



MULTILEVEL GOVERNANCE AS AN OPPORTUNITY OR OBSTACLE TO DEVELOPMENT: AN ASSESSMENT FRAMEWORK



MULTILEVEL GOVERNANCE AS AN OPPORTUNITY OR OBSTACLE TO DEVELOPMENT

**A FRAMEWORK TO ASSESS THE ROLE OF
DECENTRALIZATION AND LOCALIZATION
IN ACHIEVING SPECIFIC DEVELOPMENT RESULTS**

LOCAL PUBLIC SECTOR ALLIANCE

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More information —See <https://decentralization.net/resources/mood-assessment/>

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Contents

Contents	ii
1. Introduction	1
1.1 Global challenges, multilevel governance solutions.....	1
1.2 What is the MOOD assessment framework?.....	2
1.3 A MOOD assessment: a collaborative process	3
2. Considering your development challenge in a multi-level governance perspective ...	5
2.1 What is your development (or social transformation) challenge?	5
2.2 What is the public sector’s role in resolving the development challenge?	7
2.3 What government level is best positioned to address the development challenge?	10
2.4 The decentralization and localization assessment framework.....	14
3. A MOOD Assessment	18
3.1 The MOOD assessment framework.....	18
3.2 Multilevel governance and development: Status Quo	19
3.3 Obstacles to effective multilevel governance and resilient, inclusive, sustainable and effective development.....	22
3.4 Opportunities to improve the effectiveness of multilevel governance and resilient, inclusive, sustainable and effective development.....	26
4. Next steps	28
References and Selected Resources	30
Annex. MOOD Assessment Worksheets	32

1. Introduction

1.1 Global challenges, multilevel governance solutions

The role that decentralization plays in public sector management around the world is evolving rapidly. Whereas decentralization has traditionally been pursued in countries around the world as a governance reform to increase political competition and public participation, multilevel governance reforms are increasingly understood as critical element in promoting inclusive service delivery, ensuring the efficient use of public finances, and achieving specific development objectives in a resilient, inclusive, and sustainable manner.

In fact, it is safe to say that the global challenges that countries face in the 21st century cannot be dealt with by any single government level alone. This is true whether the problem being faced is growing inequality in wealth and economic opportunity; climate change and the impact of environmental disasters; public health crises or pandemic responses; urban crowding and congestion; gender inequity and social exclusion; or political polarization and the rising threat of authoritarianism. The scale of these challenges is so overwhelming that stakeholders at all levels of government and society need to work together to collectively solve these challenges.

Inclusive and effective multilevel governance systems are needed to ensure that stakeholders at all levels of society can work together effectively to address these challenges.

By its very nature, the analysis of multilevel governance obstacles and opportunities is complex. Ensuring the effective functioning of public sector across different levels of government—so that national policy objectives are achieved at the grassroots level—often requires strengthening political, administrative, sectoral, and fiscal aspects of public sector management across different government levels at the same time. As a result, the strengthening of intergovernmental arrangements in pursuit of a specific development challenge or social transformation initiative almost always requires a crosscutting, multidisciplinary and multi-stakeholder approach.

Different stakeholders, often coming from different institutions, different disciplines, and different sectors, bring their own perspectives, insights, and language to the topic. In the absence of expertise and experiences related to decentralization and localization, it is not unusual for sectoral stakeholders not even to be aware that weak multilevel governance systems may be a binding constraint to their specific development challenge. Similarly, without working together with colleagues in different fields, decentralization and localization experts may not have an adequate understanding of different sectors or policy topics to know that an adjacent practice community has a multilevel governance problem. The MOOD assessment framework seeks to bring colleagues from different practice communities together to identify multilevel governance obstacles and take advantage of multilevel governance opportunities.

1.2 What is the MOOD assessment framework?

The idea of this assessment framework—the assessment of Multilevel governance as an Oppportunity or Obstacle to Development, or MOOD Assessment—is to guide policy makers, sector specialists and/or policy advocates in a particular sector or area of development to systematically identify the strengths and weaknesses of a country’s approach(es) to multilevel governance, decentralization, and intergovernmental relations, and to leverage, whenever possible, a country’s intergovernmental systems to improve the effectiveness of the public sector’s performance in achieving specific development results.

A MOOD assessment is different from other decentralization and localization tools in that it does not start from a specific theory about decentralization or localization, but rather, starts from a specific development challenge. The MOOD assessment framework then asks three questions:

1. What is the current role of stakeholders at different levels of the public sector and civil society in addressing the development challenge?
2. What more can stakeholders at different government levels do to address the development challenge at hand?
3. What opportunities exist to improve the effectiveness of the multilevel governance system to promote resilient, inclusive, sustainable and effective development?

As such, a MOOD assessment is a multilevel governance stakeholder analysis; situation analysis; SWOT analysis, and political economy combined into one, and can form a critical input into achieving policy consensus ahead of an iterative, adaptive process of policy reform.

1.3 A MOOD assessment: a collaborative process

Given the important role that decentralization, multilevel governance and intergovernmental relations play in the functioning of the public sector, there are typically numerous stakeholders with a strong interest in better understanding (and strengthening) the multilevel or intergovernmental aspects of the public sector. These stakeholders typically include central government ministries (including the ministry responsible for local government or local development, but also the Ministry of Finance, as well as central sector ministries and other central stakeholder), local government officials and local government associations, public policy researchers at universities and research organizations; foundations, civil society advocacy organizations and other civil society stakeholders interested in promoting inclusive, community-led development; as well as regional or global development organizations.

Multilevel governance challenges are best solved by bringing stakeholders from different government levels (and civil society) together. Both problem identification as well as the process of identifying policy solutions requires that different perspectives on multilevel governance and the localization of development challenges are brought together. The perspectives from different stakeholders—from all levels of government and civil society, as well as from different disciplines and sectors—can form valuable contributions to ensure that the assessment process provides a holistic perspective of the opportunities and obstacles to achieving inclusive governance and sustainable development. Each of these stakeholders can benefit from being part of a MOOD assessment, either as an active participant in the preparation of the assessment, as a peer reviewer, or as part of the audience for the completed assessment.



The process of preparing, reviewing and disseminating of a MOOD assessment offers an opportunity and basis for a dialogue among different stakeholders to collectively examine the reasons for strong or weak performance of multilevel governance arrangements in the public

sector. The process highlights the dimensions or areas of decentralization and multilevel governance where reforms may be appropriate and provides an opportunity to start building consensus around prioritizing actions to address weaknesses that are identified. Other diagnostic tools—such as the Local Public Sector Alliance’s *Local Governance Institutions Comparative Assessment (LoGICA)* and LPSA’s *Intergovernmental Fiscal and Expenditure Review (InFER)*—may be applied to gain further insight into the vertical functioning of the public sector as part of the MOOD assessment process.

2. Considering your development challenge in a multi-level governance perspective

To what extent is the development challenge or social transformation initiative that you are working on a macro-problem that can be solved at the global or national level without the involvement of subnational actors, or to what extent does your development challenge have an important multilevel governance dimension? The answer to this question won't be clear until you consider your development challenge or social transformation initiative in a multi-level governance perspective.

2.1 What is your development (or social transformation) challenge?

Defining your development or social transformation challenge. As a starting point, it is important to clearly articulate the specific development challenge you are trying to address or resolve, along with the basic potential transmission mechanisms for addressing the challenge. For example, you might be trying to:

- Promote social justice and inclusive economic growth by promoting better access to employment opportunities.
- Reduce greenhouse gas emissions by encouraging vibrant, walkable cities.
- Ensuring universal access to clean drinking water and/or ensuring universal access to sanitation through city-wide inclusive sanitation.
- Reduce gender inequality by increasing access to affordable, safe childcare.

Causal mapping or 'theory of change'. Most development organizations and civil society organizations that pursue social change—regardless of their specific development challenges—already have an established practice of mapping the relationship between their development objective; their proximate causes; and the general path of intervention to be pursued. It would be good for each stakeholder involved in a MOOD assessment to articulate their development objective and their theory of change, providing an initial link between 'what' is to be accomplished and 'how' this is to be accomplished.

