general guiding principles, which are outlined in this section.

#### Text Box 3: Decentralisation as an End in Itself Potentially Negative Impacts on Jordanian Education

Jordan is currently pursuing a broad-based process of decentralisation where significant responsibilities for a wide range of sectors, including education, will be devolved to the Kingdom's twelve governorates. The Ministry of Interior, which heads the process, is treating decentralisation as an end in itself, not as a tool with which to achieve a specific goal. The Ministry has not formulated specific goals for each policy sector, but is instead applying the same process to all of them. This process could have negative effects for many sectors. In education, the approach ignores the on-going extensive school-level reforms being pursued by the Ministry of Education – reforms that have so far yielded very positive results. The Ministry of Education has warned that moving authority over education to the governorate level will improve neither education quality nor school efficiency.

For more information, see E.J. Karmel "Decentralizing Education in Jordan," Identity Center, Amman, June 2015.

#### 3.1 Not an End in Itself

Decentralisation is often described in purely positive terms and is sometimes merged with democratisation.<sup>48</sup> Positive outcomes are not, however, an automatic consequence of decentralisation. On the contrary, treating the process as an end in itself can encourage countries to decentralise without sufficient thought for what the process is supposed to accomplish. Given that decentralisation has frequently been pursued as a broad-based reform process, carrying implications for numerous sectors and levels of government, it is important that all of the implications be carefully considered and an appropriate form of decentralisation – if any – is pursued (see text box 3). Indeed,

<sup>47</sup> Cheema and Rondinelli, "From Government Decentralization to Decentralized Governance," 9.

<sup>48</sup> Robin Chapman, "Decentralization: Another Perspective," *Comparative Education* Vol. 9, No. 3 (Oct. 1973): 128; and Frederik Fleurke and R. Willemsse, "Approaches to Decentralization and Local Autonomy: A Critical Appraisal," *Administrative Theory & Praxis* Vol. 26, No. 4 (2004): 523.

<sup>49</sup> Work, "Overview of Decentralization Worldwide," 17.

<sup>50</sup> Litvack, Ahmad and Bird, "Rethinking Decentralization in Developing Countries," 6.

<sup>51</sup> Center for Constitutional Transitions, International Institute for Democracy and Electoral Assistance and the United Nations Development Project,

bearing the principle of subsidiarity in mind, decentralisation may not be appropriate for all sectors and functions if, for example, the achievement of central-level goals is key, their success and sustainability at a sub-national level cannot be ensured, or they cannot be performed cost-effectively.<sup>49</sup>

It is also important to recognise that decentralisation has a cross-cutting influence, with reforms affecting different sectors and levels of government. In contexts where institutions, information and capacity are weak, it can be a significant challenge to coordinate sectoral reforms of the central government with the decentralisation of fiscal, political and administrative authority to local governments and institutions.<sup>50</sup>

#### 3.2 Not a One-Size-Fits-All Process

There is no one-size-fits-all approach for decentralisation. To achieve the intended results of, the process must reflect both the rationales for the reforms as well as the unique cultural, political and institutional arrangements in the given context. The successful implementation of decentralisation requires precise knowledge of the specific problems that it is supposed to solve and of existing local institutions, capacities, practices and actors.<sup>51</sup>

#### 3.3 Commitment of National and Local Governments

Decentralisation processes require the buy-in of political leaderships at both national and sub-national levels of government. It requires that central government officials be willing to 1) share power and financial resources and 2) allow groups that are outside their control to engage in decision-making processes and management.<sup>52</sup> The central government must cooperate with the sub-national officials to whom power and responsibilities are being decentralised to ensure that this authority is exercised effectively. This requires that central government officials view their local counterparts as partners in governance rather than threats.

#### 3.4 Local Capacities

Concerns over insufficient local capacity have frequently been cited as an obstacle to effective decentralisation, with many arguing that capacity needs to be built before the transfer of fiscal or decision-making power.<sup>53</sup> In effect, sub-national capacities become a "chicken and the egg" dilemma.<sup>54</sup> This

"Decentralization in Unitary States: Constitutional Frameworks for the Arab States Region," 2014. <<http://www.idea.int/sites/default/files/publications/decentralization-in-unitary-states.pdf>>

<sup>52</sup> Cheema and Rondinelli, "From Government Decentralization to Decentralized Governance," 9.

