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A COMPARATIVE OVERVIEW OF LOCAL GOVERNANCE SYSTEMS IN SELECTED COUNTRIES



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ABSTRACT

The effective and equitable delivery of primary education, basic local health services, and similar public services are critical to achieving national policy priorities and global development objectives. At the same time, the delivery of these public services is fundamentally local in nature. As a result, an effective local governance system is indispensable to the localization of public services and to the achievement of sustainable development goals.

Furthermore, an effective and inclusive local governance system provides one of the most important avenues for people—including the poor, women and minorities—to participate in the development of their communities and to influence the public sector’s decisions that are directly relevant to their lives.

This study presents a comparative analysis of local government systems in six countries, including **Cambodia** (a sectorally deconcentrated system); **Mozambique** (a territorially deconcentrated system); **Kerala, India** (a mixed system, where recurrent services are delivered in a deconcentrated manner, while infrastructure development responsibilities are devolved to local governments); **the Philippines** (a devolved system, with some elements of deconcentration); as well as **Tanzania** and **Indonesia** (examples of devolved systems).

The comparative analysis is guided by the *Local Governance Institutions Comparative Assessment (LoGICA) Framework* developed by Boex and Yilmaz (2015), which provides a comparative assessment of the five main dimensions of a local governance system, including an analysis of (a) the effectiveness of the subnational governance structure and assignment of functions to the local level; (b) dynamic and responsive local political systems and leadership; (c) local control over administration and service delivery; (d) local fiscal autonomy and local financial management and (e) local participation and accountability mechanisms.

As the first rigorous application of the LoGICA framework, the study accomplishes a number of objectives. First, the study presents a structured description of the local governance institutions in each of the six countries being reviewed. Second, the local governance systems in these countries are captured as part of the LoGICA Score Card, which provides an objective, comprehensive, comparative, decomposable and granular assessment of the local governance institutions in each country. Third, the comparative methodology allows us to consider whether there are any clear patterns in the local governance systems being analyzed. In particular, the comparative analysis can help us answer the question whether decentralization tends to take place in a balanced manner (with progress on decentralization taking place in all different dimensions at the same time), or whether local governance systems tend to evolve in an imbalanced manner, with some aspects of the local governance system being more decentralized as others.

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A COMPARATIVE OVERVIEW OF LOCAL GOVERNANCE SYSTEMS IN SELECTED COUNTRIES

1. Introduction

1.1 Background

In countries around the world, local governments and other local public sector bodies are responsible for delivering the public services that people rely on day-to-day: schools for their children, public health services, access to clean water, clean streets, sanitation for the urban poor, and so on. Although these public services align with national priorities and global development objectives, the delivery of these public services is fundamentally local in nature. As such, the efforts of every country's public sector need to be "localized" one way or another in order to achieve inclusive and sustainable human development.

While the notion that all human development takes place at the local level is gaining increasing acceptance in the global development community, the state of knowledge on the role of local governance systems in achieving development is relatively limited. Very little comparative research on local governance systems has been done. To the extent that empirical studies have looked at the effectiveness or performance of local governance systems, these studies have largely focused on measuring the activities and expenditures of elected local governments.

In contrast to existing measures of decentralization, the concept of the local public sector—and our focus on local governance systems—includes all public sector activities and expenditures at the local level. This fits with the global dialogue on the localization of public sector outcomes, which suggests that "the key underlying question is not whether to 'decentralize or not' or even opt for a specific decentralisation 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).

If we believe that an effective local governance system is important in achieving sustainable development, then how do we "measure what we treasure"? In other words, how do we measure the effectiveness of local governance institutions in a country?

In order to gain insight into the role of the local public sector in different countries, Yilmaz et al (2008) and Boex (2012) developed a set of institutional indicators and metrics which allow us to compare the organization, functions, finances and institutions of the local public sector in different countries. Building on these metrics, Boex and Yilmaz (2015) developed a standardized Local Governance Institutions Comparative Assessment Framework which enables an assessment and comparison of local governance systems in different countries based on five specific dimensions: (i) the assignment of functional responsibilities; (ii) the presence of local political space and effective local political systems; (iii) the degree of local control over local administration and local service delivery; (iv) local fiscal autonomy and local financial management; and (v) the effectiveness of local participation and accountability mechanism.

The current paper applies this local governance systems assessment framework to six different countries: Cambodia, Mozambique, India (Kerala), the Philippines, Tanzania, and Indonesia. These country cases were selected to present a diversity of decentralization and localization experiences, ranging from Cambodia (a sectorally deconcentrated system); Mozambique (a territorially deconcentrated system); and Kerala (a hybrid system), to the Philippines, Tanzania and Indonesia, which serve as examples of predominantly devolved local government systems. These countries should be seen to give a sample of international practices and experiences—some good, some not so good—with regard to decentralization and local governance. Collectively, these six countries provide a rich comparative basis for other countries to compare and assess their own local governance system by placing their own experiences within the context of international experiences.

1.2 The Local Governance Institutions Comparative Assessment Framework

Political, administrative, and fiscal decentralization. In line with decades of writing on the decentralization and local governance, local governance systems are often decomposed into three main dimensions: political, administrative, and fiscal institutions (Rondinelli, 1986). This division provides a convenient categorization of local governance systems in accordance with the academic disciplines that study decentralization: political scientists who study the distribution of political power among different government levels; administrative decentralization is dealt with by public administration experts; while the realm of fiscal decentralization (or fiscal federalism) is generally left to the economists.

To the extent that (human, social and economic) development is the process of empowering individuals over their lives, these three categories represent the three main dimensions of interaction between—and potential empowerment of—citizen and the State. As such, these three dimensions represent three top-level objectives in the development process. Within the political sphere, the global development community seeks to empower people over their public sector through democratic, participatory and responsive political mechanisms. Within the administrative sphere, the development objective is to empower the people by making sure that the public sector delivers public services in an efficient and equitable manner. In terms of the public sector's finances, people are empowered if the financial resources within the public sector are used in a responsive, efficient and accountable manner (achieving fiscal discipline, as well as allocative and technical efficiency).

As such, any framework that seeks to better understand and assess the effectiveness of local governance institutions should clearly recognize the political, administrative and fiscal dimensions of a local governance system (Figure 1.1).

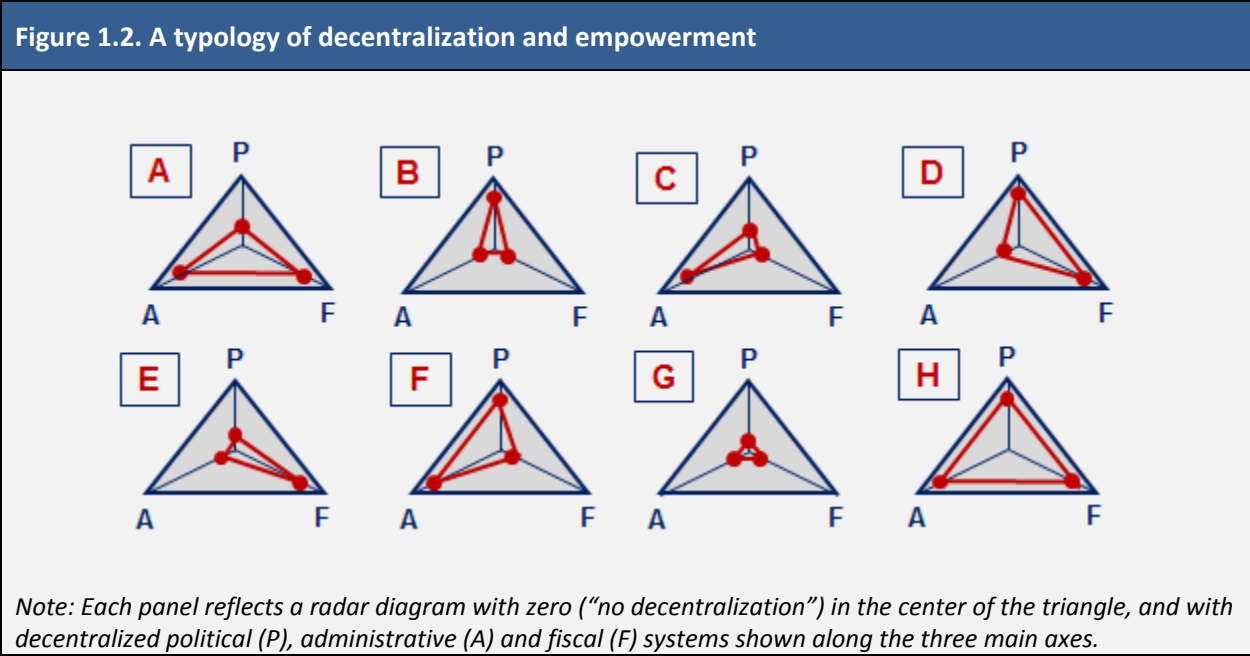
Figure 1.1 Political, administrative and fiscal dimensions of a local governance system



Although these three dimensions are all part and parcel of the local governance system, reforms along these three dimensions of decentralization and local governance can be pursued independent of each other, arguably resulting in eight basic types of local governance systems (Table 1.1 and Figure 1.2). An effective local governance system is achieved when each of the different institutional dimensions are effective, well-structured, and fit together well. In fact, Eaton and Schroeder (2010) argue that effective empowerment of local governments only occurs when local authorities are simultaneously politically, administratively and fiscally empowered to be responsive to their constituents.

Table 1.1. A typology of decentralization and local empowerment				
	Political Decentralization	Administrative Decentralization	Fiscal Decentralization	Full Local Empowerment?
A	No	Yes	Yes	No
B	Yes	No	No	No
C	No	Yes	No	No
D	Yes	No	Yes	No
E	No	No	Yes	No
F	Yes	Yes	No	No
G	No	No	No	No
H	Yes	Yes	Yes	Yes

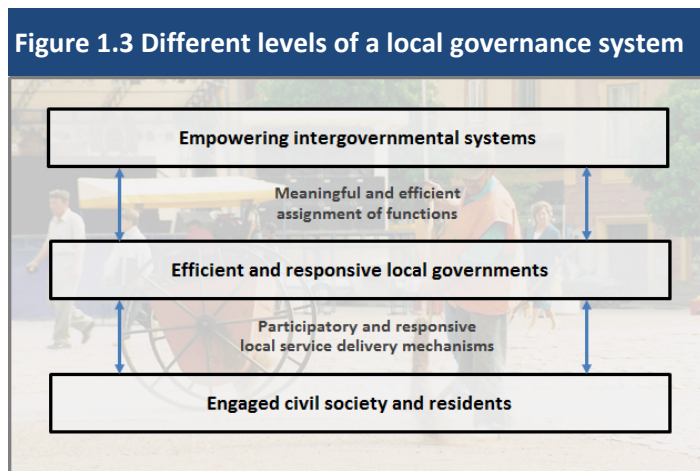
Source: Boex and Yilmaz (2010) based on Eaton and Schroeder (2010).



When local governments are only empowered in one or two of these dimensions, their ability to respond in an effective and meaningful way to the needs of their citizens may be substantially hampered. For instance, consider the lack of local empowerment that occurs in a case where local

governments are politically and administratively empowered, but have no control over financial resources. Similarly, the absence of effective mandate and control over local public servants and service delivery processes and procedures (in spite of political and fiscal decentralization), or the absence of effective local political autonomy (even in the presence of administrative and fiscal decentralization) will fail to yield the local empowerment needed for local officials to be responsive to the needs of their communities. As such, the success of decentralization reforms or the effectiveness of a system of intergovernmental relations can only be assessed in a meaningful way by considering these three dimensions of decentralization together.

Discretion and accountability. It is increasingly recognized that a well-performing local governance system requires more than just effective local leadership and effective local administration. As such, a second important focus of our analytic framework of local governance systems is the acknowledgement that different levels are involved in shaping an effective local governance system (Figure 1.3). After all, high-performing local bodies need a sound and supportive intergovernmental framework that empowers local bodies and gives them the foundation for success. This includes the requirement that local governments are assigned meaningful functions which they are able to perform efficiently. Furthermore, successful local governments 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.



When the political, administrative and fiscal systems are considered at the three different levels of a local governance system (i.e., central, local and community), an assessment framework emerges that recognizes five main institutional dimensions that impact the ability of a public sector to transform national policy goals into development and improved local services on the ground (Figure 1.4):

A. Effective subnational governance structure and assignment of functions to the local level – Is the subnational architecture of the public sector appropriate, and are local governments assigned the effective responsibility and authority to manage local affairs? Does the nature of decentralized governance align with the governance principles that the nation has adopted? This first question cuts across the three institutional dimensions of the local governance system identified above.

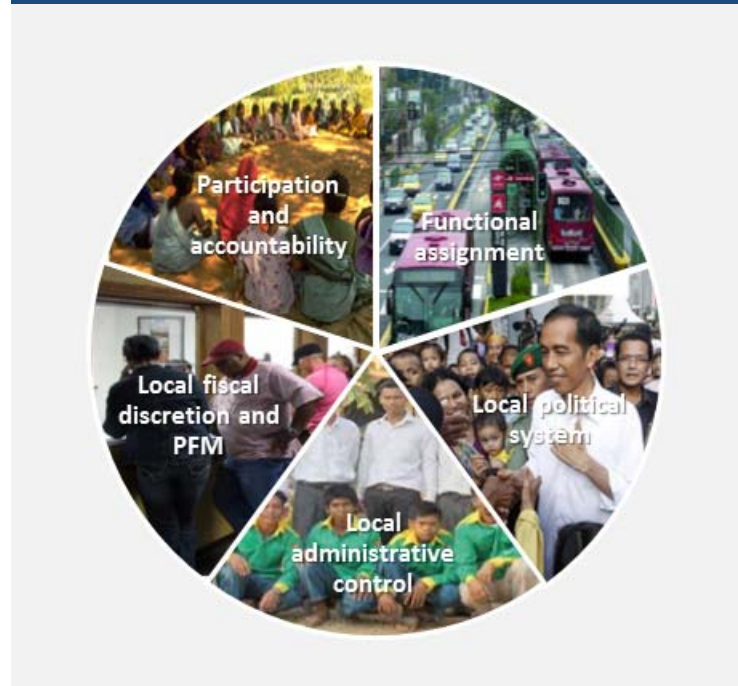
B. Dynamic and responsive local political systems and leadership – Are local political and electoral systems effective and is the local political leadership given the necessary political space and incentives to identify and respond to the needs of its residents and the local business community?

C. Local control over administration and service delivery –Is the local political leadership given the necessary control over the administration of local public services in order to respond to the service delivery needs of its residents and the local business community? For instance, can local leaders hire, promote or fire local-level staff, and procure the inputs needed to perform their functions and deliver services?

D. Local fiscal autonomy and local financial management – Are local governments assigned the appropriate mix of own source revenues and intergovernmental fiscal transfers; do they have adequate autonomy over their own source revenue instruments; and do they effectively administer their local finances?

E. Local participation and accountability mechanisms – Are appropriate participation and accountability mechanisms in place in order to ensure that local leaders and local officials are responsive to the need of local residents and businesses? In principle, this final set of questions again cuts across the political, administrative and fiscal aspects of the local governance system.

Figure 1.4. Five key institutional dimensions of an effective local government system



The implicit hypothesis that forms the foundation for our analytical framework is that ***a more effective local governance system is achieved when each of these five institutional dimensions are effective, well-structured, and fit together well.***

However, if even only one of the five dimensions of the local governance system is weak, the system as a whole will be weakened. For instance, even if all other dimensions of the local governance system function well, if the local political and electoral systems fail to give local political leaders the necessary political space and incentives to identify and respond to the needs of its residents and the local business community, the local governance system as a whole will not be able to effectively service as platform for either deepening local democracy or as a mechanism for the improved delivery of localized services.

Therefore, a comprehensive, comparative study on a country's local governance system will have to consider each of these five dimensions, measure the effectiveness of each dimension, and compare the effectiveness of each dimension of the local governance system with each other and with experiences from other countries.

1.3 Operationalizing the Assessment Framework

Operationalizing the local governance institutions comparative assessment framework (or “LoGICA framework”, for short) that has been developed so far requires us to recognize that portraying each dimension as ‘decentralized’ or ‘not decentralized’ (as was done for didactic purposes in Table 1.1 and Figure 1.2) is a considerable over-simplification. In reality, each of the dimensions of a local governance system can be broken down into multiple sub-dimensions which reflect a full spectrum of policy choices, ranging from the complete absence of decentralized powers and accountability mechanisms on one end of the spectrum to complete decentralization of powers and the concomitant accountability mechanisms on the other end, and every combination and permutation in between. Along these lines, one way to operationalize a measure for each dimension of decentralization might be to come up with a scalar—say, from one to ten—that quantifies the degree of local empowerment and accountability that exists within each dimension.

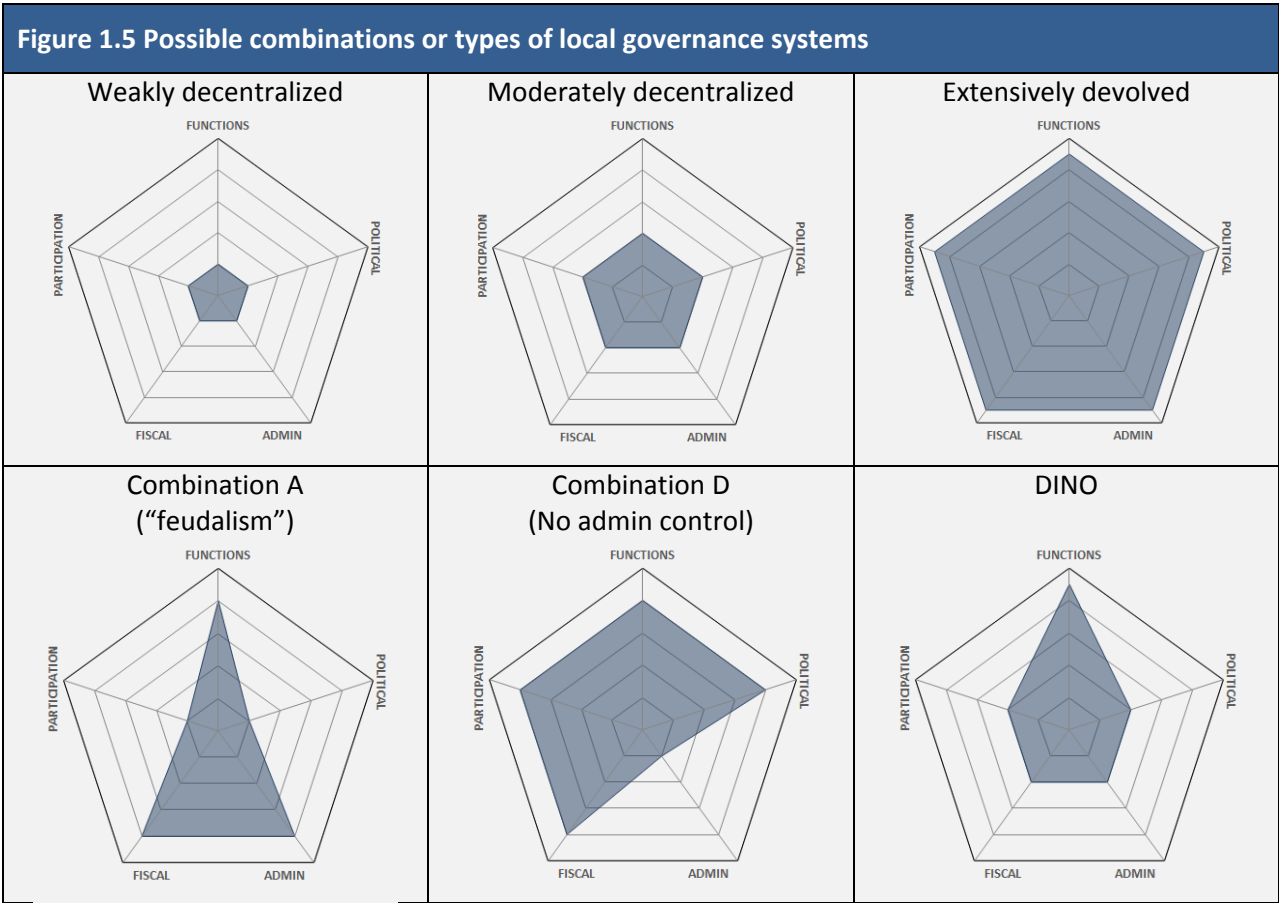
The preceding discussion reflects a simplification in another way. Although some development thinkers equate development with freedom (e.g., Sen, 1999), the Millennium Development Goals (MDG) and the nascent post-2015 Sustainable Development Goals seek to achieve specific development objectives that fall well short of full empowerment of people. In fact, beyond humanitarian assistance, much of the development community’s efforts focus on strengthening the ability of the public sector to deliver pro-poor public services in an equitable and sustainable manner. Although some argue that sustainable development and full empowerment can only be achieved through decentralization of political, administrative and fiscal powers (i.e., through devolution), a more nuanced argument could be made that in the short run, greater public sector efficiency is not always associated with greater decentralization. In fact, strong arguments could be made that in some country contexts (for instance, in a post-conflict situation or in the absence of appropriate accountability mechanisms), greater decentralization would lead to greater inefficiency, more conflict, and weaker public services.

With a more nuanced view of local governance systems in mind, the challenge is not merely to maximize decentralization along each of its main dimensions, but to properly measure the different dimensions and aspects of local governance systems in an integrated fashion in order to detect, at any one point in time, what critical and timely interventions can be made in support of a more effective and responsive public sector (Eaton and Schroeder, 2010). This is important because movement in a decentralizing direction along one dimension of the local governance system does not necessarily result in a more effective public sector; nor does moving towards greater decentralization along one dimension mean that any movement is occurring in the other dimensions, or that that changes along different dimensions of local governance system are even occurring in the same direction.

In fact, Eaton and Schroeder (2010) argue that there are good reasons not to expect political, fiscal, and administrative decentralization to take place at the same time or in the same degree. Precisely because national governments are often hesitant about decentralization due to the loss of authority it might mean, they typically face incentives to agree to decentralizing changes in one dimension while preserving centralist practices and/or national government prerogatives in the other dimensions. This would result in an imbalanced local governance system, with some aspects of the local governance system (e.g., decentralized political systems) being more decentralized as others (e.g., local administrative control or fiscal discretion). In contrast, an alternative hypothesis could be posited that local governance systems evolve in a more or less balanced manner.

The measurement of the different dimensions of the local governance system for a variety of different countries will allow us to empirically analyze whether any such patterns exist. For a comprehensive assessment of local governance systems, it is important to take into account the five dimensions captured by the LoGICA framework, rather than just the political, administrative and fiscal dimensions of decentralization.

As illustrated in Figure 1.5., we might encounter two general patterns among local governance systems. First, we might find that local governance systems are generally quite symmetric in nature. In that case, we find that the majority of local governance systems resemble concentric circles, expanding from weakly decentralized to moderately decentralized (e.g., a deconcentrated system) and extensively devolved (top row). Alternatively, however, we might find that local governance institutions evolve in an asymmetric way, as proposed by Eaton and Schroeder (bottom row).



The bottom row in Figure 1.5 shows three particular cases of asymmetric progress on different aspects of decentralization that might prevail. Consistent with the designation by Eaton and Schroeder (captured in Table 1.1 and Figure 1.2), the first scenario reflects a “Combination A” situation where local bodies are transferred considerable functional responsibility, administrative authority and fiscal resources, but little or no local political authority or autonomy. We refer to this local governance system as a “feudal” situation where the local body has considerable operational (administrative and fiscal)

autonomy, but in practice, the local feudal lord derives all of his (political) decision-making power from the Crown (the central government). This means that local political decisions or power are not really contestable, and that local participation—to the extent that it exists—is more or less symbolic, because local leaders actually have limited or no power to set their own local priorities or make their own decisions beyond basic operations.

In contrast, Combination D highlights a situation in which local bodies are provided considerable, functional, political and fiscal powers, but the authority to make administrative decisions is effectively retained by the central government. This falls in line with the observation that in many—even devolved—countries, central governments tend to retain a considerable degree of control over the hiring, firing, promotion, wage-setting and discipline of ostensibly local government officials (Boex and Edwards, 2014).

Finally, we might find local governance systems that rely on semi-autonomous local governments that have legally and practically been assigned the responsibility for key public services, but where the central government continues to place considerable limits on local political, administrative and fiscal decision-making space. This pattern might be referred to as “devolution in name only”, or DINO.

Existing local governance assessment methodologies. Several frameworks and methodologies exist that were developed to provide a comparative assessment of local governance systems in different countries. Many existing comparative assessments in this field are descriptive country cases; their qualitative and descriptive nature often prevents a comparative analysis of country experiences. This is generally the case for local governance profiles and assessments prepared by global organizations, such as the International Institute for Democracy and Electoral Assistance (Kemp and Jiménez, 2013); Public Administration Country Profiles prepared by the UN Department of Economic and Social Affairs (UN DESA); or Country Profiles prepared by the Commonwealth Local Government Forum, the Forum of Federations and United Cities and Local Governments (UCLG). This is equally true for country assessments prepared based on the World Bank’s local governance discretion and accountability framework (World Bank, 2008); country profiles prepared using the Local Public Sector Initiative’s methodology (Boex, 2012); as well as for other comparative analyses of decentralization that have been largely based on descriptive and/or qualitative indicators (e.g., Steffensen and Trollegaard, 2000; Dabla-Norris, 2006; Dickovick and Beatty Riedl, 2010; or UCLG, 2008; 2010; 2013).

In addition to the descriptive approach taken by many comparative studies, there have been several attempts to construct indices or quantitative indicators of the various dimensions of decentralization. These include efforts by Treisman (2002); Ndegwa (2002); Ivanyna and Shah (2012); The Hunger Project (2013) and Cities Alliance / UCLG Africa (2013). These studies reflect a considerable degree of consensus within the decentralization and localization literature what “ingredients” go into each of the various dimensions of a local governance system, as many of the indicators proposed or used by existing methodologies are quite similar. At the same time, the community of practice has neither coalesced around a single set of standardized indicators of local governance institutions, nor has a leading development organization made a serious effort to compile a consistent global data set on local governance institutional indicators over time.

Building on the current state of knowledge in the literature, and particularly on Yilmaz, Beris and Serrano-Berthet (2008) and Boex (2012), the Local Governance Institutional Comparative Assessment (LoGICA) prepared by Boex and Yilmaz (2015) provides a measurement framework that seeks to be:

- **Objective** – the methodology is not based on perceptions of the local governance system, but rather, on clearly defined and articulated indicators that can be objectively assessed;
- **Comparative** – the methodology is not merely descriptive, but is in a position to compare different aspects of the local governance system in different countries based on comparative scores;
- **Comprehensive** – the methodology covers all important dimensions of the local governance system;
- **Decomposable** – rather than simply comprising a list of indicators, the country’s overall score (or ranking) can be decomposed into scores for the main dimensions of the local governance system; and
- **Granular** – each institutional dimension further breaks down into 8-10 specific assessment indicators, which give granular and specific details about the strengths and weaknesses of the local governance system.

Operationalizing the assessment framework. The Local Governance Systems Assessment Framework (Boex and Yilmaz, 2015) is conceived to be a relatively straightforward analytical tool: the assessment framework scores each of the five main dimensions of the local governance system on a ten-point scale based on a number of assessment indicators, where 0 indicates a weak local governance system (little or no discretion and accountability at the local level), while a score of 10 indicates a highly responsive and effective local governance institutions, with a high degree of discretion and accountability. Section 2 of this study presents a detailed discussion to each dimension of the local governance system. In order to ensure that the assessment is done based on the actual situation in each country, the scoring is applied to the actual (“*de facto*”) situation in each country, rather than to the legal or *de jure* situation.

In order to facilitate international comparisons of local governance systems, it is possible to compute a Local Governance Institutions Comparative Assessment Index (or LoGICA Index, for short). The LoGICA Index ranges from zero points to a maximum of 50 points, and is computed by aggregating the five institutional dimension scores.

Whereas lower scores on the different institutional dimensions generally reflect less effective and less inclusive institutional arrangements at the local level, the effective localization of public services may be achieved differently in different countries. While the assessment indicators included in the LoGICA framework are general indicators or “pointers” of more effective local governance institutions and practices, the impact of specific institutions or practices on the effectiveness of the local governance system as a whole can vary from country to country. As a result, it is impossible to determine a unique weighting scheme for different assessment indicators.

Interpreting the results of a LoGICA Score Card should recognize that local governance systems defy “one-size-fits-all” prescriptions and that the assessment framework is not able to capture every relevant detail or nuance of each country’s local governance processes and institutions.

Although the assessment indicators are a set of relative simple (perhaps, excessively simple) questions, they provide an objective metric for assessing each of the five main dimensions of the local governance system and provide an entry point into a more nuanced discussion of each country's local governance system.

1.4 Structure of the study

Before proceeding with the comparative overview of local governance systems, Section 2 of this study presents an in-depth discussion of the Local Governance Systems Assessment Indicator Set that will be applied across the five country cases.

Next, Sections 3 through 8 each present a case study of the local governance system in one of the comparative cases. The country cases have been sequenced to begin with the most restrictive local government environment. As such, the case of Cambodia—a sectorally deconcentrated system—is presented in Section 3, while Section 4 presents the case of Mozambique (a territorially deconcentrated system). The experience of Kerala, India, which reflects a hybrid approach (combining elements of deconcentration and devolution) is summarized in Section 5. The local governance systems of the Philippines, Tanzania, and Indonesia are highlighted in Section 6 through 8, respectively, as examples of devolved local government systems.

The case studies were developed based on secondary sources for the countries involved. Where appropriate, country experts were involved in reviewing the assessment results. Each case study follows the same structure:

- First, a summary of the country's local governance system is presented in each section, including a "big picture" of the local governance system in the form of a radar diagram that presents the country's scores for each of the five dimensions of the local governance system.
- Second, each section presents a brief historical perspective of the local governance system in the country, including when and why each country decided to decentralize (or why not).
- Third, each section highlights the country's territorial-administrative governance structure and the legal foundation of the local governance system.
- Next, each case study addresses the five dimensions of the assessment framework, including the assignment of functional responsibilities; the presence of local political space and effective local political systems; the degree of local control over local administration and local service delivery; local fiscal autonomy and local financial management; and the effectiveness of local participation and accountability mechanism.
- Each country case study concludes with some lessons and implications of the country's experience for other countries.