Systems thinking. It is not unusual for centralized analyses of development challenges to identify a lack of local political will, a lack of local administrative capacity, and/or a lack of local-level funding as leading causes of inadequate localized development or social transformation. Upon closer inspection, however, these technical issues are often *proximate causes* of poor local service delivery and localized development rather than the *root causes* of the public sector's failure to achieve localized results. Digging deeper often reveals that shortcomings in the multilevel governance system—such as misalignments across the different dimensions of the public sector, or weak cooperation across different government levels, often driven by political economy factors—play an important role as root causes for such public sector failures.

Over the past decade, much of the global development sector has started shifting from a ‘charity’ mindset to a focus on changing systems to create sustainable change. ‘Systems thinking’ offers a practical framework for analyzing development challenges in a sustainable manner (Table 2.1). Rather than minimizing the complexity of the development challenge being faced, the systems thinking approach aims to empower social-change agents with tools to understand the complexity and identify the leverage points. What is the result we want? What are the binding constraints being faced in achieving that result? And what are the root causes of these binding constraints?

Table 2.1 Contrasting conventional thinking versus systems thinking	
Conventional thinking	Systems thinking
The connection between problems and causes is obvious and easy to trace	The relationship between problems and their causes is indirect and not obvious
Others, whether within or outside our organization, are to blame for our problems and must be the ones to changes	We unwittingly create our own problems and have significant control or influence in solving them through changing our behavior
A policy designed to achieve short-term success will also assure long-term success	Most quick fixes have unintended consequences: they make no difference or make matters worse in the long run
In order to optimize the whole, we must optimize the parts	In order to optimize the whole, we must improve relationships among the parts
Source: Stroh (2015)	

Bringing (subnational) evidence into the debate. Evidence is a vital input to the policymaking process. Evidence plays a significant role in gathering community support and consensus for policy change. In addition to establishing and justifying the need for policy reform or social transformation, evidence (including qualitative and quantitative analysis) can help identify policies that are most likely to be effective in achieving the desired development result by linking the ‘what’ and the ‘how’. Evidence demonstrates to the community—and stakeholders and decision-makers at all levels—the costs and benefits that can be expected from policy reform. Sound evidence of the net benefits of reform is crucial in the successful implementation of any reform program.

Whenever evidence and analysis are used in the policymaking process, in almost all cases, such evidence is based on national-level data. However, economic development and social transformation seldom take place uniformly across a country, as development conditions and priorities are often different in different regions, and in urban versus rural areas. In addition, development challenges typically need to be dealt with differently in different local settings. As such, regionally or locally disaggregated data is needed to address any specific development challenge in a spatially disaggregated manner. What regionally or locally disaggregated data—if any—is available to help inform your specific development challenge?

2.2 What is the public sector's role in resolving the development challenge?

The next question is whether the public sector or “government” has a role in resolving the development challenge (or social transformation challenge at hand. Although some development challenges fall predominantly with the responsibility of citizens, civil society, and the private sector, the public sector is often a key stakeholder in promoting development or in achieving social transformation.

Governments as a platform for collective action. By their very nature, governments—especially in countries that rely on democratic or representative decision-making—are mechanisms for collective decision-making and collective action of their constituents. To the extent that members of geographically organized groups (such as ‘nations’, ‘regions’ or ‘localities’) have interests in common, governments provide an opportunity for the group’s members to act collectively to achieve their common interests, including the pursuit of social and economic development.

Thus, to the extent that others—at national, regional, or local level—share your specific ambition for development or social transformation, the public sector may have a role in resolving your development challenge.

Although it may be more difficult to engage with the public sector in support of you development challenge than ‘going it alone’, an important advantage of doing so is that—unlike many international donor projects or interventions supported by foundations or civil society—government programs have a higher degree of political legitimacy (as they are supported by the elected representatives of the people) as well as tend to have the potential for long-term financial sustainability (as they are supported by public funding).

The role of the public sector in promoting development. The exact role of the public sector in promoting development—or more generally, the functions that we expect governments to perform—can be categorized in different ways:

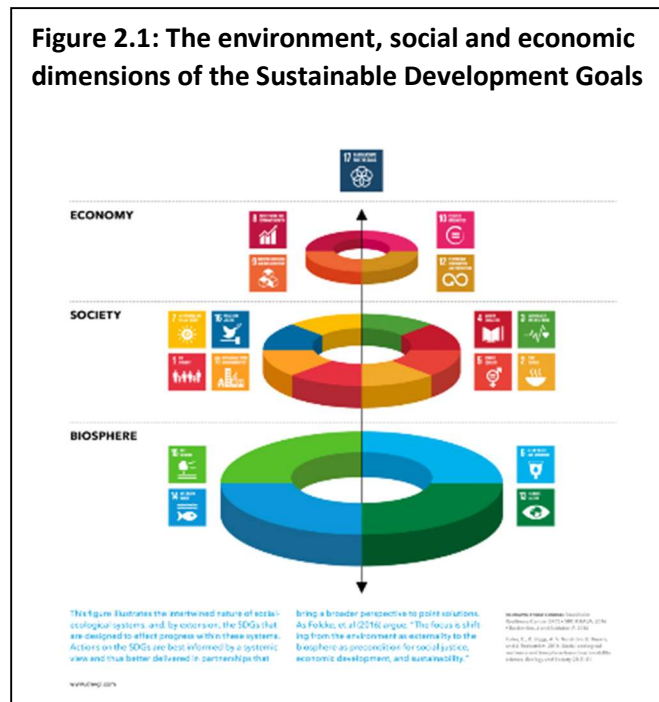
- The general functions of the public sector are sometimes divided into five broad categories: providing national security; protection of political and social rights; supervision and resolution of conflicts; regulation of the economy; and the provision of public infrastructure, goods and services.
- Developed by the OECD, and relied on heavily by the IMF and the World Bank, the *Classification of the Functions of Government (COFOG)* classifies government expenditure data based on the purpose for which government funds are used. COFOG defines ten broad (first-level) functional categories, including (1) general public services; (2) defense; (3) public order and safety; (4) economic affairs; (5) environmental protection; (6) housing and community amenities; (7) health; (8) recreation, culture and religion; (9) education; and (10) social protection. In turn, these first-level categories are further subdivided into second-level and third-level functions and (sub)functions.

- Public finance economists consider that in market-based economies, the public sector plays three important economic roles, including (i) ensuring macroeconomic stability; (ii) ensuring an equitable distribution of income and resources; and (ii) ensuring the efficient provision of goods and services when the market fails to do so.¹

The 2030 Agenda for Sustainable Development. The 2030 Agenda for Sustainable Development was adopted by all United Nations Member States in 2015. At its heart are 17 specific Sustainable Development Goals (SDGs), which provide a blueprint for peace and prosperity for people and the planet. The SDGs are constructed around three broad dimensions of sustainable development: economic development, social (or human) development; and protection of the environment.

The 2030 Agenda plan of action and its goals, the Sustainable Development Goals (SDGs), reflect the reality and interconnectedness of the social, economic and environmental challenges that the world faces. Although each SDG can be located within one of the three main dimensions of development (Figure 2.1), many development challenges have cross-cutting implications across the social, economic and environmental aspects of development. As discussed further below, implementing such a complex and ambitious agenda—that aims to eliminate the structural causes that hinder sustainable development—requires cooperation and collaboration from all levels of governments, especially regional and local authorities. It also requires a robust partnership with international institutions, the private sector, philanthropic organizations, civil society, academia, and others. As local governments are closest to the people, their involvement is critical for understanding local contexts and power asymmetries, and for translating the aspirations of the goals and targets into implementable plans and programs on the ground – or in other words: localizing the SDGs.

Figure 2.1: The environment, social and economic dimensions of the Sustainable Development Goals



Government policy tools to promote development. The public sector has a number of tools or policy instruments at its disposal for achieving its policy objectives. These policy tools include (1)

¹ Commonly recognized market failures include monopolies or non-competitive market structures; the presence of (negative) externalities; and the existence of public goods (goods that are nonrival and nonexcludable).

different types of legislation and regulation (e.g., regulation of land use, business regulations, environment regulation, and so on); (2) collecting different types of taxes and public revenues, not only as a source of funding for public expenditures, but also in order to ensure a more equitable and efficient distribution of resources (e.g., ensuring fairness of the tax system, reliance on user fees, tariffs and 'benefits taxes' whenever possible, and/or using public revenues as a (dis)incentive to change behavior); and (3) the allocation of public resources (i.e., public expenditures) to ensure an equitable distribution of wealth and income and the efficient use of economic resources, by funding the provision of public services and public infrastructure, to support targeted government programs, and to incentivize the more optimal use resources by households, businesses and other government units (e.g., through grants and subsidies in support of merit goods).

