DEMOCRATIC DECENTRALIZATION PROGRAMMING
HANDBOOK

CONTENTS

ACRONYMS

ANC	African National Congress (South Africa)
ANGR	National Assembly of Regional Governments (Peru)
BiH	Bosnia and Herzegovina
CBO	Community-Based Organization
CDD	Community-Driven Development
CSO	Civil Society Organization
CND	National Development Council (Peru)
DDI/DRG	Bureau for Development, Democracy, and Innovation, Center for Democracy, Human Rights, and Governance (USAID)
DDLG	Decentralization and Democratic Local Governance
DG	Democracy and Governance
IGI	Indigenous Governance Institution
LED	Local Economic Development
LGC	Local Government Code (Philippines)
LPP	Law for Popular Participation (Bolivia)
M&E/MEL	Monitoring and Evaluation/Monitoring, Evaluation and Learning
NGO	Nongovernmental Organization
NP	National Party (South Africa)
OSR	Own source revenue
PPP	Public private partnerships
PRI	Institutional Revolutionary Party (Mexico)
PS	Parti Socialiste (Senegal)
SNG	Subnational Government
TBO	Territorial Base Organizations (Bolivia)
UN	United Nations
USAID	United States Agency for International Development

ACKNOWLEDGMENTS

also studied the relationship between natural resource wealth and armed conflict and the local, everyday dimensions of peacebuilding and transitional justice in Colombia.

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PREFACE

The "Democratic Local Governance Programming Handbook" (Handbook) is a long-running publication of USAID's Center for Democracy, Human Rights and Governance (DRG Center). It was first published in May 2000. It then received a major reformulation in June 2009. Since then, the Center commissioned additional research on decentralization. This edition of the Handbook incorporates what we have learned about democratic decentralization since the last edition. The Handbook has endured as one of the Center's most popular publications.

The current document conceives of decentralization as, above all else, a means to achieve democratization. In doing so, it responds to the mandates of the Center and prioritizes the needs of mission-based DRG Officers. It is written by political scientists with the input of field practitioners and prioritizes discussion of the politics of decentralization at the cost of not discussing administrative and fiscal aspects to the same degree.

Though democratization is prioritized, the Handbook takes the position that countries pursue decentralization with various goals in mind. These goals are summarized as "democracy," "stability" and "economic development." USAID is increasingly involved in countries whose circumstances are not favorable to democratization, whether democratization through decentralization or through other means. In these difficult circumstances, USAID's decentralization programs must be strategically conceived to support stable, sustainable long-term paths to democracy, with full consideration of adverse country circumstances and potential conflicts and tradeoffs among the three prominent goals.

At a conceptual level, the Handbook does not focus on local governance, or on local public service delivery, to the degree that earlier editions did. This Handbook views local governance and local public service delivery as means - means that are more directly and immediately linked to an economic development goal than a democratization goal. This is not to deny that improvements in local public services are desirable, but to argue that improved local public services directly improve citizens' welfare and local economic development, while the effects of improved local services on democratization are indirect, empirically complex and difficult to measure.

This Handbook is intended (as was its predecessor) to support USAID programming processes. It is, therefore, detailed and specific, and offers numerous developing country examples that illustrate principles discussed, in appropriately placed "text boxes." Though we hope and expect the Handbook reads well and proceeds in a logical sequence, we advise readers to apply its contents, chapter by chapter, to accompany the development of a specific activity. It is a reference book, not meant to be read front to back in a single sitting.

EXECUTIVE SUMMARY

The *Democratic Decentralization Programming Handbook* conceptualizes decentralization as a reform that advances democracy and development in a context of stability and the rule of law. Decentralization invests new actors with public responsibilities. The newly involved actors that decentralization empowers (or "should" empower) include appointed officials in subnational administrations, elected officials in subnational governments, and increasingly engaged citizens themselves. For the purposes of this Handbook, decentralization is defined as the transfer of power from national governments to subnational governments or to the subnational administrative units of national governments. This definition is useful because it allows a discussion of decentralization's two most common forms, deconcentration and devolution, without privileging one over the other.

At its core, decentralization increases the ability of local governments to provide valued services, which it does by changing rather than eliminating the role of the central government. Decentralization's promise is often accompanied by shortcomings, perils, and unforeseen consequences. While in many cases it has not yet fixed the problems it was adopted to help resolve, decentralization is not a "one-shot" experience, but rather a more iterative process that takes time to unfold and deliver on its many promises.

This Handbook is designed to provide a theoretically-informed and empirically-supported foundation for USAID officers undertaking work in missions around the world. Chapter 1 provides an introduction to key concepts in decentralization, including its main dimensions, goals, and arenas. Chapter 2 further describes the primary dimensions and forms of decentralization; while Chapter 3 elaborates the three major goals that countries often pursue through decentralization. Chapters 4 and 5 are structured around the most important arenas in which USAID is likely to intervene. Specifically, Chapter 4 provides guidance about how to assess the national, subnational, and civil society environment in a given country; and Chapter 5 presents programming strategies that are targeted for each of these three arenas. Chapter 6 describes how USAID can reliably evaluate decentralization programs and learn from its experience. Chapter 7 presents concluding comments.

Figure 1 graphically summarizes many of the fundamental propositions offered in this Handbook. These propositions can be stated as follows:

1. Decentralization support should reflect primary goals such as **stability, democracy,** and **development;**

2. Each of the two commonly found forms of decentralization (deconcentration and devolution), and combinations of them, may be a legitimate path to democratic decentralization;

3. Programs of decentralization support should consider activities in each of three **arenas:** national, subnational, and civil society;

4. Decentralization can be promoted in three key **dimensions:** political, fiscal, and administrative.

Based on its country assessments, USAID missions should develop programming to support political, fiscal, and/or administrative decentralization in support of its three main goals (stability, democracy, and/or development) and in each of its three major arenas (national, subnational, and civil society).

Goals of Decentralization
- Development
- Democracy
- Stability

Forms of Decentralization
- Deconcentration
- Delegation
- Devolution

Institutional Arenas of Reform
- National Governments
- Subnational Governments
- Civil Society Organizations

Dimensions of Decentralization
- Political
- Administrative
- Fiscal

Potential Benefits of Decentralization
- Improved Service Delivery
- Accountability
- Public Participation
- Efficiency
- Protection of Local Interests
- Transparency

Figure 1 **Democratic Decentralization Framework**

Adapted from Democracy Reporting International Briefing Paper Decentralising Government: What you need to know

1.0 OPPORTUNITIES AND CHALLENGES FOR DEMOCRATIC DECENTRALIZATION

Decentralization is the transfer of power and resources from national governments to subnational governments or to the subnational administrative units of national governments. This means that, at its core, decentralization is about power sharing between national and subnational levels. Though it takes many specific forms, decentralization generally disperses power from central governments to subnational governments or units; institutions that are closer to the people served and therefore (theoretically) more attentive to their demands. This chapter provides a broad introduction to decentralization and important concepts that are the foundation for understanding how to assess needs and develop programs.

BENEFITS OF DECENTRALIZATION

Decentralization can help countries advance a number of distinct objectives. From the standpoint of promoting stability, decentralization may make it possible to better accommodate diverse local demands, particularly where these have led to historic inequities, marginalization, insecurity, and even conflict. With a view toward democracy, decentralization can empower larger numbers of citizens as active participants in their political system. By creating additional space for subnational actors who do not typically wield much influence in national politics, such as women or religious and ethnic minority groups, more inclusive governments can lead to more responsive governance. In terms of development, more empowered local administrations and governments can enhance responsiveness to citizen demands for public services and infrastructure conducive to economic growth.

Considering these numerous objectives, decentralization can be conceptualized as a governance reform that advances the exercise of political freedom and democracy in a context of stability and the rule of law. While decentralization can and should be paired with sectoral reforms in such areas as education and healthcare, it has an advantage over purely sector-based interventions in that it explicitly invests subnational actors with new responsibilities. The newly involved actors that it empowers include appointed officials in subnational administrations, elected officials in subnational governments, permanent administrative and professional staff at the subnational level and - increasingly - engaged citizens themselves. By trying to strengthen the subnational units with which citizens are most likely to interact, decentralization differs from democratization and economic liberalization, both of which involve mostly

Potential Benefits Of Decentralization

Improved Service Delivery

Accountability

Public Participation

Efficiency

Protection of Local Interests

Transparency
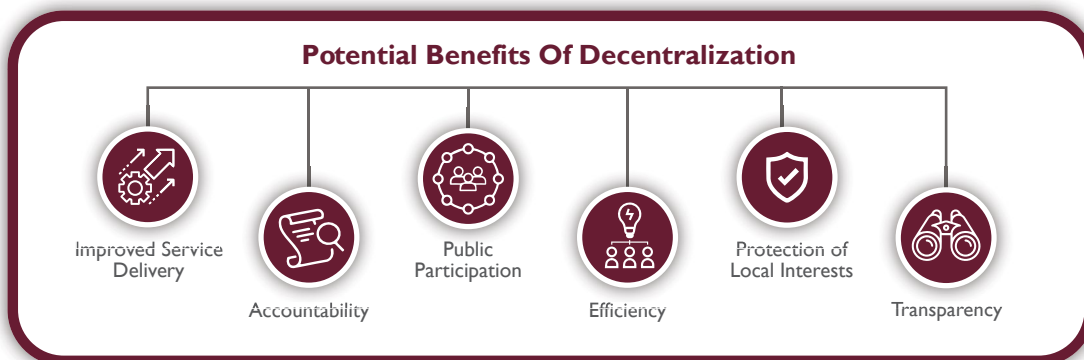
national-level changes. For all of these reasons, decentralization holds great promise for enhancing many desirable political and socioeconomic outcomes.

If decentralization is one of the most important and promising trends in governance, it is also one of the most surprising. In country after country, national politicians have decided to transfer various resources and responsibilities to subnational actors, demonstrating an apparent willingness to cede power that is rarely seen in politicians of any stripe. The cumulative result of these multiple decisions is that subnational officials around the developing world now have a much greater impact on how people live and how well they live.

CHALLENGES TO DECENTRALIZATION

At the same time, decentralization's promise is often accompanied by shortcomings, perils, and unforeseen consequences. In many cases, decentralization fails to fix the problems it was adopted to resolve. For example, although decentralization has been embraced as a way of improving the quality of services that used to be provided by central governments, in too many cases no significant improvements have been realized and service delivery has actually declined. In still other cases, decentralization appears to have generated new sets of problems, sometimes opening new arenas of conflict between the national government and subnational officials who are now separately elected. Likewise, decentralization may increase political fragmentation, reinforce local patronage networks, or undermine economies of scale. Changes have even been debated that would recentralize in the national government some of the responsibilities only recently transferred to subnational actors. It is thus important to recognize the limitations of decentralization's promise, and that it may require calibration over time to get the balance right between layers of government before its full benefits can be realized.

Notwithstanding its mixed record, decentralization has great potential to improve the quality of governance in the world today. There are sound theoretical reasons to expect that decentralization can help enhance stability in countries suffering from conflict, expand accountability in countries attempting to deepen democracy, and improve the quality of public investment and local public services in countries seeking to develop their economies and improve the welfare of citizens. In addition to decentralization's significant potential, the general trend toward decentralized patterns of governance shows no clear signs of abating in the developing world, though powerful pressures for recentralization have indeed emerged in some cases. The question of how to distribute power between national and subnational actors continues to occupy a prominent position in the national policy agenda of most countries.

Toward the goal of ensuring that decentralization delivers on its promise, the overarching purpose of this handbook is to synthesize current information in the interest of designing better interventions. This handbook is intended to help USAID figure out whether and how to support decentralization in those (increasingly rare) countries that have yet to start down this path, as well as how to support the implementation of decentralization in countries that have already made the decision to decentralize.

1.1 MULTIPLE DIMENSIONS, GOALS, AND ARENAS

No analysis of decentralization should be undertaken without recognizing that it is a highly complex and diverse phenomenon, and that it can be expensive and lengthy as well. Decentralization takes place in several different dimensions, can be adopted in the service of many divergent goals, and involves changes in several distinct arenas and changes over time. This complexity makes it difficult to offer universal guidance. However, the fact that decentralization comes in many different guises can also be considered an opportunity. This is because different types of decentralizing interventions can be introduced toward different goals, and they can be tailored for the different arenas in which they are adopted.

1.1.1 DIMENSIONS OF DECENTRALIZATION

In some cases, decentralization may simply mean that central government agencies give more resources and discretion in the exercise of official functions to their subnational branch offices. In other cases, locally elected governments—which may already exist or might be created as part of the reform process—are formally given a range of autonomous functions and resources. (This is the typical western ideal of decentralization, but it is by no means universally desirable or immediately attainable.) In some countries, the greater salience of subnational actors results less from the center's explicit transfer of power than from a series of bottom-up changes. These changes may result from local civil society organizations that have become better organized, as well as from mayors and councilors who have become more energetic in the exercise of their functions.
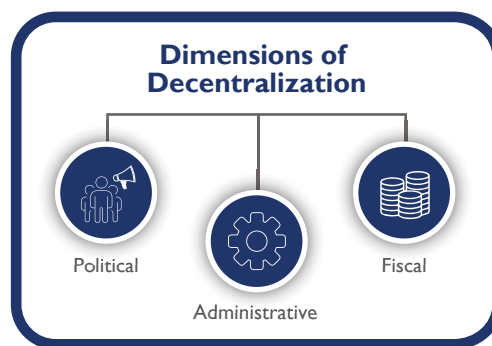
NON-SIMULTANEOUS CHANGE ACROSS DECENTRALIZATION'S THREE DIMENSIONS

Although all decentralizing changes in the world can be categorized as political, fiscal, or administrative, countries tend not to give equal weight to each of these dimensions when they set about decentralizing. Instead, change in some dimension(s) is typically prioritized in the absence of significant change in other dimensions, often because this is less politically threatening to the center. A number of combinations are possible. Consider, for example, the relative importance given to different dimensions of decentralization in the following countries:

In **Cambodia**, the most important decentralizing change occurred in the political dimension with the 2002 introduction of elections at the commune level. While provincial- and district-level agencies remained accountable to central agencies, elected communal councilors now had direct political authority over their constituents. Changes in the administrative and fiscal dimensions of decentralization, however, lagged. Although a rudimentary administrative structure was set up, communal governments continued to have little independent revenue control, enjoyed few formal functions, and remained almost entirely dependent on a limited system of intergovernmental transfers.

In **Chile**, a very different combination of political, fiscal, and administrative changes can be identified. In the aftermath of the 1973 military coup, President Augusto Pinochet replaced democratically elected mayors with political appointees—largely retired colonels. Having eliminated the political autonomy of subnational officials, Pinochet then transferred responsibility to the municipalities for important services including healthcare and education. At the same time, Pinochet kept the municipalities on a tight fiscal leash by denying them access to significant revenue bases. Although re-democratization in 1990 resulted in change in the political dimension (resulting in the reintroduction of mayoral elections in 1992), Chilean revenues to this day remain quite centralized.

In **Uganda**, decentralization in the 1990s was broadly implemented across all three dimensions: subnational elections were held for local government councils to which a substantial share of national resources was transferred, major service responsibilities were devolved, and a significant local administrative architecture was established. Although decentralization initially took place across all three dimensions, after 2014 Uganda experienced fiscal recentralization, first with the requirement that local governments must send all their tax revenues to the central government and ask for permission to use these funds, followed by the decision to have the national Uganda Revenue Authority collect most of these revenues on behalf of local government.

Despite tremendous cross-national variation in how decentralization unfolds, all important decentralizing changes take place in one or more of three dimensions: political, fiscal, and administrative. Chapter 2 provides a systematic treatment of these three dimensions. Clarity on how these dimensions differ is important because in practice, countries adopt different combinations of political, fiscal, and administrative decentralization in the pursuit of various goals and objectives, including continuing central control of "decentralized" governments. It is important to note at the outset that changes in any one dimension do not necessarily require changes in the others. In contrast to the view that genuine decentralization cannot happen in the absence of political decentralization, this handbook strikes a more neutral tone in its description of these three dimensions. It is also important to remember that, in any given country, different policy sectors (i.e. health, education) are likely to be characterized by different degrees of decentralization.

1.1.2   GOALS OF DECENTRALIZATION

Not only does decentralization occur in multiple dimensions, but it can also serve as a mechanism toward multiple goals, including stability, democracy, and development. For example, when it prevents conflict or reduces the destabilizing effects of those conflicts that occur, decentralization can improve stability. When it expands the range and quality of the spaces in which citizens can participate and hold governments accountable, decentralization can enhance democracy. When it improves the quality of the decisions over how public resources are deployed, decentralization can promote development and improve citizens' welfare. In different ways, local service delivery is critical for each of these overarching goals; restoring services helps to reestablish stability in postconflict settings, holding government accountable for service provision deepens democracy, and improving access to quality services lays a foundation for development. To make the case for decentralization, Chapter 3 presents key hypotheses about the positive impact that it can have on stability, democracy, and development. Chapter 3 also describes the major obstacles that interrupt these hypothesized relationships and, in so doing, prevent decentralization from achieving its potential.

Goals of Decentralization

Development

Democracy

Stability
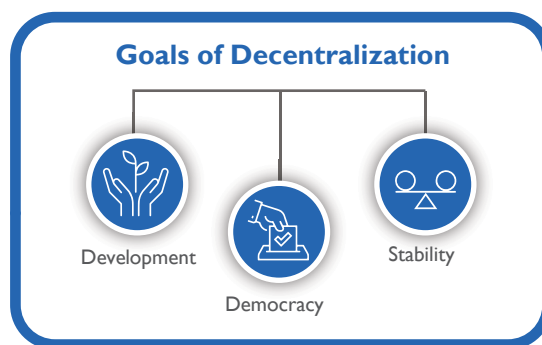
While decentralization can theoretically be used as a means toward each of these ends, there is no question that the impetus to decentralize in any particular case is inherently political. Simply put, central authorities decide to decentralize when it is in their perceived interests to do so. In some cases the government is pushed to act by a major political or economic crisis. In other cases, it is forced to respond to the demands of activist subnational governments or an increasingly aware and vocal public, which may in part result from activities undertaken by NGOs or international actors to promote the empowerment of civil society.

Domestic power struggles can also be an important motivation to pursue decentralization. For example, decentralization may represent an opportunity for a ruling party to consolidate power or for an opposition party to unseat incumbents by appealing to popular support for decentralized rule. In many cases, decentralization came about as a way to give more power to restive areas seeking autonomy.

Field officers and project implementers should pay attention to the political-economic analysis behind decentralization moves and not just to the theoretical rationales for decentralization. More parochial concerns are likely to dominate the short-term calculations of a particular actor vis-a-vis decentralization.

EXAMPLES OF GOAL-DRIVEN DECENTRALIZATION

When they decide to decentralize, national leaders typically pursue a variety of goals, some of which can be quite lofty and some rather parochial. Although many different objectives can be at play, in most cases it is possible (and, where possible, also useful for the subsequent design of decentralization programming) to identify those goals that seem to be most pressing. For example, different goals dominated the decision to decentralize in the following cases:

In **Colombia**, national decision makers adopted a variety of decentralization measures in the late 1980s and early 1990s largely in the attempt to reestablish stability and pacify the country's increasingly successful rebel insurgency. According to the logic of this "pacification through decentralization" strategy, the national government introduced mayoral and gubernatorial elections and transferred important fiscal revenues to these offices in the hopes that insurgent leaders would surrender the armed struggle and run for office instead. Given the loss of power represented by decentralization, it would be difficult to understand the willingness of national politicians to endorse decentralizing policies in the absence of a worsening armed conflict. However, the decision to decentralize was also shaped by short-term political factors, including the fact that the president's party, at the time, had little chance of holding onto the presidency and thus greater interest in expanding political opportunities at the subnational level.

In **South Africa**, decentralization was essential to the goal of democratization. Indeed, without decentralization, the transition from apartheid to democratic governance may have proved impossible. In the late 1980s and early 1990s, the apartheid-era National Party (NP) contemplated and ultimately decided upon the release of Nelson Mandela, the lifting of the ban on the African National Congress (ANC) party, and the full democratization of South Africa with multiracial elections. The transition proceeded via lengthy and conflicted negotiations between the NP and the ANC on a new governing framework for South Africa. During those negotiations, federalism and decentralization emerged as central issues. The NP recognized that it would lose badly in national democratic elections, but could dominate certain provinces. It thus demanded—as a condition for democratization—guarantees that provinces would be empowered and provided with substantial resources. Federalism was also demanded by the Zulu nationalist Inkatha Freedom Party. With the goal of democratizing South Africa hanging in the balance, the ANC and NP ultimately agreed to a constitution with guarantees for both provincial and local governments.

In **India**, rather than stability or the transition to democracy, it was the attempt to improve the country's development performance that loomed large in the decision to decentralize in the early 1990s. One of the key concerns that motivated the central government committee charged with designing decentralization was the very low level and quality of local public goods. Until 1993 it was the state governments in India—whose inhabitants in many cases number in the several hundreds of millions—that were in charge of providing most public goods, including sanitation, health services, basic education, roads, and streetlights. Decentralization to rural local governments, where much of India's population is concentrated, was particularly significant. With the passage in Congress and ratification by the states of Amendments 73 and 74 to the federal constitution, India transferred to rural governments responsibility for 29 different expenditures, along with greater fiscal resources. In order to focus public revenues on the basic needs that are so critical for development, India's decentralizing legislation also included rule changes that greatly expanded the participation of women in local planning decisions.

1.1.3 ARENAS OF DECENTRALIZATION

Whatever the underlying motivations for decentralization, it is important to understand how various stakeholders in a particular country are likely to benefit or suffer under decentralization. For example, subnational officials whose powers and resources are enhanced would be expected to support decentralization, while central agencies that lose their often-considerable powers and resources will likely oppose it. Community organizations that might benefit from a close association with newly empowered local governments will tend to view decentralization favorably. In contrast, organizations that see resources being diverted from community-oriented programs to intergovernmental transfer systems will almost certainly resist it.

INSTITUTIONAL ARENAS of Reform

National Governments | Subnational Governments | Civil Society Organizations

Decentralization's many stakeholders can be grouped into the three major arenas in which they typically operate and in which field officers and project implementers can design their interventions: the national arena, the subnational arena, and civil society. In the national arena, decentralization requires national officials to surrender certain roles (direct service provision and, in some cases, the appointment of subnational officials) and to learn how to fulfill the new roles that are expected of them in a decentralized system (standard setting and oversight). In the subnational arena, decentralization means that subnational officials have to learn how to make and implement decisions that are far more challenging than anything they were asked to do in the centralized past. Urban and rural settings face distinct challenges and require different responses on the part of subnational governments, especially as rapid urbanization has far outpaced the ability of cities to provide services. In both the national and subnational arenas, decentralization makes it urgent for civil society groups including business associations in the private sector to reorient their behavior in order to identify and pursue productive ways of partnering with governmental actors. In countries experiencing a rollback in democracy, it is important to understand the ways in which civil society can work with different types of governmental actors -- sometimes national, sometimes subnational -- to counter the rise of anti-democratic practices. Indeed, although restructured national and subnational entities are unambiguously needed to deliver the potential benefits of decentralization, an engaged and empowered citizenry is absolutely critical.

DECENTRALIZATION AND GENDER-BALANCING

Decentralization can lead to improvements in women's political participation and representation across all three arenas in which decentralization occurs, as well as bolster the goals of decentralization. Local election processes often focus on community-based issues and are less expensive to contest, which encourage women's participation as voters and provide greater opportunities for women to compete successfully as candidates. Local electoral success may subsequently lead to increases in women's representation in national office, thereby improving democracy at all levels of government. Women's political representation and women's organizations are associated with post-conflict stability and peace, suggesting that decentralization's effect on women's representation and inclusion provides an additional route through which stability may be achieved.

Improved women's political participation and representation may also lead to improved development and other benefits of decentralization, such as transparency, efficiency, and protection of local interests. Women mayors and municipal bureaucrats often demonstrate more locally-sensitive government responsiveness, expansions in public service delivery (especially in areas such as health and education), and disaster management approaches. Examples from countries as diverse as Brazil, India, and South Korea indicate that women elected and appointed officials may play an important role in the improvement of citizen access to publicly-provided goods and services, and are often perceived as being less corrupt than their male counterparts. Where women's participation, as individual citizens or representatives of CSOs, is not well-supported at the subnational level, local participatory budgeting processes are less inclusive, transparent, and accountable. The implications of women's political participation and representation should be considered in order to improve both the practice and outcomes associated with decentralization.

Summarizing the main thrust of this handbook, USAID can advance the main goals of decentralization (stability, democracy, and development) by supporting changes in its three main dimensions (political, fiscal, and administrative) and in each of its three major arenas (national, subnational, and civil society).

2.0 WHAT IS DECENTRALIZATION?

Building on the understanding of decentralization as a reform designed to increase citizen choice and disperse power in Chapter 1, this chapter addresses what decentralization is in a more definitional sense.

As stated before, decentralization is the transfer of power and resources from national governments to subnational governments or to the subnational administrative units of national governments. In some countries, this transfer favors middle-tiers (e.g. provinces, regions), while in others it privileges the lowest levels of government (e.g. municipalities, villages). Decentralization is often regarded as a top-down process driven by a unitary or federal state in which the central government grants functions, authorities, and resources to subnational levels. Impulses for decentralization can also originate from these lower levels, though it will only happen if the national level agrees to decentralize. Decentralization encompasses a wide range of different political and economic systems, whose properties vary widely. This diversity makes it all the more important to define terms precisely and use them as consistently as possible.

This handbook distinguishes between subnational governments and subnational administrations. Subnational governments are primarily accountable to a territorially defined subset of the country's citizens, and their prerogatives tend to be established in the constitution and in legal frameworks. In contrast, subnational administrations are primarily accountable to hierarchical superiors in the national government, who control the careers of subnational officials and who can modify the prerogatives of these officials by administrative regulations. Decentralization can take place in either case; it does not necessarily require the existence of full-fledged subnational governments.

2.1 FORMS OF DECENTRALIZATION: DECONCENTRATION, DELEGATION AND DEVOLUTION

Decentralization takes three main forms: deconcentration, delegation, and devolution. We define each of these, but subsequently focus on deconcentration and devolution as the two principal forms of decentralization that take precedence in programming:

National   Subnational

Devolution

Delegation
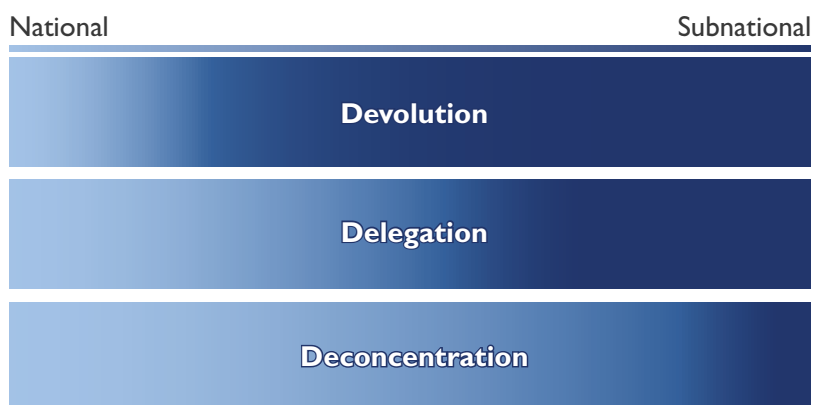
Deconcentration

Figure 1 **Devolution, Delegation, Deconcentration**

2.1.1 DECONCENTRATION may be defined as the national government reassigning responsibilities to the field offices of national ministries without placing these offices under the control of subnational governments. It can shift operational responsibilities from central government officials in the capital city to those working in regions, provinces or districts; or it can create strong field administration or local administrative capacity under the supervision of central government ministries. Deconcentration can actually enhance the penetration of central governments into parts of the national territory in which its presence has been marginal in the past, hence its appeal in many post-conflict environments and in fragile states. Although it involves the most limited changes, deconcentration may also constitute the most feasible and desirable set of interventions in various settings. In more authoritarian settings, interventions supporting deconcentration are desirable when program activities are realistically leading to devolution. Deconcentration is also an appealing form of decentralization for those services where scale or externalities are involved (for example, non-local roads and water resources), or where redistribution of wealth and national standards are important.

FORMS
of Decentralization

Deconcentration

Delegation

Devolution
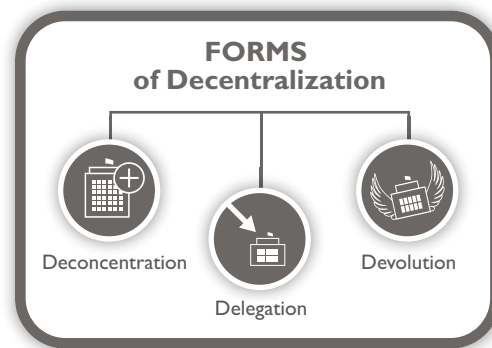
2.1.2 DELEGATION shifts responsibility for specifically defined functions to subnational governments or units, and thus constitutes a greater degree of change in the distribution of power relative to deconcentration. Delegation can be used as a means of building the capacity of subnational governments and administrative units in preparation for subsequent moves toward devolution. Metropolitan institutions may be especially relevant entities when the national government is considering delegation for certain purposes (such as water and sanitation, transportation, and air pollution), especially where mayors of cities are elected but metropolitan-level authorities are not. As an example from the water sector, because local elected authorities often face strong political pressures to keep usage fees below the amount necessary to ensure sustainability, enabling metropolitan institutions above the local level to set water rates may result in cross-subsidization across income groups.

2.1.3 DEVOLUTION is the most far-reaching form of decentralization in that it requires subnational governments to hold defined spheres of autonomous action, which typically entails subnational elections. Thus, unlike deconcentration and delegation, devolution cannot occur in the absence of political decentralization. After devolution, separately elected decision makers in subnational governments may work independently of the national government. However, they are still bound by the provisions of national laws (political rights and civil liberties), national policy priorities (such as poverty reduction), and national standards (in such areas as fiscal responsibility, healthcare, and water quality). In other words, some element of vertical accountability to the center is almost always required.

2.2 DIMENSIONS OF DECENTRALIZATION: POLITICAL, FISCAL, AND ADMINISTRATIVE

The term decentralization is often disaggregated into three main dimensions—political, fiscal, and administrative—within which decentralizing changes occur. No single dimension of decentralization is more significant than others, and each can be adopted separately or in combination.

2.2.1 POLITICAL DECENTRALIZATION

Political decentralization is the transfer of political authority to subnational governments. This transfer takes place through constitutional amendments and electoral reforms that create new (or strengthen

existing) spaces for representation in subnational units. In many developing countries, the formal political authority of subnational elected officials coexists with traditional community or tribal authority, which may serve key roles that need to be respected or even nurtured.

Elections for important subnational offices are the hallmark of political decentralization, and the shift from appointed to elected subnational officials is the most common expression of decentralization in this dimension. In politically centralized systems, subnational officials are appointed by the national government and therefore can be held accountable by voters only indirectly (if at all). Elections increase the potential autonomy of subnational governments by decoupling office-holding at the subnational level from the preferences of national office holders. By giving subnational officials incentives to prioritize concerns of local constituents, elections increase the accountability of subnational governments to these constituents. Elections can be held for subnational executive offices (such as mayors, governors, and chief ministers), as well as for representative positions (such as municipal councilors and provincial legislators). Thus, political decentralization can also create horizontal accountability among local councilors, executives, and civil servants, all of which are critical for effective performance. Elections can also be held for single-purpose subnational governments, such as water districts and school boards.

By itself, political decentralization does not increase the capacity of elected subnational governments. The introduction of elections, however, may create incentives for subnational officials to invest in building capacity, which is necessary for them to deliver on campaign promises. It is also important to note that political decentralization does not absolve subnational officials from worrying about upward accountability. Separately elected decision makers in subnational governments are still bound by the provisions of national laws, policy priorities, and standards. Subnational officials may also be subject to oversight and prosecution by national anti-corruption institutions.

This definition of political decentralization focuses on three important points. First, political decentralization is a necessary (though not sufficient) condition for devolution, which is the transfer of resources and responsibilities to subnational governments that have a degree of political autonomy from the national government. Second, countries that only have subnational administrative units (in other words, they lack subnational governments) cannot experience political decentralization. Third, in systems where national political party structures can exert partisan control over subnational elected officials, political decentralization may be compromised.

Figure 2.1 illustrates three ways through which political decentralization can improve government accountability and responsiveness. With respect to elections, three important principles have emerged from the cumulative experience of political decentralization in developing countries. First, electoral rules should be written in such a way that allows for subnational electoral contests to focus on distinctly subnational issues, such as holding national and subnational elections at different times or allowing voters to vote for different parties at the subnational and national levels. Second, elected officials from executive and representative bodies at the subnational level have different relationships with constituents and distinct governing responsibilities. Third, when competitive subnational elections are in place, constituents have an enhanced ability to hold subnational elected officials accountable, thus fostering democratic local governance.

Though critical, elections alone can be a very crude mechanism to hold subnational officials accountable for behaviors that may lead to decentralization's positive outcomes. Mechanisms that increase participatory opportunities can enhance local accountability and thus, political decentralization. These include local participatory institutions (e.g. participatory budgeting), recalls, plebiscites, referenda, open council sessions, town hall meetings, and citizen surveys. Digital tools that collect citizen feedback,

Elections

- Prioritize subnational issues
- Distinct subnational executive and representative offices
- Increase competition and responsiveness

Accountable + Responsive Government

Participatory Opportunities

- Participatory budgeting
- Plebiscites + referendums
- Recalls
- FOI + open data reporting

Civil Society Organizations

- Expand participatory opportunities
- Reduce the cost of learning local preferences
- Increase cost of prioritizing national agenda
- Provide information on difficult decisions

Figure 2.1 Benefits of Political Decentralization

tracking systems (such as scorecards), and open data repositories can increase requests via freedom of information acts, which can also improve public knowledge about the decisions and behaviors of elected officials. While these mechanisms have a direct impact on accountability and responsiveness, they may also improve the quality and competitiveness of subnational electoral contests.

Civil society and the media have great influence on how subnational governments exercise their political authority. Communities are highly varied in their social organization and in the density of the social networks that connect members, with denser networks having greater capacity for collective action vis-a-vis subnational officials. Where subnational elections are in place, civil society organizations impact political decentralization by facilitating citizen oversight and improving official accountability in four key ways: 1) expanding participatory opportunities for citizens, 2) decreasing the costs of acquiring information about local preferences, 3) increasing the costs of privileging national concerns over local concerns, and 4) providing information about the choices subnational officials and bureaucrats make.