Section 9 presents a comparative analysis of these international experiences and draws a number of comparative lessons.

2. The Local Governance Institutions Comparative Assessment Framework

The Local Governance Institutions Comparative Assessment (LoGICA) Framework is structured around five main institutional dimensions of local governance systems, which are jointly captured and evaluated on the basis of 40 individual indicators (Boex and Yilmaz, 2015). Each assessment indicator seeks to assess the functioning of a key element of the local governance system based on an ordinal indicator, typically ranging from zero points to one point. In some cases, the maximum score for an indicator is two points. For most indicators, fractions of points can be awarded. Aggregate assessment indicators are computed for each of the five institutional dimensions by aggregating the scores for the individual assessment indicators in each category.

The set of assessment indicators is focused on assessing the basic performance of local governance institutions based on normative standards of effective local governance and international good practices. For each of the indicators, detailed guidance is provided on what situations or conditions would meet each score. The highest score (typically one) is warranted for an individual indicator if the criterion meets the relevant objective in a complete manner, whereas the lowest score indicates that a country has failed to meet the criteria.

As a result, a local governance system that scores ten points on each dimension is likely to be a highly effective local governance system, whereas a country that scores at the bottom end of the scale is likely to have an ineffective local governance system. As a first comparative real-world application of the assessment framework, this study will actual reveal how—in practice—different countries fall within this range.

2.1 Effective assignment of functions to the local level

The first dimension of an effective local governance system or an effectively-organized local public sector is that functional assignments are made in a way that maximizes the overall performance of the public sector. In other words, in an effective local governance system, local governments are assigned the effective responsibility and authority to manage local affairs.¹

At the surface, it is not excessively difficult to compare the subnational government structure and the assignment of functions and expenditure responsibilities in different countries. The legal framework in most countries defines an organogram that reveals the number of subnational government levels or tiers in each country, as well as the functional responsibilities of jurisdictions at each level or tier.

An important concept that is required in order to assess the appropriateness of a country's territorial-administrative structure and functional assignment is the subsidiarity principle. The subsidiarity principle states that **public goods and services should be provided by the lowest level of government that can do so efficiently**. Adherence to the subsidiarity principle is a widely accepted benchmark of good local governance systems in the literature on decentralization and localization. The subsidiarity principle

¹ This sub-section builds in part on Ahmed, Boex, Monem and Panday (2014). See Boex (2015) for a more detailed discussion on the assignment of functions and expenditure responsibilities.

balances the arguments and concerns made both by proponents of centralized service delivery as well as by the champions of decentralizations. On one hand, the subsidiarity principle suggests we should not automatically assign functions to either the highest or the lowest level, but rather, suggests that we should identify the lowest level that is able to perform the function efficiently. Reliance on the smallest-possible local government jurisdiction that is able to perform a task efficiently contributes to achieving overall efficiency in the delivery of public goods and services in a number of ways:

- The smaller the distance between decision-makers and the communities they serve, the better informed the policy makers will be about the preferences and needs of the people.
- The greater the number of (efficiently-sized) subnational jurisdictions, the greater the potential for 'allocative efficiency' due to a better match between the local mix of goods and services provided and the local variations in the preferences and needs for public services.
- Because of the closer proximity to their local government officials, local residents are better informed about the actions of their local governments and can use the quality of service delivery in neighboring jurisdictions as a performance benchmark. Given appropriate governance mechanisms, local government officials will be more accountable to local voters for the quality of services they provide compared to central government officials.
- Local government provision of public services at a lower government level will make taxpayers more willing to pay for public services, since the link between costs and benefits is strengthened. Efficiency in the provision of public services is enhanced if consumption benefits are linked to costs of provision via fees, service charges, or local taxes.

Box 2.1 International Guidelines on Decentralization and Strengthening of Local Authorities

In 2007, UN Habitat adopted guidelines on decentralization and strengthening of local authorities. These guidelines address four dimensions of effective decentralization by devolution: governance and democracy, powers and responsibilities, administrative, financial resources and capacities of local authorities.

- Political decentralization to the local level is an essential component of democratization, good governance and citizen engagement; it should involve an appropriate combination of representative and participatory democracy (art. 1)
- Local authorities should be acknowledged in national legislation, and, if possible, in the constitution, as legally autonomous sub-national entities...(art. 28)
- The principle of subsidiarity constitutes the rationale underlying to the process of decentralization. According to that principle, public responsibilities should be exercised by those elected authorities, which are closest to the citizens (art. 15)
- Local authorities should freely exercise their powers, including those bestowed upon them by national or regional authorities, within the limits defined by legislation. These powers should be full and exclusive, and should not be undermined, limited or impeded by another authority except as provided by law (art. 33)
- Local authorities should be allowed to determine as far as possible their own internal administrative structures... and should have full responsibility for their own personnel (art. 43 & 44)
- Effective decentralization and local autonomy require appropriate financial autonomy. Local authorities' financial resources should be commensurate with their tasks and responsibilities and ensure financial sustainability and self-reliance. (art. 48 & 49)

Source: UN Habitat (2007).

The United Nations, through UN-HABITAT, adopted a series of international guidelines on decentralization and strengthening of local authorities in 2007. These guidelines recognize that the subsidiarity principle constitutes the rationale underlying decentralized governance and reaffirms that public responsibilities should be exercised by those elected authorities closest to the citizens, which are capable of performing these responsibilities efficiently (Box 2.1). Similarly, the European Charter of Local Self-Government (Council of Europe, 1985) mandates that European Union member states to adhere to the subsidiarity principle in their intergovernmental structure and functional assignments.²

While each country is free to choose whether or not to adhere to the subsidiarity principle, this principle provides a reasonable standard against which to judge the functional assignment of local governance systems. Therefore, in line with the subsidiarity principle as well as the international guidelines on decentralization and strengthening of local authorities, a comparative assessment of functional assignments should explore three key issues:

First, what is the nature of subnational entities? Not all approaches to decentralized local governance are equal with regard to their potential impact on the empowerment of people over the public sector. According to UN-HABITAT (2007): “Political decentralization to the local level is an essential component of democratization, good governance and citizen engagement; it should involve an appropriate combination of representative and participatory democracy” (Article 1). Since devolved local government systems have a considerably greater potential degree of autonomy, accountability and responsiveness, this approach therefore offers the potential for a more effective local governance system than deconcentration. As such, a prerequisite for meaningful political decentralization is the presence of legally autonomous sub-national (local government) entities with their own political leadership. Thus, before we can judge the effectiveness of a country’s functional assignments, we should carefully distinguish between subnational bodies that are “real” local governments versus subnational entities that are not devolved local government bodies.

Second, given the typical jurisdiction size of local governments at different subnational government levels in a country, what would be an optimal assignment of functional responsibilities? The population size of a subnational jurisdiction is critical in determining adherence to the subsidiarity principle (and therefore, to achieving a sound functional assignment). After all, if a functional responsibility is assigned to a subnational government level with jurisdictions that are too small, inefficiencies will occur due to scale economies and inadequate administrative capacity at the local level. In contrast, if functional responsibilities are assigned to a subnational government level with jurisdictions that are too large, allocative inefficiencies will occur (the limited number of large subnational jurisdictions will not be able to satisfy the diverse preferences of local residents) and local accountability will be reduced (likely resulting local spending that is not responsive to the wishes of the local community).

Studies in a number of industrialized countries have shown that the minimum efficient scale for many public services is quite low (Boex, Martinez-Vazquez, and Timofeev, 2004). For instance, in many OECD countries, the minimum efficient scale required for the delivery of primary and secondary education is

² Article 4(3) of the Charter reads: “Public responsibilities shall generally be exercised, in preference, by those authorities which are closest to the citizen. Allocation of responsibility to another authority should weigh up the extent and nature of the task and requirements of efficiency and economy.”

approximately 20,000. In less developed countries, the minimum efficient scale for these services is typically considerably larger due to the relatively higher overhead costs associated with local governance and local administration of public services in an environment where administrative capacity is constrained and oversight and accountability mechanisms are more costly. As a rule of thumb, in low-income countries, a local jurisdiction may need 100,000-200,000 residents in order to exhaust the scale economies in the provision of key public services such as education or health. Other local public services, such as solid waste collection and “cleaning and greening”, can achieve their minimum efficient scale at a lower population threshold. It is often possible to assign the responsibility for “municipal” services, community development activities and minor infrastructure schemes (small local roads, culverts, and so on) to local jurisdictions that are smaller (possibly, jurisdictions exceeding 15,000 - 20,000 residents) without an efficiency loss due to scale economies.

Third, both in law and in practice, **how are functional responsibilities assigned across different government levels and tiers**, and is the resulting assignment of functions and service delivery responsibilities consistent with the subsidiarity principle?

Table 2.1 Assessment Indicators: Effective assignment of functions to the local level		
A	Assessment Indicator	Maximum Score
A1	Do local governments / local executive bodies meet the key definitional criteria of a local government organization?	2
A2	According to the legal framework, do LGs/LBs have clear responsibility for providing education and health services (in accordance with the subsidiarity principle)?	1
A3	In practice, are LGs/LBs responsible for the recurrent provision of education and health services (in accordance with the subsidiarity principle)?	1
A4	In practice, are LGs/LBs responsible for the capital infrastructure required for providing these services (in accordance with the subsidiarity principle)?	1
A5	According to the legal framework, do LGs/LBs have the clear responsibility for providing municipal/community services (in accordance with the subsidiarity principle)?	1
A6	In practice, are LGs/LBs responsible for the recurrent provision of municipal /community services (in accordance with the subsidiarity principle)?	1
A7	In practice, are LGs/LBs responsible for the capital infrastructure required for providing these services (in accordance with the subsidiarity principle)?	1
A8	Does the <i>de facto</i> assignment of functional authority match <i>de jure</i> responsibility (with regard to the services at hand)?	2
	Total (Maximum)	10

Table 2.1 presents the eight assessment indicators that are used as part of the Local Governance Systems Assessment Framework to assess whether a local government system has an effective assignment of functions to the local level. The scoring should reflect the status of the most important localized public services in a country, which typically include primary education, basic health services, urban or municipal services (such as solid waste management) and rural development (such as the implementation of rural development schemes). The scoring should not necessarily focus on elected local government institutions: if key local public services are delivered through a deconcentrated mechanism, then the focus of this dimension (and subsequent dimensions of the assessment instrument) should be on the functioning of the relevant deconcentrated local bodies.

The assessment of functional assignments requires us to consider the assignment of functional responsibilities in a detailed manner, as the LoGICA framework recognizes that in many countries there is a gap between the legal framework and the actual practice when it comes to functional assignments: whereas local governments are often assigned the responsibility for a particular function, but not necessarily the necessary authority (for instance, over human resources) and/or adequate finances.

For instance, with regard to the most important localized public services (education, health, urban services, and rural development), is the local government level legally (or “*de jure*”) responsible for providing or delivering the service in accordance with the subsidiarity principle?

Next, are local governments in practice (or “*de facto*”) responsible for the recurrent provision of these services?³ To a large extent, the *de facto* assignment of functional responsibilities can be deduced from the extent that different government levels or administrative tiers provide funding for specific components of local service provision. For instance, which level or tier pays the teachers’ salaries? Which level or tier maintains the school buildings and funds the maintenance? Which level or tier provides (i.e., funds) the supplies (e.g., school books, medicines) that are required to provide localized services? Who is responsible for funding the construction of new capital infrastructure? To the extent that these inputs into the service delivery process are funded from the local government budget, we can consider that these functions are the *de facto* responsibility of local governments.

We should acknowledge, however, that when we use this measure of *de facto* functional assignments, local governments may not have full—or even effective—discretion or control over the local service delivery expenditures which define their *de facto* functional mandate. In fact, local governments are regularly tasked with making the outlays for certain aspects of local services delivery (e.g., wage payments of teachers), while central governments retain control some or all aspects of these local functions (including hiring, firing and promoting teachers). Indeed, in extreme cases, local governments may simply act as a “post office” when it comes to the payment of the salaries of local-level staff, with no formal discretion at all. While some methodologies consider that in the absence of formal discretion these functions should not be counted as local-level functions, it would be nearly impossible to establish an objective level of subnational control beyond which functions should not be counted as local. Instead, the LoGICA methodology remedies this situation by measuring *de facto* control based on “*who spends what*”, and then by separately considering the degree of political, administrative and fiscal autonomy of local bodies over local service delivery functions as separate components of the assessment framework.

2.2. Local political systems and leadership

Political decentralization is the primary mechanism through which citizen preferences are represented in local decision making, and is therefore essential to an effective system of decentralized local governance.⁴ As such, the Local Governance Systems Assessment Framework assesses whether the local political leadership in a country is given the necessary political space and the extent to which local

³ For a detailed discussion on functional assignment issues, and how to assess whether a local government has “*de facto*” responsibility for a functional responsibility, see Boex (2015).

⁴ This sub-section builds in part of World Bank (2009); Gurkan, Yilmaz and Aslam (2010); and Boex (2012).

political leaders are effective in identifying and responding to the needs of its residents and the local business community.

Although (local) political systems are extremely country- and context-specific, there are three primary components of local political systems: first, the discretion or decision-making power given to the local elected officials to perform fundamental functions that permits them to represent the preferences of the citizens in decision making process; second, the existence of (political, administrative and fiscal) incentives that encourage local political leaders to represent their constituents (rather than to represent their own personal interest or a narrow political interest); and third, mechanisms that hold the local government and its (elected and non-elected) officials accountable for appropriate use of this discretion. This framework emphasizes that an authority can be held accountable for performing a specific function only if it has the discretion to perform that function (Gurkan, Yilmaz and Aslam, 2010).

The institutional context for the effectiveness of local political systems and the effectiveness of a local government’s political leadership within which forces of discretion, incentives and accountability interact is provided by (i) the internal political organization of the local government (e.g., the separation of powers between the local council and executive); (ii) the manner in which the local executive (i.e., the Chairman or Mayor) and the council members are elected, including representation of women and disadvantaged groups; (iii) the nature of political party systems; (iv) the vertical separation of powers; (v) the effective control that the political leadership has over its management team and over local administration at large; and (vi) non-electoral aspects of local political participation and accountability. The eight assessment indicators used to capture the effectiveness of the local political systems and the responsiveness of the local political leadership—which together award ten points—are contained in Table 2.2.

Table 2.2 Assessment Indicators: Local political systems and leadership		
B	Assessment Indicator	Maximum Score
B1	Does the local political leadership include elected Local Councils?	2
B2	Is the Local (political) Executive directly elected?	1
B3	Are the local election system and local elections competitive?	2
B4	Have local elections been regularly held over the past 20 years?	1
B5	Does the LG/LB’s political leadership recruit, appoint and hold human resource authority over the core local administration team?	1
B6	Does the LG/LB’s political leadership recruit, appoint and hold human resource authority over the heads of local service delivery departments (including education and health)?	1
B7	Do the main stakeholders within the LG/LB have a constructive and cooperative relationship?	1
B8	Is the LG/LB effective in achieving results in the service delivery areas that constituents care about?	1
	Total (Maximum)	10

The internal political organization of local governments. A well-designed local governance system requires that the local government’s organizational structure clearly specifies the roles and functions of elected and non-elected branches of local government. Similarly, there is a need to ensure that the local government’s legislative and executive branches (and judicial branch, if relevant) are independent in the

exercise of their respective powers and duties, and that local councilors are independently able to carry out the oversight function of the local executive bodies.

To this effect, different countries have chosen one of four major institutional arrangements that define the division of authority and responsibilities between the elected council and the executive. These are (a) strong local executive (or “presidential” system), (b) a strong council (or “parliamentary” system), (c) a council-manager approach, and (d) a commissioner system. Each of these institutional power arrangements is associated with key benefits as well as risks or disadvantages.

Local electoral systems. In addition to the chosen political-institutional structure of local governments in a country, local electoral systems shape the incentives of both the elected officials and the citizens and make elected officials more responsive to citizens’ preferences. In this capacity, elections can act as an empowerment tool, as competition among local politicians increases the chances for civil society representatives as well as vulnerable groups to be included in decision-making.

The two most common electoral arrangements at the local level are the proportional representation (PR) or “party-list” system and the first-past-the post (FPP) or single-member constituency system. In the case of direct, first-past-the-post elections, two different sets of electoral rules are common: in a *FPP-Majority* system a majority of votes (in excess of 50 percent) is required in order to win the election, whereas under a *FPP-Plurality* system, the candidate with the most votes wins (even if a majority is not obtained). Under a FPP Majority system, if an election does not produce an outright winner, a run-off round is typically held between the two leading candidates. Naturally, the choice of electoral system has an impact of the relative power relationship within the local government and between different government levels. For instance, a Mayor or Chairman elected under a FPP Majority system is likely to be more powerful than a local executive elected under FPP Plurality rules.

In addition to party-list systems and single-member constituency systems, local councils (and local executives) may be elected through more complex voting schemes or even through indirect elections (e.g., each village council may send one or two representatives to the district council, and so on).

Beyond considering the electoral system itself, voter turnout can be an important indicator of citizen participation in local election. When considering voter turnout, account should be taken of the fact that voter turnout might be influenced by a variety of factors, including the voter registration process, the timing of local elections (e.g., higher turnout is common in many countries when local elections coincide with national elections), and the existence of compulsory voting requirements.

Additional elements that should be considered as part of the electoral system is whether special rules or accommodations are made for the representation of women and/or disadvantaged groups. Depending on how women council members are elected or selected, they may end up having a stronger or weaker voice in the local government decision-making process. Similarly, other elements of local electoral processes (such as the length of the term for which officials are elected; the existence of recall provisions; the age or maturity of local government election system; the existence of legal term limits) may all influence the effectiveness of local democratic representation at the local level.

Political party systems. Another key factor that influences the effectiveness of local political systems is the partisanship of local elections. Although multi-party elections are widely accepted to be more

competitive than single party systems, some countries restrict political competition at the local level, for instance, by only allowing national parties to run in subnational elections in order to prevent regional political fragmentation. However, research on the role of regional political parties on overall political stability is not yet conclusive. Similarly, not enough research is available to be able to make definite conclusions regarding whether (or under what conditions) partisan or non-partisan local elections are more effective.

Some research suggests that a party-based election system at the local level may promote patronage by identifying the support base of the candidate, while elected officials may be more concerned with taking measures to ensure their promotion and advancement within the internal party structure, rather than in passing policies that benefit the community. On the other hand, holding local elections on non-party basis can exclude a large cadre of political workers that form the base of the political parties, thereby restraining political development in the country. Other features of the political party system at the local level—such as the selection of candidates through primary elections or funding rules for political parties—may further enhance the responsiveness and accountability of locally elected officials.

Vertical separation of powers. Due to their position at the apex of the government structure, central governments tend to play a dominant role in the public sector. An important benefit of political or democratic decentralization is the “vertical” separation of power. When power is separated vertically between different government levels, this tends to prevent (or at least, reduce) the monopolization of power at any government level and allows for additional checks and balances within the public sector. While an effective local governance system requires that central government permits the local level a degree of local political space, central politicians and central officials (in virtually all countries) have a tendency to try to infringe on this local political space in pursuit of their own political or institutional agenda.

There are numerous ways in which the central government may limit the political space of local governments and local political leaders. Some of these strategies are overtly political. For instance, the central government may require all local government decisions (including local budgets) to be approved by the central government, or the center may retain the power to dismiss locally elected officials through administrative processes (i.e., without judicial intervention). Alternatively, in some countries, the Mayor or local political executive is simply appointed by the central (or higher-level) government. In other countries, the Member of Parliament is attached to the local governments(s) in his or her constituency as an advisor or *ex officio* member of the local government council.

There are also numerous indirect ways for central authorities to limit the political discretion and power of local governments. A vague or duplicate assignment of functional responsibilities to the local level can greatly limit the decision-making space of local political leaders. Similarly, limiting local governments’ access to own revenue sources and relying on highly discretionary (non-formula-based) grant allocations instead gives the central political leadership an easy tool to control over local government decisions by “incentivizing” what local governments can and cannot do.

Local political control over local executive functions. A special dimension of “vertical control” is the degree to which the local government has actual or *de facto* control over the administration of functions that are assigned to it. To what degree does the political leadership have effective control over its management team and over local administration at large? Whereas in devolved local government

systems, local governments have considerable (or even full) control over the implementation of their functions, other countries limit the local political control over different aspects of local government administration or local service delivery. These limitations are sometimes imposed for good reasons, while in other cases, these top-down controls are more overtly politically driven.

For instance, in many countries that are transitioning from a deconcentrated system to a more devolved system, the central government retains the power to appoint the local government's chief executive officer or chief administrative officer. Similarly, the central (or higher-level) government may also appoint the local government's department heads. To the extent that the agenda of the local political leadership differs from the priorities of the central government, such a situation would limit the local government leadership's control over its own executive functions. Furthermore, it is not uncommon for key "local" functions (particularly in larger urban areas) to be transferred or assigned to parastatal organizations or service delivery authorities (such as water authorities) that fall under the auspices or control of central government ministries, rather than falling under the auspices of the local government's leadership itself (Boex, Lane and Yao, 2013).

Local political participation and accountability. Finally, the effectiveness of the local political system is further influenced by a number of non-electoral aspects of local political participation and accountability. For instance, to what degree do constituents and civil society organizations participate in planning, budgeting and implementation of local government activities? Does the local executive have broad support from the local (legislative) council and the local government's administrative apparatus/staff? What mostly interests us here is whether the local government is a proactive, "high-performing" local government organization that is focused primarily on achieving results in the service delivery areas that constituents care about, or whether the local government is an entity that is responsive and focused on satisfying political and administrative pressures from higher-level governments?

2.3 Local control over administration and service delivery

Local governments as well as local administrative jurisdictions need to be endowed with an appropriate degree of administrative autonomy in order to be able to respond to local needs effectively.⁵ Full administrative control implies that the local government's political leadership appoints the heads of its own departments, as well as the heads of other local service delivery units, such as urban water authorities. In addition, local government control over local administration and local service delivery implies that the local government controls and manages the financial resources required for the delivery of local services.

Along slightly different lines, three broad powers can be identified as being crucial for local governments to administer their responsibilities autonomously: (i) the power or authority to manage their own human resources, (ii) the ability to procure goods, services and infrastructure, and (iii) to have substantive administrative control over the delivery of local services that fall within their legal mandate. These administrative powers are reflected in the eight assessment indicators used to measure local control over administration and service delivery as part of the LoGICA Assessment Framework (Table 2.3).

⁵ This sub-section builds in part of World Bank (2009); Aslam, Yilmaz and Gurkan (2010); and Boex (2012).

Table 2.3 Assessment Indicators: Local control over administration and service delivery		
C	Assessment Indicator	Maximum Score
C1	Does the LG/LB's political leadership appoint its own core executive team, including core local administrators and the heads of the local service delivery departments?	2
C2	Does the LG/LB's political leadership approve its own budget (including the budgets of the local service delivery departments)?	2
C3	Does the LG/LB determine its own (core) organizational structure and staff establishment?	1
C4	Does the LG/LB determine the organizational structure and staff establishment of the local service delivery departments (including education and health)?	1
C5	Does the LG/LB have control over its (core) human resource decisions?	1
C6	Does the LG/LB have control over the human resource decisions of the local service delivery departments (including education and health)?	1
C7	Does the LG/LB plan and manage the procurement of capital infrastructure and development activities required for core local functions, including local administration and municipal/community services?	1
C8	Does the LG/LB plan and manage the procurement of capital infrastructure and development activities required for local education and health services?	1
	Total (Maximum)	10

Control over local human resource management. Local human resource management forms a crucial link in the sound management of the public sector by aligning public sector activities and the human resources needed to engage in these activities.

Local governments' own authority over local human resources and employment policies ranges from country to country with the respect to the degree of authority over pay policy (setting overall wage rates as well as local hardship and remote allowances), budget power over wage payments (paying staff from one's own budget), budget and establishment control (controlling staff numbers and authority to remove surplus staff), recruitment autonomy (recognition as the formal employer), career management control (vertical and horizontal mobility, including transfers to other units within the local government system), and performance management (directing and supervising activities and tasks, conducting evaluations, and exercising the ability to discipline and fire).

To the extent that local government act as semi-autonomous local self-governments, local governments needs effective control over their own local government staff in order to implement the legal functions and responsibilities within their remit. In many (deconcentrated as well as devolved) countries, however, a substantial amount of (if not full) responsibility for managing local human resources is retained at the central government level, making it hard for local governments to respond to specific local needs and reducing the incentive for local bodies to manage their human resources efficiently.

Local development expenditures and procurement. In addition to control over their own human resources, local government also needs discretion to procure goods, services and infrastructure from the private sector or other entities to ensure efficient service delivery to citizens. Beyond the basic procurement of infrastructure or goods and services, procurement contracts can take many forms

including service or management contracts, leases, concessions, joint ventures, and full or partial ownership. The legislative framework guiding public procurement should provide clear guidance on the roles of different branches and levels of government in all of the various steps of procurement processes, which involves preparing the specification of goods and services to be procured; designing the contract; selecting suppliers; appraising the technical and financial qualification of the bidders; managing the bid process; finalizing the bid process; and contract management.

In a decentralized procurement process, local entities or officials are involved in all of these stages. It is not unusual, however, for limitations to be imposed on the ability of local governments to procure goods, supplies and infrastructure. For instance, procurement ceilings may be set for local governments: in excess of these ceilings, local governments are required to rely on central government authorities to procure goods or infrastructure on their behalf. In fact, despite the fact that local government legislation may indicate that local governments are responsible for a specific function—covering both the recurrent as well as the capital aspects of the function—it is not unusual for central line ministries to step in to procure and provide the necessary capital infrastructure directly through centralized mechanisms.

Since procurement processes provide a potent opportunity for corruption of local governments, citizen involvement in the process can be helpful in mitigating some of these risks. For example, in some countries, the legislative framework guiding local procurement requires the establishment of special bodies in which user groups or other accredited nongovernmental and community-based organizations have a role in the pre-qualification, bid, award, and management of local contracts. Some examples of user group committees are school management committees, water user groups and health facility boards.

Local administrative control over service delivery. A third administrative aspect of an effective local governance system is the degree to which local entities have effective administrative control over the delivery of local public services, beyond human resources and procurements. Although different local functions and sectoral service delivery often falls under a common administrative and regulatory framework, the degree of effective local government control over the delivery of local services is often limited as central line ministries issue circulars or sectoral regulations that local governments have to follow. The degree of administrative control of local government officials over services within their legal mandate often varies from sector to sector. For instance, the degree of administrative local government control over a purely local function such as solid waste management may be greater than the degree of administrative control that a local government has over the provision of primary education within their local government jurisdiction.

It is difficult to measure or objectively quantify the existence and degree of local autonomy and discretion over local public services, or the degree of accountability that local officials are subjected to in the delivery of local public services. To the extent that elected local governments are assigned the responsibility for planning, supporting, or monitoring local services that are not directly under their control, it becomes even more difficult to accurately determine the degree to which they are actually effective in performing these functions.

2.4 Local fiscal autonomy and local financial management

Even when local governments are assigned meaningful legal functional responsibilities, are given extensive political space and have strong local administrative control, it is possible for central authorities to quickly disempower local governments: simply limited their fiscal autonomy and the financial resources available to them (Eaton and Schroeder, 2010). In contrast, in an effective local governance system, local governments are assigned the appropriate mix of own source revenues and intergovernmental fiscal transfers; have adequate autonomy over their own source revenue instruments; and effectively administer their local finances.

Because of the important role of an effective system of intergovernmental finance (including effective local financial management processes and procedures), ten assessment indicators are used to capture the adequacy of local fiscal autonomy and local financial management processes (Table 2.4). Like the other four dimensions, the maximum score for the dimension as a whole is ten points.

Intergovernmental or subnational financial arrangements are traditionally grouped into four aspects or “pillars” of subnational finance.⁶ The first pillar of intergovernmental finance or fiscal decentralization is the assignment of functions and expenditure responsibilities, which is already dealt with in the first dimension of the LoGICA Assessment Framework. The next three pillars of intergovernmental finance deal with the ways in which local government expenditures are funded, namely, the assignment of revenue sources; the provision of intergovernmental fiscal transfers; and the institutional framework surrounding subnational borrowing and debt. All local governments around the world are funded by some combination of own source revenues and intergovernmental fiscal transfers. While borrowing is an third possible funding source for local governments, borrowing only fills a temporal gap, as borrowing ultimately has to be repaid with either own source revenue collections or intergovernmental transfers.

Table 2.4 Assessment Indicators: Local fiscal autonomy and local financial management		
D	Assessment Indicator	Maximum Score
D1	Do LGs/LBs have an orderly annual budget process?	2
D2	Are LGs'/LBs' expenditure out-turns consistent with the original approved budget?	1
D3	What is the quality and timeliness of annual financial statements?	1
D4	Are LGs/LBs free to define their own local revenue instruments (e.g., specify user fees, adopt new revenue instruments, or modify existing local revenue instruments)?	1
D5	Do LGs/LBs have the right to set the tax base or tax rate for all local revenue instruments?	1
D6	Do LGs/LBs effectively and equitably collect property tax revenues?	1
D7	Do LGs/LBs have access to credit from public or private financial institutions (or bonds) to fund local capital infrastructure expenses?	1
D8	Do LGs/LBs receive (conditional or unconditional) grants/transfers from a higher level government to support local administration and to provide general local public services?	1
D9	Do LGs/LBs receive formula-based grants/transfers from the higher level government in a complete and timely manner, without unnecessary administrative impediments?	1
	Total (Maximum)	10

⁶ This sub-section builds in part of World Bank (2009); Yilmaz, Aslam and Gurkan (2010); and Boex (2012).

Revenue assignment, subnational revenue administration. In countries around the world, local governments rely on a number of own source revenues including taxes (for example, property taxes) as well as non-tax revenues, including regulatory fees (for instance, for licenses and permits), rent on local government property (for example, building and equipment) and user fees (for example, market fees or tolls on roads and bridges owned by the local government).

Complete local revenue autonomy would be accomplished when local governments are able to determine which revenue instruments to use, and when they are able to determine the tax base, set the tax rate and collect revenue from the respective local revenue sources. Before providing local governments with extensive discretion to collect own source revenues, it is necessary to assess local governments' capacity to perform this function efficiently. As a result of weak local revenue administration capacity, among other reasons, many countries assign a more limited degree of revenue discretion, whereby local revenue sources (and their tax base) are defined centrally, but perhaps allowing local government to vary local tax rates within certain limits. However, there is also an important political dimension to revenue assignments: while central governments are happy to allow local governments to collect low-yielding and politically unpopular revenue sources, most central governments retain the high-yielding tax sources (such as the VAT) for themselves. A final argument that should not be overlooked in assigning the authority to collect different revenue sources is the fact that there are significant scale economies in tax administration and enforcement, therefore suggesting (in line with the subsidiarity principle) that most major taxes should be collected by the central government.