Costs and benefits of policy interventions. A foundational rule of economics is that while human wants and needs are limitless, resources are scarce. The same is invariably true for governments: the demands placed on government consistently exceed the willingness of taxpayers to fund government programs. This means that governments must be selective in the programs they pursue, and have to weigh whether the benefits of supporting a specific intervention or program exceed the costs.

The manner in which government officials assess costs and benefits may depend on where they sit within the government apparatus. Sectoral officials (e.g., central line ministry officials) often take a sectoral view of the development challenge, and may be inclined to support initiatives that are beneficial to their sector based on their benefit to society alone ("i.e., improving access to health/water/education as a human right", or "gender equality").² In turn, Ministry of Finance officials are more likely to consider both the benefits as well as the costs of a proposed policy intervention, and may insist on a formal cost-benefit analysis being conducted to ensure that the economic and fiscal benefits of any proposed government program or intervention exceed their costs. (For instance, will the cost of a new road be sufficiently offset by the time-savings of road users, increases in road safety, and increase in economic activity and resulting tax revenue to justify the expense?). Finally, while elected officials hopefully weigh the evidence brought to them by ministries and constituents, they are likely to weigh the political or electoral benefits and costs of supporting a specific program or intervention.

² As discussed further below, rather than focusing in societal benefits, government institutions and officials at different government levels may also assess policy interventions based on a narrow institutional (political economy) perspective; i.e., whether their position or organization will gain or lose power and resources as a result of the proposed intervention.

2.3 What government level is best positioned to address the development challenge?

An important challenge for any public sector is to translate its national development objectives—with respect to a more educated workforce, a healthier population, better access to clean water, a well-developed roads network, and so on—into an improved situation “on the ground” in the cities, towns and villages across its national territory where the people live.

How to best ensure that global and national development objectives are achieved across a country’s national territory often involves stakeholders at all government levels, as well as citizens and civil society stakeholders. This leads to the question: what level of government is best positioned to address a specific development challenge? Who should be doing what?

Central governments typically have the greatest capacity and resources, but they are furthest removed from the people. Although there are both advantages and disadvantages to centralized service provision, many centralized public sector systems find it difficult to effectively deal with the vertical or intergovernmental (multilevel governance) aspects of public service provision and development.

Centralized approaches to public services and development often result in a one-size-fits all approach to development. When working through a centralized, hierarchical public administration system, central government officials in faraway capitals often face a challenge in effectively monitoring and holding frontline public servants accountable for their performance.

As a result, many countries establish different types of regional and/or local governance institutions, which allow the public sector to respond in a more granular manner to the development challenges that are being faced. By bringing the public sector closer to the people, a decentralized public sector structure also makes it easier for people to hold the public sector accountable. As a result, the presence and empowerment of more inclusive, responsive, effective, and accountable subnational governance institutions is likely to increase the chance that public services and development are more inclusive, responsive, efficient, equitable and sustainable.

Localization and the subsidiarity principle. Within the global development community, there has been a strong global push to ‘shift the power’ in the pursuit of global development from the Global North to the Global South. This process has generally been referred to as ‘localization’.

At the same time, the term ‘localization’ is commonly used to refer to the engagement by the central government of local governments and other subnational actors in pursuing inclusive governance and sustainable development.

These two meanings of ‘localization’ share a common foundation: the principle that development challenges should be addressed as close to the people as efficiently possible.

The principle that public sector functions (such as development interventions or the delivery of goods and services) should be the responsibility of the lowest government level that can perform these functions efficiently—known as the “subsidiarity principle”—is widely accepted by those working on multilevel governance. This principle rules out intervention by a higher-level government when an issue can be dealt with effectively by lower-level governments. In this case, higher-level governments are only justified in exercising their powers when lower-level governments are unable to efficiently achieve the objectives of a proposed action on their own accord.

Placing the responsibility for development as close to the people as efficiently enables greater inclusion and participation; increases the potential for constituents to hold public officials accountable; and allows for a better match between the mix of goods and services provided and the preferences of the local community. Local provision of public services at a lower government level may also make taxpayers more willing to pay for public services, since the link between costs and benefits is strengthened.

In reality, different stakeholders are often responsible for different parts of the delivery of a public service. A comprehensive analysis of the multilevel governance should take into account that there are different approaches by which governments interact with—and deliver services to—the people. Roughly half of the countries around the world deliver public services predominantly or exclusively through mechanisms other than devolved (elected) local governments. Many countries rely on local “deconcentrated” administrative bodies, which are a hierarchical part of the state administration and do not have their own elected political leadership. In other cases, central government may delegate the delivery of public services to para-statal organizations or NGOs, or may even deliver certain public services directly through central government agencies. Indeed, in most countries, frontline services—even within a single sector—are often provided and funded through a combination of different ‘vertical’ or intergovernmental mechanisms at the same time.

While regional or local governments may be well-positioned to champion localized development or to provide frontline public services, higher-level governments still have an important role to play. As the government levels closest to the people, regional or local governments are well-positioned to champion different development objectives in an inclusive manner, and are often assigned the responsibility to provide public services in line with the subsidiarity principle. This doesn’t mean, however, that subnational governments can do it on their own. Whereas local government may have an important role in the provision of public infrastructure or the delivery of public services, central governments often have a relative advantage in policy formulation, regulation and financing.³

³ The central government’s advantage in taxation and revenue administration is especially pertinent: to the degree that central governments are highly efficient in the collection of taxes and revenues compared to local governments (and therefore, assigned themselves all major revenue sources), it is incumbent on the central government to ensure a degree of “vertical fiscal balance” (a balanced of allocation of

Particularly when local governments pursue global development objectives or provide services that promote greater economic development, social development, or improve environment stewardship—all of which tend to benefit the country as whole—central governments have a critical role in ensuring that local governments have adequate (and equitable) access to the funding needed to deliver these services.

This fits with the global dialogue on decentralization and the localization of public sector outcomes, which suggests that “the key underlying question [in making decentralization work] is not whether to ‘decentralize or not’ or even opt for a specific decentralization model, but to look at ways to improve capacity and co-ordination among public stakeholders at different levels of government to increase efficiency, equity and sustainability of public spending” (Charbit 2011).

Functional assignments: gaps between *de jure* and *de facto* functional responsibilities are not uncommon. Even though the subsidiarity principle is accepted by many policy experts as good guidance, this doesn’t necessarily mean that this principle is followed, either by law or in fact. It is not unusual for the legislated (or *de jure*) assignment of powers, functions and responsibilities to be somewhat vague, duplicative, or even contradictory. Even when the legal framework assigns specific powers and functions to subnational governments, this does not always mean that subnational governments are actually the main stakeholders responsible for delivering public services. In order to achieve real-world policy change, it is important to determine which stakeholders are actually (*de facto*) responsible for public sector functions. This requires determining which stakeholder(s) have authoritative decision-making power, and/or which stakeholders control the resources necessary to transform policy decision into policy action.

In many countries, it is not unusual to find a gap between policy ambitions or laws regarding decentralization (i.e., *de jure* decentralization) and the actual role of subnational governance institutions (i.e., *de facto* decentralization). For instance, while the Local Government Act may assign the responsibility for primary education to the local government level, in reality, teachers may be employed by the central government and school buildings are constructed by the Ministry of Education.

Functional assignments are often determined by political economy forces. It is not unusual for legislation to follow the subsidiarity principle in the legal assignment of functional *responsibilities*, without transferring the powers, authority and resources necessary to perform these functions, thus resulting in a gap between the legal (*de jure*) and actual (*de facto*) functional assignments.