<sup>53</sup> Rondinelli and Nellis, "Assessing Decentralization Policies in Developing Countries."

<sup>54</sup> Roy Bahl and Jorge Martinez-Vasquez, "Sequencing Fiscal Decentralization," Policy Research Working Paper 3914, World Bank, Washington, D.C., May 2006, 29.



argument has been justified based on many of the concerns highlighted above, such as irresponsible spending and corruption. As a result of these concerns, some scholars have argued that decentralisation may be ineffective or even unworkable in countries in the Global South.<sup>55</sup> Likewise, central governments in these countries have frequently proven unwilling to fully decentralise power to sub-national authorities because of concerns over capacity, often leading to half-hearted, incomplete processes.<sup>56</sup>

However, the capacity-before-decentralisation approach is beginning to change, as empirical evidence has shown that capacities at all levels of government increase along with the implementation of decentralised systems. A recent World Bank report notes that there is “growing appreciation that ‘management is a performance art’ better learned by doing than by listening.”<sup>57</sup> Recent studies have also shown increases in capacity in Indonesia, Morocco and Pakistan following modest processes of decentralisation. These studies indicate that it makes little sense to wait decades for capacity to develop at the sub-national level before decentralising.

## 4. DESIGNING DECENTRALISATION

### 4.1 Units of Government and Their Boundaries

Discussions of decentralised government design usually involve three levels: 1) the central government 2) regions, states or provinces, and/or 3) local or municipal governments. Sometimes the structure may be more complex, especially as the local level is often divided into smaller units. Some countries have different governance structures in different parts of the country. In Canada, for example, its ten provinces are governed by provincial governments that exercise significant constitutionally-stipulated powers, while the federal government plays a larger role in the administration of the three large but scarcely populated territories to which power is delegated.

In addition to the number of levels of governance, the number and size of the units must also be determined. This is a crucial decision, as the criteria used to design the units will determine their character and function.<sup>58</sup>

Firstly, there is a natural tension between representativeness on the one hand and efficiency and sustainability on the other. While the degree of representativeness will be improved by having smaller units closer to communities, quantitative studies have shown that there is a limit to how small local units should be. If units are too small, they may prove unable to rely on economies of scale, and their governments will devote a large portion of their resources to administrative costs.<sup>59</sup> It is also beneficial to maintain a sufficient tax base within a unit to make it economically viable.<sup>60</sup>

Secondly, unit design should consider the “natural area principle”.<sup>61</sup> Where possible units of local government should reflect existing societies. This means that the unit boundaries should encompass a territory that contains existing social, political and economic activity systems. The units may also (as far as possible), contain a population that has a sense of community – whether through ethnic, sectarian, linguistic, economic or historical demographic factors. However, over-emphasising identity in the drawing of boundaries can also elevate the importance of communal identities and exacerbate issues of intra- or inter-region othering.<sup>62</sup>

The structure of governance also includes the design of institutions. Although the structure does not determine the depth of decentralisation, the institutional design can limit the

<sup>55</sup> Prud'homme, “The Dangers of Decentralization;” Tansi, “Fiscal Federalism and Decentralization.”

<sup>56</sup> Alec Ian Gershberg and Donald Winkler, “Education Decentralization in Africa: A Review of Recent Policy and Practice,” in *Building State Capacity in Africa: New Approaches, Emerging Lessons* eds. B. Levy, and S. Kpundeh (Washington D.C.: World Bank, 2004); and Work, “Overview of Decentralization Worldwide,” 18.

<sup>57</sup> Graham Kerr, “Local Technical and Managerial Capacity,” in *Decentralization Briefing Notes* eds. Jennie Litvack and Jessica Seddon (Washington D.C.: World Bank, 1999), 45.