The degree to which local revenue autonomy forms an important feature of a local governance system is an unsettled debate. Some have argued that in order to achieve some of the efficiency benefits of decentralization (in terms of matching the costs and benefits for local public services), substantial local revenue authority is required (e.g., Bahl, 1999). A disadvantage of limited revenue discretion on the part of local governments—or the inability of local governments to collect revenues when they have the discretion—is that it could result in excessive reliance on transfers from central government authorities. Excessive reliance on central government transfers may reduce local responsiveness and accountability as higher degrees or reliance on transfers create incentives for local governments to respond to the demands of the central authorities rather than to the needs of their own constituents.

Intergovernmental fiscal transfers. In most countries, intergovernmental fiscal transfers provide the majority of funding for local governments. As such, the design of intergovernmental fiscal transfer system has important implications for the discretion, incentives and accountability of local governments and local officials.

Intergovernmental fiscal transfers systems can be decomposed into four elements: (i) the manner or rules for deciding the total amount of transfer (also referred to as the vertical allocation); (ii) the rules that govern the “horizontal” allocation of distributable pool among eligible local governments; (iii) the purpose for the transfer and the degree of conditionality of the grant (i.e., is the transfer an unconditional general purpose grant or a conditional or earmarked transfer); and finally (iv) the degree to which the provision of the transfer is dependent on (or intended to) incentive or promote certain local behaviors. This last dimension of the transfer schemes is particularly relevant for performance-based grants.

The nature of the overall grant system should be reflective of the country's desired intergovernmental ambitions. Whereas revenue sharing or unconditional grants allow greater local discretion (which is appropriate in highly decentralized countries where there is a strong accountability relationship between local governments and their constituents), more conditional types of grants provide an opportunity for local government to engage in service delivery activities while allowing central line ministries or departments to provide strong guidance (or exercise control) over local administrative departments or governments. This latter approach may be more appropriate in countries where there is an absence of strong local accountability relationships.

A rule-based transfer system brings greater stability and predictability, and thereby promotes good local planning and efficient service delivery effort. This is why some countries define the vertical allocation of resources (or the distributable pool) as a fixed percentage of budgetary resources or based on some other vertical allocation criterion. Similarly, this is why many countries adopt a formula-based grant system. On the other hand, if the distributable grant pool is determined by the central government in an *ad hoc* and opaque manner, it opens the door for political and institutional interference and is likely to create uncertainty at the local level regarding the receipt of the transfer revenues. This uncertainty leads to poor budgeting practices and weakens the accountability linkage between local governments and citizens. Similarly, restrictions on the use of funds transferred to the local government also diminish the ability of the local governments to respond to the preferences of the citizens.

Sound local public financial management (PFM). Regardless whether resources are generated from own source revenues or intergovernmental transfers, a third element required for an effective local governance system is sound public financial management (PFM) at local level. An effective local government budget cycle includes an effective and participatory budget formulation process; appropriate budget execution systems (to ensure that the budget is executed as planned), as well as central and local oversight over the management of local finances during the budget year; and an ex-post audit or review of local revenues and expenditures .

2.5 Local participation and accountability mechanisms

The final dimension of an effective local governance system is participation and accountability. Appropriate local participation and accountability mechanisms are needed in order to ensure that local leaders and local officials are responsive to the need of local residents and businesses.⁷

However, greater participation, accountability and responsiveness are not automatic outcomes of increased power and discretion of local governments. In fact, it is not unreasonable to expect that politicians and officials at all governments levels might be adverse to greater scrutiny and accountability mechanisms, especially to the extent that such mechanisms might increase the time and effort that is required from them to "get things done". As a result, specific mechanisms should be designed to ensure

⁷ That being said, local governments and local officials can truly only be held accountable for public services and functions over which they have meaningful control. As such, local participation and accountability is more effectively achieved in devolved countries (where local governments are responsible for delivering public services) as opposed to deconcentrated countries, where locally elected councils (if any) can only monitor and complain about service delivery failures, but do not actually control the service delivery unit.

that citizens and higher officials are able and willing to hold local governments and local officials accountable for their performance.

Table 2.5 Assessment Indicators: Local participation and accountability mechanisms		
E	Assessment Indicator	Maximum Score
E1	Do affordable national (or “minimum”) service delivery standards exist (including in education and health) to guide local service delivery?	2
E2	Are local performance frameworks in place and being applied for local services? (E.g., Citizen Service Charter?)	1
E3	Are local budgets and finances managed in a participatory and transparent manner?	2
E4	Do local services / local service delivery facilities (in education, health and solid waste) have their own effective participatory planning / social accountability / oversight mechanisms?	1
E5	Do LG/ local councils monitor the performance of local service delivery departments?	1
E6	Do LGs/LBs (separate from the SDDs) have an effective mechanism in place to receive and resolve complaints about local services?	1
E7	Do service delivery facilities (in education and health) have a degree of administrative or managerial discretion?	2
	Total (Maximum)	10

Effective local participation and accountability requires that local governments involve the community in the prioritization of expenditures; clearly state the service delivery standards that residents can expect; provide their citizens with relevant and timely information about service provision and budget execution; and that mechanisms are in place that allow residents to monitor the performance of local services and voice their concerns when problems arise (Table 2.5).

Local service delivery standards. An effective local governance system requires local governments to put in place and applied an effective local performance framework, clearly stating the service delivery standards that residents can expect from their local officials. A Citizens Charter provides the basis for such a performance framework in many countries. The assessment whether the performance framework is effective, however, should not just take into account whether a performance framework is *pro forma* in place (i.e., a paper exercise), but that the performance framework is actually being followed or applied (in other words, that meaningful efforts are made to apply, adhere to, and monitor adherence to the local service delivery standards).

Participatory planning and budget processes. A transparent and accountable local budget process is an important element of an accountable local governance system. An open local government budget process ensures (i) timely availability of budget information to the public at the local level; (ii) clarity and relevance of the information contained in the main budget reports available to citizens; (iii) effective mechanisms are used to disseminate budget information among citizens; and (iv) effective channels are established for participation of citizenship in the review and monitoring of the budget documents. Even though many countries have open document laws or freedom of information legislation that are applicable to local governments, in practice, public participation in local budget formulation and public

access to local government budget information is often quite limited (International Budget Partnership, 2013).

Box 2.2 Localizing Development: Does Participation Work?

In *Localizing Development: Does Participation Work?*, Ghazala Mansuri and Vijayendra Rao (2013) review the World Bank's efforts over the past ten years to support local participatory development through community development and decentralization initiatives. While the World Bank's efforts in this area are driven by the underlying belief that a more engaged citizenry should be able to achieve a higher level of cooperation and make government more accountable, the authors acknowledge that in practice, little is known about how best to foster such engagement. The report focuses on the "demand-side" aspects of participatory, and reviews almost 500 (mostly empirical) studies on participatory development and decentralization in order to draw nuanced conclusions about (i) the importance of capture in localized development; (ii) whether participation improves development outcomes; and (iii) whether participation strengthen civil society.

Although the authors are broadly supportive of the need to focus development interventions at the local level, the review of the literature by Mansuri and Rao finds that localized development interventions are not a panacea: effective civic engagement does not develop within a predictable trajectory; outcomes from localized interventions are highly variable across communities; and a variety of factors limit the potential impact of localized development interventions.

One of the main findings of the World Bank report is that induced participatory interventions work best when it works within a "sandwich" formed by support from an effective central state that demands participation from the top and civic action from the bottom. In contrast, it is found that parachuting funds into local communities without adequate monitoring by a supportive state can result in the capture of decision making by local elites who control the local cooperative infrastructure.

Source: Mansuri and Rao (2013).

Local government transparency, service delivery monitoring and effective complaint mechanisms. Meaningful and effective monitoring of the performance of local services by local residents requires more than a legal mandate to do so. Instead, it requires transparency (e.g., the release of relevant information regarding the performance of the service delivery unit against its performance framework) and the opportunity for residents and local stakeholders to participate in the assessment process (e.g., through public hearings or committee meetings). An effective complaint mechanism means that the local government not only receives complaints from citizens, but also follows up with local service departments to ensure that they are addressed and resolved.

2.6 Concluding remarks

It should be clear from the discussions in the introductory section and the current section that local governance systems are complex, dynamic and multi-faceted systems. We should acknowledge up-front that trying to capture the complexities of different local governance systems in a quantitative manner—

whether as a single index, as five dimension scores, or even as a set of 40 assessment indicators—will fail to capture the many details and nuances of the underlying local governance institutions.

At the same time, capturing the aspects of local governance systems in different countries in a comparative framework may reveal patterns and relationships that may be undetectable when we do not strip away many of the details of the underlying local governance systems. As such, our attempt to present a comparative overview of local governance systems is not an “either-or” proposition: the preparation of a comparative assessment of local governance institutions does not negate the need for more in-depth country-level analysis of local governance systems. It does, however, provide an entry-point or “big picture view” of a country’s local governance system from 30,000 feet.

In this vein, Sections 3 through 8 are dedicated to providing a summary of the local governance systems in six countries—Cambodia, Mozambique, Kerala (India), the Philippines, Tanzania, and Indonesia—by not only providing the LoGICA scores for these six countries, but by placing their comparative assessment in the context of a more detailed description of the local governance system in each country.

3. The Local Governance System in Cambodia

3.1 Overview

Cambodia's public sector provides an example of a **sectorally deconcentrated** local governance system.⁸ The hallmark of a sectorally deconcentrated system is that the responsibility for delivering services is not assigned to local governments. Instead, service delivery responsibilities are generally assigned to provincial-level departments (or other local-level departments) of relevant central line ministries.⁹

In the case of Cambodia, provincial line departments (such as the provincial education department or the provincial health department) are responsible for providing key localized services. This functional assignment is not absolute: in practice, responsibility for providing capital infrastructure for health and education services (as well as for other sectoral services) is generally retained by the respective central line ministries and the Council for the Development of Cambodia (CDC). The only "real" local government level in Cambodia, the Commune level, is primarily responsible for community development and small infrastructure schemes, with little or no role in the provision of major social or public services.

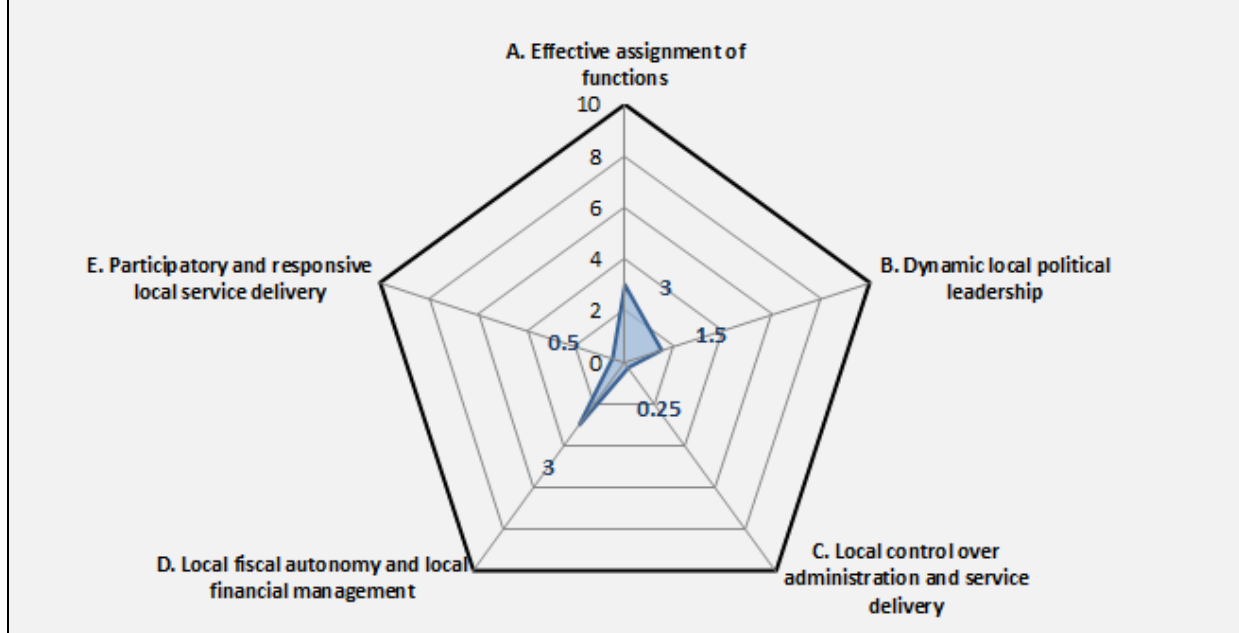
The subnational governance system in Cambodia is relatively complex with three different levels or tiers of local governance, and with different types of local entities in urban and rural areas. Although the legal framework declares that local bodies at the provincial and district level are local self-governments, in reality, the local bodies at these levels are almost completely deconcentrated in nature. At the Commune level, directly elected Commune Councils are primarily responsible for community development and small infrastructure schemes, with little or no role in the delivery of key public services.

According to its aggregate score on the Local Governance Institutions Comparative Assessment (LoGICA) Score Card, Cambodia has the weakest local governance system of the six country cases being reviewed. An overview of the local governance system in Cambodia is presented in Figure 3.1. The overview reveals that the assignment of functional responsibilities in Cambodia is weak and not in line with the subsidiarity principle, as public services are largely delivered by deconcentrated provincial line departments rather than by elected local governments. Politically, provinces (and districts) effectively lack their own leadership: provincial governors are centrally appointed while provincial councils (which have little or no real decision-making power) are indirectly elected and dominated by the ruling party. Similarly, the local governance system provides local bodies with little or no control over local administration and services; limited fiscal discretion; or few avenues for effective local participation and accountability. These issues are explored in the subsequent sub-sections.

⁸ This section draws in part on the Local Public Sector Country Profile for Cambodia, as well as on Niazi (2011).

⁹ See Boex and Vaillancourt (forthcoming) for a more detailed description of sectoral deconcentration.

Figure 3.1 An overview of the local governance system in Cambodia



3.2 Cambodia’s local government system: a brief historical perspective

Cambodia’s policies regarding decentralization and subnational governance since World War II can be divided into several phases (Chandler, 2008; Niazi, 2011). Prior to independence from the French, there was some interest in establishing national democratic institutions through the election of a National Assembly but with no corresponding moves at the subnational level (subnational jurisdictions were managed through appointed district governors). Following the first post-independence national elections in 1955, the National Assembly was led for 15 years by Prince Sihanouk’s Sangkum Party. This period was characterized by autocratic rule of the territories through strong centrally appointed governors and tax collectors. The second half of the 1970s witnessed the gradual emergence of Cambodian People’s Party (CPP) and a communist state, followed by the atrocities of the Khmer Rouge and Pol Pot. While Vietnamese intervention in Cambodia in 1978 was a turning point in the conflict, the subsequent period of Vietnamese-dominated single-party control continued the long history of centralized control and neglected the development of decentralized democratic institutions.

Mr. Hun Sen has been the guiding force for decentralization (and public policy more broadly) in Cambodia over the past three decades. Hun Sen first became prime minister in 1985 and, apart from the brief United Nations period from 1991–1993, has remained the country’s prime minister. As the leading figure of the Cambodian People’s Party (CPP), Hun Sen has championed Decentralization and Deconcentration (D and D) as one of the main components of the post-conflict democratization process since the early to mid-1990. The slow pace of the decentralization process as well as the limited extent of decentralization being envisioned going forward reflect the political reality that the public sector at all levels is effectively controlled by Hun Sen’s Cambodian People’s Party.

Despite (or perhaps because of) the monopoly on power of the CPP, considerable effort is being exerted to promote democratic development through decentralization and deconcentration reforms with extensive international donor support.¹⁰ This effort is being led by an inter-ministerial mechanism, known as the National Committee for Sub-national Democratic Development (NCDD).

Building on the success of several donor-funded pilot projects supporting decentralization at the commune level, the first serious steps towards decentralization in Cambodia were taken in 2001-02 with the passing of the Commune Law; the election of 1,621 Commune Councils; and the introduction of the Commune-Sangkat Fund (Andersen, 2004). In 2005, the country adopted *the Strategic Framework for Decentralization and Deconcentration Reform*, which was followed by the *Law on Administrative Management of the Capital, Province, Municipality, District and Khan* (widely known as the *Organic Law*) in 2008. Although the Organic Law forms a key element of the legal framework for implementing the Strategic Framework, the full implementation of the law will require a long-term process of capacity building and institutional reform.

3.3 Cambodia's territorial-administrative governance structure

Cambodia's territorial-administrative structure is formed by the top-down state administration on one hand (formed by various deconcentrated tiers of the central government, dominated by the provincial level) and by the "bottom-up" mechanism that starts at the commune (village) level, which forms the government level closest to the people.

The first major step towards democratic, decentralized management at local levels was made in 2001, when the *Law on Commune and Sangkat Administrative Management* (2001) recognized communes and sangkats as local government entities with their own directly elected leadership and legislative and executive powers.¹¹

In 2008, the Organic Law provides the legal basis for further decentralization by formalizing the organizational structures and roles of the provincial level (including provinces and the capital) as well as a district level (covering provincial districts as well as municipalities).¹² In practice, the provincial level (23 Provinces and the Capital City, with an average population of around 500,000 residents) dominates the subnational governance and service delivery structures. The Organic Law defines the district level as the territorial level below the province. While the district level has the potential to become an effective local government level at some point in the future, district-level jurisdictions (especially outside of urban areas) are currently only nascent/emerging local government entities.

Although the Organic Law envisions subnational councils at each level to have broad roles, duties, and the authority to make legislative and executive decisions, for the time being, provinces basically continue to operate as deconcentrated entities (Box 3.1). The provincial administration is formed by the

¹⁰ Even though the NCCD envisions "democratic development through decentralization and deconcentration reforms", in reality, the current public sector structure is primarily a deconcentrated state structure, albeit with some features of devolution (e.g., subnational decisions guided by elected councils).

¹¹ Sangkats are roughly equivalent to urban communes or neighborhoods.

¹² There are some differences between the organizational-governance arrangements for urban versus rural jurisdictions, while the Capital, Phnom Penh, has its own unique administrative structure.

Provincial Governor's office (which falls under the Ministry of Interior) along with the provincial line departments, which each are a hierarchically and budgetarily part of their respective central line ministries. Provincial Governors act as chief executives of the provincial administration and coordinate and supervise the provincial line departments.

Box 3.1 Are provinces in Cambodia deconcentrated or devolved local bodies?

As part of its *National Program for Subnational Democratic Development* (2010-19), Cambodia has opted for a hybrid system of deconcentration and devolution. The Organic Law states that each subnational level has a council which "shall represent and act on behalf of all citizens living within its jurisdiction" and "[t]he council shall have the authority to make legislative and executive decisions" (Organic Law, 2008: Article 19, 30). This suggests that *de jure*, provincial bodies in Cambodia are "real" local governments. In practice, however, this is not the case.

In practice, Provinces are actually deconcentrated entities rather than local self-government bodies. The subnational tier of the public sector is part of the central government (state) administration, although these bodies are formally guided by an indirectly elected council.

Key decisions are in the hands of the central government and its appointees at the subnational level: the executives of provincial and district-level jurisdictions are centrally-appointed (as are the provincial department heads), while councils at these levels are indirectly elected from the bottom up by Commune Council members within their respective jurisdictions. As a result of the indirect representative structure, all local jurisdictions are effectively dominated by the central ruling party.

Another indicator that provinces are *de facto* deconcentrated bodies (rather than meaningfully autonomous local self-government entities) is the fact that the budgets of provincial line departments are contained within the national budget as part of their respective central line ministries. This means that it is parliament—not the provincial council—that has the final say over provincial expenditures.

Despite the ongoing decentralization reforms, the central government continues to retain a high degree of top-down political, administrative and fiscal control over the local public sector in Cambodia. For instance, although provincial officials have some degree of *de facto* discretion over the delivery of public services within their jurisdiction, provinces lack their own political leadership, have only limited administrative discretion, and rely almost exclusively on financial resources received from the center. Similarly, even though Communes have directly elected Councils, the degree of responsibility, discretion and accountability at this level is also quite limited.

3.4 The assignment of functional responsibilities in Cambodia

Although the roles and functions of different administrative tiers of government are not well defined by law, the *de facto* functional assignments in Cambodia's public sector are quite centralized.

The provincial level is *de facto* the only functioning subnational administrative level with responsibility for the delivery of key front-line social services, including primary and secondary education as well as basic health services. There is no law that defines the responsibilities of provincial departments versus

central line departments. However, provincial line departments are secondary budget units, so that the budgets of provincial departments are effectively ring-fenced within their respective line ministry budgets. Although provincial departments are responsible for the recurrent delivery of many public services, the respective central line ministries generally retain the responsibility (and resources) for development expenditures. Central line ministries further directly support national and referral hospitals, as well as tertiary (university) education institutions.

In addition to central line ministry spending on sectoral infrastructure and development, provincial governors have a small discretionary cross-sectoral budget at their disposal (known as the provincial *salakhet*) to promote provincial development. The *Law on Commune and Sangkat Administrative Management* (2001) specifies the general roles and functions of communes and sangkats, without providing specific functional responsibilities. In practice, Communes and Sangkats focus largely on providing community-level infrastructure and services.

Table 3.1 provides Cambodia’s assessment scores for the functional assignment dimension of the LoGICA Framework. It should be noted that a low score or even a score of zero does not imply that nothing is being achieved in terms of decentralization or localization of public services. Instead, the scores are determined by a careful analysis of the *de facto* situation and applying the assessment criteria and scoring standards detailed in the LoGICA assessment framework (Boex and Yilmaz, 2015).

Table 3.1 Assessment Indicators: Effective assignment of functions to the local level in Cambodia		
A	Assessment Indicator	Score
A1	Do local governments / local executive bodies meet the key definitional criteria of a local government organization?	1 / 2
A2	According to the legal framework, do LGs/LBs have clear responsibility for providing education and health services (in accordance with the subsidiarity principle)?	0 / 1
A3	In practice, are LGs/LBs responsible for the recurrent provision of education and health services (in accordance with the subsidiarity principle)?	0.5 / 1
A4	In practice, are LGs/LBs responsible for the capital infrastructure required for providing these services (in accordance with the subsidiarity principle)?	0 / 1
A5	According to the legal framework, do LGs/LBs have the clear responsibility for providing municipal/community services (in accordance with the subsidiarity principle)?	0.5 / 1
A6	In practice, are LGs/LBs responsible for the recurrent provision of municipal /community services (in accordance with the subsidiarity principle)?	0.5 / 1
A7	In practice, are LGs/LBs responsible for the capital infrastructure required for providing these services (in accordance with the subsidiarity principle)?	0.5 / 1
A8	Does the <i>de facto</i> assignment of functional authority match <i>de jure</i> responsibility (with regard to the services at hand)?	0 / 2
	Total (Maximum)	3 / 10

For instance, in determining the score for Indicator A1, it is important to recognize that provinces are factually deconcentrated entities, rather than being actual local (self-)governments. Beyond the lack of clarity within the Organic Law and the legal framework about the actual functional responsibilities assigned to the provincial level, adherence to the subsidiarity principle specifically requires functions to be assigned to elected local *governments* (see Box 2.1). Because provinces “are a hierarchical part of the central government, but have a degree of budgetary authority and/or administrative decision-making

power”, the LoGICA Score Card guidelines suggest that a partial score (of point 1 out of 2 possible points) should be assigned to Assessment Indicator A1.

3.5 Local political systems in Cambodia

Provincial and district-level jurisdictions have indirectly elected councils. As already noted, in practice, these councils lack authoritative decision-making power and are more supervisory and advisory in nature. Furthermore, provincial and district councils are not elected through a political process that would generally be considered open and competitive. Councils at these levels are indirectly elected from the bottom up by Commune Council members within their respective jurisdictions. Since the CCP has a dominant position at the national level and dominates virtually all Commune Councils, all higher-level local jurisdictions are dominated by the ruling party as well.

Despite the ongoing decentralization reforms in Cambodia, the central government continues to retain a high degree of top-down political control over the local public sector. In fact, it is fair to say that provinces and districts lack their own political leadership.¹³ In fact, the degree of decision-making power that provincial leaders (i.e., Provincial Governors) have over local decision-making is quite limited: they have only limited administrative discretion, and rely almost exclusively on financial resources received from the center.

Table 3.2 Assessment Indicators: Local political systems and leadership in Cambodia		
B	Assessment Indicator	Score
B1	Does the local political leadership include elected Local Councils?	0.75 / 2
B2	Is the Local (political) Executive directly elected?	0 / 1
B3	Are the local election system and local elections competitive?	0 / 2
B4	Have local elections been regularly held over the past 20 years?	0.25 / 1
B5	Does the LG/LB’s political leadership recruit, appoint and hold human resource authority over the core local administration team?	0 / 1
B6	Does the LG/LB’s political leadership recruit, appoint and hold human resource authority over the heads of local service delivery departments (including education and health)?	0 / 1
B7	Do the main stakeholders within the LG/LB have a constructive and cooperative relationship?	0.25 / 1
B8	Is the LG/LB effective in achieving results in the service delivery areas that constituents care about?	0.25 / 1
	Total (Maximum)	1.5 / 10

The overall assessment of the local political systems and leadership in Cambodia (Table 3.2) largely focuses on the provincial level as the most relevant subnational level. While Communes have directly elected Councils, Commune jurisdictions are quite small, and the degree of responsibility, discretion and accountability at this level is limited. As a result, the extent to which the Commune level could potentially contribute to meaningfully improving the democratic responsiveness of the public sector as a whole is quite limited.

¹³ Local political leadership should be understood to mean authoritative local decision-making power. It is not necessarily for this decision-making authority to come in the form of political party-based decision-making system.

Although partial points are awarded for several of the assessment indicators, the overall assessment score suggests the extremely limited political decision-making authority and autonomy at the provincial level in Cambodia. In interpreting the low score for this dimension of the local governance system in Cambodia, it should be kept in mind that local democracy in Cambodia is still young (the first commune-level elections were held in February 2002), and that many of the elements of the Organic Law are yet to be implemented in full.

3.6 Local control over administration and service delivery in Cambodia

While the absence of its own local political leadership is one of the defining characteristics of a deconcentrated local governance system, the situation in Cambodia also suggests that the leadership of local bodies (i.e., the Provincial Governor, or the Provincial Governor together with the Provincial Council) has limited control over the provincial administrative and service delivery apparatus. Indeed, the scores in Table 3.3 suggest that local leaders have little to no control over local administration and local services.

Table 3.3 Assessment Indicators: Local control over administration and service delivery in Cambodia		
C	Assessment Indicator	Score
C1	Does the LG/LB's political leadership appoint its own core executive team, including core local administrators and the heads of the local service delivery departments?	0 / 2
C2	Does the LG/LB's political leadership approve its own budget (including the budgets of the local service delivery departments)?	0 / 2
C3	Does the LG/LB determine its own (core) organizational structure and staff establishment?	0 / 1
C4	Does the LG/LB determine the organizational structure and staff establishment of the local service delivery departments (including education and health)?	0 / 1
C5	Does the LG/LB have control over its (core) human resource decisions?	0 / 1
C6	Does the LG/LB have control over the human resource decisions of the local service delivery departments (including education and health)?	0 / 1
C7	Does the LG/LB plan and manage the procurement of capital infrastructure and development activities required for core local functions, including local administration and municipal/community services?	0 / 1
C8	Does the LG/LB plan and manage the procurement of capital infrastructure and development activities required for local education and health services?	0.25 / 1
	Total (Maximum)	0.25 / 10

In fact, neither the Provincial Governor nor the Council (i) appoint the heads of their local service delivery departments or units; (ii) approve the budgets for the local departments; (iii) determine their own organizational structure and staff establishments; or (iv) have authoritative control over the human resource decisions for locally-posted staff. It should be noted that full control over human resource decisions (i.e., in order to obtain a full point for Assessment Indicators C5 and C6) requires local bodies to be the statutory employers of their staff; requires them to be able to set their own wage levels, and implies that local bodies have the power to hire/fire/promote their local staff; all without central government approval.

The only indicator where any fraction of a point was awarded was on Assessment Indicator C8, as Provincial Governors in Cambodia have a marginal degree of control over (small-scale) provincial development projects through the provincial *salakhet* budget allocation (Kimchoeun and Craig, 2008).

3.7 Local fiscal autonomy and local PFM in Cambodia

Cambodia's public sector is primarily deconcentrated, meaning that (other than at the Commune level) all "local" spending is contained in the national budget.¹⁴ Because provinces are a hierarchical part of the central government, provinces do not collect their own revenues. Instead, to the degree that provinces collect any revenues, they deposit the proceeds in the national treasury. Similarly, provinces in Cambodia cannot borrow funds in their own name. Furthermore, instead of "intergovernmental fiscal transfers", deconcentrated administrative entities receive budget allocations through the provincial treasury office (which is part of the national treasury).

Unlike the situation in fully centralized countries (where the national budget is not structured according to different territorial-administrative levels or tiers), the national budget in Cambodia is vertically (or sectorally) deconcentrated down to the provincial level. This means that the budgets for each of the main line ministries (such as the budgets for the Ministry of Health and the Ministry of Education) are divided into a central-level budget—which includes the budgets for each of the central-level ministerial departments—as well as a provincial-level budget, which includes the budgets for all the provincial line department within each relevant ministry. As such, provincial line departments are recognized as "secondary budget units" in the organizational section of Cambodia's Chart of Accounts.

The deconcentrated provincial line department budgets contain the recurrent spending used by the provincial line department to deliver localized services. In other words, all the financial resources needed for the provincial education department to provide recurrent primary and secondary education services within the province (including not only the salaries of the provincial education officials, but also the salaries for the teachers in the province, as well as the spending required for the operation and maintenance of schools and health clinics within the province) are contained in the respective provincial department's budgets. This arrangement potentially allows for considerable transparency in the budget process, as it clearly reveals the (vertical) share of national (recurrent) budgetary resources that flow down to the subnational level within each line ministry, as well as how different sectors distribute their recurrent resources across different provinces (Boex, 2009).