Central government officials seldom have a real incentive to support decentralization as long as the proposed reforms undermine the direct power, discretion, and resources of one or more entities at the central level (Eaton and Schroeder 2010). Decentralization of powers and functions is often (implicitly or explicitly) opposed by central government line ministries who have most to

resources among government levels), often by providing local governments with resources through the transfer system.

lose in terms of control over budgetary and human resources when their functions are transferred to the local government level (Bahl, 1999). To the extent that there is a political or electoral benefit to be gained from paying lip service to decentralization, one could expect a pattern of decentralization by which governments adopt promising legislation in support of decentralization (i.e., “de jure” decentralization of functional responsibilities), but then to “go slow” during implementation (sometimes to the point of complete inaction). Such a discrepancy between *de jure* and *de facto* expenditure assignments is commonly observed in decentralization reforms, particularly across Africa and Asia.

Unlocking the power of local governments in achieving inclusive and sustainable development often requires a combination of devolved functional powers and intergovernmental fiscal transfers. Perhaps the single-biggest misperception in intergovernmental finance is the mistaken belief that local governments can or should fund themselves only or mostly from own revenues and borrowing. This is a self-serving position for central government officials, allowing central government ministries to retain much of their power and resources, while local governments flounder in their efforts to be responsive to the needs of their constituents.

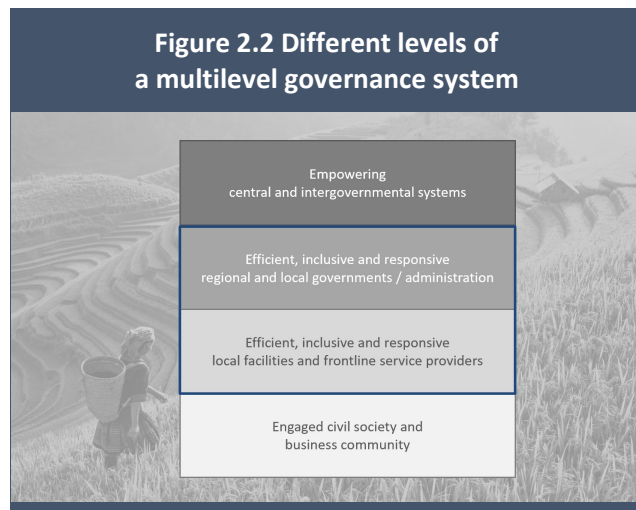
In contrast, in the long-run, proactive, central governments who want the public sector to be inclusive, responsive, and efficient have a stake in supporting proactive, high-performing and responsive local governments. Intergovernmental transfers or grants are an incredibly important tool to leveraging local governments in pursuit of global and national development goals. Without intergovernmental transfers, the ability of the public sector to deliver inclusive services and promote sustainable development—by unlocking the power of local governments—would be greatly reduced.

2.4 The decentralization and localization assessment framework

It is increasingly recognized that a well-performing multilevel public sector or an effective local governance system require more than just effective local leadership and effective local administration (LPSA 2022). A comprehensive conceptual framework for assessing multilevel governance systems requires considering two different dimensions.

All levels of governance or administration are involved in shaping an inclusive and efficient decentralized multilevel public sector (Figure 2). While the ‘frontline’ of decentralization or localization efforts may be at the local level (where public services are actually delivered to the people and where localized development is achieved), since public sector power and authority emanate from the highest level or tier of governance, national (central or federal) government authorities are typically responsible for putting in place the intergovernmental systems that empower regional and local governments and other subnational stakeholders. After all, high-performing regional and local bodies need a sound and supportive intergovernmental framework that empowers them and gives them the foundation for success. This includes the requirement that regional and local governments (or regional and local administrations) are assigned meaningful public sector functions which they are able to perform efficiently, and that the functional responsibilities assigned to them are matched with authority and resources.

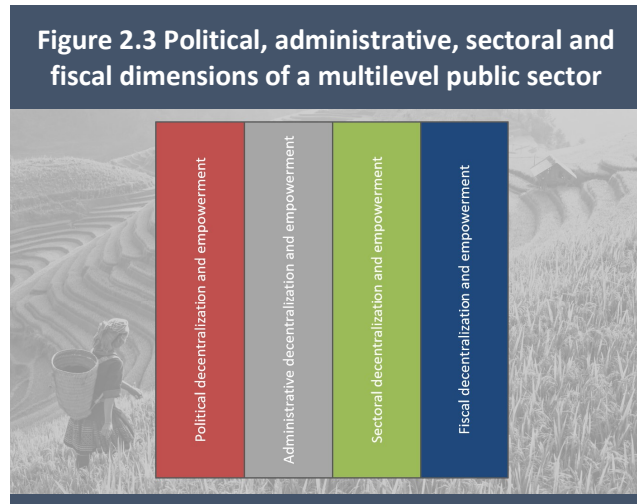
Another aspect of the conceptual framework of multilevel governance arrangements identified in Figure 2.2 is that it is often useful to divide the local government (or local administration) level into two distinct sublevels: the local government (administration) headquarters level as distinct from the local facility or frontline service delivery level. The facility level should be understood to include schools, health centers, agriculture extension offices, local water schemes, and so on. Frontline facilities may or may not be an integral part of a local government institution, or may be a public (quasi-) corporation or entities owned, operated or controlled by central, regional or local governments.



Taking into account frontline service delivery facilities as a distinct level within the public sector encourages us to explore “last mile” service delivery challenges by taking into account the principal-agent relationship that may exist between the local government leadership and frontline providers. This distinction is particularly relevant in countries where frontline facilities are not owned or operated by local governments themselves, or where frontline facilities have distinct *de jure* or *de facto* planning, budgeting, or administrative and managerial power.

Furthermore, successful local governments or local administrators need an engaged civil society, residents, and local business community, who participate in local affairs and hold local leaders and officials accountable for their performance. Ensuring community involvement in local affairs requires that mechanisms are in place for participatory and responsive local service delivery.

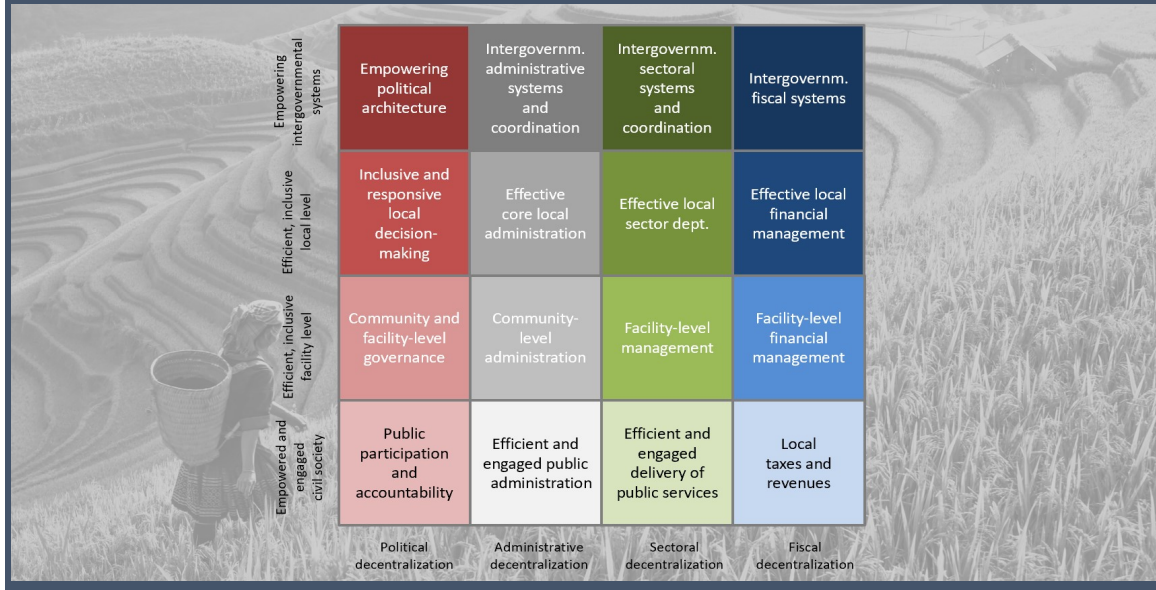
The analysis of multilevel governance systems further needs to recognize that multilevel governance systems can be separated into different (political, administrative and fiscal) dimensions (Figure 2.3). With an eye on the increasing importance of the localization of public services and development interventions, it is further useful to separately consider the role of core (cross-sectoral) public administration arrangements vis-à-vis sector-specific aspects of public sector administration across different levels of government or administration.