Finally, it is important to note that political decentralization is often shaped in powerful ways by clientelism, defined as the contingent delivery of benefits to citizens in exchange for their political support. Not unlike their national counterparts, subnational politicians may respond to political decentralization by trying to buy voters through clientelistic exchanges. These practices may inhibit citizen oversight and horizontal networking among civil society.

POLITICAL DECENTRALIZATION IN BOLIVIA

Most countries in Latin America have introduced changes that transfer political authority downward, but it would be hard to find an experiment with political decentralization that was as innovative as Bolivia's 1994 Law for Popular Participation (LPP). Before 1994, the vast majority of the country's rural population (along with most of its territory) had no access to local government because only urban centers that served as provincial and regional capitals were recognized as municipalities. In response, advocates of decentralization divided up all of the national territory into 311 new municipalities to ensure that each Bolivian citizen would enjoy municipal representation. In addition to reconfiguring the very structure of municipal government, the LPP also introduced party lists for municipal councils, with mayoral candidates listed first. If no party receives an absolute majority of votes, the council then picks the mayor from the top two vote getters. As an anti-corruption measure, the LPP also enabled the council to recall the mayor with a three-fifths majority vote (in a "constructive vote of censure").

In the attempt to marry the institutions of representative democracy with long-standing indigenous institutions, Bolivia's LPP also granted legal standing to traditional grassroots organizations that are labeled "territorial base organizations" (TBOs). These TBOs won the right to elect representatives to committees with the power to approve the spending decisions of municipal authorities. This was important because the LPP simultaneously introduced change along the fiscal dimension of decentralization by transferring 20 percent of national tax revenues to municipalities. Thus, the LPP significantly expanded the direct oversight role that civil society can play vis-a-vis key fiscal decisions.

Political decentralization has had enormous consequences for Bolivia. On the positive side, the LPP represented an undeniable expansion in democratic space, creating new opportunities for Bolivians who had difficulty accessing national-level politics. In a political system dominated by highly clientelistic parties under the exclusive leadership of the non-indigenous minority, the LPP facilitated local and then national electoral victories of a new party -- the Movement Toward Socialism (MAS) -- that is controlled by indigenous Bolivians. Political decentralization has served as a training ground for a whole generation of new indigenous leaders. On the negative side, municipal councils abused the recall mechanism by engaging in the widespread removal of mayors for political reasons rather than for misconduct, leading to significant political instability. More recently, once the MAS became a hegemonic force at the national level, it often undermined the spirit of political decentralization, preventing mayors from acting in ways not sanctioned by the national leadership of the party, and making it difficult for municipalities to petition for the autonomous status that was formally recognized in the 2009 Constitution. Bolivia thus illustrates a familiar pattern whereby a party's enthusiasm for political decentralization varies depending on whether it is in or out of power at the national level.

2.2.2 FISCAL DECENTRALIZATION

Fiscal decentralization is the expansion of revenues and expenditures that are under the control of subnational governments and administrative units. Some define fiscal decentralization as occurring mainly on the revenue side, when it comes to tax assignment and transfers of revenues between levels of government. But the definition used here, from the public finance literature, better captures the need to address the so- called "assignment problem"—matching functional responsibilities to financial proceeds across the various levels of government.

On the expenditure side, fiscal decentralization refers to the transfer of additional responsibilities to subnational governments, often for some of the more important services governments can provide: healthcare, education, and infrastructure. Urbanization is one of the most powerful drivers of fiscal decentralization, without which cities struggle to meet the basic needs of underserved populations given the high initial cost of investment in public services. Where population needs and/or citizen preferences are heterogeneous across subnational units, fiscal decentralization enables a more efficient matching between needs, preferences, and service provision. Service provision should clearly reflect local priorities

rather than national priorities. In order to improve the quality and transparency of subnational spending decisions, subnational governments should adhere to binding budgets.

On the revenue side, the most common types of fiscal decentralization include endowing subnational governments with the power to raise their own revenues and to set the rates of subnational taxes. This would give some subnational governments the right to borrow with greater independence from the national government, thus increasing the transparency and stability of intergovernmental transfers. Revenues from natural resources may also be a key source of financing for some subnational governments as more countries adopt the practice of sharing a percentage of royalty payments. Effective fiscal decentralization requires that subnational administrative units, or governments, have adequate capacity to administer central government transfers and to receive the revenues they are authorized to levy. This effort must be matched by responsive and transparent redistribution of resources in the provision of services.

Taxes are the most common type of own-source revenues available to subnational governments. Local governments' authority to collect taxes can increase accountability and civic engagement since taxpayers typically want to know and have a say about how and where their tax payments are being spent. The most frequently devolved taxes are property taxes, though subnational governments sometimes also have authority over sales taxes or business taxes (by contrast, income taxes are rarely devolved). In particular, property taxes are considered to be the most desirable kind of local taxes because of their potential to match tax burdens with expenditure benefits (since improved local services often increase property values). However, assessing property values, maintaining updated cadasters, and enforcing collection is administratively costly and politically difficult, especially in contexts where informal tenure is widespread. Efforts to create new taxes or enforce existing ones not only face the potential for non-compliance but may also lead to business threats of disinvestment, electoral challenges to incumbents, and even destabilizing tax revolts.

Another important kind of own-source revenues are user charges. These may include not only payment for services such as water or electricity but also licensing and permitting fees, waste collection fees, market fees, parking fees, and a number of other common levies. Challenges to user charges include the politics of raising the price of necessary services, political incentives to undercharge relative to service provision costs, the concern that charges are regressive, objections from residents against the removal of subsidies they once enjoyed, and resistance to paying more for services perceived as low-quality.

Whereas taxes and user charges are relevant in virtually all subnational jurisdictions, fiscal decentralization may also grant borrowing authority to a smaller subset of subnational governments. Subnational borrowing – both in the form of loans and bonds – is generally available only to a few larger cities and perhaps regional governments, which may have access to a range of external resources, including grants or concessional loans from donors, subsidized loans from national development banks or private banks, or the issuance of bonds on capital markets. This is important because, even if cities in developing countries can increase their own-source revenues, these are unlikely to suffice given the backlog of needed infrastructure.

Subnational borrowing should always follow fiscal responsibility models that emphasize formal assessment of subnational government creditworthiness and the economic viability of proposed development projects. Another option available to some city governments seeking to improve local service delivery and infrastructure, is the use of public-private partnerships (PPPs). Since they must yield a return for private investors, PPPs may not always be feasible, especially in poorer countries. While borrowing and PPPs are unlikely to be relevant solutions in rural jurisdictions, subnational governments

in such areas may engage in in-kind contribution schemes to facilitate the provision of valuable local public goods. They may also play a role in regulating or supporting informal taxation schemes run by non-governmental actors that collect community contributions to fund local public goods.

Despite efforts to diversify subnational resource streams, the majority of subnational government revenues in our partner countries continue to be transfers from central governments. These often account for more than 80 percent of revenue. Transfers may sometimes also come from intermediate levels of government such as regions, states, counties, or deconcentrated administrative units. Transfers may be spent at the absolute discretion of the subnational government, be earmarked for broad purposes (e.g. education, health, etc.), or be earmarked on a progressively restrictive spectrum, from general programs or sectors to line items or expenditure categories (e.g. travel, wages, benefits, construction). Transfers may sometimes be subject to significant political interference and manipulation. The level of effective control that the decentralized government or unit has over what these may be spent on is a key indication of the level of fiscal decentralization. Subnational entities using funds under more restrictive rules, are less able to control their own operations and are less decentralized. While transfers may act as a disincentive to own-source revenue mobilization, if they are well designed and implemented they can help subnational units with limited tax bases to meet their administrative responsibilities under decentralization and reduce inequalities between richer and poorer jurisdictions via redistribution schemes. This mainly requires rule-based and transparent distribution formulas, with safeguards against political manipulation, and strong oversight mechanisms. Some countries have also implemented conditional transfer systems to encourage transparent public financial management and incentivize own-source revenue mobilization.

Some key considerations that should inform fiscal decentralization are illustrated in Figure 2.2.

It is important to realize that a lack of effective fiscal decentralization is often a reason for incomplete or failed decentralization overall. While political and administrative decentralization may be legislated and implemented, many times the funds and control do not flow -- even as intended by legislation. While political and particularly administrative decentralization may be partial and piecemeal, a lack of fiscal control often means a lack of control over policy

1 Diversify Revenue Sources

Intergovernmental Transfers

Subnational Tax Authority

2 Increase Transparency + Vertical Accountability

Rules:
- Clear + objective transfer mechanisms
- Fiscally responsible borrowing constraints
- Oversight mechanisms

3 Prioritize Local Needs + Preferences in Redistribution

Local Projects + Citizen Goals

National Policies
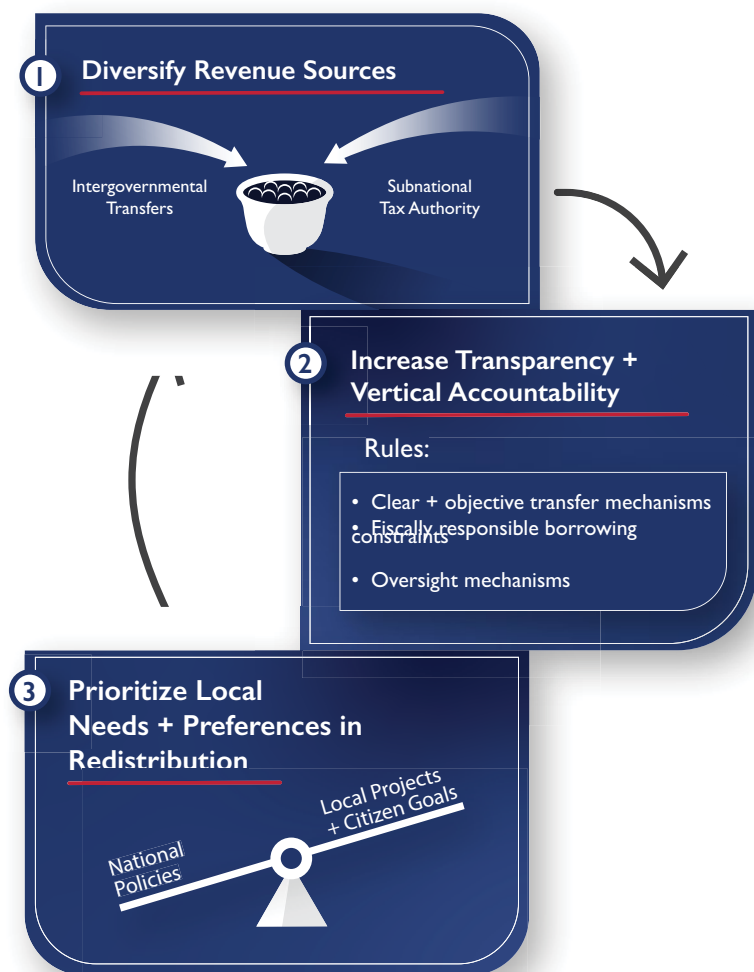
Figure 2.2 Considerations for Fiscal Decentralization

and procedure implementation sufficient to make effective decentralization of any kind impossible. While decentralization is never complete and total, without a fiscal component it is not credible.

FISCAL DECENTRALIZATION IN UGANDA

Although Uganda ranks as one of the most fiscally decentralized African countries, it nevertheless showcases the significant challenges that can inhibit subnational fiscal autonomy. Uganda allocates a larger share of the national budget to local governments (LGs) than most countries in the region, although this figure dropped to just under 10 percent in FY 2020/21 from a high of 20 percent in 2010. Uganda's national budget has grown much faster over this period than transfers to LGs and the government's practice of creating supplementary budgets suggests that LGs' actual share of expenditure is even smaller. Local discretion over spending of these resources remains limited, but is a focus of reform efforts.

Own source revenue (OSR) constitutes an extremely small share of LG budgets (typically less than 3 percent) and is further constrained by political interference by central government officials. In 2005, the government eliminated the graduated tax, which comprised 80 percent of local revenue for most LGs, after President Yoweri Museveni campaigned on its repeal. The Local Service Tax was introduced in 2008 as a replacement, but does not yield much revenue for most LGs. Urban LGs have been particularly affected by such interference. The president has intervened repeatedly to exempt select groups of taxpayers from property taxes or to reduce their fees, as occurred in 2018 when he ordered the reduction of fees paid by taxis in Kampala.

Unconditional grants, which provide LGs the most discretion in determining spending priorities, are only a small share of total transfers. Conditional grants tied to particular sectors and activities constitute the bulk of transfers, which can also vary substantially in per capita terms across LGs. LGs also lack sufficient input in establishing the priorities for spending conditional grants, as constitutionally mandated. The development of Uganda's oil industry since 2006 and the growth of artisanal and small-scale mining raise the prospect of royalties as new OSR for some LGs. Nevertheless, disbursements of royalties to LGs are at times delayed or do not occur.

Since 1996, the number of district LGs increased threefold: from 45 in 1996 to 135 in 2020. Between 2017 and 2020 the government also created over 300 new town councils and sub-county LGs. This proliferation of new units, each of which creates new patronage opportunities for the Museveni government, undermines the financial viability of LGs and impedes service delivery. For example, Uganda's Ministry of Local Government budgets 1 billion Ush (approximately $250k) in start-up costs for each new district, with real costs of equipping new LGs likely much higher. Each new LGs also increases the total resources that must be allocated to administration, thus reducing resources available for service delivery.

Despite these shortcomings, Uganda has adopted a number of reforms to improve public financial management. Examples include the decentralization of payroll, upgraded Integrated Financial Management System (IFMS), and the Treasury Single Account. The IFMS provides a computerized budgeting and accounting system to facilitate LGs in planning, budgeting, accounting, procurement, and reporting. Many LGs face serious challenges in using the system due to a lack of staff IT capacity and extended internet outages. LGs are also required to submit quarterly budget performance reports on budget implementation. In 2019, only 9 out of 144 LGs submitted these reports on time. A few failed to submit them at all.

Building on the World Bank's Local Government Development Program and USAID's Strengthening Decentralization for Sustainability (SDS), the Ugandan government instituted the Discretional Development Equalization Grant (DDEG) program in 2018. The DDEG is designed to provide more discretionary funds to LGs, distribute resources more equitably, and strengthen incentives for good performance by reintroducing the LG performance assessment system. The size of the DDEG grant to LGs is based on their performance in the Annual LG Performance Assessment: those with above average scores receive additional funding and those with below average scores receive less funding.

2.2.3 ADMINISTRATIVE DECENTRALIZATION

Administrative decentralization is the transfer of responsibility from the national government, and its centralized agencies, to subnational governments and/or subnational administrative units, for planning and managing public functions. The governing principle here is that of subsidiarity: central authorities should perform only those tasks that cannot be handled at a more local level. For decentralization to be meaningful, subnational administrative units or governments must do something to benefit their residents, who must know what local administrators or councilors are authorized to do in order to interact with them effectively and hold them accountable. Administrative authority, which can be mandatory or permissive (allowed but not compulsory or prohibited), can be enshrined in a constitution or outlined in laws, or can be decreed administratively (though decreed changes are more easily modified and therefore less stable).

Administrative decentralization refers to the institutional architecture—structure, systems, and procedures—that supports the implementation and management of those responsibilities under the formal control of subnational actors. It encompasses, among other things, subnational departmental structures and responsibilities; human resource requirements and management systems; and planning, monitoring and evaluation of service arrangements. Providing services can be subject to a great deal of jurisdictional complexity and often requires intergovernmental coordination. Confusion over which level of government is responsible for which aspect of service provision is a significant problem in many countries. Mapping out these responsibility chains -- which vary from sector to sector -- must happen early in project design.

Control over personnel decisions is an essential part of administrative decentralization. When control is transferred from national to subnational officials, the latter gain additional authority over government employees. For example, local authorities could now have the power to fire employees who are underperforming (such as absentee teachers), consistent with their contract provisions and collective bargaining conditions. This control may have significant consequences for the quality of the services that local governments provide, which is the reason most citizens care about local governments. However, if subnational officials do not have the requisite bureaucratic capacity to provide the services that local residents now expect from them, the potential benefits of decentralization are unlikely to be realized.

Given the great scope of administrative decentralization, it is difficult to cover the range of activities involved, but a few basic principles in Figure 2.3 illustrate how to think conceptually and pragmatically about it. First, structures and procedures should be simple, rule-based and transparent, while the authority of different subnational government levels should be clearly delimited to avoid jurisdictional

1. Structures + Procedures

- ☑ Simple
- ☑ Rule-based
- ☑ Transparent
- ☑ Clearly delineated to reduce jurisdictional overlap

2. Empowerment Processes

- ☑ Appropriately controlled by subnational governments/administrations
- ☑ Rule-based

3. Working Relationships

- ☑ Goal-driven
- ☑ Balance Technical + Political Roles
- ☑ Applies to external actors and to local officials!

Figure 2.3 Checklist of Administrative Decentralization

overlap. Second, subnational governments and administrations should have a degree of control over employment processes (within the bounds of established procedures regarding merit systems and labor laws), within which transparent incentive and performance review procedures can encourage staff to meet their responsibilities. Lastly, interactions and relationships between subnational administrators and external actors (e.g. civil society, traditional authorities, international aid agencies) or local officials (e.g. mayors, governors, councilors) should be goal-driven and balance technical roles with political responsibilities.

ADMINISTRATIVE DECENTRALIZATION IN INDONESIA

After the fall of Suharto and the move toward greater devolution of authority to newly elected subnational governments, Indonesia reduced major hierarchical relationships between local governments and higher levels, transformed central and provincial government field staff into local government employees, and gave local governments more significant functions, resources, and budgetary and managerial discretion. An early challenge was the development of productive working relationships between elected local councilors and professional staff members, many of whom retained strong relationships with their former managers at the provincial and central levels. Later challenges resulted from the proliferation in local and provincial government units, as well as the logistical complexity of maintaining administrative standards and best practices across 17,000 islands sitting on one of the world's most active seismic zones.

Although Indonesia has made notable progress in administrative decentralization, system design weaknesses and concerns about local government performance have produced some backtracking on the original reforms. The process of district creation, known as "pemekaraan," generated hundreds of new local government units during the first decade of democracy. Embedded within this district creation process were political motivations operating independently of administrative capacity considerations. As a result, many new districts failed to deliver even the most basic goods and services, prompting national- and provincial-level concerns about governance. Legislation passed in 2004 strengthened the administrative oversight role of provinces by allowing them to control failing municipalities, but in the process diluting local government revenue powers, independent budgeting authority, and control over local government civil service. In the more than fifteen years since the revised decentralization legislation was passed, local governments have gained more experience yet inconsistently improved performance in revenue generation, service delivery, and governance.

2.2.4 DIFFERENTIATING AND INTEGRATING DIMENSIONS

Differentiating the political, fiscal, and administrative dimensions of decentralization is important because movement in a decentralizing direction within one dimension does not necessarily mean that movement is occurring in other dimensions. Neither does it mean that whatever movement is occurring in other dimensions is of a decentralizing—not a centralizing—nature. Countries can simultaneously decentralize and recentralize in different dimensions, and there may be good reasons for them to do so, if conditions are not propitious for simultaneous decentralization in all three dimensions. As discussed in the next chapter for example, where stability is in question, national officials may wish not to adopt political or fiscal decentralization, and instead limit reforms to the administrative dimension. More generally, field officers and project implementers should remember that political, fiscal, or administrative decentralization is not static. Countries will expand and contract the extent of decentralization based on the social, economic, and political realities they are facing.

While it is important to keep the three dimensions analytically distinct, comparing change across these is also critical. For example, acts of fiscal decentralization might seem impressive at first, but they appear substantially less so when one discerns that the level of administrative decentralization is low. In such cases, subnational officials have resources but not the control over administrative personnel they need in order to translate fiscal authority into specific outcomes. For example, if elected mayors lack fiscal resources and administrative powers, this makes it harder for them to establish and defend their independence from traditional party bosses, thereby imperiling the logic of political decentralization. Ways to assess the political, fiscal, and administrative dimensions of decentralization are discussed in greater detail in Chapter 4.

2.3 FEDERAL VERSUS UNITARY SYSTEMS

Decentralization in the three dimensions discussed above can occur in countries that are organized along either federal or unitary lines. The distinction between federal and unitary may affect the way decentralization plays out. Two features are essential in determining whether a country is federal: (1) the existence of at least two tiers of government, which share governing authority over citizens; and (2) the representation of subnational governments (typically, these are intermediate levels of government) in the national legislature. Through decentralization, many unitary countries have strengthened governments at the local and intermediate levels, but these do not enjoy representation at the center even as they may be recognized in the constitution. While federations are typically more decentralized than unitary countries, federations can be highly centralized and unitary countries can in fact be quite decentralized. That decentralization is by no means limited to federations is important to note because most of the countries where USAID operates are unitary. It is critical to emphasize that the guidance offered in this handbook on the multiple dimensions, goals, and arenas of decentralization is valid for both federal and unitary states. A country's unitary design does not prevent it from adopting decentralization, even if the absence of intermediate-level governments in many unitary systems limits the degree of political and fiscal decentralization that can occur below the national level.

THE GREY ZONE BETWEEN "FEDERAL" AND "UNITARY"

A country's federal or unitary identity is usually the product of complicated and hard-fought political struggles. As a result, these labels have deep historical and symbolic meanings that can be quite specific to the country in question. Similar labels may resonate differently in different contexts. For example, in debates over the design of the new Afghan constitution in 2002, federalism was widely discredited as an option because it was seen as a device that would favor regional warlords. In Bolivia, memories of the so-called "federal war" between regions in the late 19th century have undermined the appeal of federal designs, even as the national government opted after 2005 to introduce elections for intermediate-level governments.

As a result, it is far more common today for countries to adopt decentralization than to explicitly shift from a formally unitary identity to a formally federal one. Decentralization and federalism, however, are not fully separable phenomena. Around the developing world, decentralization is undeniably moving unitary countries toward federalism, even if they decline to embrace the label. Specifically, when decentralization in unitary countries strengthens not only municipal and other local governments but also intermediate-level governments, it can shift governing dynamics in an unmistakably federal direction. Thus, although scholars of federalism focus on (and disagree over) categorical differences between federalism and unitarism, thanks to dynamic programs of decentralization, more and more countries are occupying a gray zone between these two types.

Consider the following examples. In the Philippines, decentralization in 1991 introduced automatic revenue sharing with provincial governments, villages, barangays, and cities. Although provinces have no formal representation in Congress, governors can and do use their enhanced powers to influence the voting behavior of national legislators within their provinces. In Indonesia after Suharto's fall in 1998, the military and other national actors who were concerned about national fragmentation were able to veto federalization centered on provincial governments. Nevertheless, decentralization has increased the political autonomy and statutory authority of provincial governments, which have proliferated in number since the adoption of decentralizing legislation. Across Latin America, due to the cumulative effects of sometimes gradual changes, decentralization has firmly shifted many unitary countries toward federalism— even as they continue to insist on their unitary identities. Colombia, Peru, Bolivia, Uruguay, and Chile have increased the autonomy of elected subnational officials in recent decades.

One important implication of this trend is that field officers should not rule out actions to support intermediate-level governments and administrative units simply because a country uses the "unitary" label to describe its formal constitutional structure.

2.4 CONCLUSION

Understanding the distinct logic of decentralization in its political, fiscal, and administrative dimensions and its deconcentrated, delegated and/or devolved forms can be tricky. These conceptual distinctions are important, however, because different contexts may suggest the desirability of different types of decentralization, at different speeds, and in different sequences. The reality that decentralization can occur in multiple dimensions is one of its most useful aspects. Among other things, this means that field officers and project implementers can try to introduce those decentralizing changes that make the most sense for the specific goals at hand. A more in-depth discussion of the goals that have motivated so many leaders to adopt decentralization is the subject of the next chapter.

3.0 WHY DECENTRALIZE?

The previous chapter summarized the definitions and dimensions of decentralization. Chapter 3 focuses on the reasons that may make decentralization a worthwhile area for programming. If the previous chapter demonstrated that decentralization comes in many shapes, this chapter builds on the understanding that decentralization is not an end in itself. Decentralization succeeds when it promotes other desirable ends.

But what are the overarching goals that decentralization can help attain, and how exactly can it assist in achieving them? This chapter addresses the goals of decentralization in three sections. The first highlights the three most common goals that motivate the decision to decentralize: to enhance stability, democracy, and development. The second section discusses the challenges involved in using decentralization to attain these goals. The third section shows how these goals of decentralization can be reflected in programming actions, most notably in assessments of the country's environment and in specific strategies and tactics.

3.1 THREE PRIMARY GOALS OF DECENTRALIZATION

We live in an era when overly centralized patterns of governance receive much of the blame for many of the world's ills. In numerous countries, growing numbers of citizens and policymakers believe that decentralizing changes can make their societies more stable, more democratic, and more developed. At the same time, it is widely recognized that a central government's ability to establish the rule of law and the basis for social order is a first-order priority, especially in countries that are in the process of state building. Accordingly, while field officers and project implementers must be attentive to the promise of devolving powers to elected subnational governments, they should also recognize that devolution is not a panacea and that deconcentrating power to local branches of national government may be preferable in some contexts.

3.1.1 STABILITY

USAID operates in conflict-ridden environments and fragile states where the most fundamental goal is the stability of the state. In these environments, decentralization can promote social and political stability by reducing both the likelihood of conflict and the destabilizing consequences of the conflicts that do occur. At the same time, while devolution can promote stability in many circumstances, it is not advisable in all fragile states. Why? Because the very existence of the weakest states can be compromised by the introduction of subnational elections. This section lays out the case for decentralization as a stability enhancing measure.

Decentralization can reduce conflict by opening up new avenues for political participation and by giving people more opportunities to influence government. Because subnational governments and administrations often have better information about local dynamics and customary norms, they have the potential to do a better job preventing, managing, and resolving conflicts than national governments. If citizens believe the government is responsive to their needs and citizens have recourse for grievances, then cause for rebellion is diminished, along with the legitimacy of criminal actors (such as urban gangs) who may have provided services and private security. Where states lack credibility with the citizenry, decentralization can be a stabilizing force if it results in improved public services.

In addition to proactively heading off conflict, decentralization may lower the stakes of conflicts that do break out. In effect, decentralization multiplies the opportunities when important decisions are made within a given country. Even if decentralized systems do not manage to produce less conflict than centralized ones, conflict in decentralized countries may prove to be less destabilizing.

The conflict-reducing potential of decentralization is especially appealing in countries where ethnic, linguistic, religious, and cultural groups are concentrated in distinct territories or regions. Decentralization in these settings can accommodate diversity by giving subnational officials in the regions the power to offer a range of programs that respect local preferences and cultural practices, without threatening the rights of individuals who do not belong to these cultural groups. Decentralized governance can provide assurances to minority groups that their priority concerns will be considered. Additionally, whereas minority groups may have a difficult time accessing national decision-making arenas, decentralization increases the likelihood that they can get what they need to feel protected and secure from the subnational level of government or administration. When subnational government boundaries reflect the settlement patterns of contending groups, decentralization may alleviate the potential for conflict.

In order to promote stability, subnational officials need the authority to perform meaningful roles, although the national government also needs to ensure that officials use this authority in ways that are compatible with national goals. Some countries emphasize giving subnational units autonomy from the national government to accommodate groups that are concentrated in specific areas, be they based on ethnicity, language, religion, culture, or other identities. If citizens in subnational units feel that they can hold their local representatives accountable, this experience can inhibit the rise of more destabilizing demands for greater autonomy or even independence. Finally, where subnational governments did not previously exist or do not have the capacity to provide much needed services, decentralization in the form of deconcentration versus devolution may be the best way to advance stability.

DECENTRALIZATION AND STABILITY IN THE MIDDLE EAST AND NORTH AFRICA (MENA)

The MENA region illustrates some of the challenges and opportunities associated with decentralization when stability is the paramount concern. Due to the overlapping legacies of the Ottoman Empire, European colonial rule, and the post-independence nationalist era, countries in this region have inherited highly centralized patterns of governance that severely limit subnational governments. One significant commonality is the governorate system (muhafazah in Arabic), which divides up national territory into districts controlled by governors who are appointed by presidents, prime ministers, or kings. In addition to the governors, in countries like Egypt, Jordan, and Morocco, the armed forces maintain networks that parallel and potentially undermine civilian appointees and the prerogatives they may formally hold at subnational levels.

In the context of the 2011 Arab Spring, protestors articulated demands for various forms of decentralization, including greater local electoral participation and the strengthening of local governments to provide services. National regimes responded with top-down approaches that betrayed a preference for deconcentration over the devolution protestors had demanded. The main beneficiaries of the changes introduced were appointed governors, who typically report to the Ministry of the Interior (rather than the Ministry of Local Affairs) and who play critical roles as brokers of patronage. In Morocco and Tunisia, governors have varying degrees of control over line ministry services and also wield influence over municipal council decisions. Iraq is the only country in the region that allowed the indirect election of governors by elected councils, until parliament decided in 2019 to suspend all councils over allegations of corruption. Despite this setback, and given the deeply entrenched nature of the governorate system in MENA, one strategy going forward is to defend and expand the authority of elected councils vis-à-vis appointed governors. Gradually shifting the balance of power from the executive to the representative branch at this middle tier of government, could offer a pragmatic way to push deconcentration toward devolution when a regime is anxious about maintaining stability.

Decentralization is also relevant in the conflict-affected countries of MENA, especially considering the de facto localization of power that has occurred alongside the collapse of central authority in Libya, Syria, and Yemen. Rather than enhancing the accountability of appointed governors at the intermediate level of governance, here the more pressing challenge is to engage with the local government structures that have assumed responsibility for managing local affairs. Considering the governance deficits associated with weak central states in these cases, support for local government efforts vis-à-vis the provision of public goods and services (including security) can also build local government capacity and serve humanitarian purposes. Especially where local authorities enjoy a modicum of grassroots legitimacy, helping them to provide valued goods and services can increase citizen awareness of and engagement with local government. The conflict-affected countries of Libya, Syria, and Yemen also illustrate the geopolitical factors that may be at play when considering whether and how to support decentralization in unstable settings. In pursuit of advantages, foreign powers like Iran and Saudi Arabia have hampered formal decentralization and impeded local government operations, further complicating the landscape.

3.1.2 DEMOCRACY

Decentralization can create more transparent political institutions, encourage citizen support for government, and improve democratic participation. Given the growing dissatisfaction with democracy among many citizens of developing countries around the world, it has become increasingly evident that citizens need a stake in their government for democratic consolidation to happen. By allowing for greater citizen involvement in subnational government, decentralization offers citizens a greater stake in democracy's success. Citizens who value their participation in subnational government are less likely to support non-democratic regime changes at the national level because authoritarian governments typically deny subnational governments significant independence.

Political decentralization in the form of subnational elections offers people more opportunities to practice democratic citizenship. In long-standing democracies where subnational officials were previously appointed, letting citizens pick these officials via elections can dramatically expand democratic choice and increase participation in the practice of democracy. This may feel even more meaningful for citizens, than the right to vote in national elections. Marginalized groups, such as women and religious or ethnic minorities, may have greater success contesting subnational elections due to the scale of campaigns, issues at stake, and perception of community embeddedness.

Subnational elections also ease entry into the political system for new political parties, which often have a difficult time competing successfully in national elections. Given their size, location, and political significance, major cities are especially critical for the election of opposition parties and the strengthening of political pluralism. Independent of whether new parties form in response to subnational elections, decentralization can create a new and expanded cadre of leaders with democratic skills. Devolving political power also creates vertical checks and balances that can constrain overzealous national governments, thereby creating another mechanism for institutional accountability.

Decentralization also creates incentives for strengthening civil society in subnational jurisdictions by transferring important decisions away from the national government. One of the most important ways that political decentralization can strengthen democracy is through its positive impact on community empowerment. Many latent groups—that do not organize when all power is concentrated in national capitals—are indeed able to act collectively at the local level. Moreover, they face incentives to do so when individuals realize that significant powers and resources are now under the control of subnational officials. Social accountability in this context plays two distinct but critical roles: generating information about local preferences that elected officials can use as an input in policy making, but also disseminating information about the local government's performance that citizens can use to punish or reward elected officials. At the same time, clientelistic linkages between these officials and community groups can inhibit social accountability and blunt the democratizing potential of decentralization.

The impact of decentralization on democracy can therefore be multi-faceted. If decentralization expands the authority of subnational officials, whom voters can more easily monitor and hold accountable, then it widens the scope for meaningful democratic choice. Where national governments have to respect the autonomy of subnational governments in at least some fields, these governments can prioritize local preferences, as revealed in elections and other citizen forums. Democratic theory suggests that capacity also provides a critical link in the relationship between voters and their representatives; without the requisite capacity subnational governments are simply unable to provide the services voters demand.

On the other hand, democratic rollback may also be exacerbated by decentralization. This happens especially when political decentralization has occurred in ethnically, religiously, or linguistically

heterogeneous countries. While much of the focus on democratic rollback has been at the national level, subnational elected officials may create or enable environments where limits on political rights and civil liberties are common. These environments can lead to subsequent upward pressures as national elites adopt similar anti-democratic strategies to win over voters -- especially during times of crisis or heightened electoral competition. In sum, decentralization may create anti-democratic pressures that emerge and spread from the subnational level.

DECENTRALIZATION IN THE PHILIPPINES' TRANSITION TO DEMOCRACY

The Philippines represents one of the most dramatic examples of decentralization in Asia and offers a powerful illustration of how decentralizing measures can be designed to advance and consolidate transitions to democracy. In his nearly two decades in power, dictator Ferdinand Marcos aggressively centralized decision making not just in the national government, but in a handful of cronies in Malacañang Palace. When the People Power movement dislodged Marcos in 1986 and replaced him with Corazon Aquino—a political widow and non-politician—a historic opportunity emerged for decentralization. Aquino saw in decentralization a way of dispersing power and rendering less likely any future reversion to authoritarian rule.

Redemocratization was Aquino's chief legacy as president, and the 1991 Local Government Code (LGC) served as her most effective tool toward this end. In a more parochial vein, the adoption of term limits in the new 1987 Constitution gave national legislators cause to anticipate future careers as governors and mayors, and therefore to endorse Aquino's proposals.

The LGC introduced sweeping changes in all three dimensions of decentralization. With respect to administrative decentralization, subnational governments have received approximately 70,000 positions formerly assigned to the national government. On the fiscal side, the LGC required the national government to transfer 40 percent of its revenues to subnational governments with few restrictions on how these funds must be spent. This represented a huge change in a country where all transfers had historically been negotiated on an ad hoc basis. With respect to political decentralization, the LGC reserved a quarter of all seats on Local Development Councils for NGO members and gave NGOs full participation in committees that monitor subnational spending decisions. The idea was not simply to transfer power from national to subnational political elites, but to deepen democracy by broadening the set of actors who make decisions at the subnational level.