<sup>58</sup> Markus Böckenförde, “Decentralisation in Libya,” *Democracy Reporting International*, August 2013, 10.

<sup>59</sup> World Bank, “Entering the 21st Century: World Development Report 1999/2000,” 1999 <<https://openknowledge.worldbank.org/handle/10986/5982>>; and Alex

Dreher, “Power to the People? The Impact of Decentralization on Governance,” Swiss Institute for Business Cycle Research (KOF) Working Paper No. 121, Zurich, January 2006.

<sup>60</sup> Center for Constitutional Transitions, International Institute for Democracy and Electoral Assistance and the United Nations Development Project, “Decentralization in Unitary States.” <<http://www.idea.int/publications/catalogue/decentralization-unitary-states-constitutional-frameworks-middle-east-and>>

<sup>61</sup> UN DESA, “Decentralization: Conditions for Success: Lessons from Central and Eastern Europe and the Commonwealth of Independent States,” New York, 2000, 23.

<sup>62</sup> Svante Cornell, “Autonomy as a Source of Conflict: Caucasian Conflicts in Theoretical Perspective,” *World Politics* Vol. 54, No. 2 (2002): 245-276.

substantive options of decentralisation (for example, if there is a sub-national legislative body).<sup>63</sup> The decentralisation of extensive powers to sub-national levels of government requires an enabling institutional arrangement.

the extent to which a country is fiscally, administratively and politically decentralised needs to be considered.

#### 4.2.1 The Depth of Fiscal Decentralisation

To determine the depth of fiscal decentralisation, it is important to determine how much fiscal impact each level of government has.<sup>65</sup> An effective indicator for measuring fiscal impact and decentralisation is the share of sub-national expenditures and revenues compared to total expenditures and revenues.<sup>66</sup>

In order to achieve efficient governance, sub-national governments should be provided with sufficient funds to cover their tasks. The key question is how to finance these tasks. Ideally, the sub-national government's revenues should finance its own tasks, thereby creating autonomy. There is consensus that the key objective of accountability in decentralisation can only be realised if sub-national government possess considerable autonomy for revenue raising for their own expenditures. A lack of autonomy – and consequent dependence on inter-governmental transfers – can transform sub-national governments into central government “spending agents” who are uninterested in efficiency.<sup>67</sup>

Decentralisation of revenue is, therefore, a crucial question. While there are no hard rules for revenue assignments, two guidelines can be noted. Firstly, an effective mechanism for determining up-to-date expenditure needs is required. Secondly, there is a “golden rule” for revenue assignments: own revenue sources should be sufficient to cover the expenditure needs of the wealthiest sub-national governments, and the revenue requirements of poorer sub-national governments should be supported with equalisation payments.<sup>68</sup> However, this golden rule may need to be broken at times in order to maintain economies of scale, the uniform nature of some taxes and macro-economic stability.<sup>69</sup>

#### 4.2.2 The Depth of Administrative Decentralisation

Administrative decentralisation refers to the degree of autonomy that non-central government entities have relative to central control.<sup>70</sup> This degree of administrative decentralisation can be assessed by examining the institutional arrangements that are indicated by the forms of decentralisation discussed above (see section 2.3). Each of the forms can be considered a point on a spectrum of administrative decentralisation.<sup>71</sup> As noted above,

##### Text Box 4: The Importance of Context: Fiscal Decentralisation in Canada and Brazil

Brazil, a very decentralised country, experienced a severe sub-national fiscal crisis in the 1990s stemming from the central government's inability to impose hard budget constraints on state-level governments. Due to the fact that there is 1) joint responsibility for a number of policy areas, 2) overlap in revenues and expenditure responsibilities, and 3) strong state representation in the national legislature through which the states can influence decisions on sub-national finance, the central government proved unable to prevent the growth of extensive sub-national debts.