When the political, administrative, sectoral and fiscal systems are considered at the four different levels of a local governance system (i.e., central, local, frontline and community), an assessment framework emerges that recognizes sixteen different elements of inclusive and efficient multilevel public sector management. The implicit hypothesis that forms the foundation for this analytical framework is that ***a more effective multilevel governance system is achieved when each of these 16 elements of decentralized multilevel governance are effective, well-structured, and fit together well*** (Figure 2.4).

Achieving inclusive and effective multilevel governance requires that these sixteen elements of multilevel public sector governance, administration and finance are appropriately balanced and inter-connected, both horizontally (at each government level or administrative tier) as well as vertically (across different levels, within each dimension of decentralization).

Figure 2.4 Conceptual framework for assessing of decentralization, multilevel governance, and intergovernmental relations



The decentralization and localization assessment framework—as represented by the 4x4 matrix above—is the foundation for the MOOD assessment. Depending on the development challenge being analyzed, in some countries—especially federal countries or large unitary countries—it may be useful to add a separate row for the regional (e.g., state or province) level.

The decentralization and localization assessment framework can be used as the basis for assessing the multilevel governance system as a whole. This is done, for instance, as part of a Local Governance Institutions Comparative Assessment (LoGICA).⁴ However, the same four-by-four assessment framework can be applied in flexible manner to analyze the multilevel governance of any specific sector, or the multilevel governance obstacles and opportunities as relevant to any specific development challenge.

⁴ A LoGICA framework also allows for a ‘deep dive’ assessment of the subnational structure of the public sector; the nature of functions of subnational governance institutions; and the extent to which the different aspects of the multilevel governance system (i.e., political, administrative, sectoral and fiscal systems) empower subnational officials to the needs and priorities of their constituents or not).

Figure 2.5 Conceptual framework(s) for assessing multilevel governance systems as obstacles opportunities for specific development objectives



3. A MOOD Assessment

3.1 The MOOD assessment framework

Starting with the development challenge or development objective identified in the previous section, an assessment of Multilevel governance as an Opportunity or Obstacle to Development, (MOOD Assessment) will use the four-by-four decentralization and localization assessment matrix, in a collective manner, to engage in a series of analyses:

First, what is the multilevel status quo?

- Stakeholder analysis: Who are the relevant stakeholders at each government level with a stake in the development challenge being considered?
- Situation analysis: What activities are pursued at each government level (by each stakeholder) as it relates to the development challenge being considered?

Second, what multilevel governance obstacles to development exist?

- Identifying obstacles: In pursuit of the specific development objective, what should be going on at each level in an effective MLG system? What more should each stakeholder do? What is the gap between the actual situation and the desired situation?
- Political economy analysis: Why is there a gap between the actual situation and the desired situation? What is the political economy of the ongoing reform efforts? What are the proximate causes and the root causes?

Third, what multilevel governance opportunities to development exist?

- Are there already efforts underway to fix the multilevel governance challenges? Are existing efforts adequate and succeeding (and if not, why not)?
- What more can be done about to fix the multilevel governance challenges? What is the lowest-hanging fruit, when considering both development impact and the likely political/institutional support at all government levels?

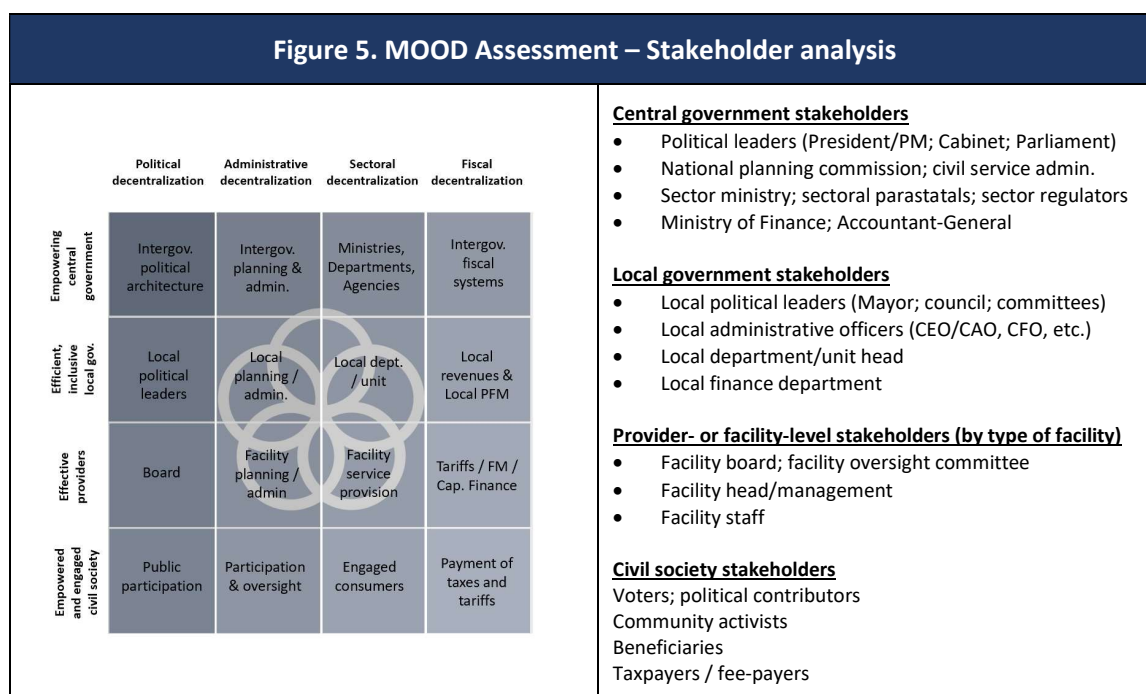
Details for each step of the MOOD Assessment are provided in sub-sections 3.2, 3.3 and 3.4. Informed by the completed from the MOOD assessment, stakeholders are encouraged to consider next steps to move from policy analysis to policy engagement and policy solutions (Section 4).

3.2 Multilevel governance and development: Status Quo

As a first round in the MOOD assessment, it is good to determine the multilevel *status quo*? In other words, who are the relevant stakeholders at each government level with a stake in the development challenge being considered, and what is their situation?

Stakeholder analysis: Who are the relevant stakeholders at each government level with a stake in the development challenge being considered?

As a first concrete step, the assessment team should ask (and answer): who are the relevant stakeholders at each government level (and civil society) with a stake in the development challenge being considered? Stakeholders should include institutions or (sub-)organizations that are directly or indirectly involved in the pursuit of specific development objectives and/or in the delivery of relevant public services.



Stakeholders directly involved in championing of specific development outcomes are typically found within the sectoral dimension (column), while stakeholders directly involved in the frontline provision of services are typically included in the provider or facility level.

However, stakeholders outside the immediate confines of the relevant sector are often incredibly important in ensuring that the public sector move towards a specific development objective, for instance, by adopting legislation, regulations, and government policies that promote the development objective at hand; by ensuring that government plans (at different levels) focus in a results-based manner on achieving its priorities; or by ensuring that human resources and

financial resources are adequately directed towards a specific development objective. The political, administrative, and fiscal systems—that directly or indirectly impact the achievement of policy objectives—are present at every level of the public sector.

Obviously, the exact constellation of stakeholders will depend on the development challenge at hand, and the extent to which addressing the development challenge has political, administrative and fiscal impacts on the government level or tier. As such, the stakeholder analysis should consider one government level or tier at a time, and should identify stakeholders in each cell of each row, as relevant of the development challenge at hand. In doing so, the assessment should consider that governments and other institutions are typically not a single monolithic entities, but that different organs and officials within the same organization and/or at the same government level can have (sometimes vastly) different perspectives, priorities, and face different incentives or constraints.