The fact that provincial line departments are "secondary budget units" (or budgetary sub-organizations) within their respective line ministries gives the heads of provincial line departments some degree of discretion and autonomy, even though they are not autonomous local government units. While during budget formulation, provincial line departments are formally supposed to submit their budget requests to the Ministry of Economy and Finance through their respective central ministries (which then prioritizes sectoral spending needs across provinces), in practice, well-connected provincial department heads may actually approach the Ministry of Economy and Finance directly to lobby for a relatively greater budget allocation.

¹⁴ Although expenditures made by Commune Councils are not included in the national budget, intergovernmental fiscal transfers to Communes and Sangkats from the central government (mainly through the Commune-Sangkat Fund) are included in the national budget.

Cambodia's Local Public Sector Country Profile for 2011/12 indicates that only about one-third (33.4 percent) of total public expenditures (across all government functions) trickles down to the local level in Cambodia. This total amount (across all sectors) includes about 15 percent of total public sector expenditures which take place in a sectorally deconcentrated manner at the provincial level through the provincial line departments. However, only recurrent expenditures are deconcentrated; essentially all development spending is managed centrally. As such, in addition to the deconcentrated recurrent spending, central government line directorates roughly spend another 15 percent of total public spending on 'local' infrastructure and services. In addition, about 2 percent of public sector expenditures in Cambodia take place at the commune level, whereas district-expenditures account for less than 1 percent of public sector spending. The remainder of public expenditures (66.6 percent) is retained at the central government level for national functions and central government administration.

Since health and education are both services that require direct and localized interaction with the recipient (student or patient), we would expect health and education expenditures to be much more localized than the overall vertical allocation of resources suggests. Indeed, about 70 percent of health expenditures and approximately 80 percent of education expenditures find their way down to the local level, either through budget deconcentration or through direct central funding of front-line services. Although the degree of localization of sectoral expenditures in Cambodia is similar to other countries, its sectoral outcomes in the health and education sectors are somewhat better than one might expect based on the share of localized spending alone (Boex and Edwards, 2014).¹⁵

Table 3.4 Assessment Indicators: Local fiscal autonomy and local financial management in Cambodia		
D	Assessment Indicator	Score
D1	Do LGs/LBs have an orderly annual budget process?	1 / 2
D2	Are LGs'/LBs' expenditure out-turns consistent with the original approved budget?	0.5 / 1
D3	What is the quality and timeliness of annual financial statements?	0 / 1
D4	Are LGs/LBs free to define their own local revenue instruments (e.g., specify user fees, adopt new revenue instruments, or modify existing local revenue instruments)?	0 / 1
D5	Do LGs/LBs have the right to set the tax base or tax rate for all local revenue instruments?	0 / 1
D6	Do LGs/LBs effectively and equitably collect property tax revenues?	0 / 1
D7	Do LGs/LBs have access to credit from public or private financial institutions (or bonds) to fund local capital infrastructure expenses?	0 / 1
D8	Do LGs/LBs receive (conditional or unconditional) grants/transfers from a higher level government to support local administration and to provide general local public services?	1 / 1
D9	Do LGs/LBs receive formula-based grants/transfers from the higher level government in a complete and timely manner, without unnecessary administrative impediments?	0.5 / 1
	Total (Maximum)	3 / 10

Table 3.4 indicates that provinces in Cambodia lack not only political and administrative control, but also have extremely limited fiscal discretion. Again, this is not surprising given the fact that provinces are

¹⁵ Among different possible explanations, it is possible that the relatively strong sectoral outcomes in Cambodia are caused by the relative effectiveness of deconcentrated provincial departments. An alternative explanation could be that the lack of transparency in the use of central budget resources has caused us to underestimate the level of direct centrally-controlled spending in support of local front-line services.

deconcentrated administrative entities instead of local governments. In particular, the absence of own-source revenue raising power and the ability of provincial entities to borrowing has a negative impact on the score for this dimension of the local governance system. Out of a maximum of ten points, this dimension of the local governance system in Cambodia is assigned 2.5 points based on the LoGICA scoring criteria.

The assessment scores suggest that while local fiscal discretion is limited in a deconcentrated budget system, certain aspects of local public financial management can be effective despite some of the noted shortcomings of a deconcentrated budget structure. For instance, provincial budgets in Cambodia are prepared as part of the national (central and provincial) budget formulation process in accordance with a fixed budget calendar, even though there is little or no local political involvement in the preparation of the (deconcentrated) provincial budgets. Likewise, as deconcentrated entities, provinces are almost fully funded through central budget allocations. While these provincial allocations are not formula-based grants, it appears that provincial budget allocations are more or less provided in a complete and timely manner.

An assessment of (central and provincial) public expenditure and financial accountability systems identified several challenges with the public financial management system, including weak budget execution practices and weak external audit systems (Ministry of Economy and Finance, 2010). These shortcomings not only impact the performance of the public financial management system, but also weigh down the assessment score for local fiscal discretion and PFM as part of the LoGICA assessment.

3.8 Local participation and accountability in Cambodia

The fifth and final dimension of an effective local government system is the existence of mechanisms for popular participation and (public and social) accountability in the delivery of local services. When the degree of local participation in accountability is assessed in accordance with the predefined assessment criteria (Table 3.5), this dimension is flagged as one of the weakest areas of Cambodia’s local governance system.

Table 3.5 Assessment Indicators: Local participation and accountability mechanisms in Cambodia		
E	Assessment Indicator	Score
E1	Do affordable national (or “minimum”) service delivery standards exist (including in education and health) to guide local service delivery?	0 / 2
E2	Are local performance frameworks in place and being applied for local services? (E.g., Citizen Service Charter?)	0 / 1
E3	Are local budgets and finances managed in a participatory and transparent manner?	0 / 2
E4	Do local services / local service delivery facilities (in education, health and solid waste) have their own effective participatory planning / social accountability / oversight mechanisms?	0.5 / 1
E5	Do LG/ local councils monitor the performance of local service delivery departments?	0 / 1
E6	Do LGs/LBs (separate from the SDDs) have an effective mechanism in place to receive and resolve complaints about local services?	0 / 1
E7	Do service delivery facilities (in education and health) have a degree of administrative or managerial discretion?	0 / 2
	Total (Maximum)	0.5 / 10

The limited effectiveness of local participation and accountability in Cambodia is heavily shaped by the fact that its public sector is largely deconcentrated in nature. In reality, neither the appointed Provincial Governors nor the (indirectly) elected councils have authoritative decision-making power over the provincial line departments, and therefore, their ability to hold sectoral officials and staff accountable— is quite limited. Furthermore, the indirect nature of provincial elections means that there is no strong link between the electorate and the political representatives present at the provincial level.

As noted in Section 2 of this study, some of the potential benefits of decentralization and localized public service delivery are difficult (if not impossible) to achieve in the absence of democratic decentralization: after all, it is difficult to achieve meaningful participation if public sector decision-makers sit hundreds of kilometers away. Similarly, in order for constituents to hold local officials accountable for their service delivery performance, three conditions have to be met: first, local executive should have some ability to affect local service delivery outcomes; second, local representatives should have some degree of power or influence over the local executive; and third, the electorate should have some degree of power over their elected representatives at the provincial level. In the case of Cambodia, none of these three conditions is met.

Thus, although provincial budget allocations are deconcentrated in a relatively transparent manner, it is almost impossible for community-based organizations to effectively translate this greater transparency into accountability at the local level. While there are countries that have flourished for some time under such a top-down “spider” system, there is a clear limited to systems where the entire web is controlled by a single spider: when the spider gets disrupted or dies, the whole system falls into dysfunction (Pritchett, 2013).

3.9 Lessons/Implications

Cambodia is a country with a highly centralized past, and a country where a single political party dominates the national political landscape. As such, it should come as little surprise that the country’s institutional framework does not provide local governance entities with extensive functional responsibilities, political space, administrative control, fiscal discretion, or responsive service delivery mechanisms (Figure 3.6).

Table 3.6 Local Governance Institutions Comparative Assessment: Cambodia		
A	Effective assignment of functions	3 / 10
B	Dynamic local political leadership	1.5 / 10
C	Local control over administration and service delivery	0.25 / 10
D	Local fiscal autonomy and local financial management	3 / 10
E	Participatory and responsive local service delivery	0.5 / 10
	Total (Maximum)	8.25 / 50

A first important lesson from Cambodia’s experience is that although the discretionary space for the local public sector in Cambodia is limited, it is not zero. In other words, just because a country does not rely on local **governments** to interact with the people and to deliver key public services, does not mean that it does not have any local **governance** institutions. Short of pursuing full-scale devolution,

important benefits can be achieved by shifting from a highly centralized system towards a more decentralized system (Box 3.1).

Box 3.1 Benefits of pursuing effective decentralization

Short of pursuing full-scale devolution, important benefits can be achieved by shifting from a highly centralized system towards a more decentralized system:

- First, stronger decentralization—even in the context of a decentralized administrative structure—has the potential benefit of improving the degree of transparency, accountability and responsiveness of the public sector. Sound decentralization puts the systems in place that enable better local governance and is often seen as a precondition to effective devolution (Bahl and Martinez-Vazquez, 2006).
- Second, stronger decentralization also has the potential to improve public services, as it has the ability to shift greater resources out of relatively non-transparent line ministry budgets to (potentially more transparent) provincial line department budgets. Sectoral decentralization can further give provincial line officials a degree of discretion, which empowers and encourages them to become more proactive in, and accountable for, improving service delivery.
- Third, Cambodia’s push to introduce a more prominent district level suggests that there was a gap in the previous subnational architecture, in which the provinces were felt to be too far away from the people to be an effective and responsive platform for service delivery, while jurisdictions at the commune level were considered too small to provide meaningful public services beyond community development activities and small-scale infrastructure schemes.

A second lesson from Cambodia’s local governance system is that the implementation of local governance reforms takes time. Since the implementation of new laws is not instantaneous, gaps may emerge between the ambitions contained in the legal framework and the “de facto” situation on the ground. While we should not downplay the importance of enacting a comprehensive legal framework for local governance, the effectiveness of a local governance system should always have to be judged by how the system is actually implemented. As such, it is important to critically assess the local governance system based on the *de facto* situation. While Cambodia’s LoGICA score would increase if we were to assess its local governance system on its legal situation alone, the score would not reflect the actual situation being faced by local officials.

A third observation is that the different dimensions of Cambodia’s local governance system are fairly balanced, albeit in a negative way: the country scores poorly on all five dimensions of the local governance system. As such, in terms of the Eaton-Schroeder hypothesis (2010), Cambodia could empower local entities at least in one or two of the key dimensions of the local governance system without risking losing meaningful power itself.

Finally, beyond these technical lessons, there seem to be important political economy lessons about local governance reforms in Cambodia’s experience. On one hand, the political dominance of the ruling party seems to facilitate local governance reforms: after all, its support for decentralization reforms allows it to signal its willingness to engage in democratization in a way that does not seriously undermine its own political dominance. At the same time, the centrally-driven political motivation may be seriously hindering long-term local governance reforms. After all, since “decentralization and

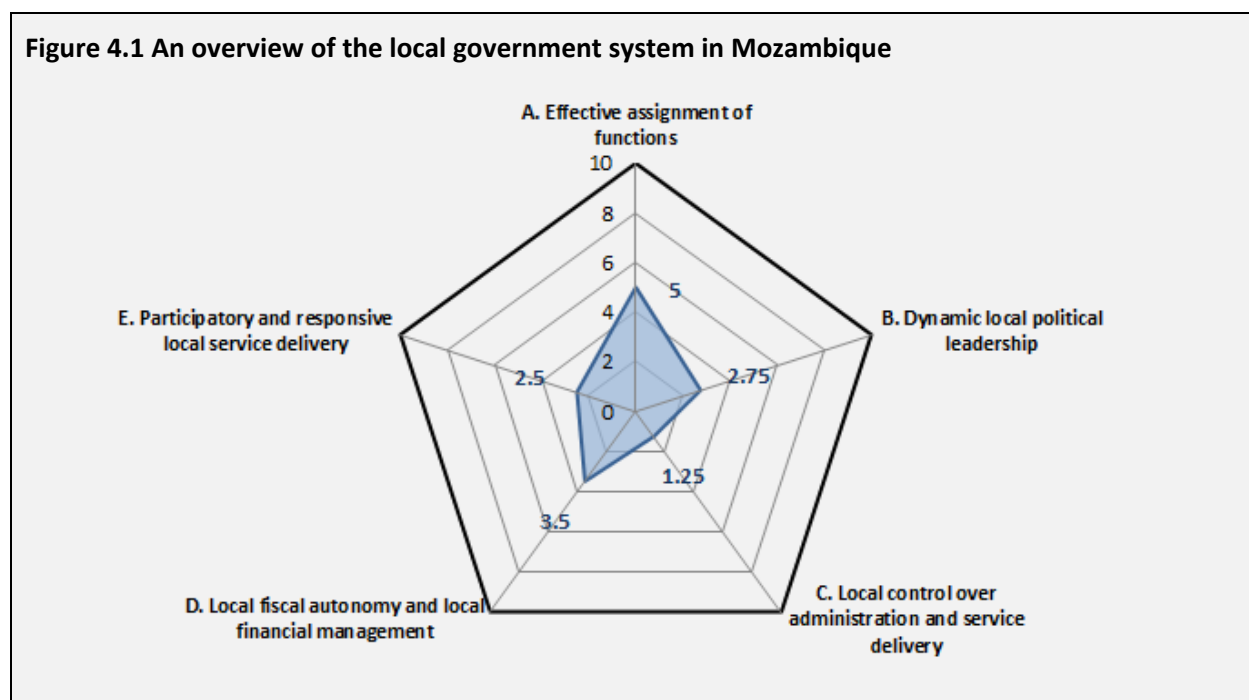
decentralization” in Cambodia are driven in a top-down manner, these reforms—no matter how incremental—could be halted or reversed without notice if the reforms would start to pose of a meaningful threat central political forces.

4. The Local Governance System in Mozambique

4.1 Overview

Mozambique is a good example of a highly transparent, territorially deconcentrated public sector.¹⁶ Its territorial-administrative structure comprises a deconcentrated provincial administrative “sphere” and deconcentrated district administrations. Although there are no elected local governments in rural areas, urban public services in urban areas are delivered by elected municipal governments. However, Mozambique’s budget structure is quite transparent, and allocates a relatively substantial share of sectoral resources (in health, education, as well as in other sectors) towards the provincial and district level. Provincial and district-level sectoral officials are involved in subnational budget planning and execution.

While Mozambique—like Cambodia—has a predominantly deconcentrated public sector structure, the country’s local government system tends to score somewhat higher than Cambodia across the five dimensions of the local government system. This is in part due to the fact that urban services are delivered by elected municipalities, thus providing a degree of responsive local governance. In addition, the relatively higher dimension scores are also due to the adoption of specific practices in Mozambique, such as a highly transparent deconcentrated budget structure.



¹⁶ This section draws in part on the Local Public Sector Country Profile for Mozambique, as well as on Boex, et al., (2008).

4.2 Mozambique's local government system: a brief historical perspective

Prior to the adoption of its 1990 Constitution, Mozambique was governed in a highly centralized manner as a result of the centralized administrative structures inherited from its period of (Portuguese) colonial rule (which ended in 1975) as well as its own post-independence socialist experiment. The Rome Peace Accords, which ended Mozambique's civil war in 1992, stipulated that the country would pursue devolution of powers and functions as the basis for the envisioned vertical and territorial sharing of political power by the former combatants: the ruling party, Front for Liberation of Mozambique (FRELIMO), and the Mozambique Resistance Movement (RENAMO).

Devolution was never pursued across the entire national territory as envisioned within the Peace Accords. Instead, the country has embarked on a decentralization process that combines the deconcentration of key public services to provinces and districts (governed by the *Law on the Local Organs of the State*, 2003) with the simultaneous process of devolution of urban services to elected municipalities in the country's urban areas. The emphasis on deconcentration (instead of devolution) has favored the ruling party, FRELIMO, and limited the power of the opposition RENAMO party.¹⁷ Similar to Cambodia, limited and gradual approach to decentralization reforms is largely driven by the lack of political incentive for ruling party to pursue more comprehensive decentralization reforms.

4.3 Mozambique's territorial-administrative governance structure

The *Law on the Local Organs of the State (Law 8/2003)*, also known as *LOLE* sets forth the organization, competencies and functioning of Provinces, Districts, Administrative Posts and Localities as deconcentrated state organs, following a territorial approach to deconcentration.¹⁸ While provinces have elected councils, these councils are not an authoritative decision-making body. Instead, they have little or no real authority over the functioning (or financing) of state organs within their province.

Law 8/2003 designates the district level as “the principal territorial unit for the organization and functioning of the local administration” and the base for planning the “economic, social and cultural development of the Republic of Mozambique”. However, as deconcentrated levels of public administration, provinces and districts in Mozambique do not enjoy a meaningful degree of political autonomy. Even though they are responsible for delivering key public services, the degree of administrative and fiscal discretion that provinces and districts have is rather limited.

In contrast, the country's municipalities (which increased over time from 33 in 1997 to 53 in 2013) have their own elected leadership and—in principle—have a considerable degree of political autonomy and discretion to deliver urban public services.

¹⁷ By the 2013 local elections, RENAMO had been almost fully marginalized. FRELIMO won the mayoral races and council majorities in 50 urban areas, but lost three of the four largest cities to the opposition MDM (a break-away from RENAMO) who also gained council seats throughout the country.

¹⁸ Note that in Mozambique's terminology, “state” refers to the “nation state” (i.e., central government).

4.4 The assignment of functional responsibilities in Mozambique

In contrast to other deconcentrated countries, the legal proclamation that districts are “the principal territorial unit for the organization and functioning of the local administration” provides a legal basis for a degree of functional responsibility (along with the necessary authority and budgetary resources) to be assigned to provincial and district administrations.

Although LOLE’s implementing regulations enumerate different responsibilities and tasks to be undertaken by the provincial and district administrations, the delimitation of those responsibilities among different levels of government is not very clear. For instance, while the provincial level is assigned the responsibility (or “competence”) to “monitor the establishment and management” of primary schools and primary health services, the district administration is assigned the responsibility “to guarantee the good functioning of” the educational and health facilities in the district. Such verbiage does not provide clear guidance on which level is responsible what. In other cases where clear guidance is provided, the delimitation is not necessarily adhered to in practice.

In practice, the recurrent provision of localized public services, including basic education, health, agriculture, and rural water supply, is the responsibility of provincial and district-level departments. In fact, functional control over recurrent functions (resources) within these sectors is gradually being shifted from the provincial line departments to the district-level departments.

Central-level line ministries often play an important role in providing capital infrastructure across these services, while provincial-level departments (for now) retain control over the administration of local-level public servants.

Municipalities are assigned a number of statutory responsibilities related to urban public services and urban infrastructure development, although urban drinking water is provided by urban water authorities under control of the central ministry. In Maputo, the responsibility for key public services (including basic education and health services) has formally been “delegated” from the state administration to Maputo Municipality—although in practice, services continue to be delivered through the state administration.

Table 4.1 captures the assignment of functional responsibilities to the local level in Mozambique. In the context of the assessment of Mozambique’s local governance system, the term “local governments” is generally understood to refer to the deconcentrated provincial and district-level administrative bodies that are primarily responsible for the delivery of public services. For instance, in line with the scoring guidance, partial credit is awarded for indicators A1-A5 as a result of functions being assigned to provincial and district-level deconcentrated administrations. When a question specifically deal with urban functions or urban public services, the term “local government” is understood to refer to the municipal governments which exist in the urban areas of the country (e.g., indicators A6-A7). In other cases, when relevant, the assessment scores reflect a combination of both types of local entities (e.g., indicator A8).

Table 4.1 Assessment Indicators: Effective assignment of functions to the local level in Mozambique		
A	Assessment Indicator	Score
A1	Do local governments / local executive bodies meet the key definitional criteria of a local government organization?	1 / 2
A2	According to the legal framework, do LGs/LBs have clear responsibility for providing education and health services (in accordance with the subsidiarity principle)?	0.5 / 1
A3	In practice, are LGs/LBs responsible for the recurrent provision of education and health services (in accordance with the subsidiarity principle)?	0.5 / 1
A4	In practice, are LGs/LBs responsible for the capital infrastructure required for providing these services (in accordance with the subsidiarity principle)?	0.5 / 1
A5	According to the legal framework, do LGs/LBs have the clear responsibility for providing municipal/community services (in accordance with the subsidiarity principle)?	0.5 / 1
A6	In practice, are LGs/LBs responsible for the recurrent provision of municipal /community services (in accordance with the subsidiarity principle)?	0.5 / 1
A7	In practice, are LGs/LBs responsible for the capital infrastructure required for providing these services (in accordance with the subsidiarity principle)?	0.5 / 1
A8	Does the <i>de facto</i> assignment of functional authority match <i>de jure</i> responsibility (with regard to the services at hand)?	1 / 2
	Total (Maximum)	5 / 10

4.5 Local political systems in Mozambique

Provinces and districts in Mozambique are deconcentrated entities without their own local political leadership. Provincial governors are appointed by the President, while District Administrators are appointed by the Minister of State Administration. Directly-elected provincial assemblies lack any meaningful decision-making power over the provincial administration. In urban areas, however, Mozambique does have some degree of local political space, as municipalities in the country's 53 largest urban areas have directly elected assemblies and directly elected mayors which are elected in competitive elections. The municipalities led by these locally elected political leaders effectively operate as local self-governments.

Table 4.2 Assessment Indicators: Local political systems and leadership in Mozambique		
B	Assessment Indicator	Score
B1	Does the local political leadership include elected Local Councils?	0.5 / 2
B2	Is the Local (political) Executive directly elected?	0.25 / 1
B3	Are the local election system and local elections competitive?	0.5 / 2
B4	Have local elections been regularly held over the past 20 years?	0.5 / 1
B5	Does the LG/LB's political leadership recruit, appoint and hold human resource authority over the core local administration team?	0 / 1
B6	Does the LG/LB's political leadership recruit, appoint and hold human resource authority over the heads of local service delivery departments (including education and health)?	0 / 1
B7	Do the main stakeholders within the LG/LB have a constructive and cooperative relationship?	0.5 / 1
B8	Is the LG/LB effective in achieving results in the service delivery areas that constituents care about?	0.5 / 1
	Total (Maximum)	2.75 / 10

The degree of local political “space” is captured by the assessment indicators in Table 4.2. The scoring of indicators B1 and B2 reflects a composite score: while there is no meaningful local political space at the provincial or district levels, partial points were awarded due to the degree of local political space that is available at the municipal level. Because elections only take place at the municipal level, indicators B3 and B4 focus on the situation at the municipal level. The remainder of the indicators (B5-B8) address the situation at the provincial and district levels, which is the territorial-administrative level where most local public services are delivered.

4.6 Local control over administration and service delivery in Mozambique

Although deconcentration is sometimes referred to as “administrative decentralization”, it appears—in the case of Mozambique, as shows in Table 4.3—that while administrative responsibilities may have been assigned to lower levels, deconcentrated bodies at the provincial and district level are not provided with extensive authority and discretion over administrative processes. As a result, the appointed leadership of local bodies (e.g., the Provincial Governor or District Administrator) has little or no authoritative control over the administrative and service delivery apparatus at their respective levels.

C	Assessment Indicator	Maximum Score
C1	Does the LG/LB’s political leadership appoint its own core executive team, including core local administrators and the heads of the local service delivery departments?	0 / 2
C2	Does the LG/LB’s political leadership approve its own budget (including the budgets of the local service delivery departments)?	0 / 2
C3	Does the LG/LB determine its own (core) organizational structure and staff establishment?	0 / 1
C4	Does the LG/LB determine the organizational structure and staff establishment of the local service delivery departments (including education and health)?	0 / 1
C5	Does the LG/LB have control over its (core) human resource decisions?	0 / 1
C6	Does the LG/LB have control over the human resource decisions of the local service delivery departments (including education and health)?	0.25 / 1
C7	Does the LG/LB plan and manage the procurement of capital infrastructure and development activities required for core local functions, including local administration and municipal/community services?	0.5 / 1
C8	Does the LG/LB plan and manage the procurement of capital infrastructure and development activities required for local education and health services?	0.5 / 1
	Total (Maximum)	1.25 / 10

As part of the “bottom-up planning, top-down decision-making” process followed in Mozambique, decisions about the organizational structure and staff establishments of provincial departments and district-level units are ultimately determined by the Ministry of State Administration and/or the relevant central line ministry. Similarly, human resource decisions over core staff at provincial and district level (for instance, the staffing of Provincial Directorates of Planning and Finance) are made by the Ministry of State Administration, the Ministry of Planning and Development and the Ministry of Finance.

Although basic human resource administration tasks (recruitment, deployment) over teachers and mid/lower-level health cadres are performed at the provincial level under the Provincial Governor and the respective provincial department head (Mulkeen and Chen, 2008 and WHO, 2013), the ultimate authority over employment decisions and conditions rests with the central level.

Although capital infrastructure and development spending is heavily supported by international donor agencies, the implementation of provincial development spending is relatively decentralized: provincial departments are generally involved in the planning and management of capital infrastructure projects in support of local education and health services. Although central line ministries are more heavily involved in development expenditures when compared to recurrent operations, nonetheless, a substantial share of sectoral development funding is contained in the deconcentrated provincial budgets. In urban areas, municipalities plan and manage some (but not all) of the infrastructure needed for municipal services.

4.7 Local fiscal autonomy and local PFM in Mozambique

The assessment of local fiscal autonomy and public financial management in Mozambique reveals important similarities with the subnational budget and PFM processes in Cambodia, as both deconcentrated countries. Both local governance systems yield relatively limited fiscal discretion to local officials. However, there are also important differences between the subnational budget structures in these two countries, resulting in different degrees of subnational transparency and (potential) subnational empowerment. Table 4.4 presents the assessment indicators for local fiscal autonomy and local financial management in Mozambique.

Table 4.4 Assessment Indicators: Local fiscal autonomy and local financial management in Mozambique		
D	Assessment Indicator	Score
D1	Do LGs/LBs have an orderly annual budget process?	1 / 2
D2	Are LGs'/LBs' expenditure out-turns consistent with the original approved budget?	0.5 / 1
D3	What is the quality and timeliness of annual financial statements?	0.5 / 1
D4	Are LGs/LBs free to define their own local revenue instruments (e.g., specify user fees, adopt new revenue instruments, or modify existing local revenue instruments)?	0 / 1
D5	Do LGs/LBs have the right to set the tax base or tax rate for all local revenue instruments?	0 / 1
D6	Do LGs/LBs effectively and equitably collect property tax revenues?	0 / 1
D7	Do LGs/LBs have access to credit from public or private financial institutions (or bonds) to fund local capital infrastructure expenses?	0 / 1
D8	Do LGs/LBs receive (conditional or unconditional) grants/transfers from a higher level government to support local administration and to provide general local public services?	1 / 1
D9	Do LGs/LBs receive formula-based grants/transfers from the higher level government in a complete and timely manner, without unnecessary administrative impediments?	0.5 / 1
	Total (Maximum)	3.5 / 10

As a “territorially deconcentrated” country, the primary breakdown of the budget in Mozambique is by administrative level or “sphere” (as opposed to the sectoral or vertical structure in Cambodia). As such, the national budget is comprised of three “spheres”: a central sphere, a provincial sphere and a district sphere. In line with the *de facto* functional responsibilities of each sphere, all spending that takes place

at each of the different levels is budgeted within each of these three spheres. For instance, provincial line department budgets are grouped by province (as part of the provincial sphere of the budget) rather than being included with their respective line ministry budgets. As a result, each province has its own “provincial budget” which is part of the national budget, containing all (recurrent and development) expenditures which are made within each province to deliver the functions and services assigned to them (including essential all front-line services such as education, health services, agricultural extension services, and so on).

In the context of this territorially (or horizontally) deconcentrated budget structure, provincial officials are integrally involved in the planning formulation of “their” budgets, which is developed in a bottom-up manner with their input. At the end of the budget formulation process, the Ministry of Planning and Development (and ultimately, national parliament) approves budget ceilings and allocations for provincial line departments within each province, so that line officials within each province are clearly aware of the resources which are available to them to perform their functions.

Similarly, district-level budgets and expenditures are grouped by district jurisdiction at the district administration level into “budgets” for each district, which are clearly identifiable in the national budget. Although the bulk of resources for local services (including health, education, and so on) are contained in the budgets of the provincial line departments, the resources for operation and maintenance expenditures have been transferred to the budgets of district administrations in recent years, as part of a gradual deconcentration process to the district level. The result is a relatively transparent budget structure, which clearly identifies all central and deconcentrated budget allocations by organization and sector, as well as by administrative level and jurisdiction (province and district).¹⁹

A local public sector expenditure profile of Mozambique (2010) suggests that almost half (44.1%) of public sector expenditures in Mozambique take place within the local public sector. Despite the fact that Mozambique is deconcentrated rather than devolved, this places the country among the most “localized” public sectors in the world. In fact, the share of public resources spent at the local level in Mozambique exceeds that of many devolved countries in the same region, such as Tanzania or Uganda.

In aggregate, about one quarter (26.8%) of total public expenditures take place at the provincial level (through provincially deconcentrated budgets); 6.5% at the district level (through district-level budgets); and 1.9% of public expenditures spent by municipalities. These proportions are a reflection of the respective *de facto* functional responsibilities assigned to local government. In addition to these deconcentrated and devolved expenditures, roughly 8.9% of total public expenditures are made by central government ministries for public services that are delivered at the local level. This mostly reflects spending on hospitals and universities supported by central line ministries, as well as centrally-controlled development projects. Across all government functions, the national government retains 55.9% of public sector resources for national functions and activities that fall outside the local public sector (such as central policy formulation, oversight and regulation; national defense; and so on).

¹⁹ Since municipalities are elected local governments, the national budget does not include (or provide information on) municipal expenditures or revenues (beyond the level of grant funding provided to municipalities). Since municipalities are only a small share of local public sector spending, the discussion and assessment focused on the deconcentrated budget system.

As a deconcentrated system, revenues collected by provinces and districts are not retained by subnational jurisdictions themselves and flow into the national treasury. Likewise, they are not allowed to borrow. Instead, their expenditures are funded from subnational budget allocations through the treasury system. In contrast, municipalities are permitted to collect several municipal taxes and other local revenues. However, these municipal revenue sources are under-utilized, and are generally not spent on health, education or other social services, with the exception of some spending on public health services (i.e., solid waste removal and sanitation). In addition to own source revenues, municipalities receive some formula-based recurrent and capital grants from the central government, known as grants from the Municipal Compensation Fund and the Investment Fund for Municipal Initiatives, respectively.