While this crisis highlighted the importance of hard budget constraints in Brazil, the same mechanisms have proven unnecessary in Canada. Even though the provinces of Canada have significant fiscal autonomy and face very soft budget constraints (as in Brazil), they have been very fiscally responsible. Despite the fact that the provinces can expect bailouts if they overspend, such irresponsibility is rare – a factor that is usually explained by Canadian political culture. The pride that the provinces take in their fiscal responsibility highlights that a wide-range of social norms and conventions need to be considered when determining effective forms of decentralisation in any context.

For more information, see Jonothan Rodden, Gunner Eskeland and Jennie Litvack eds., *Fiscal Decentralization and the Challenge of Hard Budget Constraints* (Cambridge, MA: MIT Press, 2003).

## 4.2 The Depth of Decentralisation

The structure of a country's political units provides one indicator of the extent to which a country is decentralised. By counting the number of governmental or administrative levels a country has, the extent that it is vertically decentralised is revealed.<sup>64</sup> In this sense, China (which has five levels of government) is clearly more decentralised than Singapore (which only has one). However, the actual powers and responsibilities that are wielded by the different levels of government need to be considered. For this,

<sup>63</sup> Böckenförde, “Decentralisation in Libya,” 8.

<sup>64</sup> Daniel Treisman, “Defining and Measuring Decentralization: A Global Perspective,” (Unpublished Paper), 2002, 5.

<sup>65</sup> Oates, *Fiscal Federalism*, 17.

<sup>66</sup> Aaron Schneider, “Decentralization: Conceptualization and Measurement,” *Studies in Comparative International Development* Vol. 38, No. 3 (2003): 36.

<sup>67</sup> Jorge Martinez-Vasquez, “Revenue Assignment in the Practice of Fiscal Decentralization,” in *Fiscal Federalism and Political Decentralization: Lessons from Spain, Germany and Canada* eds. Nuria Bosch and Jose Duran (Northampton, MA: Edward Elgar Publishing Inc., 2008), 31-32; and Bahl and Martinez-Vasquez, “Sequencing Fiscal Decentralization,” 22.

<sup>68</sup> Martinez-Vasquez, “Revenue Assignment in the Practice of Fiscal Decentralization,” 32.

<sup>69</sup> While it is traditionally thought that increasing sub-national revenue autonomy can adversely affect macro-economic stability, there is some recent evidence suggesting the opposite. See, e.g., Jorge Martinez-Vazquez and Robert McNab, “Fiscal Decentralization, Macroeconomic Stability, and Economic Growth,” *Hacienda Publica Espanola: Revisita de Economia Publica* Vol. 179, No. 4 (2005): 25-49.

<sup>70</sup> Schneider, “Decentralization: Conceptualization and Measurement,” 33.

<sup>71</sup> There is some disagreement about whether devolution is a form of administrative or political decentralisation. See e.g., Robertson Work, “The Role of Participation and Partnership in Decentralised Governance: A Brief Synthesis

deconcentration indicates the least amount of decentralisation (or none at all), with delegation involving slightly more, and devolution the most. What is crucial in distinguishing between these categories is the relationship between the central government and the sub-national government. Deconcentration involves a purely bureaucratic relationship in which the hierarchies of power are maintained. Delegation is based on a decision by the national government, which can unilaterally change that decision. Devolution is usually based on legal or constitutional foundations that cannot be changed at will.

**Text Box 5: Women and Decentralisation:**

**Enhanced Political Participation under the Right Conditions**

The gender and development literature frequently highlights the potential of decentralisation to enhance the political participation of women, arguing that women will likely be more politically active at the local level for a number of reasons: 1) eligibility criteria are often less stringent, and local government is closest to the traditional sphere of women's life and easier to combine with raising children, 2) it often represents the first level of politics that women can break into, allowing them to gain capacities and experiences and acting as a "springboard" to national politics, 3) it can be more interesting for women, as they are well acquainted with their communities and are major users of spaces and services, 4) women are active participants in local organisations and it is easier to involve these organisations in formal decision-making processes at the local level.