For instance, the central government level typically has political stakeholders (e.g., the President or Prime Minister, parliament, central political party organs etc.), stakeholders responsible for public administration (e.g., National Planning Commission; Civil Service Administration, etc.), sectoral stakeholders (e.g., sectoral ministries, departments and agencies) as well as fiscal stakeholders (e.g., the Ministry of Finance). Depending on the nature of the development challenge being considered, each of these stakeholders may have different (institutional, formal or informal/personal) positions, may have different interests, and/or may contribute different inputs to a shared policy objective or service.

Likewise, the stakeholder analysis should identify stakeholders at the local government level—including political leaders, core local administrators, local department heads, and local finance officials—that have an interest in the policy challenge at hand. Additionally, the MOOD assessment framework asks the assessment team to identify stakeholders at the facility level (along the same dimensions) and within civil society. It is important to note that frontline service delivery “facilities” or “providers” may include different types, including (local) government owned-and-operated facilities (e.g., public schools, public health clinics, municipal utility companies etc.), but may also include non-public sector entities (e.g., private schools, faith-based health clinics) as well as community-based providers (e.g., rural water user committees).

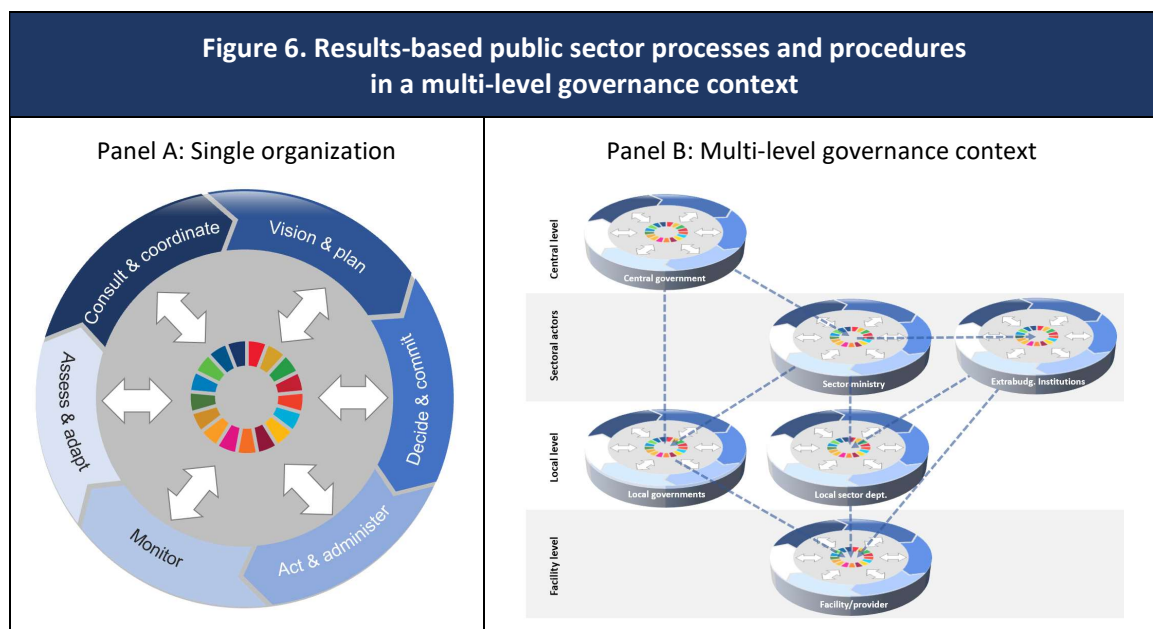
Situation analysis: What activities are pursued at each government level as it relates to the development challenge being considered?

Once a list of stakeholders across the multilevel governance spectrum has been identified, this list can be used to conduct a rudimentary situation analysis. For those stakeholders directly or actively involved in transforming inputs to outputs and outcomes in pursuit of a specific development result, what are the (*de jure* and *de facto*) contributions of each stakeholder to the development challenge collectively being pursued? In other words, what specific functions or activities does each stakeholder engage in as it relates to the development challenge being considered?

Responsibilities of various stakeholders may include a wide variety of functions and activities that (directly or indirectly) contribute to the delivery of a service or to the achievement of a specific development outcome, including the development and enactment of (national or subnational) legislation (or bylaws); policy development and standard-setting (at all levels); monitoring and oversight (at all levels), through vertical (bottom-up or top-down) as well as horizontal (political, public or social) accountability mechanisms; regulation and enforcement (at all levels); planning (at all levels); budgeting and budget implementation (at all levels); human resource management (at all levels); procurement; community engagement; and so on.

3.3 Obstacles to effective multilevel governance and resilient, inclusive, sustainable and effective development

For any single organization to achieve its organizational objectives or “development results”, it must first define the objectives or outcomes that it wants to achieve. This is true whether the organization is a central line ministry, a parastatal, a local government, or a front-line service delivery facility. Any results-driven organization will then pursue these results through a series of processes and procedures, each of which should be linked to these objectives or results, including (1) consultation and coordination with external actors, including public sector stakeholders at different government levels; (2) defining the organization’s vision and strategic plan(s); (3) the process of concretizing the strategic plan and committing resources, typically as part of the annual budget formulation process (decide and commit); (4) the operationalization and implementation of decisions (act and administer); (5) the process of monitoring progress and performance; and finally, (6) the process of assessing and adapting, including through an annual *ex post* review and periodic updates of longer-term plans (Figure 6, Panel A).



Within a single organization, all these processes should take place in an effective manner; be focused on achieving the same results; and they should all be logically linked to each other. In practice, organizational processes may fail to link adequately to the organization’s stated policy objectives, and/or different organizational processes may be inadequately linked.

Ensuring the effective results-orientation of public sector processes and procedures is even more complicated in a multi-level governance context (Figure 6, Panel B).

First, in a multi-level public sector, the results or objectives to be pursued by stakeholders at different levels should be aligned (for instance, in pursuit of the SDGs or a national development

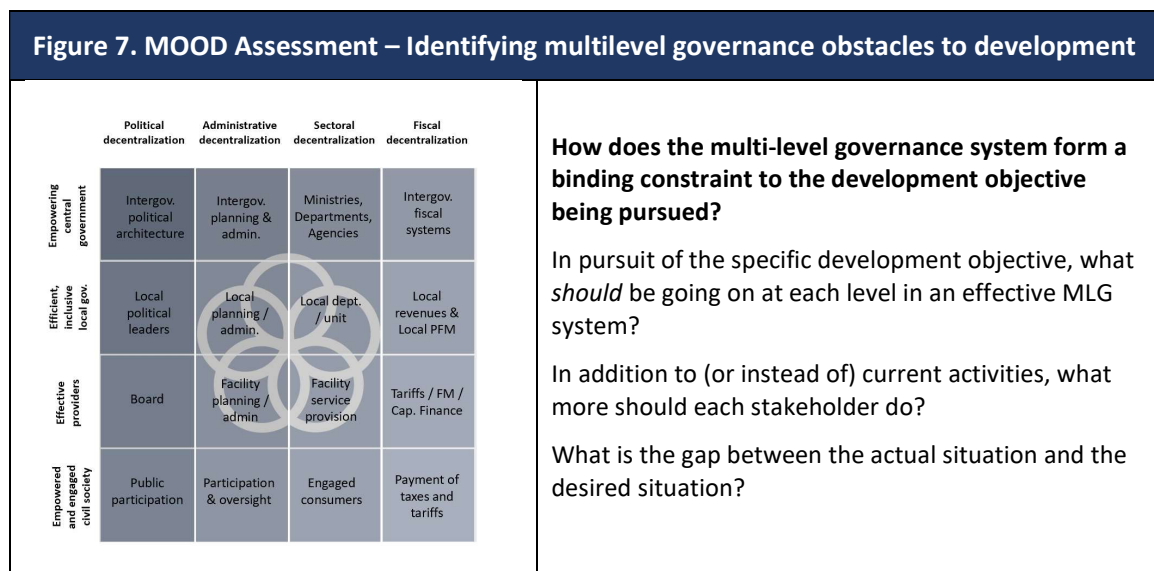
plan) across different government actors. To the extent that different governments have different political constituents, this may not always be the case in practice. Furthermore, a lack of policy alignment across stakeholders at different levels of the public sector in terms of policy formulation or objective-setting is not uncommon. Such a lack of alignment or inertia is especially a challenge in the introduction of new policies or programmatic interventions.