If decentralization was designed to push forward the democratic transition, the LGC has only partially succeeded. On the one hand, the LGC has certainly expanded the space for democratic participation at local and intermediate levels. Important cases of successful democratic local governance—honored every year in the Galing Pook Foundation Awards—have emerged as the direct result of decentralization. On the other hand, evidence also suggests that decentralization has reinforced the basis of rule by traditional family clans in much of the Philippines. In localities under the domination of these clans, fiscal and administrative decision making has strengthened the hand of groups who do not hesitate to use violence or the threat of violence to enforce their continued rule. Far from serving as a possible check on democratic backsliding under the Rodrigo Duterte administration, many mayors have sought to prove their loyalty to the popular president by facilitating his authoritarian proposals, including the widespread use of extrajudicial killings in the war on drugs.

3.1.3 DEVELOPMENT

Historically, one of the most commonly cited reasons to decentralize is its purported impact on development. Most of the literature on the link between decentralization and development focuses on the role played by governmental services. More reliable water and sanitation infrastructure, better maintained roads, higher quality schools, and more effective healthcare all make for better development outcomes. Public services also function as inputs for the products and services produced by private companies, which enhances their ability to grow and provide jobs. As the well-being of local residents improves, their productivity and value to employers is enhanced, thereby promoting local economic development. A classic argument for decentralization is that it better matches the provision of public services with demands for these services. Subnational officials are believed to have better access to information about citizen preferences, greater political incentives to provide preferred services, and greater flexibility than the national government. In a democracy, national governments are expected to treat all citizens relatively equally, and they cannot easily provide different sets of services to different localities. Subnational governments, in contrast, are freer to decide what to provide to citizens, often within wide parameters. If, relative to the national government, it is easier for people to monitor decisions made by subnational officials, then decentralization can improve service delivery.

While subnational officials are critical to the link between decentralization and development, it is also the case that more decentralized approaches can empower communities outside the formal institutions of (subnational) government. Community-driven development (CDD), which focuses on improving levels of civic engagement and service provision, is broadly seen as an effective way to decentralize authority. CDD projects employ participatory processes to elect local development councils, which typically operate parallel to municipal councils. With input from the community, these bodies identify development needs, select particular projects, and see them to completion. Although CDD is viewed as a way to enhance social capital and meet local needs thanks to the high level of civic engagement it involves, the evidence for its expected benefits is mixed. On the one hand, CDD can be effective at addressing specific service needs and improving material wellbeing in the short run. On the other hand, its impact on broader socio-political outcomes such as improving trust in government or deepening political participation is less clear. This is noteworthy because these longer-term outcomes are what make the CDD appealing. It is also important that new CDD structures do not compete with pre-existing institutional arrangements or undermine municipal governments.

In addition to expanding opportunities for communities to participate in the development process, decentralization can also promote the conditions for economic development and prosperity in a number of dimensions. These include public infrastructure investments, pro-growth regulatory and tax environments, human resource development, and public-private partnerships. Local governments around the world are becoming more active in stimulating Local Economic Development (LED), creating jobs, and attracting investment.

LED and municipal engagement with the private sector are new concepts for many local governments, which have traditionally not played an important role in promoting LED, and which will require assistance and support if they are to play meaningful roles. However, as resources and authority are transferred to subnational governments through decentralization, there is an opportunity and a need to enhance political leadership and build local capacity to realize the potential that private sector engagement can bring. Finally, it is important to note that the link between decentralization and development can be particularly crucial in urban settings. Cities in the global south are disproportionately exposed to threats such as contagious disease outbreaks, natural disasters, and incidents related to climate change, with

dire consequences for already vulnerable groups such as women and girls, ethnic minorities, migrants and internally displaced populations, and people with disabilities. Decentralization can enable city governments to develop the resiliency needed to respond to this more disparate set of non-traditional threats. Furthermore, as the engines of economic growth in most developing countries, cities are especially well-suited to public-private models of service provision. In urban settings, a local government's LED strategy should incorporate territorial planning, land use coordination, and transportation and infrastructure development with the goal of creating jobs and reducing unemployment.

BUILDING URBAN RESILIENCE IN MOZAMBIQUE

Today, more than half of the developing world's population lives in urban areas. By 2050, this number is expected to rise to nearly two-thirds. While urbanization offers significant prospects for economic growth and poverty alleviation, taking full advantage of these opportunities requires investing in urban resilience. Resilience refers to the capacity of a city's inhabitants and institutions to adapt and respond effectively to chronic stresses (such as deficient infrastructure) as well as sudden shocks (like natural disasters or public health crises).

Urban resilience involves pragmatic strategies to reduce the human and material costs of emergencies by improving local capacity for prevention, adaptation, mitigation, and recovery, thus decreasing the need for repeated infusions of emergency assistance. Building resilience requires close cooperation between communities, businesses, and government authorities. Local efforts must be aligned with the programs, strategies, and budgets of higher levels of government, and metropolitan coordination mechanisms can be especially valuable. Community participation makes it possible to leverage city residents' unique knowledge of and innovative solutions to chronic problems. The private sector is a key partner for ensuring the long-term sustainability of resilience-enhancing measures.

USAID can assist countries to improve their public services, infrastructure, and land-use regulation; thus helping them adapt to emerging risks. USAID/Mozambique's Coastal City Adaptation Program (CCAP) was designed to increase coastal resilience to climate change in the country's secondary cities. These smaller and medium-sized cities are the fastest-growing urban agglomerations in Africa (as well as other parts of the developing world), but their weak governance structures and deficient infrastructure render them unprepared for this level of growth, which is largely driven by rural-to-urban migration to informal settlements. In addition, coastal cities account for a large share of population and economic activity, but are highly vulnerable to extreme yet recurring and increasingly frequent climate events.

CCAP was a five-year program aimed at improving the provision of climate-resilient urban services by municipalities, increasing adoption of climate-resilience measures by civic and community organizations, and strengthening local awareness of economic risk-management tools for at-risk urban infrastructure and livelihoods. Capacity building efforts involved multiple stakeholders, including national ministries, city authorities, civic organizations, and community members. The goal was to reduce risk and build resilience, with a focus on the coastal cities of Pemba, Quelimane, and Nacala, the municipalities of Mocímboa da Praia and Ilha de Moçambique, and the district of Palma.

CCAP contributed to developing emergency standard operating procedures and various training programs, producing vulnerability maps to be integrated with local cadasters, upgrading public information services and early warning systems, and restoring mangrove forests, among other activities. Some key lessons included the importance of carrying out detailed baseline assessments, mainstreaming resilience goals into broader urban development plans and budgets, ensuring coordination with higher levels of government, and securing private-sector buy-in, including through public-private partnerships.

3.2 CONSTRAINTS THAT COMPLICATE SUCCESSFUL DECENTRALIZATION

There are good theoretical reasons to expect decentralization to enhance stability, democracy, and development, and there is some empirical evidence from countries around the world that supports these theoretical claims. At the same time, it is clear that claims about the benefits of decentralization are sometimes unrealistic, and that years of sustained effort to achieve these benefits may be necessary. Decentralization presents an opportunity for change, but it can fail to deliver on its promised benefits due to a series of constraints that interrupt the causal relationships described in the previous section. Of particular importance are constraints on state strength, political and institutional constraints, and resource constraints, in addition to possible tradeoffs among the three goals above. Identifying these constraints is important because they shape how actors on the ground will respond (or fail to respond) to formal decentralizing changes.

3.2.1 CONSTRAINTS ON STATE STRENGTH

Even when decentralization takes its most expansive form—devolution—the national government still has important responsibilities that it must perform and that no other actor can perform: enforcement of rights, liberties, and the rule of law; protection of the territorial integrity of the state; and ensuring compliance with financial and fiscal regulations.

In many developing countries, state actors at the center cannot defend the rule of law throughout the national territory. In this sense, ironically, decentralization may fail to deliver on the promises that are enumerated above precisely because of a prior failure to centralize authority in the state. Incomplete state formation means that such representatives of the state as judges, prosecutors, and police officers have a difficult time uniformly upholding the rule of law. In many developing countries, the reach of the central state in different subnational jurisdictions is uneven, with a strong state presence in some subnational regions and the virtual absence of the state in others. Precisely because the rule of law enables the definition and enforcement of a robust intergovernmental framework, without which it is impossible to clarify the rights and responsibilities of subnational governments, the "unrule of law" can be devastating for decentralization in several ways. Decentralization substantially raises the stakes of illegal behavior on the part of subnational officials by transferring to them additional revenues, assets, and responsibilities. Decentralization may replace concentrated, large-scale corruption with more widespread forms of petty corruption. While stability, democracy, and development may be compromised by many actors (both public and private), the potential for subnational governments themselves to compromise these goals is also significant.

3.2.2 POLITICAL AND INSTITUTIONAL CONSTRAINTS

A series of political and institutional constraints also complicate the relationship between decentralization and the outcomes it is designed to promote. In politically decentralized countries, the internal structure of political parties is especially important in understanding how subnational actors respond to decentralization. In many countries, rigid party discipline and national control over subnational candidate selection limit the scope of political decentralization. Even where subnational elections have been introduced, candidates may be less responsive to local concerns if their parties force them to privilege the concerns of national patrons. Conversely, elected subnational officials who belong to parties not in power nationally may find themselves constrained by the center, limiting their ability to be responsive to local demands. Local politicians may use decentralized resources and authority to create their own clientelistic connections with voters and community groups, undercutting decentralization's role as a tool for democratization.

Frustration with subnational officials who remain unresponsive to local concerns—even where they are elected and not appointed—increases the significance of non-electoral mechanisms of accountability. As discussed above, civil society participation and community empowerment are crucial when promotion of democracy is the goal of decentralization. Yet civil society groups such as NGOs and customary authorities are not always representative of the local population, and may reinforce identity-based rather than residency-based inclusion. Diffuse social networks inhibit the kinds of information sharing that are necessary for social accountability. Because it is difficult for outsiders to engineer dense social networks where they do not exist, programming aimed at enhancing local accountability should be complemented by strong national oversight mechanisms.

Better organized groups routinely have an easier time participating in and benefitting from decentralized policy making. Around the world, evidence has mounted of elite capture, instances in which the most powerful local citizens dominate subnational governments and take over the resources that decentralization has shifted to these governments. Civil society groups that over-represent some subset of interests may be just as unaccountable to marginal populations as the subnational elected officials who prioritize the concerns of national party leaders.

THE DEBATE OVER PARTICIPATORY INSTITUTIONS AT THE LOCAL LEVEL

While devolution refers specifically to the transfer of authority to elected subnational governments, it has also facilitated the additional creation of new participatory institutions at the local level. These institutions broaden who actually exercises this devolved authority. In other words, rather than merely shifting power from one set of elected leaders to another, these institutions give a measure of direct decision-making authority to citizens themselves – even as these citizens continue to function as voters electing officials in representative institutions. Especially where local elected representatives care about pleasing national party leaders more than their own constituents, reformers have sought to create spaces that enable local residents and civil society organizations to collectively wield governing authority in their own right. Direct citizen participation of this sort is very hard to achieve at the national level due to a host of logistical and operational challenges that are simply not present at the local level, where the smaller scale of governance allows and invites direct participation by societal actors.

As one of the most pronounced trends in the developing world, the experimentation with participatory institutions has occurred in a variety of contexts and taken different forms. Perhaps the best known example is participatory budgeting. In this process, citizens come together to make binding decisions about which functional categories and specific projects should be prioritized with public funds. Beyond the budget, participatory institutions have also been established in many of the sectors that have experienced the greatest decentralization, including health, education, and infrastructure. In the throes of the commodity boom of the early 21st century, many countries experimented with new institutions that empower local communities to make decisions about where and when extractive projects can proceed. Participatory institutions have been a salient part of USAID's work in a broad set of projects, including to support service delivery (Niger), inclusive value chains (Paraguay), land certification (Ethiopia), and water governance (Armenia). As experience with participatory institutions has accumulated, a robust debate has emerged about the various advantages and disadvantages of this "participatory turn."

Considering the utility of participatory mechanisms

Advantages	Disadvantages
• Broadens democratic participation beyond the occasional vote. • Can empower the most marginalized actors in society. • Incentivizes the formation of more robust community based organizations • May provide a more effective counterweight to elected mayors than do elected municipal councils. • Serve as "schools for democracy" in which citizenship skills can be learned and practiced. • Can be layered on top of the representative institutions that are central to liberal democracy	• May be subject to various forms of manipulation by mayors or used by them as mere window dressing. • Typically affects only a limited portion of a municipality's discretionary spending. • Could divert societal pressure and energy from more comprehensive and/or re-distributive reforms. • Can replicate hierarchies between wealthier and more marginalized civil society organizations • Tends in practice to impose particular burdens on women's time. • May give voice to illicit/and or violent non-state armed actors at the local level.

Another set of constraints has to do with dynamics within national governments and between national governments and external donors. When a national government decides to decentralize, internal rivalries, turf wars, and intra-bureaucratic struggles for power and resources often limit the coherence of the government's overall decentralization strategy. These intra-bureaucratic struggles can be exacerbated when different donors work with different ministries. Typically, officials in sectoral, finance, and interior ministries will have different overarching goals and institutional incentives to prefer different types of decentralization. Many national bureaucratic agents do not support decentralization at all and will do everything they can to maintain control over their prior mandate and its associated resources. The same may be true of national elites who benefit from creeping authoritarian practices and laws.

3.2.3 RESOURCE CONSTRAINTS

Numerous resource constraints in developing countries, at both the national and subnational levels, can render decentralization substantially less effective than it has been in resource-rich countries. Many subnational governments and administrations simply do not have sufficient capacity to play the enhanced roles that they are expected to play in decentralized systems. With respect to administrative decentralization, not all subnational governments and administrations are capable of providing the more technically challenging services that they are assigned. With respect to fiscal decentralization, the amount of revenues that can be extracted in many subnational areas will be restricted by limited productive assets, low tax administration capacity, and the unpopularity of local taxes. In such settings, intergovernmental transfers become a major source of subnational revenue, and can actually create disincentives to collect taxes locally. Where fiscal decentralization takes the form of devolving taxing authority without increasing redistributive revenue transfers, inequalities in the level and quality of service provision between subnational jurisdictions are likely to worsen.

In the many historically centralized states of the developing world, resources have been especially scarce for subnational governments, resulting in less fiscal capacity to make and implement policy decisions. Subnational government revenues may also be less robust and more unpredictable in the present, relative to those of national administrations. Ensuring the quality of service provision may thus be most feasible

when working with deconcentrated national government entities. However, decentralizing responsibilities may be a necessary step to provide subnational governments with opportunities and incentives to strengthen their capacity. This is an argument against the notion that decentralization must be sequenced to begin with capacity building. In many countries, the limited capacity of subnational governments can become an indefinite justification for continued centralization. This rationale de facto limits the capacity of subnational governments over the long run.

3.2.4 CONSTRAINTS FROM TRADEOFFS AND CONFLICTING GOALS

The relationships between stability, democracy, and development can be quite complex. A particular decentralizing reform may have both positive and negative impacts on these different goals. Tensions may arise between democratic goals and developmental goals, between stability and democracy, or between stability and development, at least in the short term. Consequently, it may be necessary to prioritize one goal over another. These examples highlight possible tradeoffs or conflicts between the goals of decentralization:

Due to the complicated relationships and tradeoffs between stability, democracy, and development, it may be impossible for decentralization to provide progress toward all three goals at once. For this reason, USAID should engage in a frank assessment of how these goals relate to each other and which, if any, should take precedence in the country in question. Clarity about goals will improve the likelihood of designing decentralization programming that is appropriate for those goals. Simply put, USAID's goals for the country should directly inform the types of decentralizing changes that are supported.

Democracy

Resources spent on the clientelistic exchange of goods and services may undermine development but draw voters into elections.

Subnational elections expand democratic choice but empower previously marginalized groups who prove to be destabilizing.

Infrastructure projects critical for development opposed by local minority groups may be blocked through referenda or participatory institutions

Stability

Development

Figure 3.2 Examples of Tradeoffs and Conflicting Goals in Decentralization

3.3 FROM WHY TO HOW: CONSIDERING STRATEGIES AND TACTICS

Summarizing this chapter so far, decentralization can help countries achieve important goals (stability, democracy, and development) as well as higher-level objectives like greater citizen participation and inclusion, and more accountable institutions and leaders. Unfortunately, in practice, numerous constraints may thwart the positive impact that, in theory, decentralization can have on these goals and objectives. Having described key goals and common constraints, the next step is to suggest how field officers and project implementers might determine which goals are most pressing in a country. This preliminary assessment of the relative urgency of different goals will lead to the more systematic assessment described in the next chapter.

3.3.1 INSTABILITY AND ITS IMPACT ON THE DECENTRALIZATION MENU

To determine which goals take precedence in a given country, the level of stability should be assessed first. Examples of unstable states include those that are failing, have failed, or are recovering from failure. Most countries that are emerging from periods of intrastate conflict also have low levels of stability. Other indicators include the existence of significant separatist movements, ethnic cleavages that frequently erupt into violence and non-state militias or urban gangs that can effectively counter the national security forces. Field officers also may look for evidence that the state does not control all of its national territory, or that its representatives (such as police officers, prosecutors, and auditors) cannot effectively perform their services throughout the country.

In most unstable states, stability will take precedence over other goals including democracy and development. The primacy of stability does not mean that it is inherently more important than other goals, but instead reflects the reality that both democracy and development require stability. Stable states are desirable because they do a better job of protecting human life than do unstable states. Additionally, instability directly and negatively affects civic participation (upon which democracy depends) and public and private investment decisions (upon which development depends).

When stability is not in question, the menu of decentralizing options becomes relatively expansive. In contrast, when decentralization serves as a means to stabilize an unstable country, the preferable option is usually the *deconcentration* of power to locally based entities that remain under national government control. The reasons for this are more fully explained in the conclusion of this chapter. But one especially salient reason derives from the high stakes nature of decentralization in unstable countries and the possibility that devolution programming may have irreversible and counterproductive consequences. These realities provide one reason to favor gradualism in the transfer of resources and responsibilities to subnational actors.

3.3.2 DEMOCRATIC PRACTICE AT NATIONAL AND SUBNATIONAL LEVELS

There are important deficits of democracy and development in most of the countries in which USAID operates, even where stability is not a major concern. In countries that appear to be making development progress, but where democratization is lagging or suffering reversals, field officers may want to privilege democracy as the goal toward which decentralizing interventions are adopted.

Some assessment of the extent and quality of democracy should first be conducted. It is critical to conduct this assessment at both the national and subnational levels as the quality of democracy can differ radically at different levels within the same country. For instance, although authoritarian regimes are generally less likely to decentralize, in some countries (Brazil and Mexico in the 1980s, prior

to democratic transitions at the national level, to name two), authoritarian leaders have restricted democratization at the national level, but have been less hostile to political liberalization at the subnational level, which they deem to be less threatening. Morocco is another example of a country whose local political system is considerably more open than its national-level politics. Support for political decentralization in such settings may set the stage for more ambitious political reforms at the national level at a later time.

On the other hand, many countries have experienced transitions to democracy at the national level, but continue to restrict democratic practice at the subnational level. This occurs because national governments insist on their right to appoint subnational officials, or because entrenched authoritarian enclaves subvert subnational democracy. This too presents opportunities for programming, which may be designed to support subnational elections, undermine authoritarian local practices, or promote forms of local participation in those cases where subnational elections are ill advised.

Finally, undemocratic practices may arise in subnational elected settings, which then face the risk of becoming a national phenomena. This presents opportunities for programming that engages with civil society partners to monitor and assess local political developments, works with local populations to undermine popular support for authoritarian practices, or develops deradicalization or pro-pluralism programs to carry out within local education and community networks.

3.3.3 DEVELOPMENT AND INTRA-COUNTRY VARIATION

In many developing countries, waves of democratization followed by democratic rollback have substantially, but unevenly, altered the practice of democracy at the local and intermediate levels. Indeed, in some countries, democracy, transparency, and accountability appear to be more robust in certain subnational regions than they are at the national level (examples range from Kerala in India and the Cross River State in Nigeria to the city of Porto Alegre in Brazil). In such cases where democratic subnational regions are the exception rather than the norm, it is the potential of decentralization to advance development rather than democracy that should receive the attention of USAID. In practice, this may mean paying more attention to the fiscal and administrative spheres of decentralization relative to the political sphere, and to capacity-building efforts designed to improve subnational service provision.

One preliminary task critical to the pursuit of development through decentralization is to conduct an assessment of intra-country variation in the level of development across different subnational regions and the distinct development challenges they face. In many countries, the experience with economic liberalization has widened disparities between "have" and "have not" regions, along with the perception that lesser developed jurisdictions are being left further behind. A development assessment that is attentive to economic and social geography should enable programmers to tailor interventions for subnational regions at different levels of development, ranging from cities that have vibrant private sectors but struggle with service provision for the urban poor to rural jurisdictions with extremely limited resource endowments (land, labor, and capital). Regions that are rich in natural resources may also call for special attention, especially in countries that have decentralized royalties. Programming should consider treating different regions asymmetrically, proposing or supporting reforms that would be enacted only in locations that meet certain criteria (e.g. existence of the rule of law), have special economic characteristics (e.g. resource-rich regions), or face specific economic challenges (e.g. urban poverty). Such asymmetric approaches allow USAID to select from a menu of targeted programming options, which are defined by specific program goals.

3.4 BALANCING GOALS: DECONCENTRATION OR DEVOLUTION?

This chapter has reviewed the goals of decentralization and the constraints that can hinder the achievement of these goals. Chief among these constraints is the absence of a strong, capable central government with a clear political commitment to decentralization. Central governments must be able to establish rules and regulations to oversee the behavior of subnational actors. For USAID programming, the strength of a country's central government will be a key determinant of which form of decentralization is most desirable: deconcentration or devolution. Where countries are pursuing both forms of decentralization, USAID may have to decide if it wants to mostly support either devolution or deconcentration. For example, in any given country the choice may be between working with devolved local governments to help them fulfill their new responsibilities or supporting ministries of health and education in the deconcentration of their services.

It is important to keep in mind that the relative appeal of deconcentration and devolution varies across the three goals considered in this chapter. Whether deconcentration or devolution will enhance or undermine the goal of stability remains controversial. This handbook strikes a pragmatic, albeit theoretically informed, approach to this question. Supporting deconcentration—despite its status as a more limited form of decentralization—can be the most appropriate programming approach in countries where stability is the primary goal of democratic decentralization. Conversely, as we see below, devolution will be the more appropriate aim in environments that are characterized by social stability yet have low levels of economic development and have less democratic governance structures.

Why does deconcentration constitute a best practice for programming in unstable situations? This pragmatic conclusion emerges for several reasons:

- **Resources.** USAID will typically not be able to leverage sufficient resources on its own to support devolution in unfavorable environments, such as societies in conflict or in an immediate post-conflict situation. Here, deconcentration may be the only feasible approach to creating stability, since devolution multiplies the number of intervention points and increases the costs of action, monitoring, and learning.

- **Political incentives.** In countries where stability is the preeminent goal, central governments will be reticent about devolving power. The incentives facing national leaders will strongly lead in the direction of attempts to consolidate state authority and the rule of law at the center, with devolution of power unlikely to gain favor as a strategy among important decision makers.

- **Sequencing possibilities.** Deconcentration may be a lower-risk strategy than devolution. Under the do-no-harm principle, deconcentration represents an approach that can subsequently be modified toward devolution as democracy emerges as a more realistic goal. However, the reverse sequence— devolving power and then trying to reclaim it— will be more difficult. Where deconcentration efforts focus on subnational capacity building, this will help facilitate devolution when it becomes feasible.

Unstable environments may not represent the majority of USAID's partner countries, but these unstable countries are often especially vital to the Agency's portfolio of activities. Indeed, some of USAID's most substantial investments happen in societies that are in the process of social, economic, and political reconstruction. These USAID sites will be some of the largest, both in terms of personnel and budgets. Work in these unstable or post-conflict environments must first ensure stability and the rule of law as prerequisites to the Agency's other goals of promoting democracy and development.

By contrast, in countries that are stable, the most salient actions are those that promote democracy and development. In stable environments where democratization is the principal goal, programmers should encourage the practice of devolution. Logically, such programming must emphasize subnational authority and autonomy. To deepen democracy, decentralization must empower officials responsible to an electorate. In nearly all cases, this means supporting political decentralization and the accountability of subnational elected officials to constituencies in their districts, provinces, or localities. As with stability above, exceptions will exist to this general rule (such as in cases where national democracy is robust yet subnational elections are easily captured by local elites). Yet, even with these exceptions, the crux of devolution is the deepening of democracy at the subnational level.

If stability is best approached through deconcentration and democracy through devolution, then the goal of development demands a more nuanced statement. Development may be best served by deconcentration (where this will result in the most efficient provision of locally demanded public services), or it may demand devolution (where the goal is local economic stimulus through subnationally-driven priorities and preferences). By the former logic, deconcentration may be the most apt solution for promoting development where subnational administrations of the central government have higher capacity for service provision than do subnational elected governments. In these cases, devolution would have the perverse effect of hampering development by lowering the quality of public services. By the latter logic, accountable local officials and vibrant local debate on priorities are crucial for promoting local economic competitiveness. Accountability here must flow between citizens and subnational officials, and not solely between subnational officials and the national government. Depending upon country circumstances, deconcentration and devolution can each have a place in promoting development.

While separate consideration of the potential goals of decentralization is useful for analytic and didactic purposes, partner governments and USAID missions generally seek some prioritized mixture of two or more goals in the design of projects. Therefore, the following chapters of this handbook are organized in terms of the most common principal arenas of project activities: the national government arena, the subnational government arena, and the civil society arena.

4.0 ASSESSING THE ENVIRONMENT FOR DECENTRALIZATION REFORM

This chapter draws upon the preceding conceptual framework to develop an assessment framework that programmers can use to analyze the decentralization process. The assessment framework is designed to help define a country-appropriate program for the goal(s) selected and later select specific interventions. The framework can be used to develop programmatic recommendations that target the critical decentralization deficits in a country and that identify primary actors and rules in each of decentralization's three arenas (national, subnational, and civil society). As the chapter progresses from the national to the subnational arena, the focus shifts from assessing the environment for decentralization (as a decision that is taken at the national level) to the environment for local governance work. Chapter 5 then describes how the findings from the assessment can lead to strategic and programmatic recommendations.

A decentralization assessment may follow upon and deepen the findings of a DRG assessment. Local government is one of the institutional arenas included in the Strategic Assessment Framework, and missions can decide to focus on local governance as part of the DRG assessment. The DRG assessments will have provided an analysis of the broader political dynamics within which the decentralization process is occurring, and can offer valuable insights into the structural determinants—both motivating elements and constraints—of the reform process. A DRG assessment will have identified important country characteristics that affect decentralization, such as regime type, the presence of conflict vulnerabilities, and the central DRG and developmental challenges facing a host country. In addition to keeping the DRG assessment in mind, field officers should also make special note of any decentralization programming their mission or other donors may have sponsored in the past. Precisely because USAID has been involved in the promotion of decentralization for many decades now, new programming in this area is likely building on earlier projects and activities and can take advantage of lessons learned from previous work.

The decentralization assessment framework presented here is divided into four steps to assist practitioners in dealing with the complexities of decentralization in various settings. It is not meant as a prescriptive, cookie-cutter approach, but rather as a way of identifying who the key reformers (and possible opponents) are and where the key decentralization deficits lay. This framework will offer assessment tools of sufficient depth to allow for meaningful, concrete recommendations on targets of intervention. It is also important to note the especially fluid nature of decentralization, which means that the answers to the questions suggested in this chapter may need to be updated over the course of the project lifespan. USAID staff should not approach this assessment as an exercise that takes place only at the beginning of a project; successful adaptation requires re-assessing the environment for decentralization in the wake of major shifts (i.e. the national government cancels subnational elections or a party comes to power on a promise of decentralizing resources).

The four steps are as follows, with each step designed around a primary question to be answered:

Step 1: Analysis of political dynamics
Where did decentralization reform come from?

↓

Step 2: Analysis of political, fiscal, and administrative decentralization in current sub national governments
Where are there deficits that international donors like USAID can't support?

↓

Step 3: Identification of principle actors and their support of decentralization reforms
How feasible will it be to get support for reforms designed to address the deficits identified in step 2?

↓

Step 4: Analysis of national, sub national, and civil society arenas for programming
What are the existing national policies, sub national administrative rules, and social/community networks through which to design and execute interventions?

Figure 4.1 Steps of Assessment

While the assessment framework is structured around four steps, research related to the steps will most likely be carried out simultaneously. However, for planning and presentation purposes, it is recommended that the findings of the analysis be structured as follows:

4.1 STEP 1: ANALYSIS OF POLITICAL DYNAMICS (AKA "THE COUNTRY CONTEXT")

A decentralization assessment should begin with a section that provides a contextual background for understanding the decentralization process in a given country. The reasons decentralization is being pursued, the central characteristics of the reform program, and the degree of support it enjoys should be concisely presented. This contextual analysis provides a critical point of reference for the subsequent assessment steps. It should be brief, drawing upon a mission's preceding DRG assessment.

This opening section should allow the reader to be able to answer the following questions:

- What are the main drivers of the national government's decision to adopt or reject decentralization (for example, democratic transition, economic crisis, post-conflict settlement, donor pressure, or poorly performing subnational public sector entities)?

- Are there particular political problems (such as regional or ethnic tensions) that the government seeks to resolve through decentralization?

- What are the principal goals sought by proponents of decentralization?

- Is there evidence of broad political support for decentralization or do important political actors question the merits of decentralization? Is it likely to be enacted or implemented, depending on the case?

- Are there any important differences in vision among key parties (such as national government agencies, major political parties, or powerful interest groups)?

- What are the urban growth trajectories in the country, and what is the role of smaller secondary cities in absorbing urban population growth? Do metropolitan-level institutions exist?

BOSNIA AND HERZEGOVINA – ASSESSING TRADEOFFS BETWEEN GOALS

Since the 1995 Dayton Peace Agreement ended the war in Bosnia and Herzegovina (BiH) and established its independence, the new country has undergone extensive reform across all dimensions of decentralization. An assessment of the "country context" would bring into focus the challenging trade-offs that decentralization can encounter: the very reforms that helped to achieve stability as the chief goal in BiH have created obstacles for both democracy and development.

The Constitution of BiH reflects the devolution form of decentralization intended to mitigate ethnic tension by creating more autonomous governance based on the spatial concentration of cultural and ethnic groups. By establishing strong regional entities under a relatively weak central government so that Bosniaks, Croats and Serbs would accept membership in a multi-ethnic political system, decentralization helped end the most destructive war in Europe since World War II. Though in many post-conflict environments devolution can be a riskier strategy than deconcentration, in BiH the decision to transfer significant degrees of fiscal and administrative authority to subnational governments (e.g. devolution), rather than strengthen subnational branches of national line ministries (e.g., deconcentration) has promoted stability. Since the end of the war, public opinion surveys have shown an increase in public satisfaction with municipal and regional governments in BiH, and the former are consistently ranked by citizens as the most trustworthy and accessible level of government.

Notwithstanding clear achievements in the initial goals of decentralization, the creation of decentralized and autonomous regional entities has reinforced the domination of ethnically-exclusive parties who preside over patronage networks with deep roots in the war economy. As ethnic groups capture the local state, clientelism and nepotism have grown unchecked, especially after the departure of the UN High Representative. Furthermore, the cumbersome administrative divisions created by devolution for the sake of stability now increasingly hamper the achievement of economic growth. Correspondingly, redundant and dysfunctional administrative divisions provide a rich resource for political corruption, widely recognized as a leading constraint on foreign investment. Despite diverse views on the appropriate structure of subnational government, virtually all major political actors agree that the present structure of government in BiH is inefficient and presents a major impediment to growth.

Thus a major challenge in Bosnia and Herzegovina is to strike a more effective balance between the three goals of stability, democracy, and development. As the likelihood of new large-scale violence continues to fade, decentralization programming in BiH should be designed to enhance the prospects for democracy and development without compromising the important previous gains in terms of stability.

4.2 STEP 2: ANALYSIS OF POLITICAL, FISCAL, AND ADMINISTRATIVE DECENTRALIZATION IN CURRENT SUBNATIONAL GOVERNMENTS (AKA "THE CURRENT STATUS OF SUBNATIONAL GOVERNMENTS")

The purpose of step 2 is to take stock of the status of subnational governments in terms of the authority, resources, and capacity they currently enjoy. In countries that have yet to adopt decentralizing measures in any significant way, this mapping exercise is a simple one that merely documents the lack of subnational prerogatives. Most countries, however, have already experimented with some form of decentralization, which means that accurately assessing the current standing of subnational governments (and subnational administrative units) is an important priority. Simply put, few countries are at the starting point in terms of the design and implementation of decentralizing changes, and DG officers should be on the lookout for unevenness across the three dimensions.

Step 2 of the assessment should therefore examine the extent of decentralization in its three dimensions, as follows:

Political Decentralization: Questions addressed in regard to this fundamental dimension of decentralization revolve around the extent to which subnational officials have the discretion to make decisions based on local considerations. Key questions include the following:

- Is the state unitary or federal in design?

- Are competitive subnational elections regularly held for both executive and legislative positions? What electoral rules are in place (partisan vs. nonpartisan races, first past the post vs. proportional representation, term limits, majority runoffs, gender quotas)?

- What are the constraints in cases where political competition is allowed but ineffective (for example, dominance of one party, manipulation by national level party forces, local elite capture, or poor voter turnout)?

- Are other accountability mechanisms beyond the blunt instrument of elections provided for in the decentralization framework (such as recalls, plebiscites, referenda on specific issues, town hall meetings, and citizen surveys)?

- Do subnational governments and administrative units have autonomy in making subnational decisions, or are they subject to national government veto?

- Are there legal or institutional mechanisms to ensure full political representation?

- Do indigenous or traditional jurisdictions have significant authority over self-governance?

- Is increased women's representation, in elected and/or appointed positions, and participation (voting) addressed at the subnational level?

- Are subnational governments and administrative units constrained by national laws protecting individual liberties and civil rights?

- In metropolitan regions composed of multiple municipalities, is there a chief executive position at the metropolitan level and is that authority directly elected?