One important element of decentralization in Mozambique that is recently receiving a lot of attention is the fact that the central government is permitted to delegate responsibilities for education services, health and other social functions to municipalities. As such, there is an ongoing effort to transfer the responsibility for key public services (including education and health services) to the local government in the capital city of Maputo (and possibly, other large municipalities). This would result in a dual system where certain functions being delivered by devolved local governments in some part of the country, while the same functions would be delivered by deconcentrated administrative entities in other parts of the country.²⁰ At the same time, the opposition RENAMO party has introduced a legislative proposal that would transform provinces in the north and center of the country into “provincial municipalities”.

4.8 Local participation and accountability in Mozambique

The final aspect of Mozambique’s local governance system is local participation and accountability. The assessment of this dimension is presented in Table 4.5.

Table 4.5 Assessment Indicators: Local participation and accountability mechanisms in Mozambique		
E	Assessment Indicator	Score
E1	Do affordable national (or “minimum”) service delivery standards exist (including in education and health) to guide local service delivery?	1 / 2
E2	Are local performance frameworks in place and being applied for local services? (E.g., Citizen Service Charter?)	0 / 1
E3	Are local budgets and finances managed in a participatory and transparent manner?	1 / 2
E4	Do local services / local service delivery facilities (in education, health and solid waste) have their own effective participatory planning / social accountability / oversight mechanisms?	0.5 / 1
E5	Do LG/ local councils monitor the performance of local service delivery departments?	0 / 1
E6	Do LGs/LBs (separate from the SDDs) have an effective mechanism in place to receive and resolve complaints about local services?	0 / 1
E7	Do service delivery facilities (in education and health) have a degree of administrative or managerial discretion?	0 / 2
	Total (Maximum)	2.5 / 10

Given the (largely) deconcentrated nature of the public sector in Mozambique, the country’s relatively low score on this final dimension of the local governance system may not come as a surprise: in the

²⁰ Thailand is a notable example of a country that has a similar hybrid approach.

absence of democratically elected local government bodies, the degree to which local public officials face bottom-up pressure to be responsive is quite limited. Provincial councils are too far removed from the people to meaningfully monitor local service delivery units. Since ultimate decision-making authority generally rests with the central level, it is difficult to make sure that local participation is translated into responsive decision-making. This challenge is endemic to deconcentrated systems, where subnational budgets are by definition part of the national budget, which ultimately requires approval by the national parliament. As a result, despite strong features of the local governance system, the ability of the public sector to be responsive to locally identified needs is limited.

For instance, the subnational budget process in Mozambique is quite open and relies on extensive input from provincial and district-level officials, resulting in a highly transparent national budget (which provides extensive detail on provincial and district budgets, as noted above). Due to the deconcentrated nature of the budget process, however, it is virtually impossible for central decision-makers to weigh the local priorities identified by stakeholders at the local level across all sectors. The main exception to this rule is the district-level Local Initiative Investment Fund (FIIL), which allocates approximately 7 million Meticals (or \$300,000) to each district in the country, and allows each district to identify its own priorities for these funds through a—more or less—participatory process. In practice, members of local “consultative councils” are often not elected by community members, but appointed by district administrators and low level political chiefs at the lower level (McGee and Kroeschell, 2013).

4.9 Lessons/Implications

To some extent, the lessons and implications from Mozambique’s experiences echo those of Cambodia: while deconcentration does not result in extensive local discretion and accountability across the five main dimensions of the local governance system (Table 4.6), decentralization can have important benefits, even when the country is not pursuing a “big bang” devolution reform. Even though the slow, gradual pace of reforms is a concern to some champions of decentralization, it is hard not to acknowledge the fact that gradual progress is being made in a systematic manner towards a more decentralized public sector structure.

A	Effective assignment of functions	5 / 10
B	Dynamic local political leadership	2.75 / 10
C	Local control over administration and service delivery	1.25 / 10
D	Local fiscal autonomy and local financial management	3.5 / 10
E	Participatory and responsive local service delivery	2.5 / 10
	Total (Maximum)	15 / 50

The Mozambique experience further suggests that the territorial breakdown of the national budget has allowed a considerable share of public resources to flow down to the local level. Even when compared to countries that rely more on devolved governance institutions, the transparency of the national budget ensures that resources are not getting stuck in the center. At the same time, since all spending is managed through the national treasury, public spending is protected from abuses commonly associated with devolution in countries with ineffective local governance controls.

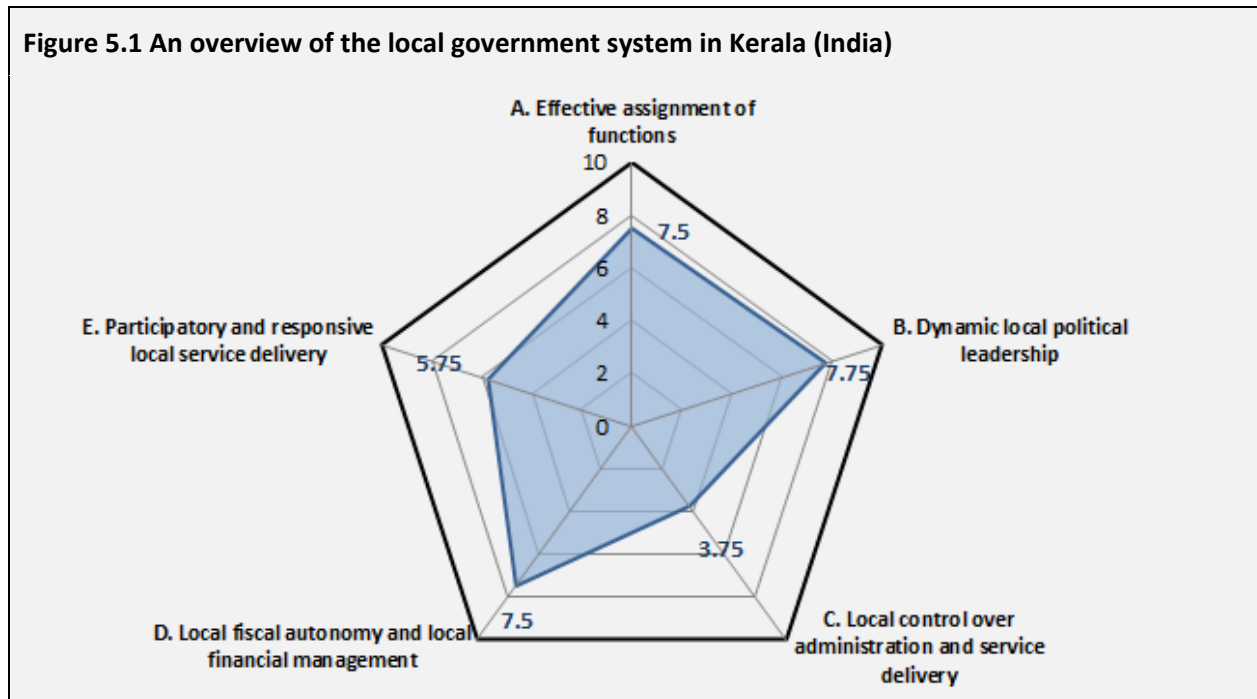
Perhaps the most interesting facet of the local governance system in Mozambique is the degree to which devolution has played—and continues to play—an important role in the post-conflict balance of power between the ruling party, FRELIMO, and the opposition party (and previously, resistance movement) RENAMO. By opening some political space through elected local governments in urban areas, FRELIMO opened just enough political space for RENAMO to lay down its arms; at the same time, FRELIMO is actively limiting the role and scope of elected local governments in order to prevent RENAMO from gaining stronger political footing. In contrast, RENAMO (and the allied Mozambique Democratic Movement) is trying to expand its political franchise—and thereby, potentially the competitive political space at the subnational level in Mozambique—by pushing for the establishment of “provincial municipalities”.

5. The Local Governance System in Kerala, India

5.1 Overview

Unlike the other country cases in this comparative study, India is a federal country, with a degree of variation between intergovernmental (state-local) relations at the state level. Therefore, in order to ensure a comprehensive and proper assessment of local government system of India, one would have to assess the local government system in each of India's 29 states, seven Union Territories, and its National Capital Region. It would be impractical (if not impossible) for the purpose of the current study to try to fully capture the decentralization experiences of all states in India. Short of such a comprehensive evaluation, therefore, we have decided to focus our review of local governance institutions in India on a single state: Kerala. The case of Kerala should not be seen as representative for the whole country. In fact, Kerala is often cited as one of the most progressive states (if not, *the* most progressive state) within India in terms of decentralization.

Kerala's local governance system reflects a hybrid model which combines a deconcentrated approach to delivering local public services with a degree of local government oversight and local government control over local development planning and expenditures. While local governments in Kerala have limited administrative control (especially over recurrent service delivery), the presence of real, elected local governments provides for a fair degree of political empowerment at the local level, coupled with a relatively high degree of fiscal discretion and relatively effective participation and accountability mechanisms at the local level (Figure 5.1).



5.2 Kerala's local government system: a brief historical perspective

The local governance system in Kerala was shaped in the 1990s by a combination, on one hand, of reforms to the Constitution of India, and on the other hand, by strong support from state-level political forces.

Since the country's independence, India has been governed in a relatively centralized manner, with most government authority being exercised by the central government and the state government level. However the large size of states in India makes popular participation at the state level nearly impossible, as many states in India are as populous as countries in other regions of the world.²¹ In response, the 73rd and 74th Amendment to the Indian Constitution—which were passed in 1993—aimed to improve the limited democratic participation below the state level by requiring states to have a system of elected local governments; by granting local governments specific powers and service delivery responsibilities; and by making local governments more accountable to citizens.

Although state-to-local decentralization in India under the Panchayat Raj system is enshrined in the Constitution and promoted by the central (Union) government, the implementation was left up to the states and adoption across states in India show a high degree of variability.

According to Heller, Harilal, and Chaudhuri (2007), the most determined effort to achieve democratic decentralization in line with the 73rd and 74th Constitutional amendments has been in the state of Kerala. In 1996, a coalition of leftist parties led by the Communist Party of India returned to power and immediately fulfilled one of its most important campaign pledges by launching the "People's Campaign for Decentralized Planning." Local governments in Kerala were given new functions, powers of decision-making, and were granted discretionary budgeting authority over 35–40% of the state's developmental expenditures.

In addition to devolving resources, state officials sought to directly promote participatory democracy by mandating structures and processes designed to maximize the direct involvement of citizens in planning and budgeting. The resulting local governance system represents the most ambitious and concerted effort to and to build responsive local governance institutions and to achieve civic empowerment.

5.3 Kerala's territorial-administrative governance structure

Consistent with the Indian Constitution, which mandates that every State should have elected Panchayats (Councils) in rural areas and urban local governments (Municipalities) in urban areas, the State of Kerala has a total of 1224 local self-government institutions, organized into three different levels: District Panchayat, Block Panchayat and Village Panchayat (Sanu George, 2007).

The District (Zila) Panchayat, or the district-level local government, has jurisdiction over the rural areas of the district. The rural area of each district is divided into Blocks with Block Panchayat as the local government unit; there are 3 to 12 Block Panchayats in a district depending on the size and population. In turn, the third tier of local governments—known as Village (Gram) Panchayats—exist within the

²¹ The state of Kerala has a population of 33.3 million (2011). The state of Uttar Pradesh is India's most populous state, and the world's largest subnational government. Uttar Pradesh has a population of about 199.6 million residents as per the 2011 census.

boundary of each block jurisdiction. Each Block may have 2 to 10 Gram Panchayats within their boundary. Each local government is divided into wards/constituencies and each of them elects their representative.

Urban areas like towns and cities have Municipalities and Corporations, respectively, as their local government institutions. The state of Kerala has 60 municipalities and 5 municipal corporations. The Kerala Municipalities Act of 1994, an integrated act for the municipalities and corporations in the state, laid out the constitution of the town panchayats, municipalities and municipal corporations.

Decentralization in Kerala has been most effective at the level of village panchayats (Varatharajan, Thankappan and Jayapalan, 2004). Even prior to the devolution reforms in the 1990s, own sources of income at the village level in Kerala formed a considerable share of their total income. Each village panchayat covers an average population of around 25,000 (ranging roughly from 5,000-70,000 residents).

5.4 The assignment of functional responsibilities in Kerala

The assignment of functional responsibilities to the local government level in India is driven by the 73rd Amendment of the Indian Constitution. The constitutional amendment encouraged state governments to endow the Panchayats with the powers and authority necessary to enable them to function as local self-government institutions. The Eleventh Schedule to the (amended) Constitution details a list of 29 functions that ought to be transferred to the local government level. Similarly, the 74th Amendment introduced the Twelfth Schedule, which contains a list of 18 functions to be transferred to urban local governments.

Although these listed functions are often referred to as “transferred functions” or “devolved functions”, in reality, the Constitution does not call for the full responsibility for these functions to be transferred to the local government institutions. In fact, the Constitution only calls for “the preparation of plans” and for the implementation of schemes” in these functional areas to be transferred to local governments. In accordance with this guidance, in Kerala—like in most states—only the responsibility for development schemes has been transferred to the local government level. In contrast, the recurrent provision of localized services—such as basic education, local health services, agricultural extension, and so on, continues to be within the purview of the state government, with a much more limited role for local government institutions.

Local health services. The organization of government-provided health-care delivery in Kerala does not differ much from the rest of India. The primary health center (PHC) is the core institution in the rural health care infrastructure. Each PHC is staffed by a medical doctor, nurse, pharmacist, field supervisor, nursing assistant, clerk, five junior public health nurses, three junior health inspectors, three attendants, a peon, and a sweeper. District Hospitals and Community Health Centers (CHC) usually serve as its referral units. Kerala has 944 PHCs each catering to an average population of around 25,000 and a radial catchment area of about 3.5 km (Varatharajan, Thankappan, & Jayapalan, 2004). Each PHC has five or six sub-centers below it, each serving an average 5,000 people.

The health staff working at Primary Health Facilities (as well as other public health facilities) are state-level employees. As part of the decentralization reforms, PHCs were partially brought under the

managerial control of village panchayats in 1997. This means that Panchayats can notionally assign any work assignments to the PHC staff, review staff performance, give required directions, appoint temporary staff (against existing vacancies), and impose minor penalties or suspension if warranted. However, all health staff remain state employees; they are hired and fire by the Kerala Directorate of Health Services (under the Minister for Health, Family Welfare and Devaswom); their salaries are drawn from the state budget; final authority over their employment conditions continues to rests with the state; and state government retains the authority to create new posts.

Local education. In educational matters, the panchayats at each level are expected to function according to powers delegated by the Kerala Panchayati Raj Act of 1994. Kerala's education system has a 10 + 2 + 3 structure: 10 years of basic education followed by 2 years of upper secondary and 3 years of higher education (Mukundan and Bray, 2004). The cycle of basic education is subdivided into four years of lower primary (Standards I–IV), three years of upper primary (Standards V–VII), and three years of lower secondary education (Classes VIII–X).

Basic education up to Standard VII was made the primary responsibility of the village panchayats, whereas upper primary and secondary education became the responsibility of district panchayats. Accordingly, the responsibility for school management and oversight for the different types of school was transferred to different types of panchayats between 1996 through 1999.

Despite the “devolution” of health and education facilities to the local level, little changed in the administrative systems and functioning of schools at the district and local levels. Although school authorities and teachers were to a certain extent required to implement instructions given by the administrative bodies of the local governments when implementing or participating in educational projects, the responsibility for the management of human and physical resources at the school level remained largely vested with the departmental bureaucrats and controlled by them based on the Kerala Education Rules and Kerala Service Rules (Mukundan and Bray, 2004).

Similar to the health sector, the education sector at the local level continues to operate as a part of the deconcentrated line ministry structure, which controls all aspects of education in the district. Education staff at the local level are state government employees and accrue all service benefits sanctioned by the state government and the General Education Department. Similarly, the appointment, promotion, transfer, and service benefits of head teachers and teachers in government primary schools continue to be determined by the deconcentrated administration based on state-level norms. Their salaries are paid by the state government. Likewise, head teachers and teachers in “aided” primary schools also continue to be promoted, appointed and transferred by their concerned management with the ratification of officers in the (deconcentrated) education department and paid by the state government.

As such, the bulk of recurrent responsibilities for the delivery of education services continue to be delivered in a deconcentrated manner under state control. These responsibilities include distribution of responsibilities of head teachers and teachers; admission of pupils; appointments, staffing, salaries and other service benefits; sanctioning of leave; suspension and dismissal of teaching and non-teaching staff; curriculum and assessment; inspections and auditing; and the role of statutory bodies including Parent–Teacher Associations.

Municipal / community functions. By law and in practice, local governments have the clear responsibility and authority for providing municipal/community services in accordance with the subsidiarity principle. In the past few years, local governments have generally gained greater control over these functions. For example, the *Indira Awas Yojana* (a housing scheme) and the total sanitation campaign are fully under the control of the local governments. In other cases, however, state level agencies still hold authority over functions that ostensibly belong to the local level. For instance, while the *Pradhan Mantri Gram Sadak Yojana* (a national infrastructure program on roads) only constructs roads identified by district-level committees, road construction is still executed by the state agency.

Table 5.1 contains the eight assessment indicators which together reflect the degree to which the assignment of functions to the local level in Kerala is taking place in an effective manner, in accordance with the subsidiarity principle.

Table 5.1 Assessment Indicators: Effective assignment of functions to the local level in Kerala		
A	Assessment Indicator	Score
A1	Do local governments / local executive bodies meet the key definitional criteria of a local government organization?	2 / 2
A2	According to the legal framework, do LGs/LBs have clear responsibility for providing education and health services (in accordance with the subsidiarity principle)?	0.5 / 1
A3	In practice, are LGs/LBs responsible for the recurrent provision of education and health services (in accordance with the subsidiarity principle)?	0.5 / 1
A4	In practice, are LGs/LBs responsible for the capital infrastructure required for providing these services (in accordance with the subsidiarity principle)?	0.75 / 1
A5	According to the legal framework, do LGs/LBs have the clear responsibility for providing municipal/community services (in accordance with the subsidiarity principle)?	1 / 1
A6	In practice, are LGs/LBs responsible for the recurrent provision of municipal /community services (in accordance with the subsidiarity principle)?	1 / 1
A7	In practice, are LGs/LBs responsible for the capital infrastructure required for providing these services (in accordance with the subsidiarity principle)?	0.75 / 1
A8	Does the <i>de facto</i> assignment of functional authority match <i>de jure</i> responsibility (with regard to the services at hand)?	1 / 2
	Total (Maximum)	7.5 / 10

5.5 Local political systems in Kerala

Political decentralization in Kerala, as throughout the rest of India, has been driven by the 73rd and 74th Amendments of the Constitution, which not only assigned specific functions to local governments, but also defined specific standards for local representation and participation (Pande, 2004). In contrast, it was largely left up to the individual states to introduce the necessary legislation to confer administrative and fiscal autonomy to their local government. This has led to a situation where the extent of political decentralization has been relatively uniform across Indian states, while the extent of administrative and fiscal decentralization in India has exhibited significant inter-state variation. An assessment of local political systems and local political leadership in Kerala is captured by the assessment indicators in Table 5.3.

Table 5.3 Assessment Indicators: Local political systems and leadership in Kerala		
A	Assessment Indicator	Maximum Score
B1	Does the local political leadership include elected Local Councils?	2 / 2
B2	Is the Local (political) Executive directly elected?	0.5 / 1
B3	Are the local election system and local elections competitive?	2 / 2
B4	Have local elections been regularly held over the past 20 years?	1 / 1
B5	Does the LG/LB's political leadership recruit, appoint and hold human resource authority over the core local administration team?	0.5 / 1
B6	Does the LG/LB's political leadership recruit, appoint and hold human resource authority over the heads of local service delivery departments (including education and health)?	0.25 / 1
B7	Do the main stakeholders within the LG/LB have a constructive and cooperative relationship?	1 / 1
B8	Is the LG/LB effective in achieving results in the service delivery areas that constituents care about?	0.5 / 1
	Total (Maximum)	7.75 / 10

In accordance with the Kerala Panchayat Raj Act (1994), every Gram Panchayat or Village Council consists of elected members. The number of seats on each village council is determined by government with reference to the population of the territorial area of the panchayat concerned. The Act determines that a Village Panchayat should have no less than twelve and no more than twenty-two seats. All the seats in a Village Panchayat are filled by representatives or members chosen by direct election in accordance with the provisions of the Act, with reserved seats for women as well as for Scheduled Castes and Tribes. At each local government level, the elected representatives elect the President, Vice President and Standing Committee Chairpersons of the corresponding tier (George Sanu, 2007).²²

Block Panchayats and District Panchayats have a mixed composition: in addition to their directly elected members, the Panchayats Presidents of the next-lower level also have a seat of the Block Panchayat or the District Panchayat, respectively. Therefore, the Gram Panchayat Presidents within the Block area are members of the Block Panchayat committee and have essentially the same rights (including voting rights) as directly elected Block Panchayat members (except in elections and no confidence motions).

One third of all the memberships and presidentships in all the tiers of local governments are reserved for women. It is also stipulated that with a minimum of one seat in each local government, each of them should have seats reserved for scheduled castes and tribes in proportion to their population. All these posts are reserved on a rotation basis for every five years as defined in the Kerala Panchayat Raj Act.

Elections for local government institutions in Kerala are contested along political party lines. Its features include selection of suitable candidates by political parties, active campaigns, intense media interest and high voter turnout.

²²In the case of Municipalities, the former two are known as Chairperson and Vice Chairperson whereas in the Corporations, Mayor and Deputy Mayor.

5.6 Local control over administration and service delivery in Kerala

While local governments in Kerala are politically relatively empowered and while local governments in Kerala have functional responsibilities for a wide range of localized services, the degree of local control over administration and services is limited. In fact, local governments' responsibility over local functions is largely limited to the planning and implementation of development activities within these areas, rather than focusing on recurrent aspects of local administration and service delivery.

In fact, there are important limits to the degree of control that elected local officials have over local administration. An important limited on local autonomy is the fact that locally elected political leaders do not have the power to appoint their own core administrative team, including the heads of the local service delivery units.

Local government staff can be divided into two categories: the Panchayat's (or urban local body's) "own" staff, and the "transferred" staff. A typical local staff contingent for a Gram Panchayat is around 10-15 staff, whereas municipalities typically employ around 60 own staff. Crude estimates would put a GP having between 70 and 130 transferred staff, and municipalities between 120 and 230 (Williamson and Muwonge, 2010).

The appointment of both own staff and transferred staff to local governments in Kerala is a state responsibility through the State Public Service Commission (PSC). GPs notify their vacancies to the State PSC through the Panchayat department, which undertakes the recruitment. Even though recruitment of own staff takes place through the PSC, own staff are local government employees and the salaries of these staff are paid out of the Gram Panchayat's own resources.

As already noted above, even though teachers and local health workers work in "local schools" and "local health clinics", the "transferred staff" that provide local public services are actually not employed by the local governments. Instead, they are state-level public servants who are assigned to a particular local government. Their respective state-level department is responsible for their hiring, promotion, payment or wages, transfer, and discipline and firing, as needed (Box 5.1).

Box 5.1 Human resource management for local governments in Kerala

Different State departments exercise control over their staff working with the GPs. The transferred officials attend regular meetings of the local bodies to explain the performance in their sector. The local body president, the *panchayat samithi*, and the standing committees review the work of the transferred officials. Local bodies can take certain disciplinary action on staff who fail to adhere to the conduct expected of them as public servants. This often takes the form of formal complaints being made to the state.

However, GPs do not have powers to fire staff whose performance or conduct violates the rules of service. The local body president sanctions casual leave to the heads of offices, including the GP. However, long leave is sanctioned by the authorized officers of the respective line departments, with the application routed through the GP president. The salaries of transferred staff are paid by from the budget of the respective line department directly. In general, GPs have limited autonomy over the transferred staff. Transferred functionaries therefore continue to be mainly accountable to their state line departments.

Source: Williamson and Muwonge (2010).

Although Gram Panchayats’ role in human resource management is limited, they play a stronger role in the prioritization of development schemes and the preparation of the local budget (although the latter, by its nature, does not include the operating budgets of key local sectoral departments). Table 5.3 summarized the degree of local control over administration and service delivery in Kerala.

Table 5.3 Assessment Indicators: Local control over administration and service delivery in Kerala		
C	Assessment Indicator	Maximum Score
C1	Does the LG/LB’s political leadership appoint its own core executive team, including core local administrators and the heads of the local service delivery departments?	0.75 / 2
C2	Does the LG/LB’s political leadership approve its own budget (including the budgets of the local service delivery departments)?	1 / 2
C3	Does the LG/LB determine its own (core) organizational structure and staff establishment?	0 / 1
C4	Does the LG/LB determine the organizational structure and staff establishment of the local service delivery departments (including education and health)?	0 / 1
C5	Does the LG/LB have control over its (core) human resource decisions?	0.5 / 1
C6	Does the LG/LB have control over the human resource decisions of the local service delivery departments (including education and health)?	0 / 1
C7	Does the LG/LB plan and manage the procurement of capital infrastructure and development activities required for core local functions, including local administration and municipal/community services?	0.75 / 1
C8	Does the LG/LB plan and manage the procurement of capital infrastructure and development activities required for local education and health services?	0.75 / 1
	Total (Maximum)	3.75 / 10

5.7 Local fiscal autonomy and local PFM in Kerala

Local governments in devolved systems prepare, approve and implement their own budgets. This stands in contrast to deconcentrated countries, since deconcentrated entities do not have budgets of their own.²³ Although Kerala has adopted a hybrid local governance approach that combines elements of deconcentration and devolution, the decentralization process in Kerala has resulted in a considerable devolution of financial resources to the local level, particularly on the development side of the budget and with regard to operation and maintenance expenditures.

The vast majority of local government revenues can be placed into four categories (Williamson and Muwonge, 2010):

1. State Finance Commission Transfers. General-purpose (or “non-plan”) transfers are made based on the recommendations of the State Finance Commission. The size of the grant pool for these general-purpose transfers is determined as a share of state-level revenue sources. In order to avoid dis-proportionality between asset creation, maintenance and operation of it, a share of the general-purpose grants is earmarked to the local governments for the maintenance of assets

²³ See Boex and Vaillancourt (forthcoming) for a more detailed discussion of the distinction between devolution and deconcentration.

including transferred assets under the control of the local governments. In Kerala, transfers made by the central finance commission are subsumed within State Finance Commission allocations.

2. State-funded programmes. These are transfers for specific programmes implemented through LSGs relating to both traditional functions and transferred institutions. Since these funds are tied to specific sectoral plans, these are sometimes referred to as “plan assistance” or “plan grants”. They also include the counterpart funding of central programmes. Funds are allocated and released by state-level line departments, including from the Kerala Local Self-Government Department (LSGD) to local governments.
3. Centrally Funded Programmes. Funding for centrally-funded programmes is typically directly tied to the implementation of specific central programmes. There are two types. First, some funding—tied to the implementation of specific programmes—is transferred directly from central government to local governments. Examples include the National Rural Employment Guarantee Scheme (NREGS) and its predecessor *Sampoorna Grameen Rozgar Yojana* (SGRY). Second, some central-level funding is provided to local governments through the budget of the Local Self-Government Department, including urban programmes such as the Integrated Housing and Slum Development Programme (IHSDP). Since these funds are directly tied to central programs, these funds are managed outside the treasury system of the state.
4. Locally Generated Resources. Locally generated resources include own source revenues (tax and non-tax) raised by local governments themselves, beneficiary contributions, and other local contributions.

One of the strengths of Kerala’s decentralization process is the increased local involvement that it has brought into the prioritization of resources at the local level mechanism. Financial devolution to panchayats is such that each Gram Panchayat in Kerala, on average, commands control over Rs.17.3 million (around US\$300,000) in unconditional grant resources (Williamson and Muwonge, 2010), in addition to substantial “plan” resources. This translates into an unconditional grant amount of around Rs. 520 or US\$ 8.50 per resident.

It bears repeating that even though decentralization on the development side of the budget has been substantial, fiscal decentralization on the recurrent side of the budget has been much more moderate. Salaries for all local sectoral staff—including front-line service delivery staff in education and health—continue to flow through vertical (deconcentrated) channels. Similarly, while operation and maintenance expenditures for many transferred functions now flow through the budget of Gram Panchayats and municipalities, they tend to be funded by sectoral grants that are earmarked by the respective state-level line departments.

Table 5.4 captures the assessment of local fiscal autonomy and local financial management in Kerala. It reveals that Kerala’s efforts to achieve empowered, responsive local governments—including through the introduction of a State Finance Commission—has resulted in a considerable degree of local fiscal autonomy and increasingly effective local financial management.