In practice, however, it may be difficult for women to play a role at the local level, as local governance is often susceptible to the influence of informal power holders who undermine official rules and procedures. As far as elections are concerned, affirmative action measures alone may be insufficient to address these concerns. In some contexts, gender education programs, public awareness campaigns on women's rights, and the collection of gender sensitive data, could be considered as steps to improve the potential effectiveness of decentralisation.

For more information, see Jo Beall, "Decentralization, Women's Rights and Development," International Development Research Centre (IDRC), 2007; and Asima Siahaan, "Women and decentralization in Indonesia: Bringing local government closer to women?" 2002. <[www.policy.hu/siahaan/Polycypaper1.htm](http://www.policy.hu/siahaan/Polycypaper1.htm)>

A major question when assessing the depth of administrative decentralisation is the extent to which sub-national governments are able to make autonomous decisions.

Quantifying levels of decision-making decentralisation is not easy, but there is a widely-used index for measuring decision-making decentralisation that can, at least, provide a general picture of the situation.<sup>72</sup> The index contains three components. Each component has a value of one, creating a scale between zero and three, with three indicating the most decentralisation.

- Weak autonomy (1): if the constitution gives a sub-national legislature exclusive right to legislate on at least one policy area.
- Residual authority (1): if a sub-national legislature is constitutionally assigned the exclusive right to pass legislation pertaining to issues that are not explicitly assigned to one level of government.
- Sub-national veto (1): if there is a regionally-elected upper chamber that has the constitutional right to block legislation.

Some goals of decentralisation will require a greater depth of administrative decentralisation than others. For instance, the deconcentration or delegation of administrative authority might be sufficient to improve economic efficiency, but achieving democratic outcomes through decentralisation requires greater depth. For decentralisation to strengthen democracy, it requires the devolution of power to elected sub-national bodies, significant resources at their disposal and downward accountability of sub-national representatives to the public.<sup>73</sup>

#### 4.2.3 The Depth of Political Decentralisation

The depth of political decentralisation is related to the degree to which sub-national governments can engage in political functions of governance. A decentralised political system is characterised by the intensive – and (at least) partially independent – exercise of these functions at the local level.<sup>74</sup> The diverse functions of government can largely be reduced to representation, for which the most effective indicator is the holding of sub-national elections.<sup>75</sup> As noted above, devolution, which is the form of administrative decentralisation underlying most instances of political decentralisation,<sup>76</sup> usually involves the election of sub-national bodies.

of Policy Lessons and Recommendations of Nine Country Case Studies on Service Delivery for the Poor," UNDP, New York, 2002; and Dennis Rondinelli, "What Is Decentralization," in Jennie Litvack and Jessica Seddon eds., *Decentralization Briefing Notes* (Washington D.C.: World Bank, 1999), 2-3.

<sup>72</sup> Treisman, "Defining and Measuring Decentralization," 8-9; and See Arjan Schakel, "Validation of the Regional Authority Index," *Regional and Federal Studies*, Vol 18, No. 2 (2008): 147.