Fiscal Decentralization: Questions about the fiscal dimension of decentralization should assess the various sources, and relative sufficiency of the fiscal and financial resources under the control of subnational public officials. Key questions include the following:

- What is the role of the revenue sharing system in funding subnational governments? What are the main criteria used in determining subnational shares of these revenues? Is there a national body charged with ensuring that the transfer formula is respected? Does the transfer system incentivize local tax effort? Does it create any perverse incentives (e.g. capital spending at the expense of operations and management)?

- What oversight mechanisms and systems of rewards and punishments exist to promote good financial management?

- What percentage of revenue comes from own-source revenues? Have subnational governments used the revenue-generation functions for which they have been assigned responsibility (including own-sources of revenue and, where applicable, borrowing)?

- If so, how successful at raising revenues have subnational governments generally been? What are the main types of taxes (e.g., property, sales, business, or income taxes) used by subnational governments? What is the balance between revenues from taxes and fees? Does revenue from fees come from many different types of fees or just a select few?

- For property taxes, who is in charge of land titling and who maintains a register of land values? Are these registries (cadastres) up to date? Are they integrated with national-level systems? What is the impact of (re)zoning decisions on property tax revenue?

- How widespread is the use of public-private partnerships (PPPs)? Are LGs allowed to enter into a PPP without central government approval?

- Are the specific reasons for weaknesses in revenue performance known (for example, underdeveloped revenue generation procedures, limited revenue authority, poor revenue bases, lack of legal authority or capacity for collection, weak enforcement capacity, large transfers that undermine revenue generation, politicization of revenue administration or lending mechanisms, or local political opposition)?

- How effective are subnational governments' financial management systems and capacities? Do subnational governments use an integrated financial management system? If audited by the center, what are the most common audit findings?

- How transparent and inclusive is the budget planning and preparation process? Does the subnational government use participatory budgeting techniques or hold public budget hearings? Are governments required to disclose online planning and budgeting documents?

Administrative Decentralization: Questions posed in regard to administrative decentralization should focus on the roles that subnational governments and administrative units play in service provision. Reinforcing and protecting the autonomy of subnational units to exercise their authority not only helps them to act more independently but also constrains the national government from unduly interfering. Key questions include the following:

• Does the national decentralization framework authorize subnational governments and administrations to perform certain roles, and does it endow them with specific rights? How much subnational discretion exists relative to specific functions?

• s there central government oversight of the administrative functions of subnational governments and administrations?

• Have subnational governments actually adopted service or other public functions (dispute resolution or land titling, for example) for which they have been assigned or allowed responsibility?

• Do subnational governments and administrative units have some degree of control over the hiring, firing, and management of local employees?

• Do subnational bureaucrats remain primarily accountable to national actors? (In the case of devolution, subnational employees should, in theory, be formally and practically accountable to elected subnational governments.)

• Is there institutional and legal space for the creation of metropolitan governance or special purpose governments?

• Does the decentralization framework specify roles for civil society or community-based organizations? (Note: these roles may be specified in the constitution, in laws, in administrative decrees, or in some combination of these.)

• Do traditional authorities have any formal authority over justice institutions and/or service provision?

• Are there provisions for improving women's appointments to subnational bureaucratic agencies?

At the end of step 2, the analysis of the status of subnational governments in each of these three dimensions should lead to a preliminary identification and prioritization of the key opportunities to be supported, along with critical constraints that must be overcome for decentralization to succeed in realizing the goal(s) sought.

RESPONDING TO RECENTRALIZATION

Despite its continued popularity across the developing world, there is nothing inevitable about decentralization. Even as this global trend continues to unfold, many countries that have decentralized have already experienced various forms of recentralization. A full assessment of the prospects for decentralization in a given country should pay attention to whether recentralizing changes have been proposed or adopted, by whom, for what reasons, and with what degree of success.

Recentralization can occur across all three dimensions of change: political, fiscal, and administrative. The most visible but rarest form is the cancelling of elections for subnational authorities in all or parts of the country, although political recentralization can also take more subtle forms, including the proscription of certain candidates in gubernatorial or mayoral elections or the judicial harassment of elected opposition leaders. Because fiscal decentralization more often takes the form of revenue sharing as opposed to devolved tax bases, recentralization commonly occurs through changes that reduce the size of fiscal transfers, often through technical changes in the types of revenues that are subject to revenue sharing or sending lump sum rather than percentage-based transfers. Administrative recentralization may involve the imposition of tight, nationally-determined controls on what exactly subnational units can do with their resources, but it may also manifest in the rollback of responsibilities or even take back of facilities (e.g. hospitals, universities) to the center. To illustrate the variety of forms that recentralization can take, consider these examples.

Iraq: Just three years after a 2015 law that initiated the devolution of administrative powers to the provinces (along with the transfer of tens of thousands of public employees), the Iraqi parliament passed an amendment that reinstated central authority over education and health care. Frustrated with the performance of elected provincial councils – a key piece of political decentralization -- parliament subsequently decided in 2019 to suspend these councils and to reclaim their oversight authority.

Mexico: In 2014 Mexico's governors were stripped of the authority to appoint and remove members of state-level electoral boards in a pact that was supported by all major parties (the Pact for Mexico). To build multi-party support for recentralization, this authority was returned not to the federal executive or legislative branches but insulated in an autonomous new constitutional body at the center: the National Electoral Institute. Other recentralizing changes include new controls on subnational borrowing and the payment of teachers' salaries by the federal government.

South Africa: Single party rule by the African National Congress (ANC) has produced various forms of recentralization, despite the important role that decentralization had played as a key concession to the outgoing regime during the transition from apartheid. As a response to poor local service delivery, the ANC has proposed a Single Public Service to transfer local government staff to the national and provincial public service, which could improve capacity but erode local democracy by redirecting accountability upwards.

How should USAID and other donors respond to the realities of recentralization? Just as decentralization is not an end in itself but rather a means to an end, the same can be said of recentralization. Rather than consider recentralization as implicitly negative, it is important to ask who is pushing to recentralize, why, when, and in what form. USAID may decide to support recentralizing changes. However, a skeptical stance may make sense, especially when too little time has transpired after decentralization to fairly assess its performance and prospects; when addressing capacity deficits may obviate the perceived need to return authority; when the national incumbents who are now pushing to recentralize actually supported decentralization as opposition parties; or when national governments seek only political but not fiscal or administrative decentralization.

4.3 STEP 3: IDENTIFICATION OF KEY ACTORS AND THEIR SUPPORT FOR DECENTRALIZATION REFORMS (AKA "THE POLITICAL ECONOMY OF REFORM")

Having assessed the current decentralization framework and the status of subnational governments in step 2, the assessment framework now moves to consider feasibility issues given the political economy of decentralization and the interests of key actors involved in the process. The purpose of step 3 is to help prioritize the targets for intervention that emerge from step 2. Step 3 identifies the dynamics, interests, and expressed goals of the decentralization process. What vested interests might resist the process? How will the various stakeholders likely suffer or gain from decentralization?

Careful consideration of the likely sources of support and opposition for furthering reform or modifying current reforms is imperative. USAID may be unable to effectively assist with desirable and technically attainable reforms if support in the beneficiary country is weakly placed and opposition is powerful.

Preference should be given to activities with a reasonable chance of being implemented or influencing how key relevant actors think about decentralization. The national government is never a monolithic actor, even in one-party states. Instead, it is made up of multiple agencies with varying visions of and motives for decentralization, as well as different levels of institutional capacity and policymaking influence. In many countries, for example, there are distinctions between actors responsible for overall public resource allocation and management (the Ministry of Finance, Ministry of Planning, and Civil Service Commission, for example), general local government support and oversight (Ministry of Local Government, Ministry of Home Affairs, and Ministry of Interior), and specific sectors (Education, Health, Public Works). Which sectors matter most and how they are impacted depends on a given country's approach to decentralization. Failure to identify all of the key actors involved in decentralization, the specific role they play, and the extent to which they cooperate or compete could result in problematic decentralization programming decisions.

Getting a solid handle on who the key actors are at the subnational level and within civil society can be even more challenging. Where USAID seeks to support deconcentration as a strategy, programmers should pay special attention to the needs and demands of civil servants who have been assigned to subnational locations (whose cooperation is especially necessary for the success of this strategy). Supporting deconcentration can also mean expanding forms of interaction between civil servants and civil society, typically in the form of NGOs that partner with the government in providing services. In post-conflict environments, where deconcentration holds special appeal, programmers will want to solicit the views of subnational actors in that part of the national territory where the conflict was concentrated.

Where countries have opted instead for devolution, it is critical that DG officers pay attention to the needs and demands of subnational officials who have been elected to what are, almost by definition, new offices. Depending on which dimensions of decentralization have received the most attention, key subnational actors are likely to include mayors and governors who believe that the chances of their being reelected depend fundamentally on the transfer of greater fiscal authority and administrative independence. Alternatively, they may see subnational offices as a stepping stone to national offices, in which case they might have more mixed motives.

Step 3 begins with the identification of the key actors and institutions and how their interests are likely to be affected by decentralization. It is especially important to determine whether there are viable champions and networks of reformists that can be strengthened and which areas of intervention are most likely to arouse opposition, either to policy reform or implementation.

- What are the key national institutions and what specific role does each play? Is there a lead agency responsible for decentralization?

- Has the central government taken serious steps to implement decentralization?

- Do key institutions have similar or competing visions of decentralized governance and the systems or procedures for working with local governments and civil society?

- How well do key institutions work together and how does this affect the design and implementation of decentralization reforms?

- How much central government oversight are subnational governments subject to?

- Have opposition parties won elections in important cities or metropolitan regions, and how has the party in power nationally responded to its electoral defeat in these jurisdictions?

- Have associations of subnational governments (municipal associations or leagues of governors, for example) been formed? Are they active and effective?

- Do national-level networks or federations of local civil society organizations (CSOs) exist? Do they play any role or have any position related to decentralization?

- Have nationally organized groups such as labor unions, environmentalists, women's organizations, and peasant federations adopted a stance about decentralization?

- Are there important traditional authority structures in place that parallel subnational governments or administrative units? Have these structures been affected by decentralization?

- Have gender-balancing measures been adopted or implemented within subnational governments, especially in post-conflict settings? Have these been affected by decentralization?

- Are there incentives that encourage subnational officials to re-classify their jurisdictions (to qualify for greater resources or authority)?

The results of the analysis of actors and their interests in step 3 should lead to a reconsideration of the priorities for addressing the decentralization deficits identified in step 2. No matter how critical the deficit may appear to be, the prospects for success will be severely constrained if the reformists are too few or too weak, or if the opponents are too invested in the status quo and too strong. Conversely, prospects for intervention to address specific decentralization deficits will be greater if the interests of influential key actors are aligned with the recommended interventions.

THE POLITICAL ECONOMY OF DECENTRALIZATION: COMMON REFORM DYNAMICS

While politicians may refer to lofty goals like democracy or development when they explain their support for decentralization, more covert political logic and often short-term political pressures are usually also at play. Political economy analysis suggests that programmers should assess how any given decentralization measure might advance or undermine the interests of relevant stakeholders. Consider these seven common dynamics:

1. **Where you sit is where you stand:** Political actors' attitudes toward decentralization usually respond to their institutional identities and mandates. Ministries of Finance worry about possible threats to fiscal stability more than Ministries of Local Government. Subnational officials may be more interested in receiving fiscal transfers than taking on additional revenue-raising responsibilities.

2. **Partisan dealignment:** Inevitably, as more countries experience political decentralization through the introduction of subnational elections, different tiers of government (national, intermediate, and local) will be controlled far less frequently by the same party. Partisan identities may shape preferences even more than institutional identities.

3. **Progressive ambition:** Assuming ambition on the part of politicians is a safe assumption for the simple reason that they can only deliver on promises if they win office. But politicians do not stand still and career trajectories vary a great deal from country to country in terms of whether subnational leaders aspire to national (elected or appointed) office, or vice versa.

4. **Sequencing matters:** Precisely because decentralization can occur in one dimension at a time (political, fiscal, and administrative), different sequences may empower subnational and national actors to varying degrees. Sequences that begin with political decentralization often do the most to empower subnational officials, who can immediately claim democratic legitimacy.

5. **Circumventing governors:** Especially, but not exclusively, in countries with internal territorial cleavages, the national government may have cause to fear decentralizing changes that empower regional elites at the intermediate-level of government. In contrast, elected officials at the local level usually have a harder time challenging the center and are seen by the center as less risky.

6. **Divide and conquer:** According to the same logic, national officials may support decentralizing changes only if they are accompanied by jurisdictional changes that subdivide regional governments into smaller and less threatening units. Subnational officials may have their own reasons to support fragmentation if the new units will be automatically eligible for transfers.

7. **Strength in unity:** Decentralization can often be characterized as a David vs. Goliath struggle given the power disparities between national governments and even the strongest subnational unit. Eschewing bilateral interactions with the center, subnational units have banded together to create associations that allow them to coordinate and "punch above their weight."

4.4 STEP 4: ANALYSIS OF NATIONAL, SUBNATIONAL, AND CIVIL SOCIETY ARENAS FOR PROGRAMMING (AKA "INSTITUTIONAL ARENAS OF REFORM")

The preceding feasibility analysis enables programmers to identify key elements of decentralization and to prioritize them according to where the impact of assistance will likely be greatest and most readily absorbed. Step 4 turns to the institutional arenas that structure the decentralization process, namely the national, subnational, and civil society arenas. This will help to identify concrete points of intervention. Each arena must function effectively, although differently, so that decentralization can achieve the goals that motivated its adoption. The stakeholders reviewed in step 3 can be grouped into the three major arenas where they typically operate. This section describes how field officers can assess each of these arenas in order to design programmatic interventions.

The purpose of this step is to evaluate those aspects of the arenas that the preceding analyses indicate may be fruitful points of intervention. This section will attempt to foster a detailed understanding of the institutional and organizational dynamics through which the decentralization deficits identified in step 2 can be addressed.

4.4.1 NATIONAL ARENA

Subnational actors may take independent steps that strengthen their hand in local governance, but formal decentralization is by definition always an act of a central government that relinquishes certain rights and responsibilities to lower levels. The national arena is where decisions to redistribute authority are often made. Thus, an assessment of the decentralization environment should start with evaluating the stance and actions of the national government. Decentralization reform must be understood in terms of the levels that are being targeted. A national policy of increasing the role of provincial offices of central agencies and the resources provided to them through a hierarchically integrated national budget, for example, would require different types of donor support than a policy creating elected local governments with autonomous expenditure and revenue assignments.

The nature and content of the national framework for decentralization and local governance provide an indicator of how serious the government is about decentralization and may suggest potentially productive areas for donor interventions. Formalized constitutional and legal frameworks are in principle stronger than those provided in ministerial decrees. A good national framework must meet certain basic principles to meet the intended goals of decentralization. In most cases, there are opportunities for donor support to further develop the framework. Analysis of this arena will build upon lessons gleaned from steps 1 and 3 in regard to the motives and degree of support for decentralization. Lines of inquiry regarding the national arena will likely include:

- At what subnational level(s) is decentralization being pursued?

- How many levels of administration and government exist? Has this changed recently?

- What is the importance, or planned importance, of the relative roles of each level under the decentralization policy?

- What is the formal framework for decentralization and local governance? Are there specific aspects of the framework that require further elaboration (such as details on functional assignments or additional legislation to formalize subnational revenue sources)?

- Is there an explicit match between revenues and expenditures, such that subnational governments are not being asked to assume responsibilities that they have no means of financing? If so, has the government made efforts to realistically cost out the expenditure requirements of the mandates being transferred to subnational governments?

PERU'S NATIONAL FRAMEWORK FOR DECENTRALIZATION AND LOCAL GOVERNANCE

The Peruvian experience highlights the importance of assessing a country's decentralization framework in as comprehensive a fashion as possible. Specifically, in order to account for why fiscal decentralization in Peru has lagged dramatically behind that of other countries in the region—including other unitary cases as Bolivia and Colombia—it is critical to understand how the country's national framework envisions the relationship between fiscal decentralization and reforms in the structure of subnational government. Peru serves as a reminder that, although we think of decentralization as the transfer of authority to established subnational units, the borders between those units may be in flux.

Specifically, the passage of the February 2004 Fiscal Decentralization Law made deeper fiscal decentralization contingent upon the success of an October 2005 public referendum on the amalgamation of departmental governments into larger regional governments. The intention of unifying two or more departments into a region was to gain greater efficiency in the administration of public resources, to promote more equitable economic development throughout the country, and to establish a political counterweight to the hegemony of Lima as the country's national capital and economic powerhouse.

When voters rejected the proposal to consolidate 26 departments into 12 regions in the referendum, this meant that fiscal decentralization could not occur, including a new revenue-sharing system for regions from income and value added taxes. To this date, no regions have been created. Even as fiscal decentralization stalled, the global spike in prices for Peru's mineral exports since 2002 generated huge increases in royalty payments for subnational units -- but only for those departments lucky enough to have mineral deposits. Authorities in these resource-rich departments are understandably loath to "surrender" prized financial resources by melding with less resource-rich departments.

An assessment of Peru's national framework thus yields the following insight: precisely because this framework delays fiscal decentralization until after the (unlikely) integration of departments into regions, new legislation needs to be designed that would make fiscal decentralization possible even in the absence of regional integration. However, it is now difficult to envision how the Government of Peru might structure the political and financial incentives needed to garner the support required to move the process forward. This is troubling because growing inequalities in the regional distribution of resources—a situation that the decentralization process was meant, in part, to correct—undermine and may ultimately threaten public support for the decentralization process itself.

4.4.2 SUBNATIONAL ARENA

While the decentralization framework is largely defined and managed by the central government, subnational actors have to assume the responsibilities that are being decentralized. They also typically are charged with further developing some local aspects of the framework, including the design of local revenue policy and the regulatory environment for private sector activity. They may also take independent steps to strengthen local governance and democracy at the national level.

Thus, at the subnational level, it is important to understand how decentralization is unfolding and how actors are reacting to it. Such an understanding can help point to potentially productive interventions in the national sphere as well as ways of supporting subnational governments and other actors as they attempt to function in an unfamiliar decentralizing environment.

Nature and stability of subnational units. Before assessing how decentralization is evolving at the subnational level, it is useful to take stock of certain features of the subnational environment that may influence the design of possible interventions. These include the nature and stability of subnational units and the nature of relationships across levels and among units at the same level. The extent to which subnational units are similar or dissimilar will influence the type of broad support strategy that USAID might wish to take. The degree to which the jurisdictional boundaries are stable or shifting is also an important consideration, as decentralization may have set into motion attempts either to create new subnational units or fuse existing ones.

The creation of new subnational units may occur either by subdividing an existing unit into multiple "new" units or by combining existing units to form a single "new" unit. The process of unit creation usually considers the viability of the new unit(s), including population homogeneity, infrastructure needs, and capacity challenges. But unit creation processes may also reflect political considerations by local and national elites, who perceive that there are political gains to be made via the unit reshaping process.

Regardless of the impetus for subnational unit creation, intra-country variation in the size and shape of subnational jurisdictions is common. Very sparsely populated regions tend to be geographically large, while the most densely populated urban areas tend to be geographically small. Both present challenges to functional governance for different reasons, but only urban areas face issues related to urban classification changes and jurisdictional overlap. In short, a single urban area may be composed of multiple overlapping jurisdictional layers that compete with each other over resource allocation and policy authority. This overlap may hinder responsiveness if it blurs the lines of vertical and horizontal accountability.

- Are subnational governments relatively homogeneous or heterogeneous (in terms of type, size, economic activity, rural vs. urban, capacity, access to outside sources of revenue, ethnicity, and the nature and quality of political competition)?

- How stable are the existing number and structure of subnational governments?

- Does the decentralization framework create incentives for either the proliferation or fusion of subnational units?

- What is the degree of overlap between multi-purpose governments and single-purpose governing authorities (i.e. water districts or transit authorities)? Is it clear which layer of subnational government is responsible for various public services?

SUBNATIONAL UNIT DESIGN AND JURISDICTIONAL ISSUES IN THE PHILIPPINES

In the Philippines, pressures for urban classification changes and complications from jurisdictional overlap demonstrate some of the difficulties in holding elected officials accountable under decentralization. As laid out in the Local Government Code of 1991 (LGC), the first tier of subnational government includes the 81 provinces and 38 independent cities, which hold equivalent authority and legal status; provinces are then divided into 107 component cities (smaller urban areas) and 1,489 municipalities (rural areas); independent cities, component cities and municipalities are all subdivided into 42,000+ local villages known as barangay. Thus there are two distinct forms of vertical accountability in the Philippines: 1) from villages to independent cities to the national government, and 2) from villages to municipalities/component cities to provinces to the national government.

From a policy authority standpoint, component cities prefer to be "upgraded" to independent cities: independent cities convene their own government and are not responsible to provincial governments, and are thus free to make policy, with only interventions by the national government. From a resource standpoint, municipalities prefer to be "upgraded" to component cities: both types of cities receive more revenues via the intergovernmental transfer Internal Revenue Allotment (IRA) system compared with municipalities. In contrast, both independent and component cities tend to oppose municipality upgrades because it dilutes the city-designated IRA resource pool, while independent cities rarely care if component city upgrades occur because they already share the city-designated IRA resource pool, which is distributed based on local population size. As the National Congress possesses sole authority to upgrade city status, these competing pressures regarding urban classification changes often lead to political interventions rather than decisions based on functionality or governance considerations. Downgrades to city status are not provided for in the LGC.

Though the decision to designate an independent city technically frees it from provincial control, it also removes it from being involved in provincial decision-making. Citizens of most of the independent cities cannot vote in provincial elections even when the city is physically located within the province. This means that day-to-day life and governance may still be affected for residents of the independent city as if it were a constituent part of the surrounding province, but they have no electoral recourse to demand accountability for policy decisions made by the provincial government. However, because the decisions about upgrading to the highest urban status are rarely based solely out of concerns for effective governance, many exceptions occur that blur the lines of jurisdictional overlap and accountability in some parts of the country.

One example is Cebu City, an independent city which is also the capital of Cebu province. When Cebu City originally became a chartered city (a historical predecessor to a modern independent city), its charter barred its residents from voting in Cebu's provincial elections. In 1964 a new Act replaced the original charter and permitted Cebu City residents to vote in the Cebu provincial elections. In 1980 a national law overrode city-specific charters and barred all residents of highly urbanized cities (the immediate predecessor to modern independent cities) from voting in provincial elections. Residents of Cebu City once again lost the right to vote in Cebu provincial elections, and have never regained that right. However, Cebu City is one of seven independent cities that is still the capital of the province from which it originates, necessitating the transfer of additional resources from Cebu province to Cebu City for road and government building maintenance in order for the provincial government to conduct business. This complex jurisdictional overlap, wherein residents of Cebu City do not have any say in the representative government of Cebu province yet are subject to the policies of Cebu's provincial government, has never been fully resolved and continues to limit vertical accountability.

Intergovernmental relations. Relationships among levels of government and administrative units at the same level undergo important transformations under any form of decentralization. Understanding the present nature of these relationships and how they need to change is important for USAID programming.

- If there is more than one level of subnational government or administration, what is the nature (hierarchical, cooperative, or independent) and quality of the formal relationship between them?

- Do subnational governments at any level have any collective role or voice through representation on formal government bodies (such as grants commissions or quasi-public subnational lending bodies)?

- Is there an active organization or association among subnational governments to advance or defend their collective interests (at either the local or intermediate level; urban and rural)?

The subnational political environment. Issues like political competition, connection to citizens, the way subnational councils function, and relationships among subnational government actors are among the main issues where donor support might be effective. In some cases, problems relate to weaknesses at the national level, while in other cases they point to subnational challenges.

Political competition is a basic requirement for devolution. Without a reasonable degree of competition, the electorate may not have a meaningful choice in selecting subnational leaders. Beyond elections, subnational governments must be connected to their constituents if they are to be genuinely responsive. This can be accomplished through a variety of citizen engagement processes, accountability mechanisms, and e-government solutions. It is also important for subnational representative bodies to meet regularly in ways that are governed by transparent rules and procedures. Where subnational governments begin to exhibit signs of anti-democratic practices, such as suppression of minority ethnic or religious group rights or women's rights, national governments face a difficult trade-off between subnational authority and protection of the population.

- What is the degree of subnational political competition?

- In what ways and how well do subnational governments relate to citizens?

- Are there specific mechanisms mandated for civic engagement in subnational government activities?

- Does the local media systematically cover subnational government issues?

- Have local officials been targeted by disinformation campaigns? If so, what misconceptions have been disseminated and have these officials sought to counter them?

- What types of processes are in place to stimulate formal citizen engagement (including participatory planning, budgeting, or performance evaluation, as well as mechanisms enabling individual citizens to voice concerns and provide feedback on government performance)?

- How are government activities, programs, and services publicized? What technological tools do subnational governments (such as official websites and social media accounts) use to connect to their constituents?

- How well functioning are local councils? How often do they meet? Do they select their own chairs, and have their own staff and budgets? What is their relationship with subnational executives?

- Are councils assigned a meaningful role in local planning and budgeting?

- Do national laws prevent subnational discriminatory practices, even those sanctioned by local populations?

Elected vs. administrative functions. An often neglected dimension of the subnational sphere in decentralization is the relationship between subnational representative bodies and subnational civil servants. This is a complex matter, particularly where local staff who used to report to central ministries now must learn to work primarily with subnational governments, or where newly elected councils face substantial political pressures to respond to citizens but are unaccustomed to thinking in terms of budgetary and technical constraints.

- Are subnational civil servants hired by subnational governments and accountable to them?

- If there is subnational control, is it vested in a principal local bureaucrat (such as a city manager) or locally elected officials (such as the mayor or municipal council)?

- What balance is struck between the technical functions of subnational employees and the political prerogatives of elected subnational councils?

Administrative and fiscal functions. It is important to understand the extent to which subnational administrations and governments have undertaken the administrative and fiscal functions that have been decentralized to them. If the functions have been adopted, it is also important to consider performance effectiveness in diagnosing the situation to determine possible programming interventions. Revenue generation is also an important role of subnational governments, and subnational administrations often can play a role in collecting public resources. Functional performance and revenue generation are important for decentralization, but they must be occurring in a fiscally responsible, sustainable way. Subnational governments need to adhere to basic principles of financial management and control, and they must be subject to a hard budget constraint.

- What progress has been made with administrative decentralization?

- Are the internal structures, staffing, and procedural framework of subnational governments and administrations well-defined and appropriate given service delivery mandates? Are certain positions chronically un-filled or staffed with personnel without the requisite skills (e.g., internal audit or accountants)?

- Are the specific reasons for weaknesses in functional performance known (such as a lack of clarity in functional assignments with ensuing inter-level redundancy or competition, weak managerial and technical capacity, lack of revenues to finance costs, politicization of service delivery, or problems complying with procurement guidelines)?

- How well has fiscal decentralization proceeded?

- Which donors have been active in supporting subnational resource mobilization both directly and within the context of other projects like subnational governance or accountability?

- What efforts have been made to improve own source revenue collection and administration, and did they yield sustainable results?

- Is there provision for subnational fiscal accountability (upward and downward) and a hard budget constraint?

- How effective is the auditing of subnational governments? Are audit reports widely disseminated? Do local assemblies actively review audit reports and follow-up on audit findings?

- Have subnational governments behaved in a fiscally responsible way?

- Are there lessons to be learned from better performers for other subnational governments (for example, how to achieve cost-effective service provision, more transparent and effective management of transfers, increased revenue collection, strong support from higher level governments, or partnerships with the private sector and NGOs)?

Subnational regulation. Although the enabling environment for associational and private-sector activities is substantially dependent on the national regulatory and fiscal framework, the behavior of subnational governments can also affect the freedom of citizens and businesses to pursue their interests. In some countries subnational governments have virtually no regulatory power, while in others there is a lot they can do. Even without strong power, however, they can influence local behavior by the way they structure revenue and service delivery, the extent to which they informally encourage or discourage civic association, and how they implement procurement.

- Which types of regulatory activities have subnational governments pursued (including local NGO registration, informal sector regulation, business licensing, contracting regulations, and development regulations and fees)?

- Are there any identifiable problems in the way such subnational regulations are framed (such as creating incentives or disincentives for citizen association, private-sector activity, or economic development) or implemented (such as elite capture or patronage)?

- In cases of deconcentration, do subnational administrative units play a role in setting the parameters for citizen and business activity?

- In metropolitan regions, how much and what kind of regulatory authority is assigned to the metropolitan level as opposed to the municipal governments that constitute the metropolitan region?

- In regions where traditional authorities exercise significant control, what role do they play in regulating private-sector activities (for example, resource extraction or infrastructural development)?

Subnational capacity. The adoption of decentralization can cause sudden legal changes in the authority, autonomy, and accountability of subnational governments. Building capacity, in contrast, typically takes a long time. Subnational governments will in most cases need additional administrative capacity in order to perform their new roles. Key questions include the following:

- How well are subnational administrations/governments performing their functions in terms of objective measures (such as the quantity, quality and unit costs of services)? Are there adequate performance measurement mechanisms in place?

- Are the specific reasons for weaknesses in functional performance known (for example, lack of clarity in functional assignments with ensuing inter-level redundancy or competition, weak managerial and technical capacity, lack of revenues to finance costs, high turnover, or politicization of service delivery)?

- What types of capacity building and technical assistance efforts and resources are available to subnational actors (ready-made courses from national agencies or donors, central government funding for use by local governments, or assistance for increasing local revenue generation, for example)?

- To what extent do subnational governments and administrative units play an active role in defining and securing capacity building and technical support? Is capacity building driven by the center or by the requests of subnational units (supply driven versus demand driven)?

- Through which institutional mechanisms (for example, government entities, special training institutes, local government associations, regular academic institutions, or private firms via contracts) are these capacity-building services provided? Are they up to the task?

- Is capacity building oriented around the traditional classroom model and offered on a one-time basis, or is some of it on the job and ongoing?

- To what extent are capacity building and technical assistance tied to current priority tasks?

4.4.3 CIVIL SOCIETY

Civil society and its constituent civil society organizations (CSOs) have two often overlapping functions in governance: they perform functions (broadly defined to include service delivery and dispute resolution), and they advocate to the state on behalf of their constituencies. Both functions can be critical to decentralization, which is why assessment questions must be directed to both. It is also important to understand how CSOs are governed and which elements of the population they represent. Civil society is a heterogeneous category, including everything from business associations representing different economic interests in the private sector to local-level community-based organizations (CBOs) and indigenous or traditional authorities with strong legitimacy in local society.

The role of CSOs. Civil society organizations often deliver services, sometimes on their own, sometimes in partnership with subnational governments or administrative units. In considering possible programming in this area, it is important to take stock of the role they play, if it is appropriate, and how well they perform. CSOs also may play a strong role in subnational advocacy, but they might be so weak that they are barely relevant to subnational governments and administrative units. Alternately, they can be so strong that they almost serve as a parallel government, sometimes undermining the legitimacy of the actual government. There also may be great variations in CSO advocacy in terms of quality, differences across sectors and populations represented, and differences across subnational jurisdictions. Variation in the dynamism of CSOs reflects underlying differences in the density of local social networks; thicker networks produce stronger organizations and greater prospects for social accountability.

- Are rights of association guaranteed, or are there any formal restrictions placed on them (onerous and intrusive regulation of NGOs, for example)?

- Would civil society be characterized as weak or strong in terms of the number, variety and capacities of CSOs (such as CBOs, larger NGOs, private-sector associations, or traditional authorities) and the extent to which people participate in collective activities?

- What types of service delivery and other functional activities do CSOs engage in at the local level?

- How do CSOs fund the services they provide—i.e., from government transfers, external grants, or informal taxation of local communities?

- Do CSOs partner with or complement the role of subnational governments and administrative units in providing public services or performing public functions?

- What roles do CSOs play in advocacy at the subnational level?

- Do CSOs have resources or capacity to support advocacy of minority groups facing nationally- or subnationally-sponsored discrimination?

- Do citizens take advantage of available opportunities to get information about and influence subnational governments and administrative units? What incentives are in place to promote government responsiveness (for example, compliance with participatory decision-making or responsiveness to individual citizen feedback)?

- Are the media free to investigate and report on government behavior? What is the state of local media (print, radio, television, and online news sources) in terms of keeping citizens informed on local governance issues and activities? How do civil society organizations leverage social media platforms and instant messaging apps?

Degree of representation. Whether CSOs focus on advocacy or delivering services, it is important to determine if they are broadly representative of citizens or captured by elites. By virtue of their close connections to local communities, which larger NGOs may lack, CBOs can be effective agents of conflict management, natural resource management, public goods provision, and local economic development. How CSOs operate will likely be shaped by the degree to which subnational units are ethnically homogeneous or heterogeneous. If subnational governments begin to engage in undemocratic practices, such as suppression of minority ethnic or religious group rights, CSOs may need to advocate for oppressed populations. This is also true with respect to women's and LGBTQ organizations, whose advocacy may be needed to ensure protection of these groups' nationally-guaranteed rights. In addition, understanding the way they are governed and funded may inform programming support.

- How representative of the citizenry are CSOs and how well are they governed?

- Are CSOs broadly available to citizens, including those from marginalized populations?

- Is CSO governance relatively inclusive or subject to significant elite capture?

- Do CSOs serve members of one ethnic group or do they cut across local ethnic divisions?

- Do CSOs address women's rights, as focused groups or within broader organizations?

- What progress have CSOs made toward sustainability outside their immediate support base (by expanding donor support, selling services, building a membership base, or contracting with local government units, for example)?

National CSOs and their affiliates. National CSOs with local branches may play a productive role in advocacy, but they also can dominate their local branches in unproductive ways. National CSOs may share many of the same suspicions that lead national bureaucrats to oppose decentralization (transferring resources and responsibilities to subnational governments weakens the arena in which they have the most leverage). It may be productive to engage with these CSOs to identify how they can work productively in a decentralizing environment.

It is important to consider whether local CSOs are part of any network or higher level organization, as well as the nature and effects of such relationships. At the local level, even powerful local CSOs may have limited power beyond their area of operation. There could be substantial benefits for individual CSOs to work together with other CSOs—locally, regionally, and even nationally. If they exist, CSO associations may vary in strength. Likewise, their governance may be broad and embracing of active participatory decision-making or narrow and dominated by elites (or somewhere in between). In many countries, there may be opportunities for creating CSO networks and associations that can participate in critical higher-level debates about civil society empowerment and decentralization, thereby enhancing the overall strength of civil society.

- Are key national-level CSOs supportive of decentralization? To what extent do they exert influence in policy dialogue?

- Have national, regional, or local networks of local CSOs been created?

- What is the governance structure within CSO networks?

