**External Support for Decentralization Reforms
& Local Governance Systems in the Asia Pacific:
Better Performance, Higher Impact?**

Module 2:
*Political Economy of DLG Reforms and
Relevance for Asia*

**Paul Smoke
New York University
Wagner Graduate School of Public Service**

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Outline

- **I. Overview of Political Economy Analysis for Decentralization & Local Governance**

- **II. National/Intergovernmental Political and Bureaucratic Dynamics**

- **III. Subnational Institutions, Dynamics and Accountability**

- **IV. Strategically Developing Empowered Local Governments**

- **V. Opportunities and Challenges for Development Partners**

I. Overview

- Decentralization is a **diverse and complex** phenomenon that is often **treated too much as a technical exercise** by development partners.

- DLG reforms could likely be **designed and implemented more effectively** if additional attention were paid to **political and institutional dynamics**

More political economy (PE) analysis

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Better decisions by development partner staff

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Better outcomes

Decentralization Goals: Commonly Stated

- **Official Goals (laws and policies)**:
  - Improved **governance** and accountability to citizens
  - More **efficient/equitable** resource allocation (and service delivery)
  - **Economic development/poverty reduction**
  - Promoting **stability** (especially in post-conflict and fragile states)
  - **Various relationships** and sequences among these goals are posited—e.g. improved governance leads to better service delivery and better services enhance the conditions for development

Actual Decentralization Goals & PE Analysis

- **Politicians and bureaucrats (national and local) support decentralization reform when it serves their interests!** (e.g. political ambitions, institutional objectives, security of tenure, personal career trajectories, strengthens support coalitions, etc.); of course <u>the stated developmental objectives can promote these interests and so remain important considerations</u>

- **Political economy (PE) analysis: helps to document and understand the incentives** of national/local politicians and bureaucrats, the positions and power of other actors (civil society, traditional authorities, etc.) and what these imply about how decentralization is likely to evolve and whether it can meet its stated/official goals

Main Roles of PED Analysis

- **To illuminate the political and institutional factors** that have been most conducive to (and most obstructive of) the adoption and implementation of decentralization reforms at the national and local level

- **To facilitate greater and more contextually sensitive pragmatism and flexibility in designing and implementing decentralization reforms**, which is particularly critical in the evolving (and not uncommonly volatile) political circumstances of the countries in which development partners operate

Levels of PED Analysis

- Understanding the **national political economy origins of decentralization** helps clarify the extent to which it is genuinely desired (if likely to be implemented as designed) and if special conditions exist (e.g. if hasty adoption under crisis led to limited consultation and insufficiently considered design)

- Understanding the **political economy of relationships at the central government level (bureaucrats and politicians) and among administrative and government levels** illuminates which actors will be supportive and which will behave in ways that obstruct or alter the trajectory of reform

- Understanding **political economy at the local level (politicians, bureaucrats, traditional authorities, citizens, associations, etc.)** suggests how decentralization is likely to play out on the ground, including who will benefit and who may not

II. National/Intergovernmental Political and Bureaucratic Dynamics

- **"Political will"** often used to signal commitment of a unified center to traditional decentralization goals and policies, including autonomy and accountability shifts, but this involves some voluntary **loss of central power**
- Politicians and bureaucrats **accept a loss/alteration of power**, as noted above, when decentralization **serves their interests and objectives**
- Strong **political commitment may be insufficient**; robust frameworks often not fully designed/implemented or are undermined by various types of interference
- **Intergovernmental politics**: influential LGs may demand power or the CG may seek to please or neglect some LGs
- These **dynamics can shift over time** and this can greatly affect the trajectory of decentralization

The Central Government Bureaucratic Environment

- Most responsibility for **detailed design/implementation falls to administrators** working in complex and poorly coordinated bureaucratic environments
- National agencies often have **different perspectives regarding decentralization and their role** in designing and managing it
- Some agencies may **fail to comply with mandates of decentralization** when their power is reduced or reform is led by another agency perceived as a rival
- Such behavior can **lead to interagency conflict and policy incoherence and weaken subnational government autonomy and incentives to perform**
- **International development agencies often reinforce such dynamics,** especially in aid dependent countries

III. Subnational Institutions, Political Dynamics and Accountability

Decentralization usually involves at least **three assumptions regarding local political behavior**:

- **Well structured institutions and systems** with an appropriate degree of upward accountability and embedded incentives to **reduce inappropriate behavior** (patronage/clientelism/other non-democratic behavior)

- **Well designed local elections and other mechanisms to create/enhance downward accountability** of LG councils to constituents

- Local councils have **reasonable horizontal accountability relationships with local administration** (clear role definition, sufficient autonomy and appropriate role control)

Use of Local Government Authority

How LGs use authority depends on:

- The **distribution/concentration of local power**— elites, ethnic groups, political parties, unions, civil society movements, etc.
- **Electoral rules**: open/closed lists, area or sub-area seats, etc.
- **Proactive engagement** by adequately informed citizens
- **Councilor-administrator** relationships and capacities
- **Incentives (shaped by these considerations) faced by local politicians, staff and citizens** (perceptions/level of trust in LGs influence voting behavior, civic engagement, tax compliance, etc.)