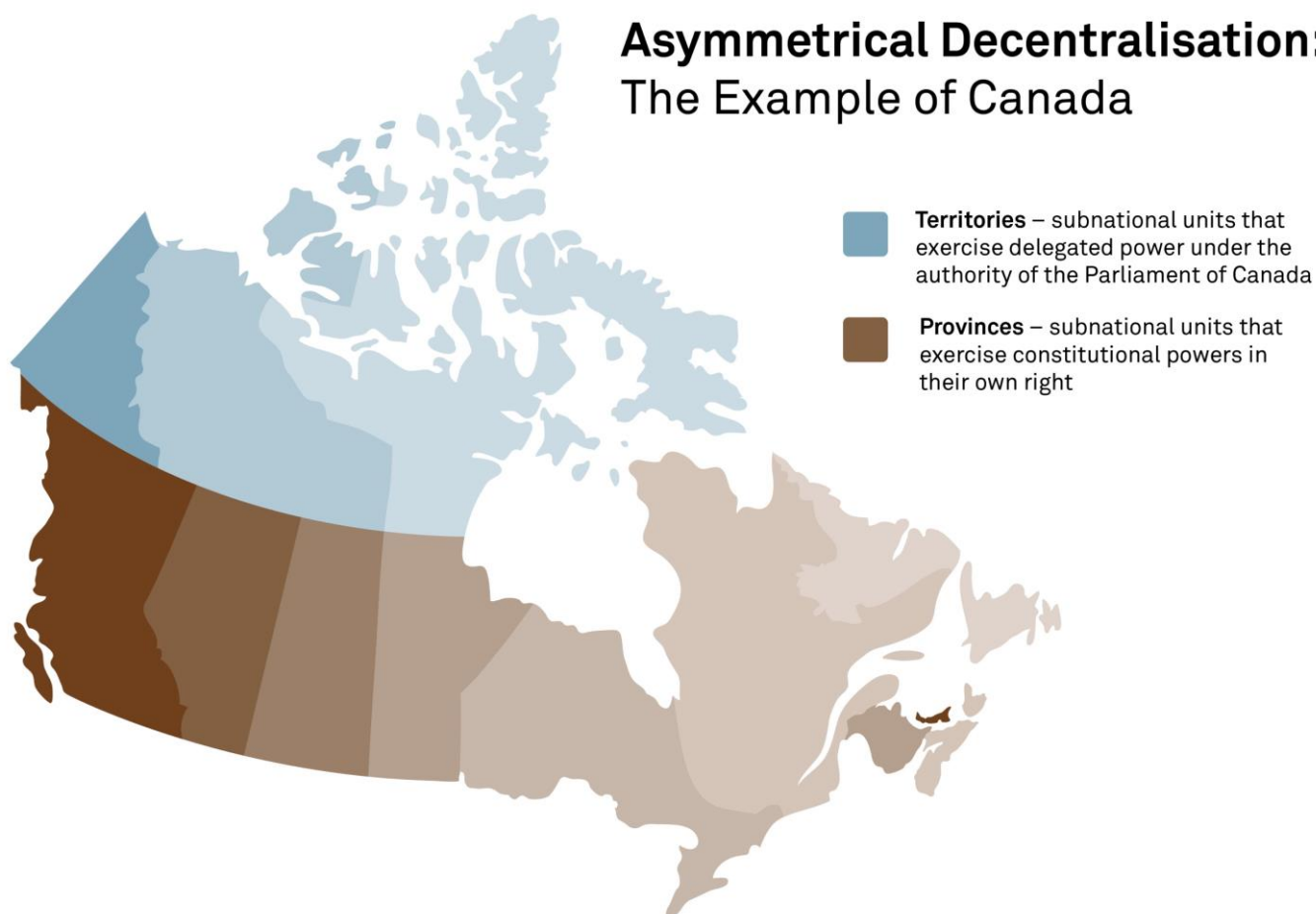
<sup>73</sup> James Manor, *The Political Economy of Democratic Decentralization* (Washington D.C.: The World Bank, 1999).

<sup>74</sup> Jonathan Fox and Josefina Aranda, "Decentralization and Rural Development in Mexico: Community Participation in Oaxaca's Municipal Funds Program." Monograph Series 42, Center for U.S.-Mexico Studies, University of California at San Diego, 1996; and Schneider, "Decentralization: Conceptualization and Measurement," 39.

<sup>75</sup> Schneider, "Decentralization: Conceptualization and Measurement," 40.

<sup>76</sup> Rondinelli, "What Is Decentralization," 3.

## Asymmetrical Decentralisation: The Example of Canada



### 4.3 Symmetrical and Asymmetrical Decentralisation

Decentralisation can be either symmetrical or asymmetrical. That is, the number of levels, and the depth of decentralisation to them, can either be uniform across the country or vary from one region to another. The asymmetry can be political, administrative or fiscal. Just as a one-size-fits-all approach cannot be transferred from one country to another, it may not be feasible to use the same approach across the regions of a single country because of economic, demographic, and social diversity. Not only will different regions have different capacities to assume responsibilities, but different mechanisms may also lead to different results in different regions.<sup>77</sup> For instance, in some countries only the local governments in urban areas have the necessary capacities to manage additional political, economic, and administrative responsibilities.