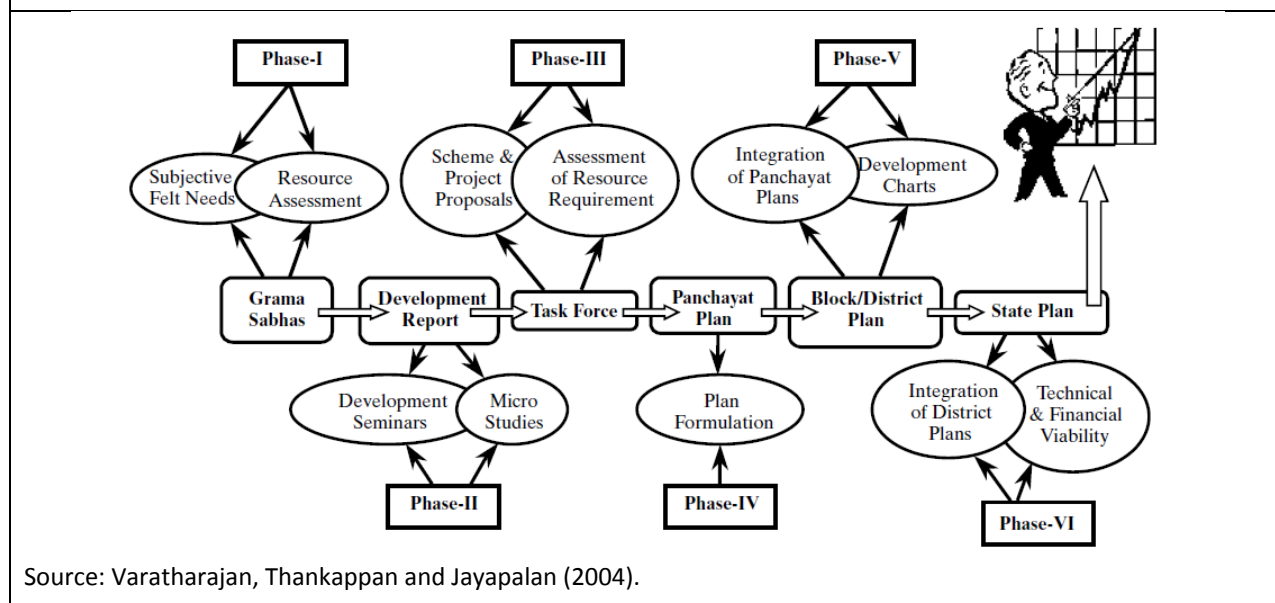
Table 5.4 Assessment Indicators: Local fiscal autonomy and local financial management in Kerala

D	Assessment Indicator	Score
D1	Do LGs/LBs have an orderly annual budget process?	2 / 2
D2	Are LGs'/LBs' expenditure out-turns consistent with the original approved budget?	1 / 1
D3	What is the quality and timeliness of annual financial statements?	0.5 / 1
D4	Are LGs/LBs free to define their own local revenue instruments (e.g., specify user fees, adopt new revenue instruments, or modify existing local revenue instruments)?	0.5 / 1
D5	Do LGs/LBs have the right to set the tax base or tax rate for all local revenue instruments?	0.5 / 1
D6	Do LGs/LBs effectively and equitably collect property tax revenues?	0.5 / 1
D7	Do LGs/LBs have access to credit from public or private financial institutions (or bonds) to fund local capital infrastructure expenses?	0.5 / 1
D8	Do LGs/LBs receive (conditional or unconditional) grants/transfers from a higher level government to support local administration and to provide general local public services?	1 / 1
D9	Do LGs/LBs receive formula-based grants/transfers from the higher level government in a complete and timely manner, without unnecessary administrative impediments?	1 / 1
	Total (Maximum)	7.5 / 10

5.8 Local participation and accountability in Kerala

The decentralization reforms in Kerala were driven to a large extent by the desire to ensure people's participation. The "People's Campaign for Decentralized Planning" sought to promote direct participatory democracy by mandating structures and processes designed to maximize the direct involvement of citizens in local-level planning, budgeting and implementation (Varatharajan, Thankappan and Jayapalan, 2004). These reforms were supported by an extensive social mobilization campaign, resulting in an extensive bottom-up planning process (Figure 5.2).

Figure 5.2: Process of People's Campaign for Decentralized Planning in Kerala



Source: Varatharajan, Thankappan and Jayapalan (2004).

The starting point for people’s participation in decentralized planning is the ward-level meetings of the Gram Panchayat, known as Grama Sabha. The Grama Sabha, chaired by the ward member, requires attendance of at least ten per cent of the voters of the ward. In addition to the Grama Sabha, local participatory planning in the State relies on a range of other mechanisms, including Neighborhood Groups, Local Resource Persons; and a system of Panchayat Standing Committees (Abdul Kareem and Cyriac, 2006). Table 5.5 presents an assessment of local participation and accountability mechanisms in Kerala.

Table 5.5 Assessment Indicators: Local participation and accountability mechanisms in Kerala		
E	Assessment Indicator	Score
E1	Do affordable national (or “minimum”) service delivery standards exist (including in education and health) to guide local service delivery?	1 / 2
E2	Are local performance frameworks in place and being applied for local services? (E.g., Citizen Service Charter?)	1 / 1
E3	Are local budgets and finances managed in a participatory and transparent manner?	2 / 2
E4	Do local services / local service delivery facilities (in education, health and solid waste) have their own effective participatory planning / social accountability / oversight mechanisms?	0.5 / 1
E5	Do LG/ local councils monitor the performance of local service delivery departments?	0.75 / 1
E6	Do LGs/LBs (separate from the SDDs) have an effective mechanism in place to receive and resolve complaints about local services?	0.5 / 1
E7	Do service delivery facilities (in education and health) have a degree of administrative or managerial discretion?	0 / 2
	Total (Maximum)	5.75 / 10

While the considerable efforts in Kerala to ensure popular participation and achieve social accountability reaped some benefits, the process also highlighted some fundamental challenges in translating stronger local governance into improved local services. Many sectoral officials—for instance, in health and education—felt that their sectors were inadequately funded from panchayat resources. In the absence of active lobbying and technical expertise to convert local needs in health care and education into fundable local projects, the panchayats allocated insufficient funds to sectoral priorities (Varatharajan, Thankappan and Jayapalan, 2004; Mukundan and Bray, 2004).

In considering public participation and accountability mechanisms, an important distinction should be made between “organic” and “induced” participation: organic participation is organized by civic groups outside government, while induced participation attempts to promote civic action through bureaucratically managed development interventions. Although home-grown, organic participation took place in many local governments in Kerala, in other places, participation had to be induced. Kerala’s experience is in line with the finding that inducing participation “requires a fundamentally different approach to development, one that is long term, context sensitive, committed to developing a culture of learning by doing through honest monitoring and evaluation systems, and that has the capacity to learn from failure.” (Mansuri and Rao, 2013: p. ix)

5.9 Lessons/Implications

Even though Kerala has not pursued the wholesale devolution of public services—preferring to leave the administrative responsibility for the delivery of key local services with deconcentrated line departments—, the state has achieved a substantial degree of political and fiscal empowerment of local governments (Table 5.6). Likewise, Kerala has been quite successful at introducing effective mechanisms for participation and responsive local service delivery.

A	Effective assignment of functions	7.5 / 10
B	Dynamic local political leadership	7.75 / 10
C	Local control over administration and service delivery	3.75 / 10
D	Local fiscal autonomy and local financial management	7.5 / 10
E	Participatory and responsive local service delivery	5.75 / 10
	Total (Maximum)	32.25 / 50

The experiences of Kerala highlight a number of potentially important lessons about local governance systems. A general observation about Kerala’s experience is that even partial devolution (in the case of Kerala: devolution on the development side of the budget) can bring a moderate-to-high degree of discretion and dynamism to local governance and local service delivery efforts. In turn, perhaps ironically, the relatively high degree of popular empowerment that Kerala’s hybrid model of decentralization has achieved may be limiting the demand for further devolution.

Kerala’s experience suggests the important role that is played by political will and commitment in achieving greater popular empowerment. In the case of Kerala, state-local decentralization reforms benefitted not only from a commitment by the central (Indian) government in support of decentralization (including constitutional reforms), but also from extensive political support at the state-level. Comparisons between the progress on decentralization reforms in Kerala with the (often much more limited) progress made in other Indian states reveals the major impact of “true” political will on decentralization reforms.

On the other hand, Kerala is also a case study of the (political economy and technical) limits of decentralization.

On the political economy side, despite extensive political support for greater popular empowerment, the state government was unwilling allow local governments to hire and fire their own core staff. Similarly, the state government was unwilling to relinquish its control over local human resources and devolve key recurrent sectoral services. It is unlikely that Kerala will pursue a ‘big-bang’ approach to achieve full devolution of service delivery functions, especially as the state—like the rest of India—has a long history of strong, centrally-controlled, hierarchical bureaucracies.²⁴

²⁴ There is a strong regional orientation in South Asia, with few policy makers willing to look at international examples outside the South Asia regions. Furthermore, the political conditions that led to ‘big bang’-like reforms, such as in the Philippines in Indonesia, seem to be absent in Kerala.

The technical details of Kerala's decentralization experience also show some of the difficulties encountered when moving towards greater decentralization. State-level champions of decentralization assumed that local communities would almost immediately be in a position to clearly articulate and prioritize their own local needs. However, state-level planners overestimated the capacity of administrators and community members at the local level, and policy-makers mistakenly assumed that the participants in the Grama Sabhas could, with assistance, rise to the challenge fairly easily. In practice, when the Grama Sabhas did identify needs, they tended to focus on capital works and on familiar schemes such as noon-day feeding. The more nuanced, qualitative sides of local service provision proved much more difficult to address through local participatory processes. This has led to a certain degree of disillusionment (or perhaps, a reality check) about the potential impact of decentralization on improved service delivery outcomes in sectors such as health and education (Varatharajan, Thankappan and Jayapalan, 2004; Mukundan and Bray, 2004).

Even though Kerala's decentralization process has been ongoing for close to twenty years, its efforts have not yet come to an end. An active process of local government strengthening continues to be in place, whereby the weakest areas of local governance, local administration and local financial management are addresses in successive waves of local government strengthening. This gradual approach to decentralization seems to be paying off.

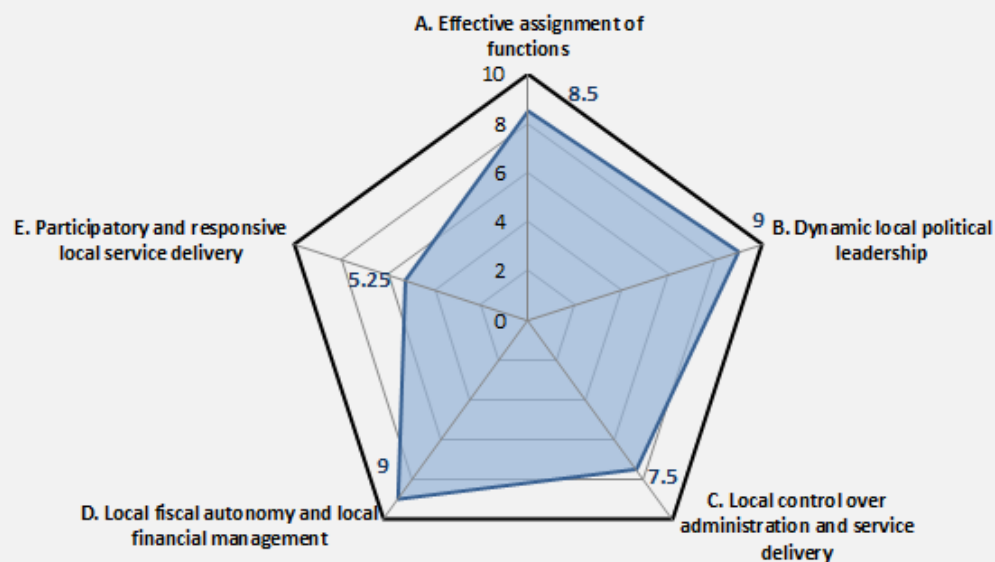
6. The Local Governance System in the Philippines

6.1 Overview

The Philippines is one of the earliest and best-known cases where decentralization was pursued in Asia as a successful democratization strategy following the overthrow of Ferdinand Marcos.²⁵ In accordance with the provision stipulated in the 1987 Constitution, the Local Government Code was enacted in 1991. This law radically transformed the nature of the power relationships between the central government and the thousands of local governments in the countryside by transferring the responsibility for the delivery of basic services to the local government units, including appropriate personnel, assets, equipment, programs, and projects.

As a country with a fully devolved local governance structure, the Philippines' local government system is quite robust and effective, outscoring the previous country cases on virtually all dimensions of the local government system. The Philippines scores high on four out of the five dimensions of the local governance system, including the functional assignment, and the effectiveness of the local political, administrative and fiscal systems. While the responsibility for most localized service delivery functions was devolved to the local level, the responsibility for providing basic education continues to be a central (deconcentrated) function in the Philippines.

Figure 6.1 An overview of the local government system in the Philippines



²⁵ The country case is based in part on Brillantes and Moscare (2002) and Capuno (2008).

6.2 The Philippines' local government system: a brief historical perspective

The geography of the Philippines—composed of numerous islands—makes travel and communication difficult, time-consuming, and costly. As such, a highly centralized form of government would most likely be ineffective and slow in dealing with contingencies in far-flung parts of the country; in addition, concentration of political and administrative power in Manila would result in inequitable development among the different regions. These arguments notwithstanding, the imposition of martial law in 1972 abolished elected local governments and gave the regime the power to appoint local officials that were beholden to it.

Decentralization reforms in the Philippines were prefaced by the overthrow of Marcos in 1986 and the installation of Corazon Aquino as President.²⁶ A year later, the 1987 Constitution was promulgated, which included specific provisions guaranteeing autonomy to local governments. Among the major state policies articulated in the constitution was the premise that “The State shall ensure the autonomy of local governments”. Additionally, Article X, Section 3 of the Constitution provides:

The Congress shall enact a local government code which shall provide for a more responsive and accountable local government structure instituted through a system of decentralization with effective mechanisms of recall, initiative, referendum, allocate among the different local government units their powers, responsibilities and resources, and provide for the qualifications, election, appointment and removal, term, salaries, powers and functions and duties of local officials, and all other matters relating to the organization and operation of local units.

In accordance with the provision stipulated in the 1987 Constitution, the Local Government Code (also known as the Local Autonomy Act) was enacted in 1991. It continues to be considered among the most radical and far-reaching decentralization policy reforms in the world, which addressed the previous centralized political administrative system which had most significant political and administrative decisions concentrated in Manila. The reforms radically transformed the nature of the power relationships between the central government and the thousands of lower-level local government units in the country by transferring the responsibility for the delivery of basic services to the local government units, including appropriate personnel, assets, equipment, programs, and projects.

6.3 The Philippines' territorial-administrative governance structure

Local administration and governance in the Philippines is divided into four levels: (1) Autonomous regions;²⁷ (2) Provinces and cities independent from a province; (3) Component cities and municipalities; and (4) Barangays. With the exception of autonomous regions, all subnational jurisdictions (i.e., provinces, cities, municipalities and barangays) are all governed by the Local Government Code and referred to as Local Government Units (LGUs).

The provincial government takes care of the functions that affect the people of a certain province, and forms the largest subnational political unit in the country. At present, there are 81 provinces in the

²⁶ The interim “Freedom” constitution gave President Aquino the power to “control and exercise general supervision over all local governments.” It was this provision that enabled Mrs. Aquino, through the Minister of Local Government, to remove local officials throughout the country whose loyalties were questionable.

²⁷ Currently, only one autonomous region exists: the Autonomous Region in Muslim Mindanao (ARMM).

Philippines, further subdivided into component cities and municipalities. The municipality is a public corporation created by an Act of Congress and is governed by the Local Government Code, which defines its duties and powers. Being public corporate bodies, municipalities can sue or be sued in court; enter into contracts; acquire and hold real and personal properties for municipal purposes; and exercise such other powers as are granted by law. Municipalities are classified according to their average annual income for the last four fiscal years. There are close to 1,500 municipalities in the Philippines. They are autonomous units of government and have elected political leaders and locally-appointed administrative officials.

6.4 The assignment of functional responsibilities in the Philippines

The Local Government Code devolves to local government units the responsibility for the delivery of various aspects of basic services that earlier were the responsibility of the national government. These basic services include local health services; social welfare services; certain environmental functions (including community-based forestry projects), agricultural extension service and on-site agricultural research; public works funded by local funds; tourism (facilities, promotion and development); telecommunications services and housing projects (for provinces and cities); and other services such as investment support.

In the case of health service provision, the functions that were devolved to the local level included the provision of primary, secondary, and tertiary care services, most of the hospitals, health facilities, and personnel involved in the delivery of these three levels of care. The estimated Department of Health (DOH) budget allocation for the devolved function was nearly one billion pesos or approximately 39 percent of its total budget in 2002. At the time of devolution, the nearly 46,000 devolved health personnel constituted about 61 percent of the total DOH manpower. An important feature of the Code is that each LGU is mandated to establish a Local Health Board. Comprising local officials and private sector representatives, the Local Health Board is a mechanism for constituents and service clients to directly influence the local health budget and advise the LGU on health issues and concerns.

The Code also devolved some education functions to LGUs, albeit to a much lesser extent than in the case of health services. Specifically, the municipalities and cities were given the responsibility of constructing and maintaining school buildings and other facilities. However, the core responsibility for providing primary, secondary and tertiary education (including hiring, firing, and managing teachers) remained with the central Department of Education. In order for municipalities to finance these expenditures, the LGUs are allowed to collect an additional one percent in real property taxes, called the Special Education Fund (SEF), mobilize resources from other sources, or both. The disbursement of the Special Education Fund (SEF) should be based on the annual education budget developed by the Local School Board. Like the Local Health Board, the Local School Board is also a mandated consultative body and venue for direct participation of the private sector representatives in local service delivery.

While the Department of Health devolved more functions than the Department of Education, the latter deconcentrated more functions than the former. In line with the Governance of the Basic Education Act (1991), subnational offices of Department of Education have considerable powers and responsibilities. Specifically, the subnational education offices are required to develop their own regional education plan and formulate and execute the corresponding annual regional budget. They are also assigned full

management of human resources for education, and the monitoring and evaluation of the education outcomes.

More importantly, however, the school heads are now assigned both as instructional leaders and managers. As instructional leaders, the school heads such as principals are responsible for implementing the curriculum and accountable for the education outcomes of the school. As managers, they can introduce education programs and improvement plans for the school's physical set up and human resource complement. The national office of Department of Education formulates and implements the national education policies, plans, programs and projects. It also tracks and evaluates national learning outcomes, and undertakes the educational R&D activities.

Table 6.1 Assessment Indicators: Effective assignment of functions to the local level in the Philippines		
A	Assessment Indicator	Score
A1	Do local governments / local executive bodies meet the key definitional criteria of a local government organization?	1.75 / 2
A2	According to the legal framework, do LGs/LBs have clear responsibility for providing education and health services (in accordance with the subsidiarity principle)?	0.75 / 1
A3	In practice, are LGs/LBs responsible for the recurrent provision of education and health services (in accordance with the subsidiarity principle)?	0.75 / 1
A4	In practice, are LGs/LBs responsible for the capital infrastructure required for providing these services (in accordance with the subsidiarity principle)?	0.75 / 1
A5	According to the legal framework, do LGs/LBs have the clear responsibility for providing municipal/community services (in accordance with the subsidiarity principle)?	1 / 1
A6	In practice, are LGs/LBs responsible for the recurrent provision of municipal /community services (in accordance with the subsidiarity principle)?	1 / 1
A7	In practice, are LGs/LBs responsible for the capital infrastructure required for providing these services (in accordance with the subsidiarity principle)?	1 / 1
A8	Does the <i>de facto</i> assignment of functional authority match <i>de jure</i> responsibility (with regard to the services at hand)?	1.5 / 2
	Total (Maximum)	8.5 / 10

6.5 Local political systems in the Philippines

Political decentralization in the Philippines was an important element of the People's Power revolution led by Corazon Aquino in 1986 that ousted President Marcos; it sought to diffuse political power and prevent future monopolization of power.

The executive and legislative branches of municipalities and cities consist of a directly elected mayor, a vice mayor and a council made up of councilors. The municipal council has 8-12 council members, while a city council has up to 36 regular members elected via plurality-at-large voting. Aside from these regular members, the president of the barangay chapters of the Association of Barangay Captains (ABC) and of the local Sangguniang Kabataan (SK; youth councils) are *ex officio* members of the local council.

Elections are competitive and nominally party-based, resulting in a strong local mayor, who has effective executive control over the local government apparatus.²⁸ The municipal mayor recruits, appoints and holds human resource authority over the core local administration team (subject to civil service rules), and with support from the local council, the mayor has considerable political space to respond to the priorities of local constituents.

Table 6.2 Assessment Indicators: Local political systems and leadership in the Philippines		
A	Assessment Indicator	Maximum Score
B1	Does the local political leadership include elected Local Councils?	2 / 2
B2	Is the Local (political) Executive directly elected?	1 / 1
B3	Are the local election system and local elections competitive?	2 / 2
B4	Have local elections been regularly held over the past 20 years?	1 / 1
B5	Does the LG/LB's political leadership recruit, appoint and hold human resource authority over the core local administration team?	1 / 1
B6	Does the LG/LB's political leadership recruit, appoint and hold human resource authority over the heads of local service delivery departments (including education and health)?	0.5 / 1
B7	Do the main stakeholders within the LG/LB have a constructive and cooperative relationship?	0.75 / 1
B8	Is the LG/LB effective in achieving results in the service delivery areas that constituents care about?	0.75 / 1
	Total (Maximum)	9 / 10

Although local elections have been held on a regular basis in the Philippines for the past quarter of a century, it has been noted by some that the nature of local politics seems to focus more on capturing local political office for reasons of political power and gain rather than with an intend to improve local services.²⁹ Local politics in the Philippines, since the time of the American colonial period, has largely revolved around two major concerns: first, who is best at generating funds (and controlling the allocation of funds) from the central government, and second, who controls the major economic activities (both legal and illegal) in the community (Rocamora, 2004; as cited by Teehankee, 2012). Although continued patronage and clientelism are persistent features of local political systems in the Philippines, the delineation of local patron-client network systems is often not as clear-cut as traditional hierarchical patron-client relationships. Despite the active efforts that are being undertaken by the central government to increase local political empowerment and participation (Box 6.1), it may be appropriate to characterize the fluid power relations in many local government politics as 'clientelistic cluster networks' (Teehankee, 2012).

²⁸ The local political system is only nominally party-based. Party loyalty among national and local politicians is not strong. In fact, party-switching is the norm. It is common for local politicians to switch to the parties of the top 2 or 3 presidential candidates, who in turn organize new political parties if the existing ones field their own candidates.

²⁹ By law, local elections should be held every three years. Municipal and provincial-level elections have been held every 3 years since 1989. In contrast, barangay- (or village-) level elections have been delayed/suspended a number of time in the past 20 years.

Box 6.1 Increasing local political empowerment and participation in the Philippines

The election of President Benigno (“Noynoy”) Aquino in 2010 ushered in a period of extensive reform, with the central government making an active attempt to transform the dynamics of national and local political processes. Within the Presidential administration, the Cabinet Cluster on Good Governance and Anti-Corruption (CGAC) is directly involved in promoting citizen participation in policymaking and auditing mechanisms. Second, the government created a series of reforms that have dramatically increased the amount of information that citizens can access. The government has committed to creating a “Citizens’ Budget” whereby basic budget information is made accessible to interested citizens. Third, citizens are now induced to participate in national policymaking process. Fourth, the national country is supporting the use of direct participation at the local level.

The reforms in the Philippines appear to be most consistently aimed at solving two crucial problems. First, the participatory institutions are geared toward solving the problem of low knowledge and limited engagement among CSOs and citizens. There is a deliberate effort to empower citizens. Second, there is also a specific interest in limiting government corruption. The most innovative reforms address both of these issues. These include Bottom-Up Budgeting, Budget Partnership Agreements, Empowerment Fund for Participatory Governance, Full Disclosure Policy, Seal of Good Housekeeping, and Citizen Participatory Audits.

Source: Wampler (2013).

6.6 Local control over administration and service delivery in the Philippines

Devolved local government institutions in the Philippines employ their own staff and deliver important public services (including local health services). As such, the ability of local governments in the Philippines to manage their own affairs is much greater in the Philippines than in deconcentrated countries (such as Cambodia or Mozambique) or in hybrid systems (such as the system in Kerala).

As already noted, however, the delivery of basic education in the Philippines is retained by the central government as a central government responsibility. As such, while local health centers and clinics are operated and staffed by municipalities (under the auspices of the Municipal Health Officer), the schools within the same locality are run and supervised by the School Superintendent, who is a central government employee. Since primary and secondary education typically form the most important category localized public service—with teachers in most countries forming the majority of public servants—the degree of local government control over local administration and localized service delivery in the Philippines is thus less robust than in countries where education provision is fully devolved to local governments (such as in Indonesia).

Table 6.3 Assessment Indicators: Local control over administration and service delivery in the Philippines		
C	Assessment Indicator	Maximum Score
C1	Does the LG/LB's political leadership appoint its own core executive team, including core local administrators and the heads of the local service delivery departments?	1.5 / 2
C2	Does the LG/LB's political leadership approve its own budget (including the budgets of the local service delivery departments)?	1.5 / 2
C3	Does the LG/LB determine its own (core) organizational structure and staff establishment?	1 / 1
C4	Does the LG/LB determine the organizational structure and staff establishment of the local service delivery departments (including education and health)?	0.5 / 1
C5	Does the LG/LB have control over its (core) human resource decisions?	1 / 1
C6	Does the LG/LB have control over the human resource decisions of the local service delivery departments (including education and health)?	0.5 / 1
C7	Does the LG/LB plan and manage the procurement of capital infrastructure and development activities required for core local functions, including local administration and municipal/community services?	0.75 / 1
C8	Does the LG/LB plan and manage the procurement of capital infrastructure and development activities required for local education and health services?	0.75 / 1
	Total (Maximum)	7.5 / 10

6.7 Local fiscal autonomy and local PFM in the Philippines

Similar to Kerala, Local Government Units in the Philippines are local self-government units, and therefore, they plan, adopt and manage their own budgets. The responsibility for local financial management rests with the Local Chief Executive (LCE). The LCE is assisted by three key financial officials: the Treasurer, the Budget Officer and the Accountant, who report directly to the LCE and are independent of each other. The Treasurer is appointed by the Bureau of Local Government Finance (BLGF) from among three nominees recommended by the LCE. Several central government departments (the Department of Interior and Local Government, the Department of Finance and the Department of Budget and Management) exercise shared oversight of administrative and financial control over LGUs (ADB/World Bank, 2005).

When the responsibility for key public services was transferred to the local level as part of the implementation of the Local Government Code, the financing of these newly devolved functions also became the responsibility of the LGUs (ADB/World Bank, 2005; Capuno, 2008). As a result, the distribution of expenditures across levels of the government has thus shifted considerably in favor of LGUs since the enactment of the LGC (ADB/World Bank, 2005: 27): the sub-national share of general government spending increased from around 11 percent in the pre-devolution period (1985-1991) to around 20 percent in the years following devolution (1992-1996), to around 24 percent in the later post-devolution period (1997-2002). Obviously, the relative role of LGUs in sectors where localized services are delivered (such as education and health services) increased much more substantively during the devolution process than these averages suggest. The most pronounced increases in localized expenditures occurred in the areas of housing and community development (from 33 percent in 1991 to 79 percent in 2002), health (from 10 percent to 53 percent), other economic services (from 53 percent to 91 percent) and general public administration (from 39 percent to 60 percent).

The Local Government Code provides a range of financial resources to local government expenditures, including (1) their own taxing powers as well as revenues from local fees and charges; (2) revenue sharing from the national wealth exploited in their areas (e.g., mining, fishery and forestry charges); and (3) an allocation to LGUs of a share from the national taxes, known as their Internal Revenue Allotment (IRA).

The majority of revenues that local governments have to spend comes from their Internal Revenue Allotment (IRA), which is an unconditional grant that is allocated among LGUs based on an objective resource allocation formula. Own and shared revenue sources typically form a smaller share of LGU finances. For municipalities, the IRA typically accounts for around 90% of total revenues. Since cities generally have a larger economic base for local taxation, internal revenue allotments for cities typically account for 50 - 70% of their total budgetary resources. The IRA is automatically released to each local government unit and may not be held back by the national government for any reason, except in extreme cases.

Table 6.4 Assessment Indicators: Local fiscal autonomy and local financial management in the Philippines		
D	Assessment Indicator	Score
D1	Do LGs/LBs have an orderly annual budget process?	2 / 2
D2	Are LGs'/LBs' expenditure out-turns consistent with the original approved budget?	1 / 1
D3	What is the quality and timeliness of annual financial statements?	0.5 / 1
D4	Are LGs/LBs free to define their own local revenue instruments (e.g., specify user fees, adopt new revenue instruments, or modify existing local revenue instruments)?	1 / 1
D5	Do LGs/LBs have the right to set the tax base or tax rate for all local revenue instruments?	1 / 1
D6	Do LGs/LBs effectively and equitably collect property tax revenues?	0.5 / 1
D7	Do LGs/LBs have access to credit from public or private financial institutions (or bonds) to fund local capital infrastructure expenses?	1 / 1
D8	Do LGs/LBs receive (conditional or unconditional) grants/transfers from a higher level government to support local administration and to provide general local public services?	1 / 1
D9	Do LGs/LBs receive formula-based grants/transfers from the higher level government in a complete and timely manner, without unnecessary administrative impediments?	1 / 1
	Total (Maximum)	9 / 10

6.8 Local participation and accountability in the Philippines

The direct engagement and empowerment of citizens is a central component of the current government's effort to improve the quality of governance in the Philippines. There have been a series of institutional reforms over the past three years, as the current Aquino government seeks to build new institutions that will create the opportunity to alter spending patterns and improve governance (Wampler, 2013).

Greater local transparency, participation, and accountability initiatives are being pursued at all levels of government, including as part of the country's Open Government Partnership commitments (Mangahas, 2013). For instance, according to the Government, in 2012, at least 595 cities and municipalities underwent participatory budgeting and planning processes. Stakeholders split between those who praised this project, and those who doubted the relevance of this project, which has assumed the name

of “bottom-up budgeting” (BUB) in Government documents. Likewise, since August 2010, local governments in the Philippines have been required to post online information on fund utilization and project implementation in local forums.³⁰ Although an increasing number of local governments are committed to complying with this requirement, full compliance by local governments remains low. Stakeholders reported a need for independent monitoring and citizen participation.

Table 6.5 Assessment Indicators: Local participation and accountability mechanisms in the Philippines		
E	Assessment Indicator	Score
E1	Do affordable national (or “minimum”) service delivery standards exist (including in education and health) to guide local service delivery?	1 / 2
E2	Are local performance frameworks in place and being applied for local services? (E.g., Citizen Service Charter?)	0.5 / 1
E3	Are local budgets and finances managed in a participatory and transparent manner?	1 / 2
E4	Do local services / local service delivery facilities (in education, health and solid waste) have their own effective participatory planning / social accountability / oversight mechanisms?	0.75 / 1
E5	Do LG/ local councils monitor the performance of local service delivery departments?	1 / 1
E6	Do LGs/LBs (separate from the SDDs) have an effective mechanism in place to receive and resolve complaints about local services?	0.5 / 1
E7	Do service delivery facilities (in education and health) have a degree of administrative or managerial discretion?	0.5 / 2
	Total (Maximum)	5.25 / 10

6.9 Lessons/Implications³¹

The case of the Philippines shows a country example of considerable decentralization, although the country’s pursuit of decentralization varied across different sectors. In particular, while health services were generally devolved to the local level, the responsibility over most elements of the provision of education services was retained by the central government and localized in a deconcentrated manner, even though LGUs were given responsibility over education infrastructure and LGUs were placed in charge of a strong mechanism for local involvement and oversight.