Need for Additional Local Accountability Mechanisms

- Elections are increasingly recognized to be a **blunt downward accountability instrument**

- Other types of mechanisms **can promote public knowledge of how funds are generated/used and improve linkages between local revenues and services:**
  - Information access
  - Education campaigns
  - Public consultations
  - Participatory planning & budgeting
  - Feedback and complaint bureaus
  - Social auditing, etc.

Challenges with Using Local Accountability Mechanisms

- Accountability mechanisms can be **pro forma/ mechanical and also subject to challenges:** elite capture, corruption, weak capacity, etc.

- **Effectiveness requires citizen awareness/interest/capacity**:
  - Residents must know about/understand/accept the available mechanisms
  - Residents must be easily able to access these mechanisms and use them well
  - Residents must want to use them (i.e. see their value) and not be intimidated from doing so

- Do the mechanisms **ultimately affect LG and citizen perceptions/behavior & outcomes**?

The Subnational Accountability Landscape is Often Broader than LGs

- Subnational governments **are rarely the only public sector (supported) actors in the local landscape**

- **Devolved governments may exist in parallel with deconcentrated administrations**, both with offices in the same sectors/jurisdictions without clearly distinguished responsibilities

- Other **service delivery mechanisms with dedicated funding**, e.g. constituency and community development funds, can further challenge the role of LGs

- **LG performance/governance can suffer** if murky lines of accountability confuse citizens about what to expect from LGs, compromise their willingness to engage LGs and reduce their willingness to pay LG revenues

IV. Strategically Developing Empowered Local Governments

- **Developing DLG autonomy and accountability channels**—given constraints faced and behavioral changes required at all levels—is a daunting task

- Challenges arise from a weak or problematic **underlying decentralization strategy**—often implemented too quickly or slowly with relative inattention to embedded political/institutional incentives that affect performance

- Growing interest in how central governments can more **strategically implement reforms to reconfigure accountability and enhance LG autonomy**

- **LGs can also act strategically** (as per their "general mandate" for local territorial development)

DLG Implementation Strategy: The National Perspective

- **National framework adoption approach**: center sets the framework and assumes all actors/levels comply

- **Managed gradualist approach**: central government manages each step and makes all key decisions

- **Strategic asymmetric approach**: overall reforms rolled out, e.g. through consultative mechanisms; asymmetric treatment of LG based on characteristics and capacities; negotiated reform trajectories; and performance based approaches to create incentives for adopting reforms; later advanced reforms can be progressively undertaken

- Each approach has **benefits and risks and**, but the first two have dominated and often failed to meet expectations, while the third is **more broadly PE sensitive/adaptive**

DLG Implementation Strategy: The Local Perspective

- **Local governments should be pro-active** and do what they can *within the constraints of the national framework*

- **Starting point**: a locally developed vision and a base of *contextually suitable and politically acceptable reforms* that maximize chances of success and lay a foundation

- **Raising awareness**: appropriate use of citizen information and education campaigns

- **Engaging citizens/voters/taxpayers**: Appropriate (to local conditions) use of participation/oversight mechanisms, user committees, partnerships, better revenue-expenditures linkages, etc.

- Risks of **political capture of the local strategy**, but reformers can try to be aware of these; more transparency & broad-based local engagement can help

V. Challenges and Opportunities for Development Partners

- It is often **difficult for external actors to understand, (or meaningfully influence)** political/institutional realities surrounding decentralization & local governance reforms

- Yet it is **essential to make a serious effort since these realities are often so central** in shaping the possibilities for adopting & sustaining genuine DLG reform

- A deeper grasp of political/institutional dynamics can at least enable **development partners to try to make better decisions about which actors to work with and how** (dominant/traditional players or others)—and at which levels they can have the most impact

Challenges and Opportunities II

- PE analysis of DLG may create difficult decisions if there is a **political opening** to support reform, but what seems feasible or desired by the counterpart government does not seem likely to support sustainable change **consistent with development partner values and objectives**

- **Piloting innovative approaches; well explained and disseminated analytical work; educational and capacity building efforts; broader consultations; and behind the scenes advocacy, among others** can be productive approaches in situations where development partners are not comfortable with the political and substantive direction of DLG

- Obviously, this is highly challenging territory that requires **careful navigation and flexibility in programming**

Broad Diagnostic Questions

- **What is the nature of the official DLG policy and framework (extent of empowerment)?**
- **What motivates DLG policy and does the underlying sentiment on balance seem supportive, antagonistic, cautious, etc,?**
- **Who are the key actors—of various types and at various levels--involved and how?**
- **Are certain actors more powerful than others and what are the consequences?**
- **What is the main agenda of the key actors (consistent or at cross purposes)?**
- **How have development partners been involved and to what effect?**
- **What progress has been made/obstacles encountered in implementation? What factors underlie progress or lack thereof?**
- **What are the realistic prospects for further DLGreform and how might it be pursued?**