The second broad challenge in multilevel public sectors is the challenge of effective coordination and implementation between stakeholders at different government levels. Coordinated policy implementation requires the organizational processes to be vertically linked and aligned across different stakeholders. For instance, planning processes, budget formulation processes, and other public administration processes need to be coordinated across different government levels and actors. In practice, such alignment is often difficult to achieve.

These obstacles often result in observers noting that “government is really good at developing policies, but implementation is often weak.” In order to optimize the results achieved by the multilevel governance system as a whole, a ‘systems thinking’ approach suggests that it is important not just to optimize the effectiveness of each part, but especially, to improve the relationships among the parts.

Identifying multilevel governance obstacles to effective and inclusive development

The first round of the MOOD assessment identified the pertinent stakeholders at different government levels, and provided an overview of how different stakeholders are contributing to the development objective being pursued (i.e., a stakeholder analysis and situation analysis).



As the starting point for the second round of the MOOD assessment (Figure 7), the relevant question is: do (and if so, how do) multi-level governance systems form a binding constraint to the development objective being pursued? In other words, in pursuit of the specific development

objective, what should be going on at each level in an effective MLG system? In addition to (or instead of) current activities, what more should each stakeholder do? What is the gap between the actual situation and the desired situation?

These are not easy questions, because they require the assessment team to consider how the public sector would work under the assumption that it has an effective multilevel governance system. Although there is no country that has a perfect multilevel governance system, the proposed counterfactual scenario is an easier to imagine in a country that has a reasonably well-functioning multilevel public sector, compared to countries where the gap between the ‘ideal’ multilevel governance system and the current reality is greater.⁵

Political economy analysis: Why is there a gap between the actual situation and the desired situation?

In addition to allowing a technical assessment of the effectiveness of (and disconnects between) stakeholders at different government levels—along the governance, administration, sectoral and financing dimensions—the MOOD assessment framework further allows the functioning of a multi-level public sector to be considered through a political economy lens.

This is critical in understanding *why* there is a gap between the actual situation and the desired situation.

A key takeaway from political economy analyses is that organizations—including government organizations (or sub-organizations) —often behave not only based only on their stated mission, values and objectives, but that the actions of organizations is typically influenced by the organization’s own institutional interests and incentives, including its desire not to lose power, influence, and control over (human and financial) resources.⁶

The MOOD assessment framework allows the assessment team to identify political economy dynamics that play out along the vertical dimension of the public sector that commonly constrain (either directly or indirectly) the successful achievement of specific development goals. For

⁵ It should be noted that the introduction of a devolved local governance system (or any other multilevel governance system) by itself is no panacea. Because local conditions and local priorities vary across local jurisdictions, it is rare that elected local governments universally support even the most laudable development objectives (universal access to clean drinking water; universal access to healthcare for mothers and children), let alone development objectives or social transformation efforts that potentially pit some local constituents against others (e.g., protection of minority rights).

⁶ Among sectoral or technical experts or advocates, the assumption is that once the sectoral stakeholder is convinced (e.g., the sector ministry, or the local department head), that the rest of the organization will follow automatically because “the topic is important” (“access to clean water is a human right”). This, however, is typically not how government organizations (at any government level) work: elected leaders are typically pushed and pulled into a number of different directions, and the government’s resources (both in terms of financial resources, as well as in terms of their ability to pursue different policy reforms) are limited.

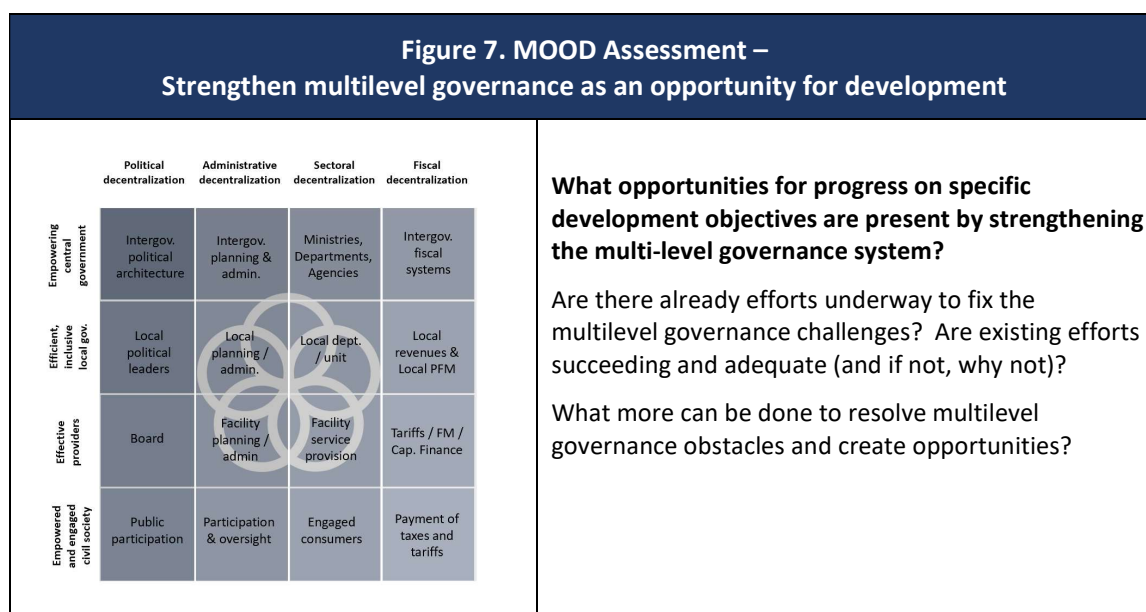
instance, in a devolved governance system, it is not unusual for there to be political economy clashes between the local governance pillar (i.e., the institutions vertically reporting to the Ministry of Local Government) versus the sectoral stovepipe, or for tensions to arise between higher-level governments and lower-level government bodies. Likewise, it is not unusual for studies to identify the 'lack of local political will', weak 'local administrative capacity' and the lack of local-level funding as leading obstacles to localized development or the cause of public service delivery failure.

Upon closer inspection, however, these technical issues are often *proximate causes* of poor service delivery rather than the *root causes* of the public sector's failure to ensure inclusive and sustainable development. Digging deeper often reveals that political economy factors play an important role in explaining the multilevel governance obstacles to sustainable development. Common multilevel governance obstacles to development include:

- Failure of the public sector to address public sector challenges: Is the division of functions and responsibilities between the public sector and the private sector (households and businesses) clear and correct?
- Unclear or inefficient functional assignments: Is the assignment of functions and responsibilities to stakeholders at different government levels clear and correct (i.e., in line with the subsidiarity principle)?
- Imbalance between responsibilities and powers (including unfunded mandates): Are stakeholders assigned responsibilities without being assigned the necessary powers, resources, and authority (including authority over human and financial resources)?
- Lack of central government commitment to the implementation of decentralized services and development: Do central government ministries prioritize their own institutional interests (in terms of powers and functions, including control of human and financial resources) over the importance of an effective multilevel governance system?
- Lack of political or institutional incentives for local leaders to support specific development initiatives and provide effective oversight. Do political arrangements provide incentives for local elected officials to prioritize their own electoral interests ahead of support for specific development initiatives and the provision of effective oversight of local administration?
- Lack of policy consensus among stakeholders: Are stakeholders at different levels interested in pursuing the development objective at hand? Do different stakeholders assign the specific development objective sufficient priority?
- Ineffective public sector institutions/processes/procedures: Is each stakeholder effective in pursuing (their contribution to) the development objective, or are their internal processes and procedures ineffective in achieving desired outcomes?
- Ineffective coordination between multilevel stakeholders: Is each stakeholder effectively coordinating their contribution effectively with the other stakeholders?

3.4 Opportunities to improve the effectiveness of multilevel governance and resilient, inclusive, sustainable and effective development

To identify opportunities for progress on specific development objectives, it is important to understand why stakeholders currently fall short from pursuing development efforts to their fullest extent. This includes getting to the root cause why local politicians lack the incentives to promote better local services (which is often explained as ‘lack of political will’); why both sector ministries as well as elected local leaders often fail to invest in local administrative capacity; and why intergovernmental fiscal systems often fail to shift resources where they are needed to achieve specific development objectives.