Table 6.6 Local Governance Institutions Comparative Assessment: the Philippines		
A	Effective assignment of functions	8.5 / 10
B	Dynamic local political leadership	9 / 10
C	Local control over administration and service delivery	7.5 / 10
D	Local fiscal autonomy and local financial management	9 / 10
E	Participatory and responsive local service delivery	5.25 / 10
	Total (Maximum)	39.25 / 50

³⁰ Also, annual local fiscal data – detailed revenues and expenditures – are posted in the website of the Bureau of Local Government Finance (BLGF) since the early 2000s. The data are collated and submitted regularly by local government treasurers to the BLGF. Around 95% of all provinces, cities and municipalities comply with this reporting requirement.

³¹ The authors would like to thank Professor Joesph Capuno for his contributions to this section.

It is important to note that—in contrast to some of the previous case studies (Cambodia and Mozambique)—the decentralization reforms in the Philippines were driven by a major revision of the political system, which specifically sought to reduce the power of the central government. Despite the hesitance of the central government to fully devolve the responsibility for the provision of education, substantial decentralization was achieved over the past twenty years in the Philippines.

The relatively high scores in the assessment indicators may give the impression that local development and governance in across the Philippines is uniformly “good”. In reality, however, local governance and development in the Philippines are persistently uneven, with effective local government leaders continuing to surge ahead and the laggards unable to catch up.

It was one of Oates’ (1972) hypotheses that decentralization will encourage experimentation and innovation in local services and that is clearly borne out by the Philippine experience. One of the gains under decentralization in the Philippines has been the spate of local innovations in service delivery, financing and governance. The Galing Pook Awards given to the top ten innovations and trailblazing local programs is just one of the awards and recognition schemes introduced for the purpose. The incidence and spread of innovations can also indicate dynamism of local leaders.

At the same time, local governance and local development outcomes are uneven across space: population growth and continued urbanization, traffic congestion, urban squatting, floods and pollution are becoming more and more serious problems in many Metro Manila and metropolitan areas. Poor coordination among neighboring LGUs does not help solve these inter-jurisdictional problems.

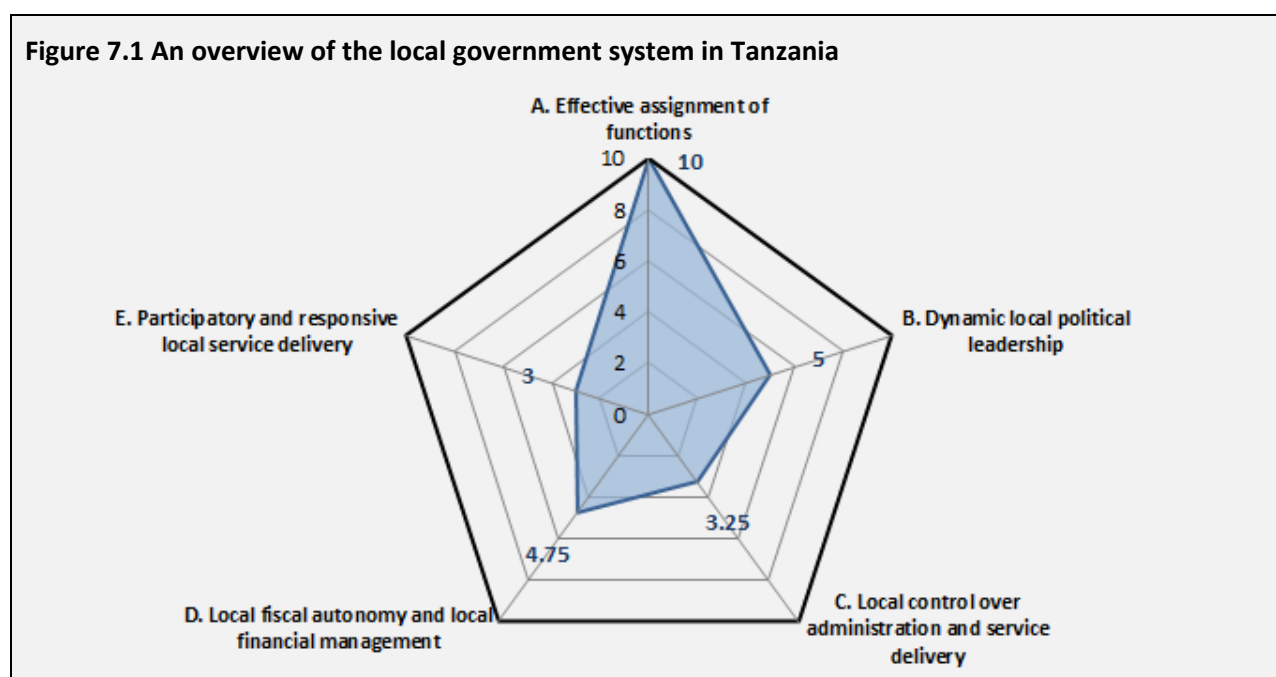
Decentralization by itself, even if well designed, will help but may not be enough to overturn such spatial inequalities. Country-level studies will need to be conducted show the variations in experiences at the local level within the Philippines, and to establish the relationship between good local governance, the availability of local finances and service delivery outcomes.

7. The Local Governance System in Tanzania

7.1 Overview

Tanzania is often recognized as one of the “success stories” of decentralization in East Africa.³² Indeed, elected district-level Local Government Authorities play a critical role in the delivery of key local public services, such as primary education, secondary education, public health services, agricultural sector services, rural water supply and local road maintenance.

A more in-depth analysis of local governance institutions—following the local governance institutions comparative assessment framework—reveals that despite the extensive functional responsibilities that are assigned to the local level, the political, administrative and fiscal institutions at the local level in Tanzania do not provide elected local authorities with extensive political space, administrative control, or fiscal discretion. In addition, despite reliance on an extensive grass-roots participatory planning process (known as “Opportunities and Obstacles to Development” or O&OD), there is a gap in the responsiveness and accountability with which local services and facilities operate. Figure 7.1 provides an overview of the local governance institutions in Tanzania.



³² The local governance system and local government finances in Tanzania are well-documented. Boex and Martinez-Vazquez (2006) provide a helpful overview of local governance and local government finance in Tanzania. Tidemand et al (2014) provide an up-to-date analysis of relevant issues regarding local governance and local service delivery.

7.2 Tanzania's local government system: a brief historical perspective

The United Republic of Tanzania, located on the east coast of Africa, is a federation of Tanzania Mainland and Zanzibar. Although each part of the Union has its own local governance system, the local governance system on Mainland Tanzania dominates the local level, as only 2.9 percent of Tanzanians (1.3 million) reside on Zanzibar.

Local government reform in Tanzania from independence until today can broadly be divided into four periods: first, centralization during the post-colonial period (from 1961 to 1981) during which elected local governments were actually abolished; second, the initial wave of decentralization reforms (1982-1998) that restored elected local authorities; and third, the subsequent phase of decentralization reforms (1999-2007) that promoted “decentralization by devolution” (“D-by-D”) as a means to improve the quality and efficiency of government service delivery at the local level. The period from 2008 until today can be considered the fourth phase of local government reform.

Whereas considerable progress was made in strengthening the role of local governments until 2007 (supported in part, by a successful Local Government Reform Programme), progress on local government reforms has been slower in more recent years. For instance, the implementation of a formula-based recurrent grant system—which was adopted by Cabinet in 2004—faltered several years after its introduction. Similarly, the responsibility for collecting property taxes in Dar es Salaam municipalities was transferred from the local government level to the Tanzania Revenue Authority in 2008. In fact, the central government seems to have become increasingly hesitant to decentralize greater control over local service delivery, local human resources and local finances to the local level.

Although local governments form the front-line in the delivery of key public services, central authorities continue to play an important role in local decision-making and in local service delivery processes. While a proposed revision of the Constitution in 2015 will re-organize the federal structure of the country, it is not likely to have a major impact on the country's local governance structure.

7.3 Tanzania's territorial-administrative governance structure

The public sector in Tanzania (Mainland) is organized in a hierarchical manner, combining elements of deconcentration and devolution. At the regional level, Tanzania Mainland is divided into 25 deconcentrated administrative regions, each of which is headed by a Regional Administrative Secretary.

The main level of the local government system in Tanzania is formed by elected Local Government Authorities (LGAs), comprising 129 District Authorities and 39 Urban Authorities. Urban authorities include Town Councils, Municipal Councils and City Councils.³³ Although urban and rural LGAs are governed by two separate Acts, for all intents and purposes, these two types of local governments are the same.

In order to enhance community participation, Village Councils and Mtaa (Neighborhood or Street) Committees are elected below the district level in rural and urban LGAs, respectively. Whereas Village

³³ An anomaly in the local government structure is Dar es Salaam City Council, which functions like a metropolitan council covering the same area as the three municipalities that make up Dar es Salaam region (Kinondoni Municipal Council, Ilala Municipal Council, and Temeke Municipal Council).

Councils (12,163) are considered a separate local government level, Mtaa are part of their respective urban authority structure. Villages and Mtaa do not have their own specific service delivery functions or formal local government revenues, although villages perform certain functions with regard to land management and may act as an implementation level for agriculture sector projects.

In addition to the elected local governance structure, there is a parallel system of politically-appointed Regional Commissioners and District Commissioners. Although these commissioners do not have any service delivery responsibilities, they play an important role in coordinating and monitoring local activities as well as ensuring political stability and law and order.

7.4 The assignment of functional responsibilities in Tanzania

Local (district and urban) authorities form the main local government level in terms of public service delivery. Both by law and in practice, these local authorities are responsible for the delivery of primary and secondary education; local health services; agricultural extension and livestock promotion; rural water supply; local roads and infrastructure; as well as community development, urban services and local environmental services.³⁴ This assignment of functions and responsibilities is in line with the subsidiarity principle.

LGAs are semi-autonomous, elected local self-government units, although the local governance system still retains some of the institutional features of a deconcentrated system.³⁵ Although central authorities are extensively involved in recruiting and managing local government staff, LGAs are the statutory employers of more than half of Tanzania's public service, including all teachers, front-line health workers and local administrators. Local government authorities are also the main level of government responsible for the operation and maintenance aspects of local government services, as well as for providing the necessary capital infrastructure. While it is not unusual for central line ministries to play a role in the delivery of localized public services, central line ministries generally act in a supporting role, if any, to the local government level. For instance, the Ministry of Health and Social Welfare procures all drugs and medical supplies, and provides these in-kind to the local level through the Medical Stores Department.

Roughly 21 percent of total public expenditures is made by LGAs at the local level. In contrast, less than 2 percent of public spending takes place at the regional level. Since LGAs form the dominant local government level, the comparative assessment of local governance institutions focuses almost exclusively on this level.

The Regional Administration is largely a deconcentrated administrative level that oversees public service delivery by local (district and urban) authorities. There is no legal assignment of functional responsibilities to the regional level, but in practice, the only service delivery function managed by deconcentrated regional officials is the provision of regional hospital services. Central line ministries *de*

³⁴ One exception to the broad functional responsibilities of LGAs over local services is urban water supply and sanitation services, which are delivered by urban Water and Sanitation authorities.

³⁵ For instance, even though LGAs prepare, adopt and manage their own budgets in their own accounts, in many ways, national budget and PFM processes continue to treat LGAs similar to central line agencies or as deconcentrated regional authorities.

facto retain significant policy and technical responsibilities—as well as some implementation responsibilities—in functional areas that are formally assigned to the local government level.

The comparative assessment of the effective assignment of functions to the local level indicates that LGAs in Tanzania have clear responsibility and authority for providing education, health services, as well as municipal and community services in accordance with the subsidiarity principle (Table 7.1).

A	Assessment Indicator	Score
A1	Do local governments / local executive bodies meet the key definitional criteria of a local government organization?	2 / 2
A2	According to the legal framework, do LGs/LBs have clear responsibility for providing education and health services (in accordance with the subsidiarity principle)?	1 / 1
A3	In practice, are LGs/LBs responsible for the recurrent provision of education and health services (in accordance with the subsidiarity principle)?	1 / 1
A4	In practice, are LGs/LBs responsible for the capital infrastructure required for providing these services (in accordance with the subsidiarity principle)?	1 / 1
A5	According to the legal framework, do LGs/LBs have the clear responsibility for providing municipal/community services (in accordance with the subsidiarity principle)?	1 / 1
A6	In practice, are LGs/LBs responsible for the recurrent provision of municipal /community services (in accordance with the subsidiarity principle)?	1 / 1
A7	In practice, are LGs/LBs responsible for the capital infrastructure required for providing these services (in accordance with the subsidiarity principle)?	1 / 1
A8	Does the <i>de facto</i> assignment of functional authority match <i>de jure</i> responsibility (with regard to the services at hand)?	2 / 2
	Total (Maximum)	10 / 10

7.5 Local political systems in Tanzania

Although LGAs in Tanzania Mainland are local government bodies led by a directly elected local council and an indirectly elected District Chairman or Mayor, the degree of political space that local political leaders have is limited.

Table 7.2 captures the main features of the local political systems and the space for local political leadership in Tanzania based on eight assessment indicators. These indicators suggest there are three basic reasons why local political systems in Tanzania do not provide as much discretion and accountability as might be expected based on the extensive devolution of functional responsibilities.

First, the electoral systems in Tanzania—as well as the elections for local government posts themselves—are not very competitive, with the CCM—the national ruling political party—effectively vertically extending its national political dominance to the local level. Second, the local political leadership does not appoint its own management team or department heads. Instead, the local Executive Director, core local administrators, and local department heads are posted or transferred directly by PMO-RALG. This effectively weakens the leadership of the local council and the chairman over local priorities and local operations. Third, beyond the electoral structure itself, local politics are captured to a considerable degree by national political forces, resulting in LGAs often being more responsive to the instructions from national political leaders than to priorities established at the local

level. This suggests that the mechanisms for downward responsiveness and accountability are weaker than the need to please central political forces. For instance, local leaders often find themselves spending scarce local resources (own source revenues and funding from the discretionary Local Government Development Grant) implementing priorities identified by central government leaders (such as constructing secondary schools or procuring lab supplies) rather than implementing local infrastructure priorities outside the social sectors that were identified by local participatory process.

Table 7.2 Assessment Indicators: Local political systems and leadership in Tanzania

B	Assessment Indicator	Maximum Score
B1	Does the local political leadership include elected Local Councils?	2 / 2
B2	Is the Local (political) Executive directly elected?	0.5 / 1
B3	Are the local election system and local elections competitive?	0.5 / 2
B4	Have local elections been regularly held over the past 20 years?	1 / 1
B5	Does the LG/LB's political leadership recruit, appoint and hold human resource authority over the core local administration team?	0 / 1
B6	Does the LG/LB's political leadership recruit, appoint and hold human resource authority over the heads of local service delivery departments (including education and health)?	0 / 1
B7	Do the main stakeholders within the LG/LB have a constructive and cooperative relationship?	0.5 / 1
B8	Is the LG/LB effective in achieving results in the service delivery areas that constituents care about?	0.5 / 1
	Total (Maximum)	5 / 10

7.6 Local control over administration and service delivery in Tanzania

Although local governments in Tanzania are assigned the statutory and practical responsibility to deliver key public services, the degree of administrative control that LGAs have over local administration and local services is moderate. On one hand, LGAs have a degree of control over their own budgets and over the procurement of capital infrastructure investments within their functional responsibilities. On the other hand, local governments have little or no authority over their organizational structure, staff establishments, or human resource decisions.

On a positive note, local councils prepare, adopt and implement their own budgets, which generally include all expenditures required for locally-provided services. Likewise, local-level infrastructure projects—including local administrative offices, local roads, agricultural schemes, or the construction of local health clinics or school buildings—are generally procured or constructed by the Local Government Authority itself.

However, these statements are not free of caveats. For instance, while the local government budget is approved by the council itself, after approval by the council, local budgets are scrutinized (and sometimes amended) by the Ministry of Finance as part of the national budget formulation process. To the extent that local sectoral infrastructure is supported by national sector programmes (such as the Rural Water Supply Programme), there is typically extensive guidance from the relevant sector ministry that guides local infrastructure spending decisions.

Furthermore, although LGAs are the statutory employer for local government staff, the management of local government staff, including local administrative staff, as well as teachers, local health workers, and other local government staff is highly centralized. As a result, the local budget formulation process focuses almost exclusively on non-wage expenditures: while LGAs may submit a request to the central government to create additional staff positions during the budget formulation cycle, the creation of any local staff positions is made centrally by the President’s Office – Public Service Management (PO-PSM) after the local budget formulation process has concluded. When a local staff position is approved by PO-PSM and the position is filled, an earmarked grant for the salary of each individual local staff member is provided on a monthly basis.

Table 7.3 Assessment Indicators: Local control over administration and service delivery in Tanzania		
C	Assessment Indicator	Maximum Score
C1	Does the LG/LB’s political leadership appoint its own core executive team, including core local administrators and the heads of the local service delivery departments?	0 / 2
C2	Does the LG/LB’s political leadership approve its own budget (including the budgets of the local service delivery departments)?	1 / 2
C3	Does the LG/LB determine its own (core) organizational structure and staff establishment?	0 / 1
C4	Does the LG/LB determine the organizational structure and staff establishment of the local service delivery departments (including education and health)?	0 / 1
C5	Does the LG/LB have control over its (core) human resource decisions?	0.25 / 1
C6	Does the LG/LB have control over the human resource decisions of the local service delivery departments (including education and health)?	0 / 1
C7	Does the LG/LB plan and manage the procurement of capital infrastructure and development activities required for core local functions, including local administration and municipal/community services?	1 / 1
C8	Does the LG/LB plan and manage the procurement of capital infrastructure and development activities required for local education and health services?	1 / 1
	Total (Maximum)	3.25 / 10

7.7 Local fiscal autonomy and local PFM in Tanzania

Even though district and urban authorities are assigned many important social and economic public service delivery responsibilities, spending by local government authorities accounts for only about 21% of public sector expenditures (LPS Country Profile Tanzania, 2009/10).

Local government budgets are prepared, implemented and audited as part of orderly annual budget cycle, following a July-June financial year. At the beginning of the budget formulation cycle, local governments are provided with (tentative) budget ceilings by the Ministry of Finance for their various intergovernmental fiscal transfers. This allows local governments to prepare annual budget plan which, in accordance with the Local Government Finances Act, is to be adopted by the council prior to May 1.

End-of-year financial statements are prepared and audited on a regular and timely basis, and a vast majority of LGAs receives a satisfactory (clean) audit report. The Controller and Auditor General (CAG) typically publicly releases detailed audit reports on the financial statements of Local Government Authorities roughly 9 months after the end of each financial year.

Local Government Authorities raise a relatively small portion of their financial resources (about 6 percent) from own source revenues and are highly dependent on intergovernmental fiscal transfers from the center. In rural areas, taxes on agricultural production and non-tax revenue sources form major local revenue sources. In urban areas, taxes on business income and turnover as well as local non-tax revenues (such as business licenses) form the bulk of local revenues. In contrast, local property taxes contribute less than 10 percent of local own source revenues.

Recurrent sectoral “block grants” form the main funding source for the delivery of local public services. Although these grants are supposed to be distributed among LGAs on a formula-basis, in practice, resource allocations are made on a discretionary basis (separately for Personal Emoluments and Other Charges). In addition, Local Government Development Grant system provides discretionary as well as sectoral/earmarked development grants to LGAs. Due to macro-fiscal constraints in recent years, transfers are often provided in a delayed and/or incomplete manner. These funding shortfalls in turn result in LGAs’ expenditure out-turns falling short of their original approved budgets.

Table 7.4 Assessment Indicators: Local fiscal autonomy and local financial management in Tanzania		
D	Assessment Indicator	Score
D1	Do LGs/LBs have an orderly annual budget process?	2 / 2
D2	Are LGs’/LBs’ expenditure out-turns consistent with the original approved budget?	0 / 1
D3	What is the quality and timeliness of annual financial statements?	1 / 1
D4	Are LGs/LBs free to define their own local revenue instruments (e.g., specify user fees, adopt new revenue instruments, or modify existing local revenue instruments)?	0 / 1
D5	Do LGs/LBs have the right to set the tax base or tax rate for all local revenue instruments?	0.5 / 1
D6	Do LGs/LBs effectively and equitably collect property tax revenues?	0 / 1
D7	Do LGs/LBs have access to credit from public or private financial institutions (or bonds) to fund local capital infrastructure expenses?	0 / 1
D8	Do LGs/LBs receive (conditional or unconditional) grants/transfers from a higher level government to support local administration and to provide general local public services?	1 / 1
D9	Do LGs/LBs receive formula-based grants/transfers from the higher level government in a complete and timely manner, without unnecessary administrative impediments?	0.25 / 1
	Total (Maximum)	4.75 / 10

7.8 Local participation and accountability in Tanzania

Despite reliance on a comprehensive grass-roots participatory planning process known as “Opportunities and Obstacles to Development” (O&OD) and other effort to ensure responsive service delivery, there is a gap in the responsiveness and accountability with which local services and facilities operate. In part, effective local participation and responsiveness are hindered by the limited degree of political, administration and fiscal autonomy that LGAs have.

For instance, while various local stakeholders are consulted as part of the local budget formulation process, in many cases it does not appear that these consultations actually have a meaningful impact on local budget priorities; instead, local governments tend to be more responsive to priorities set by the

center.³⁶ Likewise, despite commitments to transparency at the national level under the Open Government Partnership, in practice, local governments often fail to make key local budget documents available to the public (Lawson and Alvarez, 2013).

Likewise, planning processes for local (sectoral) services tend to be relative top-down in Tanzania. As already noted, most human resource decisions (for instance, approval of the number of staff establishments approved for each LGA) are actually made at the central government level. Similarly, council-level health planning is guided by detailed central guidelines; in fact, Comprehensive Council Health Plans are graded by the Ministry of Health and Social Welfare. To the extent that the LGAs have any discretion over human and budgetary resources, Council level administrators—including local department heads such as District Education Officers or District Medical Officers—tend to be relatively powerful in local planning and implementation. As a result, most local government resources are prioritized and managed at the council level.

E	Assessment Indicator	Score
E1	Do affordable national (or “minimum”) service delivery standards exist (including in education and health) to guide local service delivery?	0 / 2
E2	Are local performance frameworks in place and being applied for local services? (E.g., Citizen Service Charter?)	0.5 / 1
E3	Are local budgets and finances managed in a participatory and transparent manner?	0.5 / 2
E4	Do local services / local service delivery facilities (in education, health and solid waste) have their own effective participatory planning / social accountability / oversight mechanisms?	0.5 / 1
E5	Do LG/ local councils monitor the performance of local service delivery departments?	0.5 / 1
E6	Do LGs/LBs (separate from the SDDs) have an effective mechanism in place to receive and resolve complaints about local services?	0.5 / 1
E7	Do service delivery facilities (in education and health) have a degree of administrative or managerial discretion?	0.5 / 2
	Total (Maximum)	3 / 10

Head masters and clinical officers in charge of Primary Health Facilities tend to have limited administrative authority over their staff or budgets. There is generally no involvement of the facility level in HR decisions. Even though the central government requires LGAs to pass certain funds on to the school level and to health facilities (where they could be prioritized and monitored by SMCs and Health Facility Committees), these resources often “get stuck” at the council level.

³⁶ At the same time, there is a considerable gap between the central government’s stated policy priorities, and the policy priorities for which it makes funding available. National service delivery standards in health and education exist as policy statements only. In practice, national service delivery standards are either not publicly available (in the case of education), or generally not applied/adhered to (in the case of health). To the extent that national service delivery standards exist, they are generally unaffordable for LGAs (even after sectoral earmarked block grants are provided).

7.9 Lessons/Implications

As captured in Table 7.6, Tanzania’s local governance system can be summarized by an effective assignment of functional responsibilities in line with the subsidiarity principle, combined with only a low-to-moderate degree of discretion and accountability in the areas of political decision-making, administrative control, fiscal empowerment. Local participation and responsive service delivery mechanisms are relative weak as well. This results in a distinct “teardrop” shape in the visual presentation of its local governance system (Figure 7.1).

Table 7.6 Local Governance Institutions Comparative Assessment: Tanzania		
A	Effective assignment of functions	10 / 10
B	Dynamic local political leadership	5 / 10
C	Local control over administration and service delivery	3.25 / 10
D	Local fiscal autonomy and local financial management	4.75 / 10
E	Participatory and responsive local service delivery	3 / 10
	Total (Maximum)	26 / 50

The pattern appears to be the result of a number of counter-acting forces. The commitment to decentralization by devolution has been fueled in part by the understanding that—given the geographic size of the country—it is not possible for the central government to control the delivery localized services either directly or through deconcentrated administrative mechanisms from Dodoma (the country’s official capital) or from Dar es Salaam (the commercial capital, and the seat of most government ministries). This was tried during the early post-colonial period, and widely recognized as a failure.³⁷ As a result, elected local government authorities were re-introduced as the main mechanism for local service delivery, thus breaking hierarchical centralized line ministry control over local services and ensuring a degree of local responsiveness and accountability.

However, the balance of political power in Tanzania clearly lies at the center, in a political system that is dominated, although not fully controlled, by a single national political party. To the extent that extensive devolution of powers and resources would decentralize opportunities for political rents and would provide opportunities for opposition candidates to flourish, the central government is careful to balance the extent of decentralization and is keen to maintain control over certain levers of power, such as the public service, land administration, and tax collection. As a result, the local governance system bears the hallmarks of a system whose decentralization reforms were driven in a top down manner, with local government authorities having limited political space, limited administrative control and limited fiscal empowerment.

Although gradual, marginal improvements in different elements of local governance are possible, as a whole, the local government system in Tanzania seems to be more or less at an equilibrium point.

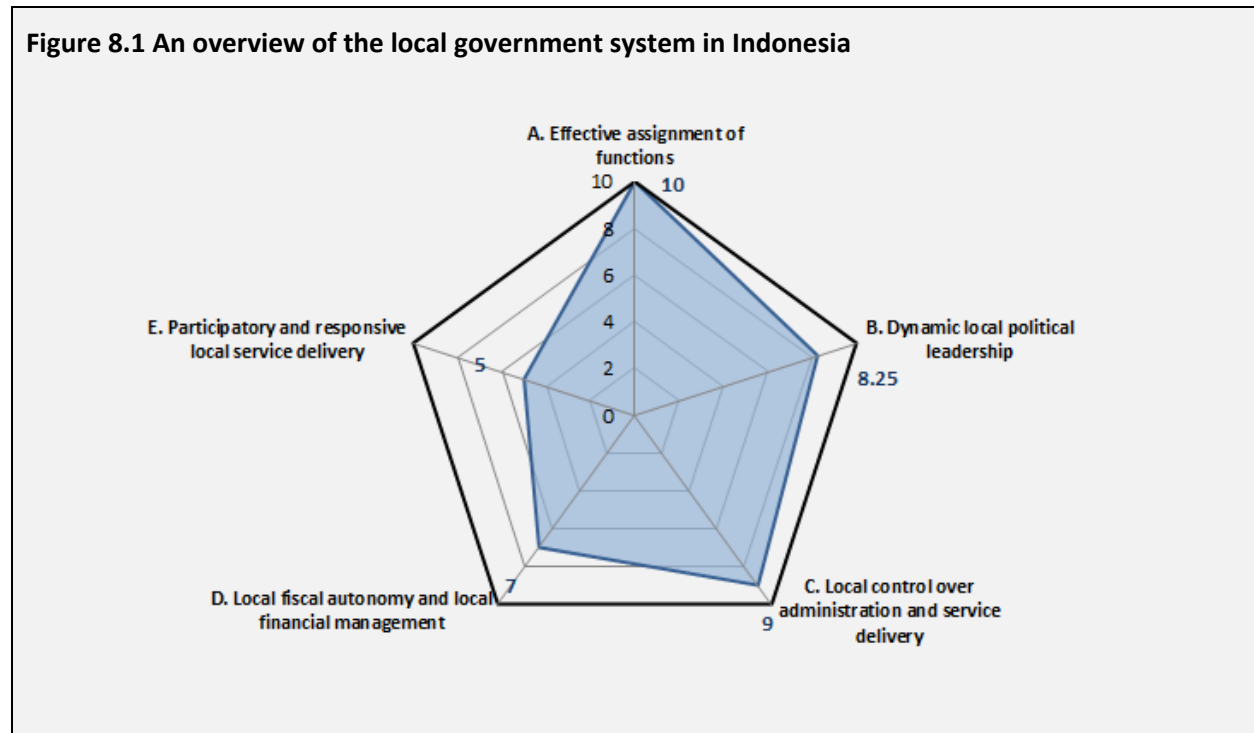
³⁷ In fact, the country’s founding President, Julius Nyerere, expressed regret in 1985 for the earlier abolition of elected local authorities, stating that “[t]here are certain things that I would not do if I were to start again. One of them is the abolition of Local Government.... We had ... useful instruments of participation, and we got rid of them” (Ngware, 1999; as cited in Boex and Martinez-Vazquez, 2004).

8. The Local Governance System in Indonesia

8.1 Overview

Indonesia is among the most well-known examples of decentralization reforms in the world. After over half a century of highly centralized (and mostly, authoritarian) governance, Indonesia switched to a devolved system in 2001. Decentralization was introduced to prevent the disintegration of the state in the middle of a severe economic and governance crisis. The current structure of Indonesia's local government system is defined by the 'Big Bang' decentralization reform that was adopted in 1999 and introduced on January 1, 2001. Whereas up to this point all public services had been delivered in a centralized or deconcentrated manner, in 2001, almost all functions were devolved to elected district-level local governments, covering both *kabupaten* (regencies or districts) and *kota* (cities). These reforms fundamentally changed the source of accountability and responsibility for governance and service delivery across the country.

Since its big bang devolution reforms, Indonesia has developed an increasingly effective local government system. Local governments have considerable responsibility for the delivery of public services and the functions assigned to local governments are in line with the subsidiarity principle. Local governments have considerable political space, local elections are competitive and local politicians are increasingly responsive to their constituents' needs. Local governments have considerable control over local administrative systems, some degree of fiscal discretion, and have moderately effective systems for participation and accountability in place.



8.2 Indonesia's local government system: a brief historical perspective

The current structure of Indonesia's public sector is defined by the 'Big Bang' decentralization reform that was adopted in 1999 and introduced on January 1, 2001. Whereas up to this point all public services had been delivered in a centralized or deconcentrated manner, in 2001, almost all functions were devolved to the district level (*kabupaten/kota*). These reforms fundamentally changed the source of accountability and responsibility for governance and service delivery across the country.