When decentralisation processes are pursued as a strategy for reducing ethnic conflict and secessionism (see section 1.4), asymmetric models are often used. For instance, international authorities encouraged Kosovo to pursue a process of asymmetrical decentralisation favouring the local Serb community in order to ensure peaceful co-existence between them and Kosovo Albanians.<sup>78</sup> Even though arrangements of this nature can risk further fragmentation, minority regions that have faced marginalisation and discrimination often demand enhanced autonomy as condition for the support of a new system. Kosovo's asymmetrical system has proven relatively successful, representing one of the most sophisticated minority protection systems in Europe,<sup>79</sup> but a number of studies have shown that asymmetrical systems can also exacerbate existing tensions.<sup>80</sup>

<sup>77</sup> Litvack, Junaid Ahmad and Richard Bird, "Rethinking Decentralization in Developing Countries," 23.

<sup>78</sup> Gjoni, Wetterberg and Dunbar, "Decentralization as a Conflict Transformation Tool."

<sup>79</sup> Gjoni, Wetterberg and Dunbar, "Decentralization as a Conflict Transformation Tool," 309.

<sup>80</sup> Aleksandra Maksimovska Veljanovski, "The Model of the Asymmetric Fiscal Decentralisation in the Theory and The Case of Republic of Macedonia," *Iustinianus Primus Law Review* Vol. 1, No. 1 (2010): 1-11.

#### Text Box 6: Decentralisation and International Law

The rights to vote, participate in, and benefit from public service are affirmed in both the Universal Declaration of Human Rights (UDHR) and the International Covenant on Civil and Political Rights (ICCPR). Article 21 of the UDHR states that “(1) Everyone has the right to take part in the government of his country, directly or through freely chosen representatives.” ICCPR article 25 declares that every citizen shall have the right and opportunity “to take part in the conduct of public affairs [...]; To vote and be elected at genuine periodic elections [...]; To have access, on general terms of equality, to public service [...]” In addition to these general provisions protecting the right to political participation and benefit from public service, several international bodies explicitly address decentralisation.

The Council of Europe introduced the European Charter of Local Self Government in 1985, and all 47 members of the Council are now Party to it. The Charter commits State Parties to applying basic rules guaranteeing the political, administrative and financial independence of local authorities. The Charter was the first international legal instrument to set out the principle of subsidiarity. Subsidiarity has subsequently become an underlying principle of the European Union (Article 5(3) of the Treaty of the European Union), ensuring that decisions are made as closely as possible to citizens and that constant checks are made to verify that actions at the EU level are justified in light of the possibilities available at national, regional or local levels.

Recognising the underlying importance of subsidiarity as well as the role of political decentralisation as an essential component of democratisation, UN HABITAT approved The International Guidelines on Decentralisation and Strengthening of Local Authorities in 2007 (Resolution 21/3). The Resolution encourages governments to undertake concerted and coordinated action to place decentralisation and local development at the center of governance and development policies, providing guidelines for how to strengthen their legal and institutional frameworks with regard to decentralisation and governance at all levels.

Implementing an asymmetrical arrangement can also be politically complicated, as it may require that some sub-national authorities agree to receive less authority than others.<sup>81</sup> In regards to political decentralisation, for example, it may prove problematic for the central government to prevent sub-national elections in some localities, but allow them in others. One method of dealing with this is using a “ladder” approach. This means that decentralisation measures are only implemented in a region after it fulfils specific requirements

Regardless of whether decentralisation is symmetrical or asymmetrical, or even if it follows a ladder approach, planning for decentralisation should begin with the design of an overall system with clear goals set out for each reform. While it is unlikely that each of the reforms will be immediately implemented, it is important that all of the reforms and their synergies be included in the plan. Given that the reforms usually do not occur at the same time, it is also important that the sequencing of their implementation is considered.

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<sup>81</sup> Litvack, Junaid Ahmad and Richard Bird, “Rethinking Decentralization in Developing Countries,” 24.