Traditional authority structures. Traditional authority structures differ from CSOs, which typically involve voluntary membership. People are usually members of traditional authority structures by virtue of where they live, their religion, or their ethnicity. These institutions may enjoy authority and status with local residents because of their historical and traditional roots, which may allow them to play an effective role as interlocutors with government authorities and as service providers. In contexts of democratic backsliding, they may also act as effective checks on undemocratic state behavior that conflicts with community interests. In conflict settings, traditional authorities may play an important role in preventing harm to vulnerable communities.

The effect of customary structures on governance depends chiefly on traditional leaders' level of social and economic embeddedness in local communities—i.e., whether they live there and the extent to which they depend on local relationships and contributions for their livelihood (as opposed to having alternative sources of income, including government transfers or payments from private companies). Leaders with weaker community ties are typically less representative of and accountable to the local population and may be prone to collusion with clientelistic or undemocratic elites. It is also critical to evaluate such authorities' treatment of women and minorities because of the beneficial effect of inclusivity on development.

In different countries, indigenous authorities have varying degrees of territorial autonomy and self-government, including control over land, natural resources, and local justice, health, and education systems. They may also have authority to mobilize revenue from local communities through informal taxation schemes. Traditional authorities may also enjoy special representation in legislative bodies, including local councils.

- Do traditional authority structures play a role at the subnational level? Are any indigenous institutions of governance active? What functions do they perform? What, if any, is their formal legal status?

- What is their relationship with local communities? How deep are their social and economic ties to the local population? How dependent are they on community contributions compared to government transfers and other external sources of income?

- How are leaders selected and what accountability mechanisms are available to the communities they govern?

- How do they interact with formal institutions of national and subnational government (not at all, complementarily, or adversarially)?

- What authority do they have over local economic activities, such as natural resource extraction or infrastructure development?

4.5 CONCLUSION: TOWARD PROGRAMMATIC RECOMMENDATIONS

This assessment of the reform environment should help to situate a country with respect to the decentralization process and identify priorities in each of its three dimensions (political, fiscal, and administrative). It should also serve to identify key actors who either have the potential and interest to serve as champions of reform or might emerge as vested supporters of the status quo.

Additionally, the assessment should provide an indication of which aspects of the three institutional arenas are the best targets for assistance.

Some attention-worthy aspects of decentralization that might emerge from the analysis of the country-specific environment may not be either directly amenable to external support or necessarily of interest to USAID. It is, nevertheless, critical to have a broad sense of context when designing decentralization interventions to reduce the probability that a well-meaning intervention may be neutralized by factors ignored in a narrow programming exercise.

5.0 PROGRAMMING STRATEGIES AND ACTIVITIES

Chapter 5 focuses on specific strategies and activities aimed at enhancing decentralization and democratic governance in the national arena, subnational arena, and civil society. The activities summarized below are not intended to be the recipe for decentralization in every circumstance. Rather, these activities should be tailored by USAID staff and their partners to specific needs and contexts in each country as determined through the assessment outlined in the previous chapter. To facilitate planning and preparation during programming, each activity is categorized by one or more of the eight types included in Table 5.1.

Table 5.1 **Types of Support Activities**

DNP	**Dialogue and network promotion**
IE	**Impact evaluation**
IG	**Information gathering**
KED	**Knowledge exchange and dissemination**
LRD	**Legal/regulatory development and drafting**
SOM	**Support in oversight and monitoring**
TA	**Technical assistance**
WT	**Workshops and trainings**

5.1 STRATEGIES FOR THE NATIONAL ARENA

Though decentralization infuses power into subnational arenas, some of the most important government actions occur in the national arena. In particular, the design and implementation of national decentralization policy frameworks and operating procedures are largely the responsibility of the national government, which also can play important roles in capacity development.

5.1.1 RESPONDING TO THE GENERAL POLICY ORIENTATION

Once the general policy orientation of a country has been assessed, USAID needs to think about whether to endorse and support the country's decentralization policy through the kinds of activities outlined in the sections that follow—or to engage in dialogue and other activities in an attempt to alter or refine national policy regarding decentralization.

Working to modify the national government's existing strategy is a more difficult approach for USAID to take, especially in countries that are receiving substantial support from other donors for pursuing their present approach. This may, however, offer the best option where programmers consider the existing strategy to be ill-conceived and problematic relative to USAID principles, goals and priorities.

5.1.2 SUPPORTING THE DEVELOPMENT OR IMPROVEMENT OF THE NATIONAL FRAMEWORK

The assessment questions in Section 4.1.2 consider the degree of formalization of the national decentralization framework, the extent to which it meets generally accepted principles, and the extent to which the framework has been enforced. Following the application of this assessment, USAID support activities can be categorized as developing the basic framework for decentralization, elaborating the existing framework, or improving the framework.

DEVELOPING THE BASIC FRAMEWORK

Where the national government has yet to formally decentralize but is willing to do so, and where USAID believes that decentralization can advance important goals, USAID may provide various kinds of support. Special attention should be paid to helping the national government consider the main goals of decentralization, the relationship between political, fiscal, and administrative decentralization, and strategies and support activities to guide reforms.

DEVELOP THE DECENTRALIZATION FRAMEWORK WITH THE NATIONAL GOVERNMENT

- Coordinate dialogues to persuade the national government to consider adopting decentralization (DNP)
- Hold trainings for key actors and decision makers (WT)
- Offer study tours for key actors to observe successful international practices in decentralization (IG/KED)
- Develop model constitutional provisions, regulations or laws for comparison, discussion, and debate (LRD)

ELABORATING THE EXISTING BASIC FRAMEWORK

Where there is a formal but only broadly defined policy framework that allocates responsibilities to subnational governments, the national government may want to move forward with further developing specific aspects of reform. Donor support can be instrumental in helping to craft detailed policies and systems consistent with basic principles and the country context. Attention can be useful for matters as varied as the details of property tax structure and administration or specific aspects of health and education to be decentralized.

In cases of deconcentration, the focus of the framework will be on basic administrative mechanisms and resources to give subnational administrations some authority, capacity and managerial autonomy. In cases of devolution, greater attention will be given to political decentralization, while the development of accountability mechanisms and independent fiscal resources will be more central to reform.

ELABORATE THE EXISTING DECENTRALIZATION FRAMEWORK WITH THE NATIONAL GOVERNMENT

Design laws and detailed guidelines for revenue and expenditure assignment and other subnational government functions—as appropriate for formal devolution to local governments, deconcentration of ministerial functions to field offices, or some combination of these approaches. (LRD)

Evaluate options or design specific administrative or fiscal systems and instruments. Examples include: (IG)

- Subnational civil service systems and regulations;

- Principle-based systems of intergovernmental transfers;

- Subnational government financial management systems and operating procedures; and

- Own-source revenues and subnational lending mechanisms.

Evaluate options or develop detailed political decentralization and accountability mechanisms. Examples include: (SOM/IG)

- Subnational electoral systems;

- Information and communications mechanisms to increase transparency, inform citizens, and encourage citizen feedback on government performance; and

- Citizen engagement mechanisms, such as participatory planning and budgeting.

Evaluate the legal framework for defining citizen rights and responsibilities, property rights, public-private partnerships, procurement, and other reforms not specific to decentralization that are important for decentralization to succeed. (LRD)

Develop mechanisms for horizontal coordination among municipal governments in metropolitan regions, as well as reforms that invest greater decision-making authority at the metropolitan level. (DNP)

IMPROVING THE DECENTRALIZATION POLICY FRAMEWORK

Even where there is a formal policy framework, design flaws can impede the ability of decentralization to meet its objectives. Such flaws may be evident from a review of the framework and supporting legislation, or they may become obvious in implementation of the framework and the performance of empowered subnational administrations or governments. While it is important to fix design flaws, continuous or frequent changes in the decentralization framework can have highly destabilizing effects on subnational governments and generate "reform fatigue." USAID missions may want to weigh the pursuit of policy dialogue to improve the decentralization framework against the priority of improving implementation of a non-perfect framework.

IMPROVE THE DECENTRALIZATION FRAMEWORK WITH THE NATIONAL GOVERNMENT

- Offer seminars and studies that identify ambiguities and inconsistencies in existing laws and regulations on decentralization and other relevant matters. (IG)

- Quantify the impact of such inconsistencies and ambiguities, the budgetary impact of unfunded mandates that result from an imbalance between expenditure assignments and revenues provided to subnational governments, or the consequences of coordination failures between neighboring municipalities in metropolitan regions (in terms of traffic jams, pollution, public safety). Such information can be used to inform policy dialogue and reform. (IG/DNP)

- Where the criteria to be used in determining fiscal transfers are open for discussion and revision, support the inclusion of metrics that would reward local tax effort and/or performance-based transfers. (SOM)

- Offer technical assistance to conduct political or policy mapping to assess stakeholders' varying positions and interests relative to decentralization policies. (TA)

- Monitor social media, hold focus groups with civil society representatives, and conduct surveys to assess regional and local populations' attitudes and expectations with respect to subnational governments. (IG/DNP)

- Promote opportunities for the development of proposals for decentralization reform from subnational governments, civil society, and the private sector. (DNP)

5.1.3 IMPLEMENTING DECENTRALIZATION REFORM

The implementation of decentralization may move more slowly or unevenly than stated in official policy documents. USAID may help improve the quality of the implementation through support activities to monitor and enforce implementation and to improve the national implementation strategy.

MONITORING AND ENFORCING IMPLEMENTATION

Disappointing progress with implementing decentralization often occurs when key actors at various levels do not understand what is expected of them. Slow or problematic implementation can also result from a lack of adequate incentives to adopt reforms or from poor enforcement of the legal framework. Poor enforcement can result from weaknesses in the decentralization framework or the limited use of administrative powers and judicial processes available to improve enforcement. Most notably, poor enforcement often results from inadequate systems for monitoring progress. With timely and accurate gauges of decentralization progress, problem areas are easier to identify and enforcement can be improved.

MONITOR AND ENFORCE IMPLEMENTATION WITH THE NATIONAL GOVERNMENT

- Work with actors responsible for decentralization to document and analyze progress with the implementation of decentralization reforms and to provide them with feedback on policy and operational reforms. (IE/SOM)

- Develop systems and procedures needed for national actors to exercise oversight functions with respect to subnational governments, including the extent to which the latter meet legal requirements and adopt new management and reporting processes. (SOM/LRD)

- Offer technical assistance to develop incentives to motivate all relevant actors at the national and subnational levels to assume the new roles expected of them under decentralization. (TA)

- Schedule workshops with national legislators to help them make the transition to the new roles they must assume as decentralization unfolds. (WT)

- Develop and implement options for administrative and legal recourse when subnational governments believe they are not being fairly treated by central actors responsible for decentralization. (LRD)

IMPROVING THE IMPLEMENTATION STRATEGY

Although subnational jurisdictions have varying characteristics, needs, and capacities, the implementation of decentralization reforms is often expected to happen everywhere simultaneously and following the same blueprint. More strategic approaches may enable better performance. In addition, reforms are broadly adopted without testing and refining them. In some cases where devolution is a national goal, starting with deconcentration to build some capacity and credibility for service delivery may be a useful strategy. USAID may work with the national government to help improve the strategy for implementing decentralization.

IMPROVE THE IMPLEMENTATION STRATEGY WITH THE NATIONAL GOVERNMENT

- Hold workshops with national agencies and subnational governments to identify how bottlenecks in implementing decentralization might be overcome by more strategic approaches. (TA/WT)

- Work with actors responsible for implementing decentralization to develop more strategic processes consistent with the varying circumstances of subnational jurisdictions, their capacity to absorb reforms, and their demonstrated performance in previous reform efforts; work to disaggregate reform strategies into manageable sub-strategies. (SOM/WT)

- Launch pilots for developing, testing, and adopting new subnational government reforms prior to general implementation. (LRD/IE)

5.1.4 PROMOTING COORDINATION AMONG KEY NATIONAL AGENCIES

Based on an assessment of the key institutions, the specific roles they play, and the extent to which they cooperate or compete, USAID can work to develop shared understandings of the necessary decentralization reforms and to promote broader coordination among the national agencies involved, including the sectors and government institutions most affected by the country's decentralization framework.

ENHANCE COORDINATION AMONG NATIONAL AGENCIES

- Offer workshops, study tours, or capacity development for agencies that need to work differently and more cooperatively in the post-decentralization period. (WT)

- Hold meetings and workshops involving the main national institutional stakeholders in the decentralization process, identify possible conflicts among national agencies, and provide technical support to pro-decentralization agencies in conflict with less sympathetic agencies. (WT/TA)

- Provide support for the consideration, creation, and operation of a national decentralization coordinating body, including laws to govern intergovernmental coordination. (LRD)

5.1.5 SUPPORTING CAPACITY BUILDING

Given the substantial changes in roles and responsibilities inherent in decentralization, significant capacity building will almost invariably be required as national governments shift from controlling subnational jurisdictions to enabling, coordinating, and monitoring them. Without capacity building efforts to enable national actors to play their new roles, it is likely that they will continue or slip back into the roles with which they are familiar, especially if they do not particularly welcome the changes. Additionally, the national government must be able to support and facilitate the capacity of subnational actors to provide services and monitor performance. In many cases, a broader approach to capacity development will be necessary to enable the active participation of citizens, the private sector, and minority groups in both the overall decentralization framework and in civic life at the subnational level. USAID can continue to play a major role in supporting national government agencies to build the new capacities that they need to function in a decentralized system and to provide a capacity development framework for subnational actors.

SUPPORT NATIONAL-LEVEL CAPACITY BUILDING

- Provide support to collect and update relevant information on subnational jurisdictions, including demographic and economic characteristics, subnational revenue bases and expenditure requirements, and subnational staffing. (TA/IG)

- Help manage the steps of a strategic implementation process and monitor compliance with reforms and performance standards. (TA/SOM)

- Offer assistance to improve the national government s ability to work more effectively with local administrations and governments and build their capacity to play new roles under decentralization. (TA/WT)

- Engage in capacity building for organizing and overseeing elections at local levels. (TA/LRD)

BUILDING CAPACITY WITH E-GOVERNMENT

Information and communications technology (ICT) can increase public sector efficiency by modernizing and systematizing virtually every government operation, from public records and citizen identification systems to taxation, public procurement and contracting, and service provision, as well as election processes. Electronic government (or e-government) solutions can improve the national government's ability to monitor, enforce, and assist the implementation of decentralization.

USAID has assisted the governments of several countries to implement ICT to streamline operations, promote transparency, and improve service delivery. In Kosovo, USAID's Transparent, Effective and Accountable Municipalities program included support for the adoption of a countrywide electronic procurement platform, extensive training on this platform for municipal procurement officers, and capacity building work with civil society organizations to promote citizen monitoring of contracting transparency. In Bosnia and Herzegovina, USAID's E-Governance Activity includes assistance to upgrade and harmonize software systems between the national government and subnational entities, create integrated e-registries of social benefits and beneficiaries, and develop a new e-construction permitting system.

5.1.6 ENHANCING COORDINATION AMONG DONORS

USAID needs to understand all donor activity around decentralization prior to programming its own activities. Depending on the situation, USAID may wish to focus on activities in which it has a comparative advantage and that complement what others are doing. Although donor competition can be productive, in many cases it wastes resources and undermines the development of a consistently structured intergovernmental system. In such cases, USAID may wish to play a role in improving coordination among donors.

ENHANCE DONOR COORDINATION WITH THE NATIONAL GOVERNMENT

- Coordinate meetings among donors to identify similarities and differences in approaches to decentralization. These can occur as an ad hoc activity, as part of a more formal coordination effort, or in conjunction with meetings of donors called by host governments. (DNP)

- Develop and maintain a working relationship between donors and the national government. (DNP)

- Offer forums and workshops to disseminate lessons learned from donor decentralization-support activities related to policy reform, pilot projects, and sequencing implementation. (WT/KED)

- Work with the national government and donor partners to conduct comparative evaluations of different donor decentralization support activities and to establish common monitoring and evaluation processes for decentralization program implementation. (SOM/IE)

5.2 STRATEGIES FOR THE SUBNATIONAL ARENA

While decentralization is defined and supported in the national arena, it succeeds through its functions at the subnational level. Ensuring the effective use of the powers and resources of subnational units invariably requires strategies for the subnational arena.

5.2.1 LEVERAGING HETEROGENEITY

Working with subnational governments and administrations often implies reckoning with heterogeneity. Subnational units often have differing levels of technical capacity and competence, exhibit different political preferences and allegiances, and may vary with respect to the functions and finances that central governments have attributed to them. They will also have varying capacities to work with civil society actors.

From USAID's perspective, diversity presents both challenges and opportunities. Although working in diverse environments generally requires more information and more complex programs, there are opportunities for greater experimentation and for the generation of approaches to decentralization in varying circumstances. There is a particular challenge if there is instability in subnational jurisdiction boundaries due to proliferation or consolidation. Such environments present opportunities to better understand the right balance between the economic benefits typical of larger jurisdictions and the political benefits typical of smaller ones.

Heterogeneity among subnational units will strongly shape USAID's strategy. USAID rarely will have the resources necessary to conduct programming simultaneously in all subnational units in a country, so explicit choices must be made about where and how to work. Selection is further discussed in Chapter 6, where performance measurement considerations may dictate the choice among subnational units. Possible approaches include:

- **Selective approaches**. USAID may conduct programming selectively on the basis of specific criteria. By choosing those locations that present the most optimal programming environments, USAID can increase the likelihood of success and lower unit costs, but such choices favor the already advantaged. Working only in more challenging environments offers the promise of crafting a more widely applicable strategy, but increases the potential for failure. Different decentralization goals will require different types of selection criteria. Programming aimed at promoting development through better service provision is likely to require the selection of more stable locations. In countries that have experienced democratic backsliding at the national level but where greater political pluralism survives at the subnational level, USAID may choose to selectively engage with opposition-governed subnational units as a way to support subnational democracy. Another consideration is whether to work in a large number of local governments or to work more deeply in far fewer.

- **Piloting approaches**. USAID may experiment with programming in a certain set of subnational units, with the intention to expand depending upon the results. This allows for learning by doing, but may hinder the development of a more comprehensive nationwide strategy within a set time period. One benefit of a piloting approach is that subnational units can be chosen in a randomized selection process, increasing generalizability of the program's effect in other settings. Considering the growing threats to urban resilience posed by phenomena such as climate change, communicable disease, internally-displaced populations, and criminal gangs, it may be desirable to pilot projects in those urban municipalities where these threats are particularly acute.

- **Asymmetric approaches.** Where critical conditions vary among units of a single type of subnational government (e.g., districts or municipalities), USAID (and host central governments) may support a criteria-based, non-uniform decentralization program. Such programs are "asymmetric" in that they treat similar entities differently, based on identified measures of variables viewed as critical to national government success (e.g., higher or lower monthly measures of violent conflict among districts could result in differential allotments of resources or oversight). If subnational officials and citizens desire increased decentralization (e.g., increases in transferred funds or in own-source revenue authority), asymmetric approaches offer subnational governments incentives for improved performance (e.g. lower levels of intra-district conflict or greater transparency in district/municipal affairs) on dimensions defined by central authorities. Asymmetric approaches may be the only feasible programming options in non-propitious environments.

- **Complementing and reinforcing other geographically focused USAID programs in other sectors**. In order to take advantage of synergies, field officers and project implementers may wish to sponsor decentralization activities in those subnational areas where USAID has sectoral programming—in health or education, for example—in place.

5.2.2 ENHANCING COORDINATION AND COOPERATION AMONG SUBNATIONAL UNITS

One of the major strategies that USAID can adopt in the subnational arena is to improve coordination and cooperation among the actors at various levels. USAID can support two types of coordination at the subnational level. The first involves vertical coordination between subnational units at different hierarchical levels. The second consists of efforts to improve horizontal coordination among subnational units at the same level.

PROMOTE VERTICAL AND HORIZONTAL COORDINATION OF SUBNATIONAL UNITS

- Commission a study or sponsor workshops to identify vertical intergovernmental coordination needs and to evaluate the performance of existing mechanisms. (IE/IG)

- Develop new coordination mechanisms, including laws and administrative regulation development, as appropriate. (LRD)

- Encourage intermunicipal cooperation to improve service delivery and finance large infrastructure projects, including among smaller local government units which can benefit by partnering with larger units and cities. (DNP, KED)

- Schedule meetings among local governments with the goal of identifying common challenges that might be resolved by coordinated action, such as metropolitan governance institutions. (DNP)

- Hold forums and workshops to disseminate lessons learned from examples of coordination across localities in other countries. (WT/KED)

- Pilot horizontal coordination mechanisms, their evaluation, and, as applicable, their mainstreaming through the development of laws, regulations, or guidelines. (DNP/LRD)

- Support associations of subnational governments. (DNP/KED)

5.2.3 IMPROVING THE SUBNATIONAL POLITICAL ENVIRONMENT

One of the most delicate areas for decentralization activities involves direct action in local politics and the relationships between local politicians and other local actors. These activities are especially important where democratization is the key goal motivating USAID intervention. While being cautious not to interfere in subnational elections, USAID may find ways to promote subnational political competition. Such initiatives are intended to reduce elite capture and to introduce a wider range of political voices into the subnational arena, including representatives of previously marginalized groups: women, indigenous peoples, youth, and informal-sector workers. The presence of elite capture will increase the desirability of this strategy, though it will also complicate programming in that it constitutes a set of entrenched impediments to competition. Given the greater heterogeneity of urban jurisdictions, elections in cities are likely to be more competitive than in rural settings, though the actual competitiveness of elections depends much on the ability of the urban poor to mobilize independently of clientelistic networks. Other important activities include the support of changes in interactions between subnational governments and their constituents beyond elections, and in those governments' relationships with their employees.

ENCOURAGING SUBNATIONAL POLITICAL COMPETITION

Vigorous subnational political competition is associated with improved subnational government performance where devolution has occurred. Enhancing political competition may be realized through open forums designed to develop and cultivate new parties and candidates. USAID can avoid perceptions of political favoritism by working in a facilitating capacity, helping to bring actors together while highlighting diverse political perspectives. Other strategies may include working with governments at the subnational or national level to ensure that formal rules governing candidacies do not preclude competition. It is important to note that the nature of competition will vary depending on whether candidates compete in subnational elections on a partisan or nonpartisan basis, as well as whether there are distinct restrictions on party formation in subnational elections. Where devolution has occurred, holding national and subnational elections at different times may facilitate the independence of subnational candidates (but increase the cost).

ENCOURAGE POLITICAL COMPETITION

- In partnership with civil society organizations, conduct open forums and instructional seminars on subnational electoral rules and publicize them to bolster attendance by candidates affiliated with political parties and independents. (WT)

- Offer training to support the conduct of free and fair elections. (WT)

- Hold seminars and debates for prospective candidates and party leaders on decentralization and its importance as part of an electoral platform, and promote campaign debates where candidates for subnational office present their governing agenda. (DNP/WT)

- Monitor traditional and social media for the spread of disinformation that may distort political competition, and work with media to ensure that key local issues are covered in advance of local elections. (IG/TA)

- Promote open access of candidates to regional or local media through ad hoc means or regulatory reforms. (DNP/KED)

- Offer training and support for election monitoring at the subnational level. (WT)

PROMOTING ACCOUNTABILITY BETWEEN SUBNATIONAL GOVERNMENTS AND CITIZENS

USAID can sponsor activities that improve the political environment by helping citizens hold subnational governments accountable, which may be especially challenging where subnational officials face term limits and cannot run for re-election. The most prominent activities revolve around participatory processes, of which participatory budgeting has received the greatest attention. These initiatives bring together subnational governments and citizens in open forums where binding decisions are made over issues of public concern. In the case of budgeting, citizens appropriate portions of government budgets for local priorities, subject to certain limitations. Participatory approaches may apply to such activities as development planning, nomination to consultative councils, and evaluations. In addition, efforts to improve the transparency of subnational governments, citizen access to their local officials, and various accountability mechanisms may merit support.

PROMOTE SUBNATIONAL GOVERNMENT ACCOUNTABILITY

- Offer technical support and training to assist development of citizen-engagement mechanisms for planning, budgeting, implementation, monitoring, and providing feedback on governmental decisions. (TA/SOM)

- Institutionalize a subnational government calendar for hearings on budgets and other major functions to increase the likelihood of community interaction. (LRD)

- Coordinate workshops and training on public outreach and citizen interaction for subnational government staff. (WT)

- Conduct an inventory of subnational government facilities, assets, and land available for use by the population, along with rules for their use. Make this information publicly available. (IG/KED)

- Foster public access to subnational government information, budgets, and tendering documents through support efforts to develop: (KED/SOM)

    Press releases or bulletins;

    Permanent display boards with information on subnational government activities;

    Electronic materials for public use, such as government websites and social media profiles that are frequently updated and allow citizens to contact and receive prompt responses from their local government, as well as mobile-based notifications, bulletins and events calendars, open data repositories, and a reference service with "frequently asked questions."

- Develop and implement the use of referenda, other special decision-making mechanisms, ombudsmen, oversight committees, and accountability mechanisms, such as complaint adjudication boards, citizen report cards, and performance based employee reviews that include citizen feedback. (DNP/LRD)

IMPROVING THE FUNCTIONING OF SUBNATIONAL REPRESENTATIVE BODIES

Subnational representative bodies, such as local councils or provincial assemblies, often face challenges under decentralization—from the most basic problems of meeting frequently enough to discharge their responsibilities to being insufficiently empowered and equipped to play their intended role. USAID can play a useful role in empowering local representative bodies and helping to ensure that executives and representatives play their distinct roles in a democratic system. In many situations, the autonomy and authority of subnational bodies can potentially be enhanced by holding separate elections for councils and executives. Especially in cities, the behavior of councilors will vary depending on whether they are elected at-large or in sub-municipal districts, and whether they compete on party lists or as individual candidates. Urban and rural councilors typically bring different skill sets to their roles, and urban councilors usually represent many more constituents than their rural counterparts. Support for subnational representative bodies is particularly critical when decentralization is adopted as a democracy-enhancing measure.

Depending on the assessment of the situation, USAID can assist representative bodies to assume and organize their basic functions, improve communication between representatives and executives, and develop common agendas. It may also be useful to develop rules that enable representative bodies to exercise oversight over budgetary issues, set local tax rates, and approve or revise user fees charged for municipal services. One way to accomplish this may be to enhance the capacity of the supporting staff of subnational representatives, especially with respect to their procedural and policy knowledge.

IMPROVE THE FUNCTIONING OF SUBNATIONAL REPRESENTATIVE BODIES

- Conduct studies and offer technical assistance to assess the basic functional rules and processes of subnational representative bodies, with a view toward identifying areas for reform and technical assistance. (TA/IG)

- Engage in policy dialogue, where appropriate, to promote electoral reforms that enhance the separate election of executive and legislative offices. (DNP)

- Sponsor training activities for subnational councilors to increase their ability to engage in policy making with the executive and their awareness of the rights and responsibilities they are assigned by the country s decentralization framework. (WT)

- Train subnational representatives in budgeting, financial management, and revenue administration. (WT)

- Work to establish associations of assembly or council members, separate from mayors' associations. (DNP)

- Support councilors to interact directly with civil society on the nature of their deliberations and decisions. (DNP/TA)

PROMOTING ACCOUNTABILITY BETWEEN SUBNATIONAL GOVERNMENTS AND CIVIL SERVANTS

Another major set of interactions within subnational governments is that between elected officials and appointed civil servants. This is primarily relevant under devolution, where subnational bureaucrats are accountable to other subnational actors. The key here is to ensure the responsiveness of civil servants to elected representatives while insulating them sufficiently to protect impartiality. Under deconcentration, improving lines of accountability is largely in the national arena. Under mixed decentralization models, elected local councils and executives may need to interact in various ways with centrally managed employees of subnational offices of sectoral ministries. Citizen feedback on service provision may be useful for allowing higher-level officials to track civil servants' performance (e.g., by providing information about frontline provider absenteeism or malfeasance).

USAID's chief strategy will be working to clarify the respective roles of different actors.

IMPROVE RELATIONS WITH SUBNATIONAL BUREAUCRATS

- Clarify the roles and responsibilities of subnational representatives and civil servants, the relationships among them, and their relationships to higher levels of government. (KED)

- Conduct analysis of good performance and problematic behavior in relations between civil service and subnational governments, and provide technical assistance to help subnational governments to build on positive performance and correct problematic performance. (SOM/TA)

- Offer seminars that help subnational civil servants and elected representatives better understand the logic of decentralization and their specific rights and responsibilities under it. (WT)

- Promote reorganization and strengthening of civil service systems and rules at the subnational level to reflect an appropriate degree of autonomy and control for subnational governments and an appropriate degree of protection for civil servants. (LRD)

- Offer professional training for civil servants and performance-based criteria in determining hiring, promotion, and compensation of civil servants. (WT/LRD)

- Train subnational elected officials in the use of input from citizens and civil society organizations to acquire information about civil servant performance. (WT)

5.2.4 SUPPORTING SUBNATIONAL ADOPTION OF ADMINISTRATIVE FUNCTIONS

USAID will have significant opportunities in many countries to intervene in constructive ways to improve the adoption by subnational units of additional administrative functions. It is important to note that these opportunities are not limited to countries that have also opted to devolve political authority. Whether subnational governments can perform their new administrative roles is likely to powerfully shape popular perceptions of the success or failure of decentralization.

IMPROVING ADOPTION OF SUBNATIONAL ADMINISTRATIVE FUNCTIONS

Administrative decentralization can be a difficult process where new systems need to be developed and subnational capacity is limited. In cases of devolution, a further constraint is the likely resistance of formerly national-level bureaucrats who do not wish to be transferred to subnational government control and, physically, to a new location. In both cases of devolution and deconcentration, newly empowered subnational units often have little experience with administrative activities, which may include land and asset management, dispute resolution, accounting and financial management, budgeting and audit functions, procurement and contract management, monitoring the use of intergovernmental

transfers, public-private partnerships, and operation and maintenance of infrastructure and services. The specific types of programming that USAID provides must be based on a careful diagnosis of administrative deficiencies, the reasons for these deficiencies, subnational government demands and priorities, and USAID interests.

In some countries, re-classifications of subnational jurisdictions as they shift from a more rural to a peri-urban or urban status will have direct implications for the policy authority at their disposal. As urbanization proceeds, metropolitan regions often include component units with differentiated types and levels of decentralized authority, which has important implications for issues of efficiency in service delivery as well as accountability across different urban units. Adding further complexity is the possible overlay of single-purpose governments on top of pre-existing multi-purpose governments. What all this means is that, rather than prioritize support for the uptake of a single function by a discrete subnational unit, USAID may decide to focus instead on the coordinating role that it can play in helping to streamline service provision across neighboring subnational units. In the aftermath of administrative decentralization, attention should be paid to how metropolitan institutions can promote city-wide interests such as watershed management, housing near existing transit routes, and preventing settlement in areas vulnerable to mudslides or flooding.

IMPROVE SUBNATIONAL ADMINISTRATIVE FUNCTIONS

- Diagnose progress and performance of subnational administrations and governments in assuming decentralized administrative functions. (IG)

- Offer technical assistance to help subnational administrations and governments adopt and further develop systems and procedures for their new responsibilities under decentralization. (TA)

- Conduct studies on best practices in administrative decentralization and dissemination of these best practices among subnational governments. (IG/KED)

5.2.5 SUPPORTING SUBNATIONAL ADOPTION OF FISCAL AND FINANCE FUNCTIONS

Regardless of how it unfolds, fiscal decentralization creates a new set of challenges for subnational governments that USAID can help them meet. These challenges may be especially acute when decentralization takes the form of devolving authority to collect local taxes and fees and/or to incur debt through subnational borrowing. Where fiscal decentralization instead takes the form of increases in fiscal transfers from the center, USAID can support public financial management to increase accountability. In countries that use performance-based transfers, where the size of transfers depends in part on local performance metrics like local tax effort or compliance with auditing responsibilities, USAID may want to prioritize support for the achievement of these specific performance benchmarks.

IMPROVING SUBNATIONAL REVENUE GENERATION

One of the most common complaints from subnational officials is that the revenues at their disposal are inadequate to pay for the services they are now expected to provide, commonly referred to as unfunded mandates. These officials typically have little influence over how much revenue they receive via fiscal transfers, but often do exert direct control over the collection of local taxes and user fees.

Many subnational governments are unable to collect the taxes they have been assigned because they do not have the institutional capacity or political credibility to extract tax revenues. Direct and visible

local taxes, including property, sales, and business taxes, can be extremely unpopular and politically costly. Nevertheless, there is potentially great value in providing local governments with simple administrative support for activities like training workers, updating and computerizing registries and payment systems, developing more efficient property valuation systems, and conducting outreach to taxpayers in order to enhance the mobilization of revenue from existing local sources. In addition to addressing common administrative challenges, these solutions can also improve transparency and predictability in revenue collection.

Another potential intervention is to help clarify the tax-benefit link through campaigns that identify the public goods to be produced with local tax revenues or through participatory processes that allow for taxpayer input on investment priorities. This connection may be especially critical for the collection of property taxes, which are less easily connected to public services in the mind of the average taxpayer than are user charges. Beyond taxation, it may be feasible for USAID to help subnational governments enhance fiscal resources from user fees and charges. One possible intervention point here takes the form of abolishing costly and unproductive "nuisance fees" that cost more to collect and enforce than they yield, and replacing or bundling these fees into a single payment. Another key consideration has to do with the desirability of cost recovery as the basis for determining fees, which may have important political implications. USAID may be able to play a role in helping subnational governments determine whether borrowing is feasible and/or desirable, and for which purposes. Where PPPs are feasible (usually in urban settings), USAID may also provide assistance to address some common obstacles to their wider use, including arcane legislative requirements, a trust deficit between public and private sectors, and weak institutional capacity for negotiating with the private sector and guaranteeing competitive contracting processes.

Finally, the distinction between deconcentration and devolution is also relevant. Although deconcentrated administrators may have important tax collection responsibilities, they rarely have any autonomy in setting tax bases or rates. Thus, subnational revenue policy issues are largely a matter for devolution, while revenue collection may be relevant for deconcentration as well.