Are there already efforts underway to fix the multilevel governance challenges?

To the extent that gaps have been identified between the current situation and a more effective multilevel governance system, are there already efforts underway to fix the multilevel governance challenges? If so, are existing efforts succeeding and adequate? If not, why not?

It is not unusual, for instance, for policy reforms to address the proximate causes of ineffective multilevel governance systems, without addressing the root causes or without giving due attention to the underlying political economy factors. Yet, unless the political economy drivers or incentives are considered, policy interventions are unlikely to succeed. For instance, central government ministries may lack an incentive to strengthen the capacity of local governments, if increasing the effectiveness of local governments will likely result in fewer resources being sent to the ministry in the future. In other cases, inaction on the part of central government officials

may simply be due to the lack of incentives to do *anything* unless a specific incentive or reward is provided. These types of incentives have to be taken into account as part of the reform process.

Similarly, the ‘lack of political will’ at the local level or the ‘lack of adequate local government financing’ are often not root causes of development failures in their own right, but rather, these obstacles are often caused by the lack of empowerment of local governance institutions or the absence of a constructive relationship between stakeholders at different government levels, which result in local government leaders lacking an adequate incentive to engage in a sector or development activity. For instance, why would a locally elected leader devote his/her time and political capital in support of a specific development objective if the responsible central line ministry fails to allocate even minimal resources in support of this objective; fails to treat local counterparts respectfully; and fails to create the minimum conditions for success?

What more can be done to resolve multilevel governance obstacles and create opportunities?

As a final step in the MOOD assessment process, the assessment team should ask: what more can be done to resolve multilevel governance obstacles and create opportunities? This will require coming up with potential policy interventions that result in “win-win-win-win” solutions: a ‘win’ for the central government; a ‘win’ for the local government; a ‘win’ for the service delivery facility; and a ‘win’ for the community or intended beneficiaries.

In some cases, simple inertia may play an important factor in moving forward. It is not unusual for stakeholders from different government levels to lack means of communicating with each other. In the absence of a constructive forum for dialogue, even the most obvious policy solutions will not be recognized and adopted.

In other cases, existing efforts may be technically driven solutions, without recognizing the political economy forces at play. For instance, a development partner may hire a consultant to prepare a draft regulatory framework to resolve a specific multilevel governance challenges, which ends up in the bottom drawer, because the central government ministry lacks an meaningful institutional incentive to move forward.

In yet other cases, however, more significant reforms are needed. In many countries, local governments face a considerable imbalance between their functional responsibilities and expenditure needs versus the resources available to them. In this situation, local governments typically lack the fiscal space to take on board additional responsibilities, and the prospect of creating fiscal space by taxing local constituents is seldom an exciting prospect for local politicians. As such, in the absence of the central government helping to create additional local fiscal space through the transfer system, it is unlikely that local governments or frontline service delivery providers will be willing or able to buy-in to the development challenge to be resolved.

4. Next steps

Achieving consensus among stakeholders around one or more possible policy interventions and strategies. As suggested by its name, the MOOD assessment aims to explore multilevel governance opportunities and obstacles to development. When conducted in a participatory manner by stakeholders from all levels of government, along with civil society actors, the assessment should point to key binding constraint as well as potential opportunities for development progress. The obvious next step would be to work towards policy consensus among stakeholders around one or more possible policy interventions and strategies. What is the 'lowest-hanging fruit', when considering both the development impact (e.g., development return on investment, or value-for-money) of the different policy options, as well as the likely political/institutional support at all government levels for the different possible interventions?

Iterative and adaptive process of policy development. The conventional way of pursuing public sector reforms or development interventions involves specialists conducting studies to decide on a 'solution', then design how the solution should be introduced into a context, and then initiate implementation (Andrews et al 2016). These are phases in a linear process that are unlikely to take root as intended, as most of the challenges in international development are complex in nature. They involve many actors in uncertain contexts and with unclear solutions. In practice, iterative and adaptive mechanisms are typically required in order to deal with the unexpected obstacles encountered during the policy development and implementation process.

A more experimental, iterative and adaptive process does not pursue a single, pre-determined policy solution in pursuit of a specific development objective. Instead, an iterative and adaptive policy reform process (i) includes stakeholders from all government levels, as well as community-level actors; (ii) identifies and puts into action multiple solution ideas; (iii) experimental, iterative steps progressively allow real solutions to emerge; (iv) engages in disciplined, experiential learning and flexibility to foster adaptation.

Explore the potential of piloting (or asymmetric implementation). There are fundamental differences between a well-designed decentralized policy intervention when compared to centralized policy interventions (as typically pursued by central governments) or projectized interventions (as typically pursued by development partners).⁷ Both centralized and projectized

⁷ A traditional development project or intervention (say, the construction of a water system in village X) has the luxury of focusing on a small geographic jurisdiction, which makes it easy to identify beneficiaries, but such interventions are unlikely to be sustainable in the medium term unless the institutions are in place to operate and maintain the system, and such interventions typically has no impact on the wellbeing of citizens outside the project area. Centralized solutions tend to be one-size-fits-all, which often fragment resources across too many local jurisdictions to be able to make a meaningful impact. Unfortunately, most centralized interventions rarely track their impacts or results in a spatially disaggregated manner.

development interventions tend to impose top-down ‘solutions’ in a way that prevents meaningful community engagement or inclusion. Central or projectized interventions rarely achieve results evenly or equitably across the national territory.

A decentralized approach to pursuing development transformation—for instance, by allowing local governments to ‘opt in’ to a competitive grant scheme or performance-based grant—has the potential to focus time and resources on regional or local governments that are self-selected champions of the development challenge being posed. For instance, in the water example above, small water infrastructure grants may be awarded only to local governments and community groups that have established and staffed a local WASH Department, that is capable of (technically and financially) supporting and backstopping rural water user associations in their jurisdiction.

A decentralized approach can be considered to have disadvantages as well as advantages. An obvious disadvantage is that one has to admit from the start that the policy intervention is likely not to have the same impact everywhere across the national territory, and that citizens won’t benefit from the intervention in places where their locally elected leaders don’t opt into the program.⁸ At the same time, in most cases, a centralized intervention is unlikely to have a big impact in places where the locally elected leaders and communities are not strongly committed (or possibly even negatively inclined) towards the development challenge or social transformation being pursued.

An obvious advantage to a decentralized approach is that it is more targeted and granular, so that—in the first instance—time and resources can be focused on the places where sustainable transformation is most likely to pay off. In the slightly longer run, to the extent that decentralized interventions create fast-adapting local jurisdictions and development laggards, at the same time, the nature of decentralized interventions gives the public sector the tools to provide different levels of incentives and resources in places where such additional attention is warranted.

Be mindful of imposing external and short-term ‘solutions’. In response to a gap in public sector functioning—where public institutions across different government levels fail to achieve a specific policy objective—it is sometimes easier for development partners or foundations to respond to the proximate causes of the development failure through a project intervention, rather than working to resolve the root causes that are keeping the public sector from appropriately addressing the development challenges. Such external or project interventions have known shortcomings. Importantly, unless the fundamentally changes underlying institutions and incentives, their impact is temporary and not sustainable in nature. Furthermore, unless the policy agenda is broadly owned and supported by stakeholders at all levels, and designed to be transform how the multilevel public sector operates from the outset, it is unlikely that sufficient public, institutional, or political support will be generated to achieve the development objective in a sustainable manner through the lasting transformation of the public sector and society.

⁸ Even if the intent is to achieve the development objective nationwide, beginning with a decentralized approach might allow progress to be made at the local level until a nationwide tipping-point is achieved.

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Annex. MOOD Assessment Worksheets

[Worksheet 1. Problem identification, causal mapping or Theory of Change.]

[Worksheet 2. Stakeholder analysis]

[Worksheet 3. Situation analysis]

[Worksheet 4. Identifying obstacles to development]

[Worksheet 5. Political economy analysis]

[Worksheet 6. Identifying opportunities for development]