There were numerous forces that drove Indonesia to this “big bang” approach, after having been governed by an autocratic regime since its independence. These factors include the country's structure as a multi-ethnic and multi-cultural island nation, a prevailing distrust in central government due to its corruption, collusion, and nepotism (*Korupsi, Kolusi, dan Nepotisme* or KKN), the resurgence of regional (ethnic and religious) identities that resulted in calls for regional autonomy and even independence in different parts of the country (Aceh and West Papua) (Mietzner, 2013).

Since the big bang in Indonesia, significant progress has been made towards greater democracy and decentralization, although not all vestiges of the previous centralized regime has been fully eliminated. There has been strong public satisfaction with decentralization, while progress on human development indicators and service delivery quality has been relatively moderate since 2001. Regional identities have flourished, while careful electoral engineering and detailed attention to equalization have limited regional calls for further autonomy and independence. While subnational governments now have the authority and responsibility for many public services, they still face constraints in capacity, autonomy, and accountability in fulfilling their duties under the law.

8.3 Indonesia's territorial-administrative governance structure

Indonesia's public sector consists of three main government levels: the central, provincial and district levels. The country is divided into 34 provinces, which in turn are composed of regencies or districts (*kabupaten*) and cities (*kota*). At each of these levels, the political leadership is elected by popular vote every 5 years. Three provinces -Aceh, Papua, and West Papua- have a special status granting them a higher degree of autonomy, whereas Jakarta and Yogyakarta are also recognized as Special Regions.

Kabupaten and kota are further broken down into 6,982 sub-districts (*kecamatan*), which are administrative sub-units of the district level. Below the sub-district level, there are 80,714 rural villages (*desa*) and urban villages (*kelurahan*). *Desa* leaders are elected and have authority over local people in accordance to local traditions whereas *kelurahan* have less power and are comprised of civil servants directly responsible to the head of their *kecamatan*.

Kabupaten/kota governments are semi-autonomous subnational government bodies with their own elected political leadership, elected every 5 years. Whereas local councils have been directly elected since 1999, the local executive (head) of the local government was not directly elected before 2004. Instead, he or she was appointed by the local council. Concerns about indirect political accountability triggered local government electoral reforms toward direct elections under Law No. 32/2004. This reform made the local head more directly accountable to the people by stipulating that (s)he would be directly elected by citizens, and provided a clearer definition of the head's political functioning.

While national electoral legislation prevents the emergence of separatist regional political parties, provincial and local government elections are quite competitive. Local governments have a considerable degree of discretion over their own administration, such as the ability to recruit and appoint core administration and service delivery staff, and the authority to procure their own capital infrastructure. In addition, provincial and kabupaten/kota governments prepare, adopt, and implement their own budgets and control and manage their own bank accounts. While local governments can collect their own revenues, they remain heavily dependent on transfers from the national government.

8.4 The assignment of functional responsibilities in Indonesia

As part of Indonesia's 'big bang' approach to decentralization, the Regional Autonomy Law (Law 22/1999) drastically altered the assignment of functional responsibilities in Indonesia. While the national government retains exclusive jurisdiction over national functions (such as national defense, public order, religion and policy standards), the responsibility for most social and economic services (including basic education and health services) was transferred to the kabupaten/kota level. Provinces mainly function as an intermediate government level, but are also responsible for certain services that are provincial in scale or concern, such as inter-district health referral services.

The Regional Autonomy Law was revised in 2004 (Law 32/2004) and then in 2014 (Law 23/2014) to provide more detailed guidance with regard to functional responsibilities. The current Law assigns responsibility for 24 functions to the local government level, including 6 responsibilities related to basic service delivery and 18 responsibilities not related to basic service delivery.

Table 8.1 Assessment Indicators: Effective assignment of functions to the local level in Indonesia		
A	Assessment Indicator	Score
A1	Do local governments / local executive bodies meet the key definitional criteria of a local government organization?	2 / 2
A2	According to the legal framework, do LGs/LBs have clear responsibility for providing education and health services (in accordance with the subsidiarity principle)?	1 / 1
A3	In practice, are LGs/LBs responsible for the recurrent provision of education and health services (in accordance with the subsidiarity principle)?	1 / 1
A4	In practice, are LGs/LBs responsible for the capital infrastructure required for providing these services (in accordance with the subsidiarity principle)?	1 / 1
A5	According to the legal framework, do LGs/LBs have the clear responsibility for providing municipal/community services (in accordance with the subsidiarity principle)?	1 / 1
A6	In practice, are LGs/LBs responsible for the recurrent provision of municipal /community services (in accordance with the subsidiarity principle)?	1 / 1
A7	In practice, are LGs/LBs responsible for the capital infrastructure required for providing these services (in accordance with the subsidiarity principle)?	1 / 1
A8	Does the <i>de facto</i> assignment of functional authority match <i>de jure</i> responsibility (with regard to the services at hand)?	2 / 2
	Total (Maximum)	10 / 10

8.5 Local political systems in Indonesia

Like the Philippines, decentralization in Indonesia was explicitly pursued to reduce central political capture over local service delivery and in order to encourage democratic pluralism after decades of non-democratic “New Order” regimes fraught with corruption, collusion and nepotism (widely known by the acronym *KKN: korupsi, kolusi, nepotisme*). As such, Indonesia has taken a serious interest in achieving effective local political structures and leadership. During the initial years after the decentralization reforms implemented in 2001, directly elected local legislatures were given general authority and oversight over the consolidated local budget (APBD), while the local executive head was elected by the local council rather than directly by the electorate.

As heads of the local executive, mayors in urban areas and regents in rural areas have significant powers to set the priorities in the budget (including overall levels and types of spending) as well as its execution. It was felt that the “parliamentary system” at the local level resulted in local executives being more beholden to the interests of local politicians and political parties than to the interests of the local electorate. Concerns about indirect political accountability, therefore, triggered a second wave of local government electoral reform toward direct elections under Law No. 32/2004 (Skoufias et al, 2014). As a result, Indonesia switched from a “parliamentary system” to a “presidential system” at the local level starting with a first batch of direct elections in June 2005.

Table 8.2 Assessment Indicators: Local political systems and leadership in Indonesia

A	Assessment Indicator	Maximum Score
B1	Does the local political leadership include elected Local Councils?	2 / 2
B2	Is the Local (political) Executive directly elected?	1 / 1
B3	Are the local election system and local elections competitive?	2 / 2
B4	Have local elections been regularly held over the past 20 years?	0.25 / 1
B5	Does the LG/LB’s political leadership recruit, appoint and hold human resource authority over the core local administration team?	1 / 1
B6	Does the LG/LB’s political leadership recruit, appoint and hold human resource authority over the heads of local service delivery departments (including education and health)?	1 / 1
B7	Do the main stakeholders within the LG/LB have a constructive and cooperative relationship?	0.5 / 1
B8	Is the LG/LB effective in achieving results in the service delivery areas that constituents care about?	0.5 / 1
	Total (Maximum)	8.25 / 10

The Indonesia story recently obtained an interesting twist. The recently-elected president of Indonesia, Joko Widodo (inaugurated in October 2014), was the first directly elected mayor of his hometown, Solo, and subsequently, the elected Governor of Jakarta. As a non-establishment candidate, he defeated former General Prabowo Subianto in the general elections of July 2014. However, following Mr. Widodo’s election, Indonesian parliament (still controlled by establishment parties) scrapped the direct elections for regional governors and mayors in September 2014, arguing that direct elections are too costly and have in many cases led to corruption (BBC, 2014). Widely seen as a blow to Mr. Widodo, the President-elect called the return to a local parliamentary system a “big step back” for democracy.

After a massive public outcry and before his presidential term ended, the former president—Susilo Bambang Yudhoyono—issued a decree to override Parliament’s decision, saying that he wanted to “save the people’s sovereignty and democracy”. In January 2015, Parliament voted unanimously to uphold the decree. As a result, local elections are now mandated under Indonesian law and polls in more than 200 places will be organized this year (Jakarta Post, 2015).

8.6 Local control over administration and service delivery in Indonesia

Although local governance systems have traditionally been divided along the lines of “deconcentration versus devolution”, this division is clearly not black and white: the comparative country cases suggest that not all devolved local government systems have extensive local government control over local administration and service delivery either. Out of the three countries with devolved local governments, only local governments in *Indonesia* have relatively extensive control over their own administration and local service delivery decisions. As such, local government staff in Indonesia are legally employed and promoted by (and receive their salary from) the local government; the local government determines its own organizational structure and staff establishment; the local government appoints the heads of the local service delivery departments; and the local government approves its own budget (which includes the resources required for delivering key services).

C	Assessment Indicator	Maximum Score
C1	Does the LG/LB’s political leadership appoint its own core executive team, including core local administrators and the heads of the local service delivery departments?	2 / 2
C2	Does the LG/LB’s political leadership approve its own budget (including the budgets of the local service delivery departments)?	2 / 2
C3	Does the LG/LB determine its own (core) organizational structure and staff establishment?	1 / 1
C4	Does the LG/LB determine the organizational structure and staff establishment of the local service delivery departments (including education and health)?	1 / 1
C5	Does the LG/LB have control over its (core) human resource decisions?	0 / 1
C6	Does the LG/LB have control over the human resource decisions of the local service delivery departments (including education and health)?	1 / 1
C7	Does the LG/LB plan and manage the procurement of capital infrastructure and development activities required for core local functions, including local administration and municipal/community services?	1 / 1
C8	Does the LG/LB plan and manage the procurement of capital infrastructure and development activities required for local education and health services?	1 / 1
	Total (Maximum)	9 / 10

8.7 Local fiscal autonomy and local PFM in Indonesia

Similarly, Indonesia’s decentralization reforms have been successful not only in achieving a *de jure* reassignment of functions and responsibilities to the local level, but by matching the legal transfer of functions with the *de facto* transfer of functions by reallocating the resources needed to deliver services to the local government level. In 2012, about half (48.3%) of public sector expenditures in Indonesia

take place within the local public sector. Just under one-third (29.1%) of total public expenditures take place at the local government (kabupaten/kota) level while another 9.5% of public expenditures are made at the provincial level. This reflects the highly devolved functional responsibilities assigned to local government. In addition to these provincial and local expenditures, 9.7% of total public expenditures are made by central government ministries for public services that are delivered at the local level. The national government retains 51.7% of public sector resources for national functions and activities that fall outside the local public sector.

The high level of decentralization in Indonesia also translates into an above-average degree of localization of health and education expenditures. In the health sector, 81% of sectoral expenditures are made within the local public sector, whereas 88 % of education expenditures are spent at the local level. In both sectors, the vast majority of these expenditures represent devolved expenditures made by local governments. Centrally-controlled localized spending only represents a relatively small share of sectoral expenditures in the health sector (12%), while centrally-controlled funding for higher education causes the corresponding percentage to be larger in the education sector (24.4%).

Despite the high degree of devolved spending in Indonesia, the central government continues to play an important role in funding public services at the provincial and local levels. The majority of local government funding comes in the form of intergovernmental fiscal transfers. In 2014, intergovernmental transfer counts for 63.5% of total revenue, with 59.9% of local government funds being contributed by the central government in the form of general purpose transfers (revenue sharing and equalization grants, known as the DAU). In addition, 4.2% of local government finances are provided by the central government in the form of earmarked transfers (including capital grants, known as the DAK). Revenues from property taxes, income taxes and natural resource revenues are shared between the central and local level on a derivation basis. Own source revenues account for 22.8% of funds at the local government level.

Table 8.4 Assessment Indicators: Local fiscal autonomy and local financial management in Indonesia		
D	Assessment Indicator	Score
D1	Do LGs/LBs have an orderly annual budget process?	2 / 2
D2	Are LGs'/LBs' expenditure out-turns consistent with the original approved budget?	0.5 / 1
D3	What is the quality and timeliness of annual financial statements?	0.5 / 1
D4	Are LGs/LBs free to define their own local revenue instruments (e.g., specify user fees, adopt new revenue instruments, or modify existing local revenue instruments)?	1 / 1
D5	Do LGs/LBs have the right to set the tax base or tax rate for all local revenue instruments?	0.5 / 1
D6	Do LGs/LBs effectively and equitably collect property tax revenues?	0.5 / 1
D7	Do LGs/LBs have access to credit from public or private financial institutions (or bonds) to fund local capital infrastructure expenses?	0 / 1
D8	Do LGs/LBs receive (conditional or unconditional) grants/transfers from a higher level government to support local administration and to provide general local public services?	1 / 1
D9	Do LGs/LBs receive formula-based grants/transfers from the higher level government in a complete and timely manner, without unnecessary administrative impediments?	1 / 1
	Total (Maximum)	7 / 10

8.8 Local participation and accountability in Indonesia

Finally, Indonesia’s experience with local participation and accountability seem to suggest that even in countries with relatively devolved local governments, local government officials do not necessarily spontaneously embrace greater participation and transparency. In a recent study, the International Budget Partnership found considerable limits to the scope for local participation in the various stages of planning, budget formulation and implementation in Indonesia as part of a recent comparison of subnational transparency in Brazil, Indonesia and Tanzania (IBP, 2013). For a sample of local governments studied in Indonesia, the mean level of local budget transparency was 24%, with individual local government scores ranging from 3% to 51% (IBP, 2013: 20). Likewise, information about local service delivery standards and mechanisms to register complaints about local services were found to be weak in Indonesia (27%), while participatory mechanisms at the local level received an average score of 47%. Urban local governments were found to be decidedly more participatory and transparent than rural local governments.

E	Assessment Indicator	Score
E1	Do affordable national (or “minimum”) service delivery standards exist (including in education and health) to guide local service delivery?	1 / 2
E2	Are local performance frameworks in place and being applied for local services? (E.g., Citizen Service Charter?)	1 / 1
E3	Are local budgets and finances managed in a participatory and transparent manner?	1 / 2
E4	Do local services / local service delivery facilities (in education, health and solid waste) have their own effective participatory planning / social accountability / oversight mechanisms?	0 / 1
E5	Do LG/ local councils monitor the performance of local service delivery departments?	0.5 / 1
E6	Do LGs/LBs (separate from the SDDs) have an effective mechanism in place to receive and resolve complaints about local services?	0.5 / 1
E7	Do service delivery facilities (in education and health) have a degree of administrative or managerial discretion?	1 / 2
	Total (Maximum)	5 / 10

8.9 Lessons/Implications

Indonesia’s overall assessment scores are summarized in Table 8.6. The table reflects a high degree of decentralization overall, although the country scores higher on some dimensions—functional assignment, political decentralization and local control over administrative matters—than other dimensions. Relative to other countries being studied, the high degree of decentralization of administrative authority to the local level stands out in particular.

A	Effective assignment of functions	10 / 10
B	Dynamic local political leadership	8.25 / 10
C	Local control over administration and service delivery	9 / 10
D	Local fiscal autonomy and local financial management	7 / 10
E	Participatory and responsive local service delivery	5 / 10
	Total (Maximum)	39.25 / 50

Indonesia's experiences contain some important lessons for other countries that wish to undergo the decentralization reform. For instance, it should be noted that Indonesia decided not to decentralize to the provincial level (previously the highest deconcentrated level), which would arguably have been easier to do. Instead, consistent with the subsidiarity principle, Indonesia opted to decentralize to the district level. This choice, however, was based on political considerations more than on technical factors: not only was decentralization closer to the people expected to be more popular and responsive, but decentralization to the provincial level was also considered to be politically risky, as this might fuel secessionist tendencies.

In fact, decentralization to the district level succeeded despite major concerns at the outset about the lack of capacity at the local level. Doomsday predictions that local public servants—once transferred from central to local authority—would abandon their posts and that public services would collapse never materialized. Two underlying elements of the success of the “big bang” transition may have been that (i) before devolution, the district level was already comprised of effectively deconcentrated territorial jurisdictions, and (ii) the timid degree with which powers over the public service (i.e., local human resource management) were initially transferred to local governments limited the true scope of the reforms. Another important factor in the success of Indonesia's decentralization reforms has been the continuous attention paid to the effectiveness of local political systems which ensured that locally elected officials would indeed be responsive to the needs of their constituents rather than to the national political leadership. This has resulted in voters having considerably greater trust in local government officials and politicians than in central-level politicians (Mietzner, 2013).

9. A comparative analysis of local government systems

What can we learn from applying the LoGICA framework to six developing countries, both about the state of local governance systems in these countries, as well as about the value of the assessment instrument overall?

9.1 A comparative analysis of local governance systems in these countries

The six countries highlighted in this study should be seen to give a sample of international practices and experiences—some good, some not so good—with regard to decentralization and local governance. In any case, each of these countries has dealt with—or is dealing with—many of the social, economic and political pressures that any country has to deal with as it considers the vertical organization of its public sector; as it seeks to effectively localize public services; and as it seeks to create an inclusive and responsive public sector.

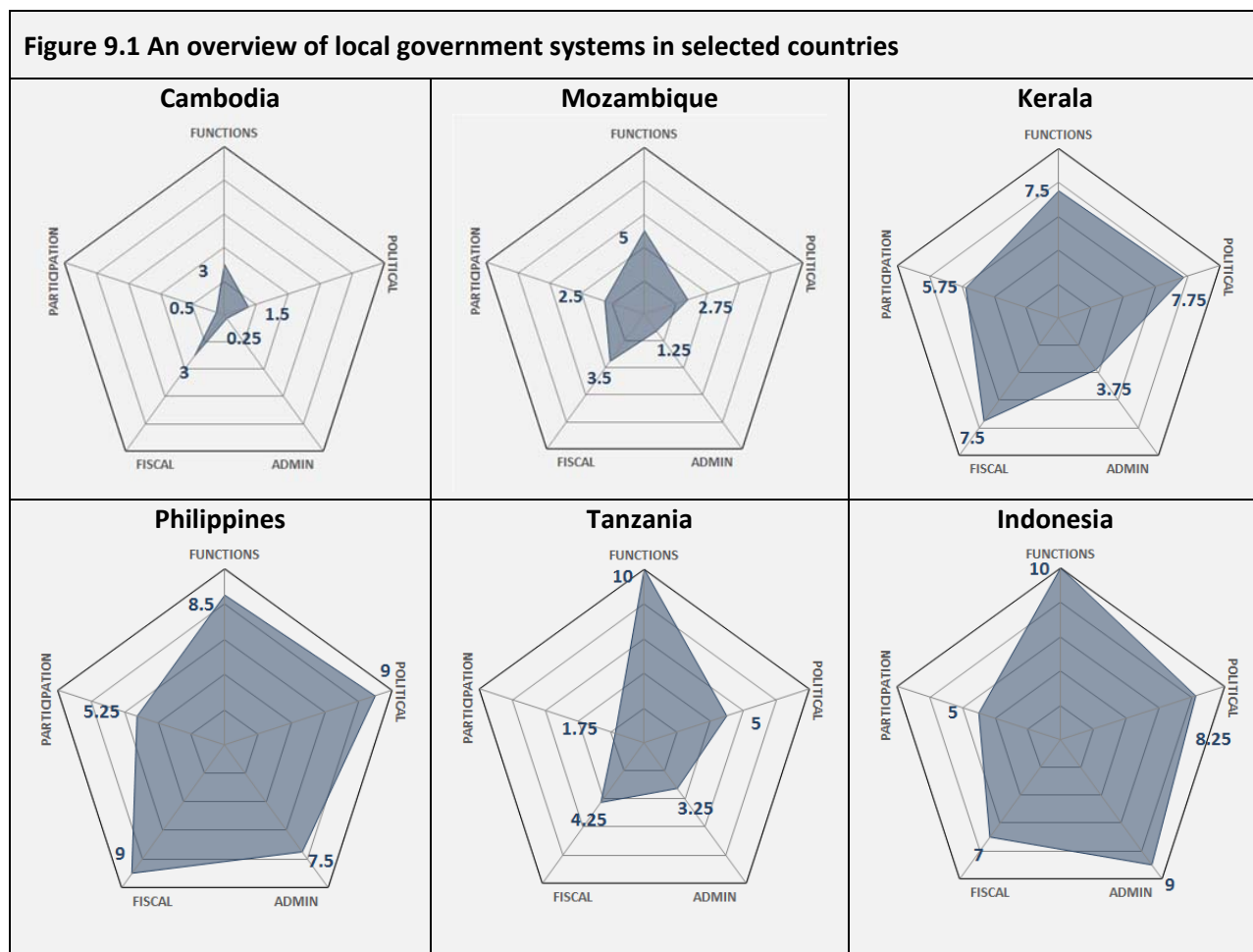
Table 9.1 confirms that there is indeed considerable variation among local government systems within the sample, with highest LoGICA Index value (Indonesia: 39.25) being close to five times larger than the lowest (Cambodia: 8.25). Other countries fall at different points in between, with no country in the sample scoring close to the absolute minimum (0) or maximum (50) of the LoGICA Index range.³⁸

Table 9.1: An overview of LoGICA scores in selected countries

	LoGICA Index	A. Functional Assignment	B. Local political leadership	C. Local administrative control	D. Local fiscal autonomy and PFM	E. Participation and responsive services
Maximum	50.00	10.00	10.00	10.00	10.00	10.00
Cambodia	8.25	3.00	1.50	0.25	3.00	0.50
Mozambique	15.00	5.00	2.75	1.25	3.50	2.50
India (Kerala)	32.25	7.50	7.75	3.75	7.50	5.75
Philippines	39.25	8.50	9.00	7.50	9.00	5.25
Tanzania	26.00	10.0	5.00	3.25	4.75	3.00
Indonesia	39.25	10.0	8.25	9.00	7.00	5.00
Average	26.67	7.33	5.71	4.17	5.79	3.67

³⁸ It bears repeating that whereas lower scores on the different institutional dimensions generally reflect less effective and less inclusive institutional arrangements at the local level, the effective localization of public functions may be achieved differently in different countries. While the assessment indicators included in the LoGICA framework are general indicators or “pointers” of more effective local governance institutions and practices, the impact of specific institutions or practices on the effectiveness of the local governance system as a whole can vary from country to country. Interpreting the results of a LoGICA Score Card should recognize that higher scores are not reflective of more effective local governance systems and that local governance systems defy “one-size-fits-all” prescriptions.

It is worth noting that there seems to be a rough correlation between degree of decentralization in the sample countries and the various countries' income levels (GDP). However, this does not necessarily reflect a direct relationship between GDP and decentralization. In fact, the countries which have the most decentralized local governance systems all underwent a degree of political transformation that committed the country to a more decentralized structure. In the case of India, the push for state-level decentralization was driven by the adoption of the 73rd and 74th Constitutional Amendment in 1993 (which in Kerala, combined with the return to power of the Communist Party which instituted the "People's Campaign for Decentralized Planning"). In the Philippines and Indonesia, the political transformation that brought about a more decentralized local governance structure was driven by the removal of power of authoritarian regimes and a strong push for democratization and the diffusion of central power. It is possible, however, that such political transformations (from limited access orders to open access orders) are more likely to occur as the income level rises (North, Wallis, and Weingast, 2009; Collier, 2009).



A visual overview of the high-level indicator scores for each institutional dimension of the local government systems in the comparative cases is presented in Figure 9.1, which makes it easy to spot

how the different dimensions of the local governance system in each country relate to each other. Table 9.1—together with Figures 9.1—highlights a number of issues and tendencies with respect to the local government systems in the selected comparative cases.

First, most of the “real-world” local governance institutional patterns look quite similar to top-row in Figure 1.5, which displays a “hypothesized” balanced decentralization pattern among local governance systems. Although a higher score on one local governance dimension does not automatically mean that a country will perform better on all other dimensions, it tends to be—with Tanzania being a clear exception—that the different dimensions of local government systems “move together”. This results in the figures for different countries in Figure 9.1 having the appearance of a set of expanding, concentric—albeit not fully symmetric—pentagons.

Second, we should note that there are some consistent patterns among the different country cases. For instance, in most countries, the degree of local political empowerment seems to exceed the scores received on other dimensions. In contrast, local administrative control as well as participation and accountability seem to be the weakest dimensions in most local government systems. As noted further below, it is not clear *a priori* whether this is due to a weakness in the assessment instrument, or this may be a reflection of the actual situation on the ground in different countries.

Third, although there is a degree of balance in most of the local governance patterns analyzed, we should note that the local governance systems are not fully symmetric. Indeed, the local governance institutional patterns reflect specific policy decisions that were made in each of the countries. For instance, Kerala’s focus on participatory processes has translated into it having the highest score on the participation and accountability dimension, whereas Indonesia’s desire to limit the opportunity for central government to achieve rent-seeking by meddling in local administrative affairs is recognized by its local governance system having the highest dimension score for decentralized administrative authority.

Our sample size is too small to conclude anything authoritatively about the Easton-Schroeder hypothesis which—as discussed in Section 1.3—argues that local governance systems evolve in an asymmetric manner because national governments face incentives to agree to decentralization in one or two dimensions while preserving centralist practices and/or national government prerogatives in other dimensions. Nonetheless, the observed patterns appear to partially support the hypothesis: while major political forces seem to drive the overall local governance reform trends—driving the pentagons in the figures outward—a viable explanation for the country-specific asymmetries and variations between institutional dimensions is that they are caused by political and institutional resistance that is associated with political-economy driven central-level opposition to decentralization reforms.

In most countries, we can point to one or more dimensions where decentralization reforms are arguably lagging due to central political sensitivities. For instance, although Kerala made considerable progress in many aspects of decentralization, the state has steered clear from devolving power of local human resources (including not only local teachers and health workers, but also over local administrative staff) to local governments. The considerable limit on the degree of control by local governance bodies over local administration is visibly less than the authority and discretion that local governments in Kerala have over other aspects of decentralized local governance (i.e., functional responsibility, political decentralization, fiscal decentralization and participation). This has resulted in a hybrid

(devolved/deconcentrated) local governance structure, with Kerala’s decentralization pattern most closely resembled a “Type D” (deconcentrated) local governance structure. In contrast, Tanzania most closely resembles a “DINO” local governance structure (decentralization in name only), in which local governments face a highly decentralized assignment of functions, but with weak local political, administrative, fiscal and participatory mechanisms. While Indonesia has made great progress on devolution of functions, and the political, administrative and fiscal aspects of devolution, one might wonder whether the relative weakness of local participation and accountability mechanisms is potentially politically driven.

9.2 Potential shortcomings of the framework

Although the assessment instrument generally performs its function well, there are issues that may require further attention or fine-tuning in the future. Because little is known with certainty—especially in non-devolved countries—about the determinants of effective local governance systems, the relative weighting of questions in the LoGICA framework is rudimentary. This is an area that may potentially be improved upon when further evidence becomes available about the institutional features that drive effective local governance systems.

Similarly, we may find that the current composition of the LoGICA framework does a better job capturing some aspects or dimensions of local governance systems, while other dimensions of local governance are harder to measure on a scoring scale. For instance, whereas there is more agreement as to what aspects of a political decentralization are important (and how they can be measured more or less objectively), other dimension of the local governance system may be captured less effectively by the current instrument, thus resulting in a lower dimension score. For instance, in our small sample of countries, the scores for local participation and accountability are generally quite low when compared to the other dimension scores. As a result, it is unclear at this stage whether the questions the framework poses in this dimensions are relevant (i.e., whether the practices being asked about are indeed ingredients in a more effective local governance system), or whether the scoring standards are set too high. Alternatively, it may be the case that it is simply harder to objectively measure this aspect of local governance than other (arguably more established) areas of local governance. Finally, it is also possible that for the countries contained in our sample, local participation and accountability simply was not an immediate (political or technical) priority.

9.3 Lessons about the value of LoGICA as a comparative analysis tool

A final point of discussion is whether the LoGICA Framework provides a useful comparative tool for analyzing local governance systems. We repeat the same caveat noted earlier: care should be taken to judge the LoGICA framework based on its application to only six countries. Final judgement should be reserved until the framework has been applied to a much larger number (and variety) of local governance systems.

The results from the initial application of the assessment tool—as summarized in Table 9.1 and Figure 9.1—do suggests that the comparative country cases show a considerable degree of variation between countries in terms of their local governance systems. The initial assessments demonstrate that the instrument can be applied successfully to deconcentrated as well as devolved countries, thereby

clearing an important hurdle vis-à-vis previous instruments which typically were designed (either implicitly or explicitly) to exclusively assess non-devolved local *government* systems.

Furthermore, consistent with expectations, the country systems that predominantly rely on more centralized or deconcentrated governance structures tend to show less local-level discretion and accountability than devolved countries. At the same time, however, the assessment framework also reveals variation in scores among countries that are predominantly deconcentrated as well as among countries that are predominantly devolved. The scores even suggest that local bodies in a weakly devolved country such as Tanzania may in fact have less discretion and accountability when compared to a hybrid system such as the local government system in Kerala, where the recurrent provision of public services such as education and health care is provided largely through deconcentrated means.

As such, it would be fair to say that the LoGICA framework has passed its initial “smell test”. Collectively, the six country cases presented in the paper provide a useful comparative basis for any country to conduct an assessment of this own local governance system using the LoGICA framework, and allows other countries to start placing their own local governance system within a comparative international context. As such, the comparative framework bring together international experiences in a way that allows countries to emulate successful reform experiences from other countries while avoiding other countries’ pitfalls, as appropriately modified for their own context.

A more rigorous future evaluation of the performance of the LoGICA framework may be conducted when a larger number of local governance systems have been assessed. This would allow a more systematic and objective evaluation of the tool’s results, for instance, by comparing the LoGICA scores with the scores from previous attempts to capture local governance systems in a quantitative manner, for instance, by Ivanyna and Shah (2012) or the Participatory Local Democracy Index developed by The Hunger Project (2013; 2014).

Of course, we should remind ourselves that not too much should be made of the LoGICA Index by itself: given the multi-dimensional nature of local governance institutions, it is not terribly meaningful to represent the local governance system in a single score. Furthermore, a higher index score does not necessarily mean a better local governance system *per se*, as different dimensions of the institutional framework interact to make the local governance system more or less effective. Instead, the interpretation of the LoGICA results –and the evaluation of any country system—should be more holistic, and look at the different dimensions of the local governance system, and from there, drill down to the individual assessment indicators in order to achieve a more complete understanding of the local governance system as a whole. As such, the LoGICA framework is mostly useful as an entry-point into the analysis of local governance systems, which allows for a more granular discussion of a system’s strengths and weaknesses.

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