GENERATE SUBNATIONAL REVENUES

- Assist subnational administrations and governments to diagnose their progress and performance in assuming and using assigned revenues, including royalties from natural resources if relevant. (IE/SOM)

- Where relevant, provide support to subnational governments to better understand political aspects of revenue generation and to use these to improve performance—for example, to tie revenue reforms or collection drives to specific subnational government plans to expand or improve service delivery (performance-based budgeting). (IG/IE)

- Develop appropriately sequenced action plans to improve subnational administration and government adoption and performance of revenue functions. (LRD)

- Conduct studies on best practices in local revenue generation and help develop mechanisms to disseminate knowledge about these best practices, when to use them, and how to adapt them to the circumstances of particular subnational units. (IG/KED)

- Promote the use of technological solutions such as digital revenue collection processes, electronic payment platforms, and GIS technologies to reduce the cost of establishing and updating tax registries by checking the completeness of valuation rolls. (KED/TA)

- Improve taxpayer education by including it in school curricula and carrying out campaigns to increase tax compliance. (KED)

IMPROVING SUBNATIONAL PUBLIC FINANCIAL MANAGEMENT

Attempts by subnational governments to collect more of the taxes and fees they are entitled to levy are more likely to gain traction if they are situated within larger conversations about subnational public financial management (PFM). This is because a clearer sense of how and where governments are spending these funds may increase citizens' willingness to pay. While subnational jurisdictions vary tremendously in terms of the type and amount of taxes and fees that they can realistically collect, all subnational governments need to develop effective and transparent systems of public financial management.

USAID support for PFM can take a number of forms, from cash-flow management to the development of multi-year frameworks for financing, planning, and forecasting. Much will depend on context and where the most significant obstacles are, but common areas of support include budget planning and preparation, procurement, and auditing. Training in the area of procurement can help subnational governments meet the expectations of national procurement guidelines and reduce the problem of unused funds. USAID can also develop easy-to-use financial reporting templates and standard bidding documents to streamline public procurement and train subnational officials on how to customize these documents for specific projects. E-procurement systems can also promote greater efficiency, transparency, and accountability in public subnational spending. Donors may have an important role to play in terms of information sharing and coordination surrounding audits between national institutions and subnational governments. Where audit reports are produced but not disseminated, publication or civil society review of local government audit reports can improve responsiveness to audits.

Especially where poor PFM by subnational governments has fueled demands for fiscal recentralization, whatever USAID can do to help subnational governments use their newly expanded fiscal authority responsibly will likely improve the long term prospects for decentralization. Norms of fiscal responsibility first and foremost require that subnational governments keep expenditures in line with revenues. Spending commitments must not exceed the revenues that these governments are able to raise in local taxes and non-tax revenues, borrow in the form of bond issues and other loans, or receive as regular revenue transfers from higher levels of government. Other dimensions of fiscal responsibility that USAID can support include ensuring that borrowing is within appropriate limits and guaranteeing the repayment of loans. Deconcentrated administrations also must behave in a fiscally responsible way, but this is more easily controlled since they are generally integrated into the national budget and tend to have substantially more limited expenditure and revenue autonomy.

SUPPORT SUBNATIONAL PUBLIC FINANCIAL MANAGEMENT

- Assist subnational governments to diagnose their fiscal performance in terms of balancing budgets and responsible procurement and borrowing, and provide technical support as needed to help them reform their budgeting and procurement practices, restructure their debt, and improve future performance. (IG/TA)

- Provide assistance to subnational governments to develop credit market access, where relevant. (IG/TA)

- Conduct studies on best practices in responsible fiscal management and dissemination of knowledge about them and how particular subnational governments might use them. (IG/KED)

- Promote harmonization between national and subnational PFM systems and reporting mechanisms, especially as national and subnational governments roll out e-tools that may not interface with each other and cause undue difficulties. (SOM/LRD)

- Embed technical experts in a cluster of districts to provide ongoing mentoring support vis-a-vis budget planning, procurement, internal control and auditing; facilitate peer learning opportunities for personnel from the same technical areas. (TA/DNP)

5.2.6 ENHANCING THE IMPACT OF SUBNATIONAL UNITS ON THE CLIMATE FOR BUSINESS AND CITIZEN ACTIVITY

Subnational governments and administrative units vary widely in the regulatory and fiscal powers they wield, as well as the level and type of local resource endowments that can attract and sustain business activity within a region. In many countries, subnational units share with the national government the ability to regulate and shape the climate for associational activity in general, and for business activity in particular. To support the goal of economic development, USAID can seek to dialogue with the private sector about how subnational regulatory, tax, and expenditure behavior encourages or discourages investment, such as by drawing attention to contradictions between national and subnational regulations on citizen and business activity. The business community is well placed to flag revenue mechanisms that are particularly costly to comply with, discourage investment, are duplicative, or contrast unfavorably with other, comparable jurisdictions. It is also important to keep in mind that, where local resource endowments (or their absence) play a crucial role in driving investment decisions, the decentralization of authority to subnational governments may influence business performance only indirectly. There is very little that subnational leaders can do to affect geography or demography within the time horizon of modern businesses.

In addition to their role vis-à-vis the local climate for business activity, subnational governments can also contribute to improving the economic conditions of the broader population, including citizens who depend on the informal economy. In cities, one of the most powerful regulatory prerogatives of municipal governments vis-à-vis the urban poor is the control over land titling and the regularization of informal land settlements. These settlements are often located in environmentally sensitive zones and, in the absence of secure property rights, are frequently subject to the involvement of criminal actors. The ability of the urban poor to secure land titles is closely tied to the competitiveness of local elections.

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IMPROVE SUBNATIONAL IMPACT ON BUSINESS AND CIVIL SOCIETY

- Conduct analysis of how subnational fiscal and regulatory behavior affects the climate for private sector and civil society activity, including the urban poor. (IG)

- Develop subnational Economic Governance Indicators to inform efforts to improve the business climate, stimulate development, and assess regions with weaker business environments. (LRD/KED)

- Train subnational elected officials and staff to promote Local Economic Development. (WT)

- Help establish associations to bring together subnational officials and private sector representatives to promote Local Economic Development. (DNP)

- Analyze variation or gaps in resource endowments between regions that affect the climate for private sector activity, especially urban/rural differences. (IG)

- Promote dialogue between civil society organizations, the private sector, and subnational officials over subnational regulations, tax and expenditure policy, property rights protections, and land titling processes. (DNP)

- Provide technical assistance and conduct workshops to identify areas of consistency and contradiction between national and subnational regulations and to suggest options for reform. (WT/TA)

- Offer technical assistance and support to revise existing subnational regulations or develop new regulations to improve the environment for private sector and civil society activity. (TA/LRD)

- Conduct studies on best practices in subnational regulatory and fiscal policies to promote civil society and private sector activity, and help disseminate knowledge about them and how subnational governments might use them in their particular context. (IG/KED)

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SUBNATIONAL CAPACITY BUILDING IN UGANDA

Local governments (LGs) in Uganda are responsible for delivering key social services, including primary health care and education, water, roads and agricultural extension. Capacity to deliver these services remains a challenge due to the lack of requisite technical skills and staffing shortfalls in many LGs – problems that are especially acute in newly created LGs.

Uganda's Ministry of Local Government developed the National Local Government Capacity Building Policy in 2005, which provided a framework for training elected and administrative local officials and established a Local Government Capacity Building Unit within the ministry to support these efforts. The policy was updated in 2013 to reflect changes to the political, legal, and administrative environment in which LGs operate. The country has undertaken substantial reforms related to public financial management. Implementation of these procedures at the local level places new demands on LGs, although the 2019 annual Local Government Performance Assessment (LGPA) reports overall improved performance among the 144 LGs assessed.

In 2012, USAID developed the Governance, Accountability, Participation and Performance (GAPP) program and later partnered with DFID on the project. GAPP sought to build the capacity of Uganda's key institutions for decentralization at both the national and subnational levels. At the national level, this included activities such as technical and logistical support to improve performance of Parliament's Public Accounts Committee-Local Government (PAC-LG), the Office of the Auditor General (OAG), and the Public Procurement and Disposal of Public Assets (PPDA). For example, GAPP supported six consultants to provide technical assistance to OAG staff to help clear a sizable backlog of lower LG audits. The project also supported the development of Tripartite Parliamentary Hearings, which brought together the OAG, PPDA, and PAC-LG—three institutions responsible for oversight of LGs—for regular joint hearings on the results of LG audits.

At the local level, GAPP undertook a range of activities to strengthen local governance and accountability across 40 districts, such as information sharing, training for LG officials and staff, technical assistance, and peer learning across LGs. The project sought to build individual capacity and also within LG institutions. For example, GAPP trained over 14,000 individuals, including over 5,000 leaders in lower LGs, and developed leadership forums to train newly elected leaders. The program also mentored LGs committees on issues related to oversight and budget analysis. There is evidence that these efforts are making a difference in the short term: GAPP-supported LGs performed above average in the annual LGPA, with supported municipal councils performing slightly better than the districts the project supported. The sustainability of these efforts, however, remains to be seen over the medium and long term. Another key component of the project could help sustain and strengthen these improvements in the future. This is because, in addition to working with LGs, GAPP also supported capacity building of civil society organizations and private sector associations to enhance their ability to hold local leaders accountable and also to advocate for services and policies for their members and the broader community.

5.2.7 SUPPORTING EFFORTS TO BUILD SUBNATIONAL CAPACITY

No matter how well decentralization is designed, subnational administrations and governments must have the capacity to implement the system. Without this capacity—whether the primary goal is stabilization, democratization or development—subnational actors will be unable to assume the authority they have been granted, effectively use the autonomy they enjoy, or develop the accountability that is required for the most critical benefits of decentralization to be realized. Both subnational administrations and governments need basic administrative and fiscal capacities, although the autonomy to use them is usually less under deconcentration and this will affect the specific capacities needed. Political capacity is primarily relevant for devolution to subnational governments, but even deconcentrated administrations may be expected to develop non-electoral citizen accountability mechanisms. In low-information environments, it may be important for subnational governments to develop not just the capacity to provide services, but the capacity to collect, analyze, and disseminate information about the services they provide. Many subnational governments have raw data that are not analyzed and therefore are not useful for planning purposes. Likewise, e-government solutions are only relevant to the extent that local government personnel are adequately trained to use them.

Capacity building should not be conceived as a set of isolated activities. Capacity building and training activities are most effective when they meet specific needs of subnational actors at particular points in the process of strategically implementing decentralization. To give an example, where the control over networked infrastructure like water and sanitation has been delegated to metropolitan or regional authorities, one urgent priority would be to develop the capacity of these authorities to institute cross-subsidization across income groups.

SUPPORT SUBNATIONAL CAPACITY BUILDING

- Assist subnational units to identify their most pressing capacity building needs, also through self-assessment exercises that reveal their current capacity levels and deficits. (IG/TA)

- Offer instructional sessions, on-the-job training, seminars, and workshops, as well as off-site participant training or study tours to examine regional or international experiences, on relevant aspects of capacity identified as part of the assessments outlined throughout this handbook. (WT)

- Write or refine training programs, manuals, and other instructional materials for the areas in which capacity is to be built. (TA)

- Institutionalize capacity building by identifying and strengthening organizations to assume responsibility for training, creating programs for training trainers, and providing overseas training for key trainers. (IG)

- Provide grants to subnational administrations and governments to seek or develop their own capacity development activities. (TA)

- Conduct studies on best practices in subnational capacity building and help to disseminate this knowledge and its application. (IG/KED)

- Provide assistance for the adoption of e-government solutions to enable subnational governments to take on their new responsibilities, as well as ICT systems to promote better communication with the public about the decentralization process. (SOM/TA)

5.3 STRATEGIES TO BOLSTER CIVIL SOCIETY

Decentralization creates new opportunities and challenges for civil society organizations (CSOs). When resources and responsibilities are reassigned to subnational governments or administrations, CSOs face strong incentives to reorient their behavior, but may face obstacles as they attempt to do so. Civil society must have sufficient capacity to hold local administrations and governments accountable if decentralization and democratic local governance are to take root and flourish. USAID can use various strategies to promote the reorientation and strengthening of CSOs, enabling them to coordinate their activities with subnational units and to help shape the subnational government agenda. To the extent that denser social networks make it easier for civil society to hold local officials accountable, an overarching goal should be to help densify these networks. Increasing communication flow between citizens may be as important as disseminating information to citizens in a top-down fashion.

5.3.1 PROMOTING PRODUCTIVE ROLES AND BUILDING CAPACITY FOR CIVIL SOCIETY ORGANIZATIONS

USAID can help promote the development of CSOs and support them in their service delivery and advocacy. USAID may wish to provide direct support or to assist CSOs by linking them to potential partners, such as academic institutions, think tanks and CSO networks. Rural and urban settings often diverge sharply in terms of the quality of civil society organizing. In cities, CSOs representing vulnerable populations are likely to be especially critical partners where USAID is seeking to advance such goals as urban resilience in the face of climate change, public safety for women and girls, and property rights for informal tenants.

With respect to service provision, USAID should consider the relative advantages of working to build the capacity of subnational units or CSOs. Where subnational officials are elected, USAID should generally favor capacity building for subnational governments, which are accountable to citizens. Holding CSOs accountable can be difficult because they are not elected. Even where subnational officials are appointed and service provision responsibility rests with the national government, the latter may, if elected, be more accountable than CSOs. USAID may choose to work with CSOs whose service roles complement subnational government or administration roles. If funding for CSO service delivery comes from donor agencies or contracts with national government bodies, this can undermine the functions of subnational administrations or governments, but is particularly problematic for devolved governments. When contracted by subnational units to provide services, CSOs can be held accountable to these units.

With respect to advocacy, USAID can help CSOs learn ways to assist and/or pressure subnational governments and administrations to perform their responsibilities well. USAID can assist CSOs to secure, publicize, and use information about subnational governance activities, to participate more effectively in the public mechanisms available to them, to make more effective use of digital advocacy and oversight tools, and to engage and collaborate with anti-corruption institutions. A complementary USAID strategy would be to promote local print and broadcast media as well as online news sites and citizen journalists, which can serve as powerful engines for accountability, investigating and reporting on malfeasance within subnational governments, administrations and civil society. In the area of oversight, what civil society will oversee and provide input into should be relatively straightforward; complex tasks of public administration are more challenging for CSOs to monitor as compared to simpler tasks. For example, when it comes to overseeing local governments' management of central government transfers, independent and professional auditors may be better monitors than under-resourced, information-constrained CSOs.

In addition to local-level CSOs, national CSOs and CSO networks may have a special role to play in defining the evolving functions of civil society under decentralization and even in shaping decentralization itself. National CSOs working on issues related to decentralization may benefit from targeted support. Those opposing decentralization may be influenced to view decentralization more positively as it relates to civil society, or at least to understand how their nationally-oriented policy goals may be undermined by the failure to productively operate in a decentralized environment. Helping to create networks of CSOs that strengthen CSO influence at the national, regional, and local level—or helping to strengthen existing networks—may also be a productive strategy for USAID.

BUILD THE CAPACITY AND PRODUCTIVITY OF CIVIL SOCIETY ORGANIZATIONS

- Provide technical assistance and support to determine the number, scale, and functions of CSOs. (TA)

- Support CSO formation and operation through technical assistance on registration procedures, tax exemption laws, charitable giving legislation, and fundraising practices. (TA/LRD)

- Offer assistance and capacity building to CSOs on leadership, public speaking, advocacy and lobbying, conflict resolution, negotiation techniques, civic education, revenue raising, digital tools for advocacy and participation, and marketing and business skills. (TA/WT)

- Conduct outreach to CSOs to develop their membership bases and to establish productive linkages to policy institutes, academic institutions, and strategically important local, national, and international institutions. (DNP)

- Train and support CSOs and their membership to participate—and encourage others to participate—in policy deliberations and participatory planning and budgeting exercises, in monitoring subnational government plans and budgets, in conducting social audits of subnational service delivery, and in nominating people for consultative councils. (KED/TA)

- Support CSOs in creating information and resource centers, post permanent information boards on subnational government activity, and disseminate information on decentralization to citizens, both in person and online (including through social media). (KED/TA)

- Assist subnational governments and CSOs to identify areas of productive partnership in service delivery and other public functions, and to identify modalities for undertaking them. (DNP)

- Develop and pilot a mechanism for collecting data from CSOs and periodically assessing performance. (IG/IE)

- Offer technical assistance to local media in all aspects of their operations, including newsgathering and reporting, investigative journalism, and marketing, for both circulation and selling advertisements. (TA)

- Encourage CSOs to play watchdog roles vis-à-vis coordination problems between municipal units in the same metropolitan region, monitoring the behavior of local, metropolitan, and regional authorities and focusing attention on the use of revenues from user fees and licensing. (SOM)

- Assist as appropriate in the development of national CSO networks involved with decentralization and help build partnerships between local and higher-level CSOs. (DNP)

DIGITAL TOOLS TO SUPPORT CIVIL SOCIETY

Digital technologies hold significant promise for strengthening civil society and social accountability. In addition to the opportunities for advocacy created by social media and mobile apps, innovations in ICT have also proven valuable for improving communication between governments and their citizens, as well as for enhancing citizen voice and public accountability.

ICT is especially viewed as a means for strengthening accountability mechanisms between citizens as service consumers and governments as service providers. Government-led initiatives like the Punjab Proactive Governance Model in Pakistan and citizen reporting projects like India's I Paid a Bribe have sought to encourage input from citizens on local service needs, on the quality of existing services, and on malfeasance by frontline public officials. The Making All Voices Count grant-making program, sponsored by USAID and other donors, sought to support initiatives using technology to amplify citizen voices, promote transparency, and fight corruption in 12 African and Asian countries. Beyond service delivery, digital tools have also been used to promote election integrity both by improving voter information (e.g., the mobile apps developed through the 2014 Code for Vote Hackathon in Indonesia) and by encouraging crowdsourced election monitoring (e.g., the Uchaguzi Wetu 2015 platform in Tanzania or the social media campaign that called on citizens to verify the reporting of 2014 election results by subnational election commissions in Indonesia).

Despite their potential, digital technologies should not be viewed as a substitute for analog institutional development. Studies have found that ICTs seldom generate positive change on their own. They may help to amplify citizens' voices, but whether those voices lead to effective government action depends on political agendas, the incentives facing various stakeholders, and available institutional capacity. ICTs are also unlikely to strengthen local civil society on their own, especially as new channels for citizen feedback focus on promoting individual voices rather than building up broader civil society networks. USAID programs aimed at using digital technologies to empower civil society must therefore be informed by careful political economy analysis and viewed as a complement, rather than a substitute, to broader programs that seek to strengthen civil society.

5.3.2 BROADENING THE SCOPE OF CSO REPRESENTATION AND IMPROVING THEIR GOVERNANCE

CSOs commonly represent narrow subsets of society, often those who are most likely to organize. If CSOs are in the hands of local economic and political elites likely to impede decentralization, then USAID should prioritize strategies that will assist in the creation or strengthening of CSOs that represent non-elite actors. The nature of the need to broaden CSO representation will vary from place to place. In certain locations, women may be underrepresented, while in others the priority may be particular indigenous groups, youth, or the elderly. Involving users of services in consultations is critical for the development of more inclusive service planning. The easiest way to know what information, service needs, and priorities are relevant to local citizens and social groups is to ask them before programming begins and to design projects accordingly.

The strategy of supporting CSOs for marginal groups is particularly critical if decentralization is to generate stable and democratic outcomes. Dominance of CSOs by advantaged groups can be destabilizing if marginal groups perceive they are being neglected by newly empowered subnational governments. Participation by marginal groups can promote democracy by helping to ensure that decentralization involves more than resource transfers to subnational elites.

Other aspects of CSO governance may benefit from USAID programming. Elite capture can occur even where membership is broad, and the way that CSOs are financed can influence whether they are

dominated by particular groups or subject to dependence on external parties with particular agendas. Excessive reliance on external financing affects CSO sustainability.

> ## BROADEN THE SCOPE OF CSO REPRESENTATION
>
> - Provide support to determine the extent to which key CSOs are broadly representative and identify groups that need better representation. (IG)
> - Assist CSO membership or external parties to assess the internal governance policies of CSOs and support membership policies that encourage CSOs to bridge different ethnic groups and ascriptive identities. (SOM/LRD)
> - Disseminate information about strengthening, or modifying programs, laws, and regulations relating to citizens of various identities, including indigenous communities, women, and youth. (KED/LRD)
> - Offer technical assistance to CSOs to assess their dependence on external resources and to identify and support policies that would diversify their revenue base and enhance sustainability. (TA)

5.3.3 ENGAGING WITH TRADITIONAL AUTHORITY STRUCTURES AND ENHANCING THEIR INTERACTION WITH SUBNATIONAL GOVERNMENTS

Decentralization heightens the importance of coordination among different actors whose authority has changed as a result of the re-assignment of resources and responsibilities. Within civil society, a particular area of concern is often the role of traditional authority structures. In much of the developing world, these structures parallel or enjoy autonomy from formal governments and provide citizens with valued services, such as informal, time-tested mechanisms to develop consensus on local priorities and to adjudicate disputes. In many cases, these structures include or influence local elites. These structures may sometimes directly challenge the legitimacy of the state with force or the threat of force.

USAID may seek to work with these structures, supporting them to perform their own functions and helping them to work with subnational administrations or governments. Facilitating coordination between governmental structures and traditional authority structures can have a stabilizing effect. Working with, as opposed to undermining, traditional authority structures may encourage reluctant citizens to engage with local governments and administrations, and it may in turn create opportunities to make customary authorities more responsive to the population. Additionally, the influence of traditional authority structures, especially if they have access to local resources, may help to promote better local development outcomes. Traditional authorities are often more effective in sectors where they have a tradition of involvement and less effective when they are asked to take on new tasks.

When engaging with traditional authorities, it is important to assess their social and economic ties and accountability to the local population. In places where democratic backsliding is a concern, customary structures may sometimes act as a check on undemocratic behavior at the local level, but they may also be prone to capture or co-optation. USAID should also be mindful of the possibility that partnering with traditional leaders may weaken these leaders' local embeddedness if they are perceived as being more beholden to donors than to the local community.

ENGAGE TRADITIONAL AUTHORITIES AND ENHANCE THEIR INTERACTION WITH SUBNATIONAL GOVERNMENTS OR ADMINISTRATIONS

- Provide assistance to research and document the roles played by traditional authorities, their social and economic embeddedness in local communities, and the perceptions and expectations citizens have of them relative to subnational governments and administrations. (IG/KED)

- Conduct meetings between representatives of subnational governments and/or administrations and traditional authorities or community-based organizations to identify ways they can work together and provide technical assistance and capacity building to foster collaborative relationships. (DNP/TA)

DEMYSTIFYING LOCAL PUBLIC FINANCE FOR SENEGALESE CIVIL SOCIETY

This case study illustrates a strategy employed by USAID to establish a stronger foundation for revenue generation by subnational governments by reinforcing the capacity of civil society organizations to participate in the budget process. It describes a specific activity carried out by USAID that helped "draw back the veil" for citizens on the local budget process, and created a space for dialogue between local government leaders and citizens on mutual roles and responsibilities in revenue mobilization.

In 1996, the Government of Senegal passed a decentralization reform that transferred important new responsibilities to the elected councils of the country's 67 communes and 320 communautés rurales. With only modest budget transfers available from the central government, these local governments faced the daunting challenge of financing their new roles through increased revenue mobilization. Senegal's tradition of weak local government (under the tight control of appointed administrative authorities, and dependent on tax collection services by local agents of the Finance Ministry) left them ill-prepared to tackle such a challenge. From a political perspective, elected councils had to surmount widespread ignorance and cynicism by local populations about the management of local public finances which was shrouded in mystery and appeared to deliver few tangible results.

Beginning in 2000, USAID developed and carried out a 5-year program of intensive technical assistance and training to 50 Senegalese local government units that resulted in significant improvements in budget management capacities and revenue mobilization. The activity that laid the groundwork for subsequent program assistance was a one-day Public Budget Forum involving 60-70 representatives of the local council, citizens groups, traditional authorities, administrative and technical services, and NGOs.

The Forum was designed to build a sense of shared purpose among different actors in mobilizing public resources and putting them to work to improve the quality of local services. It did so by first putting participants on more equal footing with regard to their understanding of the basic principles and procedures of budget preparation and management – using analogies with household budgets, for example, to "demystify" the subject. The Forum proceeded to facilitate an objective review and analysis of recent local government budget performance, highlighting the characteristically huge gaps between budgets submitted and approved by higher administrative authorities and funds actually received, and the small percentage of resources spent on investments compared to operating costs. The Forum then facilitated an assessment of potential revenue sources, helped participants identify several priority actions, and finally facilitated an exchange among actors regarding their respective commitments to achieving the action items. By creating a public occasion to examine legally-mandated budget procedures and processes, and to collectively analyze revenue mobilization and spending performance, the budget forums shed light on many obscure details for a larger set of local actors, and provided them with new opportunities for getting involved in local government affairs.

5.4 THE CASE OF DECENTRAILIA

To provide some context for how these programming strategies can take shape, here we offer background and elaborate how a logic model and theory of change approach can lead to a step-by-step programming process.

5.4.1 BACKGROUND

The USAID Mission in the Republic of Decentrailia previously worked with the central government on legislation, staff capacity, policies and procedures for fiscal management for subnational programming in order to improve service delivery in local areas. Enabling legislation is in place. As part of that work, the national government had clarified lines of authority and standards for staff accountability.

Building on that work, this project plans to contribute to the improvement of local service delivery by increasing subnational government accountability for service delivery in Localand Province. The project is implemented in partnership with UNDP who is working on improved capacity and procedures for service delivery agencies in Localand Province.

The two USAID activities in the project plan to achieve:

1. Increased Subnational Government Accountability in Localand Province working with CSOs and citizens.

2. Improved allocation of funds for service delivery from the National Government to Localand Province; and from Localand Province to provincial agencies delivering services.

5.4.2 DEVELOPING A LOGIC MODEL AND THEORY OF CHANGE

For these two activities to result in increased subnational government accountability and improved funding allocation between the national government, subnational government, and subnational agencies, a series of key steps by USAID and its partners must occur as detailed in Figure 5.1.

After donor interventions are completed, improvements in service delivery in local areas will be more sustainable, with decreased national government control over the delivery of these services. As Localand Province accountability increases in response to CSO and citizen actions, service delivery improves and is more responsive to local needs.

In order to improve local services delivered in Localand Province and responsiveness to citizen needs, USAID Decentrailia develops an accountability project with two activities and partners with UNDP, which is already working directly on the regulations and on strengthening agency capacity for service delivery in Localand.

The assumption is that a previous USAID Decentrailia project with the national government has been sufficient in terms of enabling legislation, national staff capacity, and policies and procedures for fiscal management with respect to subnational service delivery programming. This included standards for national government and provincial staff on advancement, reappointment, and firing (i.e. staff accountability). {Note: in USAID guidance, "assumption" is defined as "The stated conditions, behaviors, and/or critical events outside the control of the Strategy, project, or activity that must be in place to achieve results." ADS 201.6}

Blue boxes show UNDP project

Sustained Improvements in service delivery in local areas with decreased reliance on national government oversight

Improved service delivery in Localand Province more responsive to local needs

Increased Localand Province accountability for service delivery

Localand Provincial budget office allocates funds to service delivery agencies as planned and on a predictable schedule

Services designed and planned by Localand agencies to meet local needs

National government transfers service delivery funds to Localand as planned and on a predictable schedule

Increased capacity of Localand Provincial government agency to allocate funds for services

Funds allocations procedures clarified by Localand

Implementing regulations developed by Localand Province

Increased capacity of Localand to design, plan and implement service delivery projects

Subnational government service delivery access portal routinely has updated data on service delivery progress

CSOs use evidence of service quality to hold Localand Province service delivery agencies accountable

Citizens take actions to hold government accountable

CSOs routinely generate evidence of the quality of provincial services by synthesizing audits, ombuds office reviews, citizen input & the CSOs monitoring

Improved CSOs monitoring of timeliness & quality of service provision in Localand Province

CSOs have contributed to design and planning of local services

CSOs workshops conducted with citizens to solicit input on needed local services and to train citizens on accountability processes

Increased Citizen awareness of rights to expect quality services, how to learn about services that should have been delivered and who to appropriately register complaints with
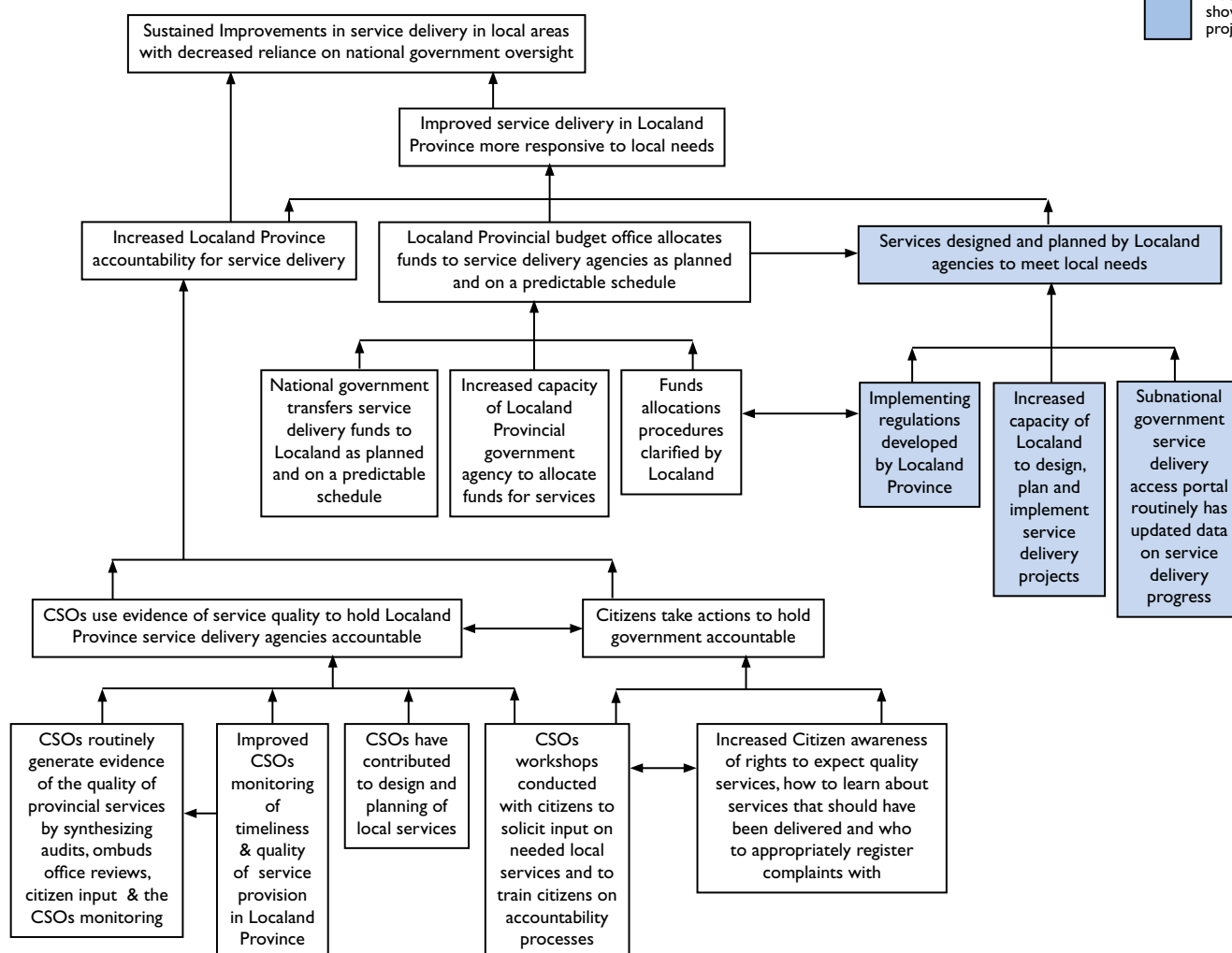
Table 5.2 Logic Model for the USAID Mission in the Republic of Decentrailia

5.4.3 FROM THEORY TO PROGRAMMING STRATEGIES

To extend this logic model and theory of change into a set of definable programming strategies, we offer a set of steps that field officers can follow as they work through the programming process. Each step in Figure 5.2 is accompanied by concrete examples based on the mission in Decentrailia.

Figure 5.2 Steps in the Programming Process with example

STEP 1: Review ideas generated by the assessment in the context of other evidence such as completed evaluations, mission priorities, budget, existing Mission activities that may provide synergies, and other donor activities in the area of programming as well as in the geographic area.
Assessment & previous project in Decentrailia identified accountability for service delivery as a critical need in Localand Province. Discussions with other donors indicated that UNDP was working on improved service delivery there. Sustainability of quality services would require citizen and CSO monitoring to continue after donors departed.

STEP 2: Working with a multidisciplinary group from the mission, develop a logic model and theory of change. Begin discussing indicators and revise logic model accordingly. Determine manageable interest in the context of budget, identify project and/or activities, and best implementing approaches.
Convene a logic model working group including staff from mission DRG office, Program Office and other technical offices in the sectors of potential local service delivery. Potentially include UNDP staff. Subsequently convene the working group with DRG office staff, the MEL officer from the Program Office and 1-2 key staff to continue with discussion of indicators, revisions to logic model, and design and planning processes.

STEP 3: Link to, or revise, the Results Framework in the Mission's existing CDCS. Develop/revise PMP.
DRG staff work with Program office to revise the IR for decentralization and get Mission approval for RF changes.

STEP 5: Discussions with and approvals from the partner Government, USAID Washington, and other relevant donors. Refine ideas. Secure budget.
DRG Director and Deputy Mission Director meet with Ministry of Finance and national government staff involved in previous project. DRG Director liaises with DRG Center and Program Office. DRG Director and technical staff meet with UNDP and other donors.

STEP 4: Draft PPD with MEL plan. Develop co-creation process and/or draft contracting and assistance documents including MEL requirements.
DRG staff draft necessary documentation in partnership with regional OAA officer.

6.0 EVALUATION, PERFORMANCE MONITORING AND LEARNING

The purpose of this chapter is to provide context, highlight issues and identify resources for making decisions about what kinds of evaluation, monitoring and learning tools and processes will best support democratic decentralization programs. This chapter tries to address the types of choices that field staff will need to make. It also tries to briefly introduce some ideas on what types of tools would best support the range of democratic decentralization changes discussed in earlier chapters.

At their core, monitoring, evaluation and learning activities help USAID staff to systematically gauge the effects and effectiveness of their work to use in decisions, strategies and policies that will strengthen future work. Making choices about which tools are most cost effective and provide the information and answers needed is not easy. This chapter will look at the three interconnected groups of tools and processes, i.e., evaluation, performance monitoring and learning. While performance monitoring and learning activities can support staff in remaining updated and proactive about the status of their work during the program itself, evaluations take place at set points in time. Formative evaluations take place during an activity while many evaluations are conducted for summative learning either at the end of an individual program or, occasionally, for comparison purposes across a set of programs.

This chapter is not designed as a basic primer on these topics. Good instruction can be found in the Rainbow Framework at betterevaluation.org and the Toolkits on the USAID Learning Lab website (all cited below). Throughout this chapter, the text boxes will include illustrative examples from the Ghana Strengthening Accountability Mechanism (GSAM) which took a top-down and bottom-up approach to improving local government transparency and accountability for service delivery. Information came from the 2018 Endline Impact Evaluation and from annual reports available on the CARE website. At the end of the chapter, we will return to the Decentrailia example from chapter 5.

6.1 EVALUATION

Evaluation is the systematic collection and analysis of information about the characteristics and outcomes of programs (or any of a number of units of analysis). (See ADS 201 page 133) Evaluation is a process, either during a project or at the end, that results in findings, conclusions and recommendations to strengthen and improve the ways USAID supports democratic decentralization and the outcomes achieved. Decentralization is not a "one-shot" experience but rather takes time to unfold and deliver on its many promises. Evaluating programs that are designed to help ensure that they advance the goals of democracy, development, or stability is especially important because of this longer time-frame. Evaluations routinely assess unintended positive or negative consequences of project interventions, unlike performance monitoring. More than the performance monitoring and learning functions, the in-depth knowledge and understanding generated in evaluations will inform future projects. Decentralization is no longer a new phenomenon, and in most of the countries in which it operates, USAID programming will be building on – and learning from – prior efforts to support decentralization. Past evaluations therefore should always be reviewed as part of the assessment process and when new activities are being undertaken.

EVALUATION ISSUES & CHOICES

The first choice is whether an evaluation is needed or whether the learning and monitoring functions provide sufficient information to manage the program well. That said, evaluations do capture learning for future programs and policies that should be factored into the decision.

Rigor: Rigor is about minimizing potential bias that might inaccurately influence findings or actions by using systematic and transparent processes. (A particularly interesting discussion of promoting rigor for adaptive management is in https://odi.org/en/publications/making-adaptive-rigour-work-principles-and-practices-for-strengthening-mel-for-adaptive-management/). Understanding the audience and expected use for an evaluation establishes the level of rigor required. Conducting an evaluation during the program to inform how a changing context is making the planned design problematic will likely not require the highest levels of rigor. This is especially important for programs that support decentralization, because it is an inherently dynamic process that typically proceeds in fits and starts. By contrast, establishing causal inference in order to rule out alternative explanations for observed changes and to demonstrate that a certain intervention really did cause certain levels and types of change would require high levels of rigor. The USAID DRG Center is committed to advancing a culture of rigorous learning for democratization programs and has resources to support certain rigorous evaluations.

Evaluation purpose, use, and questions: Knowing the audience and planned uses of the evaluation interplays with identifying the questions the evaluation is trying to answer. Perhaps it is *how do we modify the design of an ongoing project due to a changed context? e.g. national elections that translate into less support for decentralization.* This may involve recalibrating the mix of activities across the three arenas emphasized in chapter 5: national, subnational, and civil society. Or *before we design a follow-on project, what were the accomplishments and challenges of the current project?* An example of this type of evaluation is Sajhedari Bikaas Endline Evaluation; Accomplishments, Challenges, and Lessons Learned. A very different question is w*hat has or has not worked in a series of decentralization projects, either in the country in question or in a number of similarly situated countries?* This was the question that was addressed in Comparative Assessment of Decentralization in Africa: Final Report and Summary of Findings. Evaluation commissioners should work with other stakeholders and the evaluation team to clearly establish the purpose and use of the evaluation and then identify a limited number of key questions for a focused and evidence-based evaluation.

Methods and approaches: Choosing amongst the many valuable evaluation methods and approaches is challenging and greatly benefits from professional evaluator advice. The DRG Center's Evidence and Learning team Center has experienced staff to provide professional advice. Good resources are suggested below and can facilitate the conversation with the evaluators. Discussions should begin with a clear understanding of the evaluation purpose, a clear theory of change, and what questions the evaluation needs to answer.

Outcome evaluations for example can either take a classic approach of evaluating against the Theory of Change or an "Outcome Harvesting" approach which collects data from communities and stakeholders on what the most significant outcomes were (and systematically evaluates competing explanations to strengthen the link to project intervention). See: https://www.betterevaluation.org/en/manage-evaluation https://www.betterevaluation.org/en/plan/approach/outcome_harvesting

USAID distinguishes between impact evaluations and performance evaluation. Impact evaluations are designed to determine if an intervention causes intended outcomes, but it does so through a rigorous research design that rules out alternative explanations. The previous draft of this handbook on democratic decentralization included an extensive discussion on how and when is best to do impact evaluations on democratic decentralization: impact evaluation for establishing causal inference through the use of treatment and comparison groups. The monitoring and evaluation chapter from that edition is available online. In addition to causal inference, there are many other questions and issues to be addressed in evaluations, and expert guidance can make the most of the time and money invested in this process.

Performance evaluations cover a wide range of evaluations and the ADS categorizes types of evaluation as developmental evaluations, formative evaluations, outcome evaluations, and implementation and process evaluations. For example, while able to determine impact with less methodological confidence, an outcome evaluation still focuses on outcomes and changes in outcomes over time. The DRG Center has developed guidance on long-term, outcome performance evaluations. One example of an ongoing evaluation at the Millennium Challenge Corporation (MCC) is the use of the process mapping approach to identify evidence to assess the reform of the electrical utility in Malawi. Process evaluations focus on intervention implementation, typically to identify areas for improvement.

Participation: There are two evaluation approaches that have been developed around participatory and democratic programming. **"Participatory"** monitoring and evaluation practices involve program stakeholders in the M&E processes. (See more on participatory evaluation.) The interesting literature about so-called "**democratic** evaluation" addresses inclusion and participation not only as topics to be evaluated but as processes to be followed when conducting the evaluation to ensure public accountability and transparency. These may deserve special consideration in the evaluation of decentralization support since decentralizing changes are intended not just to shift power from national to subnational units of government but also to expand beyond government circles the stakeholders who participate actively in decision making.

> In the GSAM project, a participatory process was used to develop scorecards on the quality and timeliness of local capital projects. Those scorecards were part of the evaluation of expected improvements in capital projects as a result of project interventions. At the same time, the participatory approach to developing the scorecards strengthened citizen knowledge of quality of capital projects as well as their possible role in holding their government accountable.

EVALUATION RESOURCES

An excellent resource, even for beginners, is the website betterevaluation.org. Its Rainbow Framework organizes all evaluation steps into seven clusters of tasks: Manage, Define, Frame, Describe, Understand Causes, Synthesize, and Report and Support Use. The website has information on more than 300 evaluation methods and processes, and more than 20 evaluation approaches. Although assistance from an evaluation methods specialist in developing a scope of work and solicitation will likely be necessary to make the most of an evaluation, spending some time understanding the choices can be very helpful in laying the groundwork.

There are also multiple resources on the USAID Learning Lab website organized into an Evaluation Toolkit – the main sections include many links and resources to be explored. For example, there is a resource on Lessons Learned Managing External Performance Evaluations.

In terms of expertise and possible financial support, the LER II contract managed in the DRG Center is the most directly relevant to democratic decentralization programs. For example, LER II produced "DRG Impact Evaluation Retrospective: Learning from Three Generations of Impact Evaluations." In addition, MERLIN is an initiative to innovate on Monitoring, Evaluation, Research and Learning and test "cutting edge approaches to measuring impact, understanding complex development challenges and solutions, and using evidence to drive smart decision-making and policy."

GSAM PM Indicators, and reporting, in the early years focused on capturing the foundational tasks of the number of people trained, the number of meetings, the number of audits conducted and disseminated by the central government's Ghana Audit Service and getting websites up and running. That said, the project also collected baselines on indicators for:

- knowledge (% citizens with knowledge of capital projects),

- attitudes (% citizens satisfied with capital projects), and

- practices (% citizens who participated in the last annual development planning sessions & % citizens who say that their District Assemblies met with them to build consensus or provide information about issues concerning selected capital projects),

- and many more.

These indicators were identified in the evaluation demonstrating the usefulness of reviewing evaluations as part of the monitoring process. The indicators were included in the PMP; collected at baseline, midline, and (nearly) endline; and reported in the Annual Reports found on the CARE website. They provide a good foundation for understanding citizen involvement.

6.2 PERFORMANCE MONITORING

Performance monitoring is the repeated collection of data and information, generally tied to the logic model (for example, a Results Framework or a LogFrame) in a project or activity plan. Performance monitoring is the subset of all monitoring that comprises progress monitoring and outcome monitoring rather than tracking expenditures or pipeline. The purpose of performance monitoring is to ascertain whether a program is on track against its plan. In addition to performance monitoring, there are two related kinds of monitoring that are relevant:

- **Context monitoring**, i.e. tracking factors and changes in the environment of democratic decentralization is important because the overall governance context plays such an important role in the processes of decentralization. Financial or fiscal crises, political strife, and/or worsening conflict situations are all important contexts to track. (Note that when these are the subject of the program, they are performance monitoring indicators, not context.)

> **CONTEXT MONITORING:**
> USAID/Guatemala s 2012-2016 strategy offers an example of how a Mission can incorporate context monitoring in a PMP. For instance the PMP tracks the Freedom House score on Political Rights to gauge the context around DO1 (citizen security), and follows the national prevalence of stunting in children under five for DO 2 (economic growth and social development). Additionally, the Mission monitors context at multiple levels within its current Monitoring, Evaluation, and Learning (MEL) plans including a focus on phenomena at levels different from the intended focus of the programming. In other words, some activities are intended to work with local communities, but national-level factors could heavily influence the success of these local activities. For instance, while an activity intended to reduce conflict targets the community level in the Western Highlands of Guatemala, heightened instability at the national level could affect the success of the local-level programming. Given this, the mission included national-level indicators (e.g., V-Dem indicators, others) to monitor context for local-level programming. - from "Tips on Learning from Context; Formal and Informal Approaches to Understanding the Local Political Economy" page 2.

- **Programmatic assumptions** should also be monitored. If the assumptions made during program design do not hold true, adaptations and adjustments are probably needed. To use an example from chapter 3, democratic backsliding at the national level may challenge the assumed support for decentralization by the national government and elevate the importance of those elements of a program that are focused on support for subnational units as a counterweight to the center.

Where possible, use the partner government's (central and sub-national) performance metrics to reinforce partnership and avoid confusing duplications, e.g. own-source revenue collection, service performance, budget execution. Due diligence on the quality of data should be conducted. This can allow the project's MEL efforts to support better beneficiary performance monitoring systems.

PERFORMANCE MONITORING ISSUES AND CHOICES
Indicator tracking and/or systems thinking tools: Classic performance monitoring is a fairly static process of identifying an indicator (straight quantitative being more quickly grasped) and tracking changes in that indicator over the life of the program. Even carefully selecting a group of the best indicators has proven insufficient for complex concepts like decentralization, and for tracking change in complex environments. For example, a program can usefully track such things as "percentage of subnational budget under the control of participatory bodies," but it is also necessary to keep current on the

understanding that those bodies continue to operate in a participatory manner (e.g., have not been captured by elites). There has been considerable experimentation and innovation in ways to rigorously capture changes that are "complex, non-linear and difficult to measure" **using systems thinking tools**. (See more on outcome mapping here). This is a name given to a loosely defined and growing set of tools that are designed to look more holistically at conditions, relationships and behavior rather than just tracking the component parts of a program as in traditional performance monitoring. USAID's endorsement of the political economy approach reinforces the usefulness of process-based indicators that focus on fostering relationships and building trust as measures of gradual progress toward higher level outcomes. (See USAID's Thinking and Working Politically through Applied Political Economy Analysis; A Guide for Practitioners.)

Some of this work is captured in USAID's experimentation with missions on Complexity Aware Monitoring using such approaches as:

- **Sentinel Indicators:** Stand as proxy for the system that signals the need for further investigation, specifically signals something that is negative to the desired change;

- **Stakeholder Feedback:** Seeks diverse perspectives of partners, beneficiaries or those excluded from the program. Note that stakeholder feedback is an important piece of the Learning and Adaptive Management processes discussed below;

- **Process Monitoring of Impacts:** Tracks predicted and emergent processes transforming outputs into results. Further advice on an approach to Process Monitoring for Impact is found in The "Progress Markers Facilitation Guide," which provides approaches for systematically "identify(ing) progress markers for any program or activity where the results occur in the medium-to-long-term, but where there is a need to track and report on efforts in the short-term."

Examples of how systems approaches to performance monitoring have been used in democratic decentralization programs include:

- **The Accountability in Tanzania Programme (AcT)** was a governance/accountability program implemented through a grant-making mechanism to approximately 20 civil society organizations. The key aim was "to build up a detailed and systematic body of evidence that would allow the program to understand how change happens at different levels." Two particular approaches were used.

  - Process markers were loosely defined in ways that were specific to each partner to be used for their own program management. They were then collated by the management team into a specific format for their required donor reporting.

  - Outcome journals were created and maintained by AcT partners/grantees. They informed mini-case studies, success stories, and 'most significant changes' stories as ways to capture progress. Evidence was coded and entered into the outcome database created for AcT.

  - There were regular learning events when this evidence was reviewed, discussed and acted upon for individual (at partner/grantee level) and collective (all-of-AcT) reflection.

- "Learning to Make All Voices Count: Lessons and Reflections on Localising the Open Government Partnership," is an analysis of five case studies of using data on problems, politics and outcomes to adaptively manage activities to localize government. It concluded that, "participatory processes of learning, reflection and adaptation can enable more effective pursuit" of democratic decentralization. In Indonesia, Prakarsa used participatory research techniques, involving local stakeholders from

various sectors in sub-national districts that had pioneered e-government reforms to generate evidence and insights on this process. This resulted in national policy makers incorporating those findings into development plans for national e-government policy. In the Philippines, ANSA-EAP piloted a provincial participatory budgeting plan to create an evidence base to influence both national and other subnational actors around open government issues. This evidence was used with local governments to consider how participatory budgeting processes could help them improve on the delivery of public services.

Data Analysis and Synthesis: Analysis and synthesis also need to be planned and funded. Well analyzed and presented data are much more likely to be used than presenting a user with raw data.

Required Reporting: USAID program managers are required to report on the component parts of the program design (See USAID policy on performance monitoring in ADS 201.3.5), as well as reporting on "The Standard Foreign Assistance Indicators" that can be found in the annual Guidance for Performance Plan and Report (available to USAID staff only). Past indicators specific to decentralization were removed from this guidance in 2016. Unfortunately, required indicators have sometimes operated as a disincentive to employing innovative approaches to performance monitoring. Designing a monitoring system for democratic decentralization will be better served by finding the right monitoring approach to capture the difficult-to-measure concepts; and then, identify what in that system can be used to meet reporting requirements. For example, the "Learning to Make All Voices Count" project purposefully identified the essential data collection that the staff needed to solve problems and achieve results. It later extracted relevant data to use in the required reporting.

PERFORMANCE MONITORING RESOURCES

There are two primary resources with respect to the monitoring process for USAID staff: ADS 201 and the USAID Learning Lab Monitoring Toolkit. The Learning Lab includes the basics (e.g. Indicator Performance Summary Table) and many more resources such as Complexity Aware Monitoring tools (discussed above).

Context monitoring can frequently include "third party monitoring" i.e. data collected by someone else. These existing sources should also be explored for possible indicators that might be useful to the program, particularly at the outcome level or, quite possibly, for context monitoring. National statistical agencies, local governance ministries and even CSOs publish considerable data, particularly when working on public financial management. V-DEM includes four indicators relevant to USAID democracy programming: Local Government Index, Regional Government Index, Local Government Elected, and Regional Government Elected. There are a number of geospatially-referenced datasets on violent conflict, ethnic relations, and human rights and repression that are available, e.g. the Social Conflict in Analysis Database (SCAD), the Geo-referencing Ethnic Power Relations dataset (Geo-EPR), or Sub-National Analysis of Repression Project (SNARP).

USAID has a list of resources for supporting performance monitoring. Two examples:

- The Public Expenditure and Financial Accountability Assessment

- "Tips on Learning from Context; Formal and Informal Approaches to Understanding the Political Economy"

The USAID DRG Learning, Evidence, and Analysis Platform (LEAP) contains lists of local governance indicators that have been used in the past under "governance metrics."

One evidence-based adaptive management effort carried out by **GSAM** was in response to a dip in use of the E-Platform (it collected and presented real-time information on citizen monitoring and feed on performance in capital projects) after technical issues caused it to go off-line for about a month, followed by cyber attacks that took it down several times in the next month. A rapid assessment was conducted to understand why use of the platform continued to be low. A number of technical (hardware) and sensitization efforts were then undertaken to address the causes of the low usage.

6.3 LEARNING

USAID has an approach called Collaborating, Learning and Adapting (CLA) that is about intentionally making decisions and adaptations in programs or strategies in response to new information and changes in context in order to improve program effectiveness (See ADS 201 January 2021 Update). Evaluation and performance monitoring are the fundamentals of learning but other examples include portfolio reviews, strategy mid-course stocktaking exercises, after-action reviews, partner meetings, events to learn about meta-analyses or research findings and other pause-and-reflect activities.

LEARNING ISSUES AND CHOICES
Assessment and Learning: Learning begins in the **assessment** process (chapter 4). Programs are designed based on the understanding from the initial assessment. Adaptations are then made as managers are informed by continued learning throughout. The assessment will have been made in a somewhat broader context and focus on the technical evidence base, while learning during the program focuses on the specifics of the problems, politics, and outcomes that have been identified as key to achieving effectiveness of local governance activities [30]. Specific advice on how to go about that can be found in the "Pause and Reflect Workshop Guide." USAID's Thinking and Working Politically guidance suggests that "rapid cycles of learning and reflection throughout program implementation" are especially valuable for decentralization programs because the additional dynamism generated by introducing a new subnational electoral cycle may or may not overlap with the national calendar of elections. One example comes from a Philippines activity designed to improve the ability of universities to support citizens and CSOs outside of Manila to effectively use open government data. When the Duterte regime discontinued the Bottom Up Budgeting program, a cornerstone of the activity design, the activity managers stayed focused on their change goal and were able to adapt by using fiscal data available under the Full Disclosure Policy. They have used that and other data to identify and tackle service delivery problems at the regional level.

Scorecards on the quality and timeliness of capital projects based on government audits were developed collaboratively between the project, which ensured formats for multiple stakeholders, and the Ghana Audit Service staff to ensure that scorecards were accurate in their reflection of the conclusions of the audits.

Citizen Scorecards were developed collaboratively with citizens to ensure that their needs for capital project improvement were reflected. Distance and access for citizens with disabilities were also addressed.

Adaptive Rigor: The fluidity of Learning practices have proven particularly useful as the countries in which USAID works are now predominantly complex and dynamic. Addressing power imbalances and catalyzing changes on one part of the governance or political system can lead to unintended effects elsewhere. A briefing note on Adaptive Rigor previews the newest directions in the Learning work: ways to improve the rigor, evidence base, and openness of decisions and practices.

> Analysis of the evidence from the **GSAM** Impact Evaluations led to the conclusion that both top-down and bottom-up approaches made a difference in terms of citizens holding the government accountable for improved capital projects. This type of rigorous learning should be included in USAID/Ghana's decisions on future programming.

Collaboration: Experience has shown that learning during programs should be done in collaboration with partners, particularly with those expected to take actions to achieve program results e.g. championing reforms or taking into account priorities and preferences of actors outside the capital. It is by working with partners who have the on-the-ground understanding of the problems, politics and other constraints to progress that solutions can be identified and challenges addressed or ameliorated.

LEARNING RESOURCES

The USAID Learning Lab was designed to support CLA and therefore, the CLA Toolkit has extensive resources available. Another section of USAID Learning Lab with helpful resources is "Global Learning for Adaptive Management (GLAM)." GLAM was envisioned as a globally networked learning alliance to identify, operationalize and promote rigorous evidence-based approaches to adaptive management.

The BetterEvaluation.org website has a section on adaptive management with additional tools and resources from around the world.

Political Economy Analysis is a form of continuous learning, which is encouraged in USAID guidance for democracy and other programming. Resources are found on the USAID website plus blog posts and other resources on USAID Learning Lab.

6.4 STEPS IN MEL AND AN EXAMPLE

This section lays out the steps in planning for MEL and also uses the Decentrailia example from Chapter 5 to demonstrate some possible choices for performance monitoring, evaluation and learning. The Decentrailia examples are in italics.

STEP 1: Preparation – Review assessments and any other evidence such as completed evaluations. Review indicators proposed in the process of drafting the logic model and theory of change.

The Decentrailia Mission DRG staff review all prior assessment work, monitoring reporting, and evaluations. The DRG MEL officer and Program Office MEL officer take the lead in ensuring that this information informs design

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STEP 2A: Monitoring - Identify indicators for quantitative objectives presented in the logical framework Develop tools and processes for qualitative objectives considering options such as benchmarks, checklists, network analysis, rubrics and scales for qualitative monitoring. Include context and assumption monitoring.

ensure best knowledge of monitoring tools and processes as well as required indicators. They begin with brainstorming indicators for the parts of the logic model, they review for a combination of qualitative and quantitative indicators, they winnow the plan by looking at which indicators are important to stakeholders, what is key in the TOC, where the most uncertainty and risk need to be closely monitored, what will be needed for future evaluation and what is FEASIBLE. (See the following table for an example of a portion of the performance monitoring for the project.)

STEP 2B: Evaluation - Determine questions for learning agenda and decide if/when evaluation is likely to be needed.

- *DRG Office staff review theory of change and logic model in the context of mission CDCS and Mission Learning agenda. Mission recognizes that the multipronged approach to accountability (i.e. working with CSOs, citizens, and local government watchdog) is complex and proposes an evaluation in year 3 (of 5) to understand whether the three approaches provide synergies or are too complicated to implement well. In addition, the project design assumed that under a previous activity, sufficient progress had been achieved in strengthening national processes in support of decentralization. Understanding the changing relationships needs to be analyzed in the evaluation.*

- *Mission liaises with DRG Center Learning staff to discuss the approach and methods for the Year-3 evaluation. DRG Center Learning staff propose a jointly funded impact evaluation to evaluate the impact on achieving increased accountability for service delivery in Localand Province wanting to capture the effectiveness and lessons from the multipronged approach to share with other missions.*

- *The mission moves forward with both evaluations recognizing that the investment in learning will continue to inform the SO and IR in the future.*

STEP 2C: Learning – Design Learning processes and revise Mission Learning Agenda as needed.

- *DRG staff, with support from the Program Office, organize monthly coordination meetings with UNDP. They also sponsor yearly meetings among donors to identify similarities and differences in approaches to decentralization (as suggested in the box in section 5.2).*

- *DRG Staff organize monthly coordination meetings with the NGO implementing the first activity, the CSOs they are working with, and the contractor implementing the second activity to share what is being learned and to foster collaboration.*

- *DRG staff, with the Program Office, organize an annual meeting with the Government of Decentrailia to understand the complaints from Localand Province to the national government.*

STEP 3: Review PMP and MEL plans annually. Revise as needed.

MEL staffer in the DRG Office analyzes the trends in the PMP reported data. Responsible DRG staff review that data in the context of the quarterly reporting from the NGO and the contractor, as well as notes from meetings mentioned above. DRG staff meet with the NGO and contractor to discuss any adaptations that need to be made and discuss whether MEL plans need to be adjusted – either in amounts of expected change or changes to indicators.

Figure 6 Illustrative Indicators for part of the Decentrailia Accountability Project Logic Model

Performance Indicator	Definition & unit of measure	Disaggregation	Method or approach to data collection or calculation	Schedule/ Frequency	Responsible party	Notes
INTERMEDIATE RESULT 1: (Project Goal) Sustained improvements in service delivery in local areas with decreased government control						
% Services delivered that are responsive to local needs and meet specified criteria	• quality (up to building codes) • timeliness scale •-responsive to local needs - rubric	• by type of service • by urban/rural • % tied to requests/ complaints	Calculated from data for **% Services delivered that meet specified criteria and % Services that were changed due to citizen and CSO requests/ complaints**	Semi-annually	Implementing NGO working with CSOs &	
Level of national government oversight	# Complaints/ requests to national government	• # received • % responded to within x weeks	Comparison of # national to provincial	Semi-annually	Implementing NGO	
	# visits from national government officials					This is a sentinel indicator – if the # increases, it indicates more government control
PROJECT PURPOSE (activity goal): Improved service delivery in Localand Province that is more responsive to local needs						
% Services delivered that meet specified criteria	• quality (up to building codes) • timeliness scale (accomplished within X weeks/ months of plan)	• by type of service • by urban/rural	Derived from CSO synthesis of evidence	Semi-annually	Implementing NGO working with CSOs & Ombuds Office	
# Instances of changes in service delivery in response to local requests & complaints	Changes due to timing, quality, structures, location	• CSO/Citizen/ Ombuds Office requests or complaints		Semi-annually	Implementing NGO working with CSOs & Ombuds Office	

Figure 6 Illustrative Indicators for part of the Decentrailia Accountability Project Logic Model (continued)

Performance Indicator	Definition & unit of measure	Disaggregation	Method or approach to data collection or calculation	Schedule/ Frequency	Responsible party	Notes
INTERMEDIATE RESULT 1: (Project Goal) Sustained improvements in service delivery in local areas with decreased government control						
# Instances of changes in service delivery in response to local requests & complaints	Changes due to timing, quality, structures, location	• CSO/Citizen/ Ombuds Office requests or complaints		Semi-annually	Implementing NGO working with CSOs & Ombuds Office	Repeated from above
Citizen satisfaction rating of provincial responsiveness	• Survey of citizen reported ratings of responsiveness • Analysis of social media	• by service delivery agency	Panel sample – baseline and repeated every 12-15 months	Semi-annually	Implementing NGO	
Citizen satisfaction rating of CSOs	Survey of citizen reported ratings of CSO interactions	• CSO 1, CSO 2, CSO 3	Panel sample – baseline and repeated every 12-15 months	Semi-annually	Implementing NGO	
# Complaints lodged with provincial service delivery agencies and Ombuds Office	• on web portals • in meetings • in writing	• by CSOs v. directly by citizens • by agency	Implementing NGO collects data from the agency websites, CSOs and Ombuds Office	Semi-annually	Implementing NGO	

6.5 CONSIDERATIONS FOR HOW TO USE THESE TOOLS & PROCESSES

The evaluation, monitoring and learning choices are so extensive that they are potentially overwhelming. Systematic information, data analysis and synthesis all take time and money. What is the right level of investment in evaluation, performance monitoring, and learning? How do planners make trade-offs between the choices? Planners need to reach out to "MEL specialists" to help them answer these questions and put the pieces together. Program design should not be based on evaluation techniques but rather on what the assessment identifies as the problem and what the research (as in chapters 1-5) suggests about the best way to solve the problem. That said, sometimes choices of learning and evaluation techniques can be foreclosed by choices that just as easily could have been made differently and, therefore, reaching out to MEL specialists should be done as early as possible in the planning process. Below are some ideas to discuss in the early stages.

The first questions MEL specialists will ask is what program planners and stakeholders are trying to understand and why. Is this a type of program that has a long history so that managers are well aware of how processes would normally play out (i.e. clearly established causal linkages)? Or is it a newer approach that needs a different kind of testing and learning? These are examples of choices that will lead to very different MEL mixes.

Democratic decentralization is complex enough that investments in the MEL functions should be greater than the USAID average– and likely more if it is taking place in complex or conflict environments that are inherently more costly for MEL.

Within that envelope, what should be in the mix? In general, it should be a little of all three components (monitoring, evaluation, and learning) because they all play different roles.

- There is ample evidence that the classic USAID approach of identifying indicators for the logic model and then requiring the implementing partner to collect that data is a reasonable but insufficient start. Performance monitoring is required of all programs but the approaches to monitoring that use system tools and careful documentation of non-data learning are likely to be the most informative and useful in decision making about adjustments. This can later be adapted to meet USAID reporting requirements.

- Evaluations at USAID are being used mostly for a summative understanding that informs the next activity or strategy, with performance monitoring and learning functions being used during the program. The Evidence and Learning Team in the DRG Center can help design and plan an evaluation. They have a robust program of impact evaluations for rigorous understanding of which DRG processes and programs work and under what circumstances.

- An evaluation should be conducted when clear evaluation questions need to be answered. The nature of those questions should drive the methods. It is not always possible to know those questions when a program is being planned; but if an evaluation is not planned, there will be no budget. It is better to budget for an evaluation and then reallocate funds within the program if an evaluation will not make a productive contribution either to the program or to broader mission learning.

- In addition to the rigorous learning, impact evaluations should be conducted if it is necessary to document the causality of the changes established by the project or activity. The need to hold all aspects of the program constant during this kind of impact evaluation is a high opportunity cost that must factor into the choices. (See the chapter from the 2009 version of the Handbook for an excellent discussion of how and when to conduct impact evaluations.)

- Learning functions should be built into all programs with both formal and informal opportunities to "pause and reflect." Training staff in "evaluative thinking" and continuous learning are the foundations that can be modified as the program evolves. To be most effective, learning functions require facilitation and investments of staff time.

- Levels of effort for MEL should be factored into decisions about staffing and the organization of the implementing team. Responsibility for all MEL functions should be clearly designated in missions and on implementing teams.

7.0 CONCLUSION

Decentralization is one of the most important and extensive trends in donor-supported efforts to improve democratic governance. The sheer number of countries affected suggests the strength of the pressures— economic and political, domestic and international—that have encouraged decision makers in very different environments to consider decentralizing. Although it is clearer than ever that decentralization can run into trouble, the widespread belief that it can help countries stabilize, democratize, and develop means that it is likely to continue to be reflected in policy agendas for the foreseeable future.

Since the first version of this handbook in 2000, many countries have undertaken decentralizing reforms, providing programmers and academics with opportunities for a growing number of observations from which to draw lessons about effective decentralization. This critical mass of decentralizing experiences has provided more robust empirical and theoretical lessons. While many of these lessons defy easy classification and point to the importance of local variations, consensus has slowly begun to emerge in some areas. As an update to its two predecessors, this handbook has outlined key questions and observations, making unambiguous recommendations where possible while reflecting the unresolved nature of many debates.

Decentralization takes a variety of distinct forms. No two countries' decentralization programs look alike. This puts the onus on field officers to study the environment for decentralization in the particular countries in which they serve. More than is the case with economic liberalization and democratization— two other key trends that mark the contemporary period—the single rubric of decentralization covers a daunting variety of political, fiscal, and administrative reforms. The introduction of local recall mechanisms, the modernization of property registries, and the reform of civil service codes all count equally as decentralization, as do more obvious changes such as introducing local elections or devolving revenues.

Recognizing that diversity and complexity are two of the defining features of decentralization, this concluding chapter summarizes the guidance offered in Chapters 1-6 and revisits many of the central concepts explored throughout the handbook.

7.1 RECOGNIZE THE PRIMACY OF STABILITY

Stability, democracy, and development are the three goals most leaders cite when they decide to decentralize. But an important asymmetry characterizes these three common goals: the pursuit of democracy and development both depend on the prior achievement of stability. Consolidating democratic rule and making the right choices for long-term sustainable development are very difficult in an environment of chronic instability. The goal of stabilization now figures much more prominently in donor strategies and activities, and it powerfully shapes and limits the subset of decentralizing options that deserve consideration.

If the primary objective of decentralization is to improve stability in politically fragile and crisis-plagued environments, then the provision of authority and autonomy (including corresponding resources) through deconcentration is, at least initially, the most critical requirement. In contrast, political decentralization through the institution of elected subnational councils is not a priority. In post-conflict

environments, the urgent need for stability leads decentralization programmers to consider the merits of a gradual sequencing of reforms that begins with deconcentration and views devolution as a longer-term objective.

7.2 LEVERAGE OPPORTUNITIES TO STRENGTHEN DEMOCRACY

Decentralization is often adopted by democratic regimes as a strategy to deepen democracy or to respond to popular demands for local decision making, but it may also be poised to play a key role when the national regime shifts in an authoritarian direction, or when national elections bring to power parties that seek undemocratically to limit political competition. In the context of democratic backsliding at the national level, subnational governments may emerge as critical partners in USAID's attempt to protect political pluralism. In closed or closing spaces, opposition-governed cities are unlikely to escape the notice of national autocrats, but less visible subnational governments may continue to operate as possible spaces for the defense of democracy.

At the same time, and as more countries accrue lengthier experiences with political decentralization, it has become clear that democratic backsliding can also happen at the subnational level. Just as governing parties and incumbent politicians can manipulate elections at the national level to unfairly stay in office, so too can their counterparts at the local level behave in ways that make a mockery of local elections. If subnational chief executives can sideline the subnational legislative bodies that are supposed to provide horizontal accountability and manipulate the elections that are supposed to provide vertical accountability, the devolution of fiscal and administrative authority may undermine rather than promote democratic outcomes. In these contexts, it will be all the more important to work with local civil society as a counterweight and to expand where possible the set of local stakeholders. The key insight here is that significant gaps in the quality of democracy between national and subnational levels of government within the same country are likely to persist as more and more countries decide to hold elections at both levels of government. These gaps may represent opportunities that should be taken into consideration in determining where and how to intervene in support of democracy.

7.3 KNOW YOUR DIMENSIONS: POLITICAL, FISCAL, AND ADMINISTRATIVE

Decentralization occurs in three main dimensions. It is important to understand how these dimensions differ because the pursuit of particular goals (stability, democracy, development) typically puts a premium on different dimensions. At the same time, field officers will also want to take a more comprehensive view by comparing changes across these dimensions at any one point in time. Indeed, evaluating all three dimensions together is the only good way to get a sense of how decentralization is working as a system, which in turn can help identify where specific interventions can happen and be most effective. Only USAID assessments and programming decisions that consider the interrelated dimensions of decentralization will result in the best avenues for action. Fixating on one dimension—say, fiscal arrangements, without reference to the political environment or the administrative underpinnings of intergovernmental finance—will too often lead to "stove-piped" programming approaches.

7.4 UNDERSTAND THE KEY ACTORS AND THEIR MOTIVATIONS

As with any major policy reform, decentralization is contested in the political arena. While stability, democracy, and development may be USAID's goals, its interlocutors may have other aims. All three arenas highlighted in Chapters 4 and 5—national government, subnational government, and civil

society—are subject to the allure of self-interested action. For example, national governing parties may foresee electoral benefits from decentralization, and civil society actors may prefer decentralization due to expectations that they will better be able to influence politicians at the local level. Instead of understanding one actor or another as having a certain dose of political will, USAID may gain greater leverage from considering the political economy of incentives and constraints facing different actors. USAID will be in a better position to create programming alternatives insofar as it understands support and resistance for decentralization as a function of political interests and needs, rather than as a function of particular virtues.

In light of the political needs of the various actors, general principles emerge for promoting decentralization. One general rule for navigating a political environment is to identify and work with likely allies that support USAID action, as outlined in Chapter 4. These may come from any of the different arenas, or they may be only a subset of actors in one area (such as a particular element of the national government bureaucracy or certain ministries). Conversely, when support is lacking, USAID should use its programming leverage to alter the incentives that prevent actors from supporting particular decentralizing reforms. For example, promoting programs to ensure budget transparency at the local level may mitigate skepticism from central governments or civil society about the integrity of local government.

7.5 PROMOTE COORDINATION IN THE POST-DECENTRALIZATION POLITY

Given the significant amount of formal decentralization that has already occurred in many countries in recent years, promoting the transfer of additional resources and responsibilities from the center may become less of a priority in the future than it has been in the past. Instead, what will take on greater urgency in the polity that is formally decentralized are efforts to improve coordination between those levels of governments that have been made more independent from one another by decentralization. Where decision makers at the national and subnational levels are now separately elected (e.g., the devolution model), separate sources of democratic legitimacy typically reduce the incentives to cooperate relative to the period when subnational authorities were appointed by the center and had no choice but to cooperate. USAID is more likely to prioritize coordination between governmental units that are now more independent from one another, but must cooperate for decentralization to succeed.

Coordination is key, not only vertically between national and subnational levels, but also in a horizontal sense. First, decentralization can trigger very different responses from distinct national-level agencies, resulting in interagency conflicts that have proved deadly for decentralization. USAID can help national agencies shift from conflict to coordination through a number of programs, including retraining activities for civil servants who must surrender certain roles in order for decentralization to succeed. Second, is the important forms of coordination that emerge between individual subnational governments at the same level (e.g., mayors' associations and governors' leagues) when subnational officials determine that their interests vis-à-vis the national government are best served through their collective voice. Third, as more external actors become convinced of the significance of the subnational arena, coordination among the increasingly crowded field of multilateral, bilateral and nongovernmental donors has become more important as well.

7.6 ADAPT AND UPDATE AS DECENTRALIZATION UNFOLDS

As protracted as it may be, the struggle to adopt decentralizing policies is by no means the end of the story. Even as programming moves from the initial big bang of legislative change in the direction of coordination between actors and other subtle refinements, it is clear that progress will occur in fits and starts. Countries do not simply become decentralized the day after passing decentralizing legislation. Instead, when national politicians endorse decentralization, they initiate a new period of struggles over implementation among what is often an even wider set of stakeholders, including national agencies, subnational officials, and civil society groups at all levels. Decentralization destabilizes long-standing institutional relationships, introducing a type of institutional limbo that can plague implementation. However, implementation difficulties often result from problems that USAID is well poised to address, including poor enforcement, low levels of capacity, and local actors who do not understand what is expected of them. Taking these implementation problems seriously is important because they can easily depress the enthusiasm for decentralization, even opening the possibility of its reversal in some cases.

7.7 TAILOR EFFECTIVE MEL ACTIVITIES TO SUPPORT DECENTRALIZATION

Decentralization presents special obstacles and opportunities for evaluation, performance monitoring and learning (MEL). Decentralization is not a "one-shot" experience but rather takes time to unfold and deliver on its many promises. Evaluating programs that are designed to help ensure that it advances the goals of democracy, development, or stability is especially important because of this longer time-frame. Decentralization is no longer a new phenomenon, and in most of the countries in which it operates USAID programming will be building on – and hopefully learning from – prior efforts to support decentralization. Past evaluations therefore should always be reviewed as part of the assessment process and when new activities are undertaken. Participatory monitoring and evaluation practices may deserve special consideration when evaluating decentralization support. This is because decentralizing changes are intended not just to shift power from national to subnational units of government but to expand beyond government circles to the stakeholders who participate actively in decision making. Democratic decentralization is complex enough that investments in the MEL functions should be greater than the USAID average – and likely more if it is taking place in complex or conflict environments, which are more costly for MEL.

APPENDIX A. GLOSSARY

Note: each definition appears in italics. Additional information follows, linking the concept to key elements of the handbook and listing related terms.

Accountability: *the responsibility of a government body (or a public official) for its actions, usually with respect to citizens or to another government body.* In addition to the distinction between "downward" and "upward" accountability, it is useful to contrast vertical accountability (e.g. subnational officials who are accountable to voters) and horizontal accountability (e.g. municipal executives who are accountable to municipal councilors).

Administrative Decentralization: *the transfer of responsibility and capacity for planning and managing public functions from the national government and its agencies to subnational governments or subnational administrative units.* This is one of three dimensions of decentralization, along with political decentralization and fiscal decentralization. Programming in administrative decentralization can work under either devolution or deconcentration, and can work toward the goals of stability, democracy, and development. See also: decentralization; deconcentration; devolution; fiscal decentralization; political decentralization.

Asymmetric (programming): *programming that treats individual government units in a non-uniform fashion, such as programming that occurs only in subnational units that meet certain criteria.* See also: sequencing (decentralization programming).

Authority: *the legal, rule-based power or ability of a public body or official to make decisions.* In practice, traditional or customary leaders at the local level may wield informal types of authority.

Autonomy: *the ability of a public body or official to make decisions under its jurisdiction independently from other actors.* For subnational governments or subnational administrations, autonomy as it relates to decentralization is the ability to make decisions independently of central governments.

Budget Constraints (hard and soft): *the limits on the spending of a given actor.* In the context of decentralization, hard vs. soft budget constraints define the degree to which subnational actors can spend beyond the finances expressly allocated to them. Hard budget constraints, set by the central government, define and delimit the spending of subnational actors and are a necessary requisite for fiscal federalism to function. Soft budget constraints, by contrast, leave subnational actors with incentives to overspend and create great uncertainty in public budgeting at all levels of government. See also: fiscal decentralization; fiscal federalism; second-generation fiscal federalism.

Capacity: *the capability or technical competence of a given actor to perform a set of functions.* Administrative or bureaucratic capacity refers to the ability of a unit of government to carry out its formally assigned responsibilities.

Civil Society: *the set of actors independent of government that represent constituencies and engage in the public sphere.* This includes nongovernmental organizations, social movements, and informal groups seeking to influence government decisions and policies. Business associations in the private sector are an important part of civil society. Civil society would generally not include elected officials or political parties, which would be considered part of political society.

Clientelism: *a political system comprised of relationships between public patrons and their clients, in which the former provide particular goods to the latter in exchange for political support.*

Decentralization: *the process by which power and resources are transferred from central governments to appointed or elected subnational units.* As noted in the handbook, decentralization consists of multiple dimensions (political, fiscal, and administrative) and manifests in three ways (devolution, delegation, and deconcentration). Decentralization programming may be used in service of USAID's three principal goals of stability, democracy, and development. See also: deconcentration; delegation; devolution; administrative decentralization; fiscal decentralization; political decentralization.

Deconcentration: *a form of decentralization in which decision making and resources are relocated to central government representatives operating in subnational branches.* Deconcentration is a particularly useful form of decentralization to consider in non-propitious programming environments (such as post-conflict countries) where stability is USAID's central goal. See also: decentralization; delegation; devolution.

Delegation: a *form of decentralization in which power and resources are transferred from a central government to an actor designated to work on the central government's behalf.* In this handbook, the term refers especially to the transfer of specific public functions to subnational units, but it has also been used to include transfer of functions to public enterprises or contracted private actors. See also: decentralization; deconcentration; devolution.

Democracy: a*n end goal of decentralization and democratic local governance programming. As a goal, this includes basic procedural definitions of electoral processes (and civil rights guarantees), as well as indicators of democratic quality such as responsiveness to populations.* (See below the entry for democratic local governance, or DLG.) In the handbook, the promotion of democracy as a goal is most closely associated with programming that involves devolution as the main form of decentralization. Democracy programming is most prominent in the dimensions of political decentralization and fiscal decentralization (with participatory practices), but may also demand attention to administrative decentralization. See also: development; stability.

Democratic Local Governance (DLG): *as a goal of programming, enhancing the democratic quality of subnational bodies, through improvements in such essential qualities as subnational accountability, authority, autonomy, and capacity.* Related qualities that are desirable at subnational levels include responsiveness and transparency to citizens. See also: accountability; authority; autonomy; capacity; democracy.

Development: *an end goal of decentralization and democratic local governance programming. Promotion of development by governments includes increasing human capital through public service provision in areas such as education and healthcare, as well as promotion of economic growth through provision of pro-growth policies.* Development is one of USAID's three main goals—along with stability and democracy—in decentralization programming. It can be promoted through any of decentralization's three dimensions (administrative, fiscal, and political) and by either deconcentration or devolution. See also: democracy; stability.

Devolution: *a form of decentralization in which power and resources are transferred from central government decision-makers to elected subnational governments that possess defined autonomies from the national government.* Also referred to in the literature as "democratic decentralization," this form of decentralization has benefited from greater enthusiasm among academics and practitioners than deconcentration. This handbook sees a significant, but not exclusive, role for devolution: it remains the most applicable approach for promoting democracy, but may be less appropriate as an initial programming response where stability is the primary goal. See also: decentralization; deconcentration; delegation.

Fiscal Decentralization: *the process of increasing the revenues and expenditures (or finances and functions) under the control of subnational governments or subnational administrative units.* Along with administrative decentralization and political decentralization, this is one of three main dimensions of decentralization. Fiscal decentralization is particularly important in the area of economic development, and may be used extensively in the promotion of democratic local governance (via the use of fiscally decentralized participatory budgeting, for example). Fiscal decentralization may also be used to promote the goal of stability. See also: administrative decentralization; political decentralization.

Fiscal Federalism: *a theoretical approach that addresses questions of the assignment of fiscal responsibilities across levels of government and the possible positive consequences of decentralization and federalism for economic outcomes.* The literature on fiscal federalism highlights the importance of the central government in setting macroeconomic policy, and of competition among subnational jurisdictions in the provision of public goods. Under certain conditions, fiscal federalism is seen as market-preserving and favorable to economic growth. See also: Second-generation fiscal federalism.

Hard Budget Constraint: see Budget Constraints (hard and soft)

Horizontal Accountability: *accountability that operates between different actors at the same governmental level, to include accountability between the different branches of government or between bureaucrats and elected officials.* See also: accountability; vertical accountability.

Political Decentralization: *the process of transferring political authority to subnational governments, usually through the institution of subnational elections.* Some degree of political decentralization is indispensable for the full promotion of democracy as a programming goal. Political decentralization is linked to devolution as a form of decentralization, because both involve the enhancement of subnational governments that are politically independent of the center. See also: administrative decentralization; devolution; fiscal decentralization.

Public financial management: *the institutions, systems, and processes involved in the mobilization of government revenue, allocation and spending of resources by public entities, and their accounting and reporting on those revenues and expenditures.* PFM encompasses both strategic planning, medium term expenditure frameworks, annual budgeting, as well as revenue management, control, accounting, reporting, monitoring and evaluation, and audit and oversight.

Sequencing (decentralization programming): *the process of reforming state institutions on a gradual basis, either (a) to make reforms attentive to existing limitations and constraints on an ongoing basis, or (b) to test the results of changes on a gradual basis before proceeding with wholesale change.* This approach may be especially useful when considering unstable environments, where deconcentration may need to precede devolution in a programming sequence. See also: asymmetric (programming).

Soft Budget Constraint: see Budget Constraints (hard and soft)

Stability: *an end goal of decentralization and democratic local governance programming. The ability of a political, economic, and social system to persist and to continue providing fundamental public goods such as security, rule of law, and a national common market.* Other key goals of USAID programming are democracy and development. This handbook treats stability as first among equal goals, because democracy and development are typically dependent upon the prior establishment of stability. With respect to programming, the handbook recommends USAID consider deconcentration as a first option when stability is in question. See also: democracy; development.

Single-Purpose Governments: *governmental entities responsible for a specific function (or functions) in a given area, but do not have the broad authority of local or regional governments.* Single-purpose governments may be wholly independent of local and regional governments, or may be created by them. Examples include neighborhood organizations with responsibilities for sanitation or small-scale public works, as well as health or education districts whose boundaries do not overlap with those of local or regional governments. Work with single-purpose governments may be especially salient when considering asymmetric, gradual, or targeted programming not intended for all local or regional governments. See also: asymmetric (programming); sequencing (programming).

Subnational Administration: a local branch of the central government that is appointed by national-level actors. These bodies serve local populations, but are professionally responsible primarily to the national government. See also: subnational government.

Subnational Government: a *level of government below the national government that is elected and not appointed, and therefore is in part responsible to a subnational constituency.* These include elected municipalities, states, regions, and other units with multiple public-service functions, as well as single-issue special districts and other elected bodies. See also: subnational administration.

Vertical Accountability: *accountability that operates via a hierarchy, wherein one set of actors serves as agents working on behalf of another set of principals; this generally refers to accountability mechanisms between elected officials and the electorate, but may also refer to accountability between subnational and national levels of government.* See also: accountability; horizontal accountability.

APPENDIX B. ANNOTATED, CATEGORIZED BIBLIOGRAPHIC REFERENCES

This bibliography is intended to provide references and guidance for readers interested in learning more about the extensive literature on decentralization. This introduction to the bibliography is broken down into a number of categories and subcategories. Broadly speaking, work on decentralization has developed in two separable, yet interrelated, categories: academic literature and practitioner literature. We do not place undue emphasis on this distinction, as much of the purpose of this handbook is to bring academic lessons to bear on specific programming questions. Academic and practitioner literature both contain excellent entry points for programmers and implementers interested in further reading that illuminates the promise of decentralization and the resulting enthusiasm about decentralizing initiatives, along with a recognition that decentralization is not a policy panacea.

1.0 DECENTRALIZATION IN ACADEMIC DISCIPLINES

Our first set of categories includes major recent contributions to the study of decentralization that can be grouped under the scholarly fields of economics and political economy, political science, and public administration. Each of these three categories also speaks most directly to one of the three decentralization's dimensions—fiscal, political, and administrative. While the three disciplines complement one another in both theoretical and empirical terms, scholars and practitioners of various stripes have come to recognize the importance of dialogue across these traditional disciplinary boundaries. (Examples include recent volumes edited by Bardhan and Mookherjee; Rodden, Eskeland, and Litvack; Rodden and Wibbels; and Smoke, Gómez, and Peterson.) The selection of works here underpins enthusiasm about decentralization, but also includes examples of works that incorporate a healthy skepticism about decentralization's advantages.

1.1. ECONOMICS AND POLITICAL ECONOMY (EC) readings will be of special interest to those programmers wishing to examine linkages between decentralization and prospects for economic growth. This includes not only those looking at the macroeconomic picture, but also public finance specialists and other USAID officers whose imperatives include the promotion of local economic opportunities, ranging from industrial promotion to small-scale activities in local markets. While retaining pragmatic application, the economics and political economy literature from the 1950s to the present were also the origin of the most elegant theoretical models of federalism and decentralization. The current enthusiasm about decentralization is based in part on economic models that illustrate advantages from the division of political power into smaller geographic units beneath central governments. Leading lights in this field (such as Buchanan, Musgrave, Oates, and Tiebout) theorized that decentralization generates a form of competition between subnational governments, which will pressure poorly performing governments to improve the efficiency and quality of their services. Moreover, decentralization and the related concept of fiscal federalism can best match local preferences to local service provision.

For those looking to keep up-to-date with the most recent thinking in this field, the political economy literature of the last decade has paid considerable attention to political constraints and limitations on fiscal federalism. In the footsteps of the scholars mentioned above has come the literature of so-called "Second Generation Fiscal Federalism," associated most closely with Barry Weingast. These writings outline the conditions that must be obtained for decentralization to be most effective. The emphasis here is on identifying key issues such as policy autonomy for subnational governments and hard budget constraints. This literature closely examines the relationship between efforts at decentralization and the design of fiscal systems, and has direct linkages to the study of fiscal decentralization.

1.1.1 FISCAL DECENTRALIZATION (FD)

Works on fiscal decentralization emphasize the impacts of federalism and decentralization for economic growth and service provision, though adequate consideration of the fiscal dimension will also have implications for stability (if, for example, the choice is made to deconcentrate responsibilities rather than devolve them) as well as democracy. Studies of fiscal decentralization often bring theoretical models into close dialogue with policy implications, making them an excellent choice for the theoretically driven practitioner. As noted above, recent work has shown increasing attentiveness to the motivations and incentives of actors at all levels of government, making this fiscal literature increasingly compelling for the politically minded as well.

Several major themes have emerged with respect to decentralization's promise. First, the importance of hard budget constraints for subnational governments is useful as an area for study primarily in federal cases or where fiscal decentralization has taken on a strong devolutionary character. Second, the design of tax and transfer systems is an area with more general application to less devolved and more unitary states, which include a large number of USAID partner countries. A third major area for consideration is work that underpins the dictum "finance follows function." This notion, which is centrally important to a large number of USAID countries, serves as guidance to programmers considering the sequencing of decentralization reforms. The notion suggests that revenue decentralization should follow the decentralization of expenditure responsibilities, and that revenues and expenditures should be matched across levels of government, so that subnational governments receive neither unfunded mandates nor funds without accompanying responsibilities.

1.2. POLITICAL SCIENCE (PS) complements the literature of economics and political economy, and it pays close attention to the incentives and motivations of specific public actors. Selections here constitute essential reading for programmers who have democratization as an overarching goal, as well as for others wishing to be savvy in detecting the guile and self-interest that sometimes inform governmental decision- making in the area of decentralization. This work also leads the way in the study of participation and decentralization impacts on the quality of governance at local levels. Political scientists do continue to encourage devolution, on the basis of assumptions that more inclusive politics at subnational levels will generate better governance outcomes. As with the economics literature, however, this field is not unambiguous in favoring devolution. While it contributed to excitement about decentralization as a policy initiative in the 1980s and 1990s, political science has offered quite measured assessments of decentralization's impacts in recent years.

This field is also relevant for those wishing a historical understanding of how the recent boom in decentralization occurred: the preference for devolution in the years immediately after the Cold War was in part driven by political scientists documenting the failures and weaknesses of centralized governments in regions ranging from the former Soviet Union to sub-Saharan Africa (Wunsch and Olowu, among others).

On the other hand, contemporary works of political science have served to temper arguments in favor of decentralization, based upon comparison of the diverse conditions under which political decisions are made. Recognizing that decentralization may be implemented by political elites at the center for self- interested reasons, political scientists such as Bardhan and Mookherjee, Grindle, and Treisman have supplied the decentralization community with cautionary tales about national political actors who seem to have the political will to decentralize: they may simply be seeking their own electoral gains in local and regional elections, may wish to devolve thorny problems and responsibilities to other levels of government, or may seek to balance central budgets by passing unfunded mandates to localities and regions. Political scientists have also urged caution about the perverse incentives that decentralization may create for undemocratic or rent-seeking subnational elites (Behrend and Whitehead, Bhavnani and Lee, Giraudy, among others).

1.2.1. POLITICAL DECENTRALIZATION (PD)

Political decentralization redistributes power from national officials to subnational actors. The topic has received considerable attention from political scientists and is closely related to the principles of devolution and the goal of democratization. The literature of political decentralization will educate readers on the importance of major political institutions—including party systems, electoral rules, and executive-legislative relations—which shape intergovernmental power. USAID officers will be well-served by looking at this literature, as it provides some insight into the likely success or failure of programming outcomes, depending upon prevailing institutions. For instance, programmers may wish to know that, where governmental institutions represent subnational interests strongly, decentralizing reforms are most likely to be transformational in shaping the intergovernmental balance of power. By contrast, decentralization may be less dramatic where parties are controlled from the top, where executives dominate legislatures, and where electoral rules give the center precedence. The literature of political decentralization can also help programmers understand whether the devolution of political power will lead to higher levels of participation and accountability. Work on this topic (Faletti, for example) also helps inform judgments about the sequencing of political decentralization relative to fiscal and administrative decentralization.

1.3. PUBLIC ADMINISTRATION (PA) is a third strand of the academic literature on

decentralization, and will be of greatest interest to those who favor a technical approach, or who wish to improve their understanding of the technical elements of decentralization. This literature focuses on pragmatic questions of subnational government operations, such as how public taxation and the provision of public services are administered. The emphasis is on how existing governmental systems and procedures function, with the recognition that decentralization depends upon appropriate support and control mechanisms at various levels of government. Public Administration literature examines how specific governmental entities operate, and it includes treatments of the design of fiscal systems (as mentioned under Economics above), as well as technical capacities to plan, budget, and staff key government structures. This body of literature will be of value to those who analyze programming options, especially when interventions are being designed, targeted, and implemented. Public administration specialists, as the name suggests, speak more systematically than political scientists or economists to questions about administrative decentralization.

1.3.1 ADMINISTRATIVE DECENTRALIZATION AND DECONCENTRATION (AD)

Work on administrative decentralization often overlaps with deconcentration, one of the key strategies promoted in this handbook. While the handbook has adopted a definition of administrative decentralization that is not the equivalent of deconcentration, there is considerable overlap in practical terms. Literature on administrative decentralization emphasizes the passing of administrative and

planning responsibilities to subnational units; where this process takes place within bodies controlled by the central government, deconcentration is the relevant form of decentralization. Given their broad application, these topics should be closely examined by a wide range of USAID programmers. They may be especially useful in post-conflict cases, as well as almost any country where decentralization is envisioned as a gradual, sequential process that begins with functional considerations.

2.0 DECENTRALIZATION AND PROGRAMMING GOALS

Some of the decentralization literature has particular application to one or more of the central goals of USAID highlighted throughout this handbook—namely, stability, democracy, and development. In practical terms, the literature with implications for stability often looks at questions of decentralization and conflict resolution. With respect to development, international agencies and leading scholars emphasize decentralization's role in poverty reduction, in addition to the issues of economic growth outlined above under Economics and Political Economy. The relationship between decentralization and democracy (or democratization) moves in both directions, with each promoting the other. Whether the primary goal is stability, democracy, development, or some combination, programmers are advised to examine these readings and incorporate global lessons and best practices into program design.

2.1 DECENTRALIZATION AND POVERTY REDUCTION (PR)

Writings on decentralization and poverty reduction will provide ample theoretical support for the work of development-oriented programmers. Poverty reduction literature emphasizes that decentralization may enhance governmental efficiency and responsiveness by generating competition between localities and by allowing governments to match the supply of public goods to local demands. A second focus is on enhancing local participation through decentralized institutions, which may result in more pro-poor policies. While the evidence is mixed, and these assertions are not universally valid, the literature on these issues examines best and worst practices in poverty reduction. Reading this literature will help programmers analyze whether political and fiscal decentralization will result in more pro-poor spending in human capital categories such as healthcare and education, or conversely, in local prestige projects that are more politically visible, such as administrative buildings and the sometimes costly beautification of public spaces. These sources also document the importance of strengthening local planning and enhancing technical capacity (promoting successful administrative decentralization), as well as how these can relate to efforts at poverty reduction. Finally, this literature will help USAID representatives decide whether deconcentration and administrative reform can be as useful as fiscal and political devolution in achieving poverty reduction goals and economic growth in partner countries.

2.2 DECENTRALIZATION AND CONFLICT MANAGEMENT (CM)

USAID programmers are increasingly addressing the question of national stability in post-conflict countries, where decentralization is touted as a possible means to reduce conflict, especially in ethnically divided societies. Work on conflict management should top the proposed reading list for those programmers concerned that reform may precipitate secession movements or political violence. This handbook has struck a cautious note with regard to decentralization and stability, arguing that deconcentration may be more prudent than political devolution in conflict-ridden societies. This assessment emerges from mixed evidence worldwide, with societies as diverse as Canada, Spain, Ethiopia, Colombia, Indonesia, Iraq, Afghanistan, and Nigeria offering ambiguous lessons regarding devolution's potential. In societies that are attempting to manage conflict and identity-based differences, programmers will wish—as a first principle—to understand what other variables affect stability. This literature addresses these issues, focusing on such topics as the role of regional parties, the national distribution

of ethnic groups, the geographic location of natural resource endowments within a country's territory, and the role of the United States and other international actors in efforts to mitigate political and ethnic conflict.

2.3 DECENTRALIZATION AND DEMOCRATIZATION (DD)

Decentralization as a strategy for democratization is of obvious salience to programmers where the overarching country goal is the deepening of democratic institutions. The link between decentralization and democratization points to a host of related principles and concepts that decentralization is expected to engender in relations between public officials and citizens, and in the electorate itself: participation, accountability, good governance, policy innovation and experimentation, and proximity or closeness to the people. As with most of the other areas, the empirical evidence does not confirm the most enthusiastic assumptions, but is rather more mixed, sounding a cautious note for USAID officers at the early stages of program design. Recent work shows that decentralization's advantages relative to democracy depend significantly upon local actors and their incentives, since local elites may prove as susceptible to poor governance practices—such as corruption and social exclusion—as those at the national level.

3.0 DECENTRALIZATION AND SECTORAL APPROACHES

A key characteristic of decentralization reform involves its implications and applications for multiple sectoral areas. Several of the sectoral areas of primary interest to USAID feature their own perspectives on decentralization—with much of the literature written under the auspices of major international organizations, NGOs, and bilateral aid agencies. USAID programming specialists in specific sectoral areas thus have the option of reading literature in their own respective fields to educate themselves on the possible benefits of decentralization reforms. Sectoral literatures on decentralization, to some extent, share a similar focus across sectors, with each emphasizing the possible relationship between decentralization and various qualities of interest to USAID programmers: capacity, efficiency, and the interrelated concepts of accountability, participation, and transparency. Of course, the sectoral literatures also differ in content. In Education (E), there is an emphasis on the decentralization of curriculum design, for instance, while decentralization in Health (H) will focus on such issues as the importance of local or regional differences in health problems and corresponding delivery systems. Other leading sectors where decentralization may be beneficial are Infrastructure (I) and Natural Resource Management (NRM). In each of these areas, the suggested readings will encourage sectoral specialists to envision how decentralization can allow programmers to better achieve their goals locally and nationally, all with a view toward improving the quality and coverage of public services.

4.0 SUBJECT CODING FOR CITATIONS IN THE BIBLIOGRAPHY

Due to the overlapping nature of many of the references provided in the bibliography, and to help readers find the most pertinent references for their use, a coding system has been adopted. In the narrative above, the codes for each of the major categories have been indicated as initials in parentheses. Below is a list of codes that follow at the end of each citation to indicate the principal foci of the references and signal major geographic regions.

Decentralization in Academic Disciplines

- Economics & Political Economy: EC

- Fiscal Decentralization: FD

- Political Science: PS

- Political Decentralization: PD

- Public Administration: PA

- Administrative Decentralization and Deconcentration: AD

Decentralization and Programming Goals

- Poverty Reduction: PR

- Conflict Management: CM

- Decentralization and Democratization: DD

- Monitoring and Evaluation: M&E

Decentralization and Sectoral Approaches

- Education: E

- Health: H

- Infrastructure: I

- Natural Resource Management: NRM

Geographic Regions

- Africa: AF

- Asia: AS

- Central/Eastern Europe: CEE

- Latin America and Caribbean: LAC

- Middle East: ME

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APPENDIX C. DIRECTORY OF KEY ONLINE DECENTRALIZATION AND LOCAL GOVERNANCE RESOURCES

This appendix includes a selection of online information resources on decentralization and local governance, with relevant resources sponsored by major government and international donor agencies, and nongovernmental sites.

DIRECTORIES, LIBRARIES & JOURNALS

LOCAL GOVERNANCE SITE DIRECTORIES

Development Gateway [UNCHS/U Sussex IDS] Urbanicity: http://www.urbanicity.org/

Government Accounting Standards Board – Links:
https://www.gasb.org/jsp/GASB/Page/GASBLandingPage&cid=1175804799014

GTZ – Sustainable Urban Transport Project:
http://www.sutp.org/index.php?option=com_weblinks&Itemid=47&lang=uk

National League of Cities – Local Democracy Initiative:
https://www.nlc.org/initiative/local-democracy-initiative/

National Rural Economic Developers Association – Links: https://www.nreda.org/

United Cities & Local Governments [UCLG] [Netherlands]: https://www.uclg.org/

Global Observatory on Local Democracy & Decentralisation: https://www.gold.uclg.org/

USAID Land and Resource Governance Team – Land Links: https://www.land-links.org

USAID Urban – Urban Links: https://urban-links.org

LOCAL GOVERNANCE JOURNALS

International Journal of Public Administration: https://www.tandfonline.com/toc/lpad20/current

International Review of Administrative Sciences: https://journals.sagepub.com/home/ras

Journal of Democracy: https://muse.jhu.edu/journal/98

Local Government Law Journal: https://legal.thomsonreuters.com.au/local-government-law-journal/productdetail/97186

Local Government Studies: https://www.tandfonline.com/toc/flgs20/current

Public Administration & Development: https://onlinelibrary.wiley.com/journal/1099162x

Public Administration Review: https://onlinelibrary.wiley.com/journal/15406210

Publius: The Journal of Federalism: https://academic.oup.com/publius

Regional & Federal Studies: https://www.tandfonline.com/toc/frfs20/current

The Urban Lawyer: https://www.jstor.org/journal/urbanlawyer

GOVERNMENT AGENCY DECENTRALIZATION RESOURCES

United States Government technical assistance

Department of Commerce – Economic Development Administration: http://www.eda.gov/

Department of State – USAID

Development Experience Clearinghouse: https://dec.usaid.gov/dec/home/Default.aspx

Office of Democracy, Human Rights & Governance: https://www.usaid.gov/democracy

Center for Democracy, Human RIghts and Governance: https://www.usaid.gov/democracy/democracy-human-rights-and-governance-center

USAID Learning Lab https://usaidlearninglab.org/

Urban Links: https://urban-links.org/about-us/

Environmental Protection Agency – Office of International Affairs: http://www.epa.gov/oia/

Asian Development Bank technical assistance

ADB Governance on Decentralization: https://www.adb.org/what-we-do/sectors/governance/overview#accordion-1-0

Association of Southeast Asian Nations technical assistance

Environmentally Sustainable Cities in ASEAN: https://environment.asean.org/awgesc/

Council of Europe technical assistance

Congress of Local & Regional Authorities: http://www.coe.int/T/Congress/Default_en.asp

Danish technical assistance

KLDK/LGDK: https://www.kl.dk/english/kl-local-government-denmark/

Dutch technical assistance

African Network on Participatory Approaches – Village Participation in Rural Development: https://www.kit.nl/publication/village-participation-in-rural-development/

EU technical assistance

Committee of the Regions: http://www.cor.europa.eu/

DG Regional Policy [Inforegio]: https://ec.europa.eu/regional_policy/en/

- European Regional Development Fund [ERDF]: https://ec.europa.eu/regional_policy/en/funding/erdf/
- InterAct [assesses and advises on ERDF INTERREG projects]: https://www.interact-eu.net/#home

French technical assistance

Ministère de l'Europe et des affaires étrangères

- Le Délégué pour l'action extérieure des collectivités locales : https://www.diplomatie.gouv.fr/en/french-foreign-policy/external-action-of-local-government-bodies/
- ent/bulletin.htm

German technical assistance

GIZDeutsche Gesellschaft für Internationale Zusammenarbeit(GIZ) GmbH
https://www.giz.de/en/worldwide/18202.html

Inter-American Development Bank

Governance – Decentralization & Sub-national Government:
https://www.iadb.org/en/sector/reform-modernization-state/overview

- Urban Development: https://www.iadb.org/en/sector/urban-development-and-housing/overview
- Rural Development: https://www.iadb.org/en/sector/agriculture/overview

Indian Government technical assistance

Ministry of Panchayati Raj: https://www.panchayat.gov.in/

Ministry of Rural Development: http://rural.nic.in/

National Institute of Public Finance and Policy: http://www.nipfp.org.in/

Organization of American States technical assistance

Inter-American Institute for Cooperation on Agriculture [IICA]: http://www.iica.int/

Organization of Economic Cooperation & Development [OECD] technical assistance

Regional, rural and urban development: https://www.oecd.org/regional/

SouthAfrican Government technical assistance

South African Local Government Association: http://www.salga.org.za/

UK Government technical assistance

Commonwealth Local Government Forum: http://www.clgf.org.uk/

Department of Housing, Communities & Local Government: https://www.gov.uk/government/organisations/ministry-of-housing-communities-and-local-government

Governance & Social Development Resource Centre Document Library:
https://gsdrc.org/document-library/

UN technical assistance

ILO

International Training Centre – Delnet [Cities in a Changing Climate]:
https://www.eldis.org/keyissues/cities-changing-climate

- **UNPAN Conferences – Meeting Programmes & Documents – Delnet Specialization Course in Management of Local Development:** http://www.unpan.org/directory/conference/guest/browseoneconference.asp?col=confdb&tb=confer ences&conference_id=1467.0&charset=iso-8859-1
- UN Center for Human Settlements: http://www.unhabitat.org/

CityNet: http://www.citynet-ap.org/

Best Practices Database: http://www.bestpractices.org/

Global Urban Observatory: https://unhabitat.org/programme/global-urban-observatories

Training Tools [Capacity Building]: https://unhabitat.org/knowledge/capacity-building

UN Advisory Committee of Local Governments [UNACLA]:
https://unhabitat.org/network/united-nations-advisory-committee-of-local-authorities-unacla

WORLD BANK GROUP TECHNICAL ASSISTANCE

IBRD

Department of Social Development

Community Driven Development Group:
https://www.worldbank.org/en/topic/communitydrivendevelopment

- Governance Global Practice: https://www.worldbank.org/en/topic/governance/overview

- **Public-Private Infrastructure Assistance Facility** [WB/DFID/JICA]: http://www.ppiaf.org/

- Cities Alliance [multi-donor consortium on slum development]: http://www.citiesalliance.org/

- **Upgrading Urban Communities:** http://web.mit.edu/urbanupgrading/

NONGOVERNMENTAL DDLG RESOURCES

General local governance resources

l'Agence COOP DEC Conseil [cooperation décentralisée]: http://www.coopdec.org/ American Bar Association State & Local Government Law Section: http://www.abanet.org/statelocal/
Assembly of European Regions: https://aer.eu/

Columbia University – Center for International Earth Science Information Network [CIESIN] – **Online Sourcebook on Decentralization & Local Governance:**
http://www.ciesin.org/decentralization/Entryway/english_contents.html

Community Indicators Consortium: http://www.communityindicators.net/ Concern, Inc. –

Sustainable Communities Network: http://www.sustainable.org/

Council of European Municipalities and Regions: http://www.ccre.org/

Federación Latinoamericana de Ciudades, Municipios y Associaciónes [FLACMA]: http://www.flacma.lat/

Friedrich Ebert Stiftung – KommunalAkademie: https://www.fes.de/kommunalakademie