



DECENTRALIZATION, MULTILEVEL GOVERNANCE, AND THE LOCAL PUBLIC SECTOR: **A GLOSSARY**

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LOCAL PUBLIC SECTOR ALLIANCE

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Decentralization, Multilevel Governance, and the Local Public Sector: A Glossary

Preface

The Local Public Sector Alliance (LPSA) seeks to promote inclusive, equitable societies and sustainable global development by enhancing the understanding of decentralization and localization as complex, cross-cutting and multi-stakeholder reforms.

LPSA seeks to elevate the global debate on public sector decentralization and localization, by advancing the state of knowledge on decentralization and localization; by ensuring a more informed, interconnected global Community of Practice, where knowledge sharing takes place across countries, disciplines, institutions and sectors; and by engaging in convening, outreach and field building to achieve a larger, better-informed, and more empowered global Community of Practice, with country-level champions well-positioned to champion decentralization and localization reforms.

As a global professional network promoting inclusive local governance and sustainable localized development—as part of effective multilevel governance systems—around the world, LPSA recognizes the importance of stakeholders having a common vocabulary when discussing issues related to decentralization, multilevel governance, and the local public sector. The need for a shared understanding of concepts and definitions is particularly pertinent given the global diversity and multidisciplinary nature of the global Community of Practice working on different aspects of decentralization and localization.

Unfortunately, there is currently no set of decentralization definitions that is universally recognized as authoritative across the different disciplines that contribute to the literature on decentralization and multilevel governance, including—but not limited to—law, public administration, political science, and economics. In the absence of an authoritative global definitional framework, different global institutions and different scholars have defined key decentralization terms differently or—when convenient—haven simply chosen to omit a precise definition. In other cases, definitions are provided, but are inconsistently applied. As a result, policy makers, scholars, and even legislation in different countries may attach slightly different meanings to a specific decentralization term. Furthermore, it is not unusual for a term to be assigned a more precise technical definition compared to the meaning of the term in common parlance. All of these factors contribute to potential confusion when having a dialogue among global stakeholders on issues related to decentralization, multilevel governance and the local public sector.

With the intent to move towards global consensus on a comprehensive and consistent set of definitions related to decentralization, multilevel governance, and local public sector, this document offers a glossary of key decentralization definitions and concepts. Many of the core definitions included in this glossary are based on the work of Professor Dennis Rondinelli, who—as a leading scholar-practitioner in the field, along with colleagues—articulated a set of coherent definitions in

the 1980s and 1990s that have become—over the past four decades—recognized by many as offering the *de facto* consensus definitions of key decentralization concepts (e.g., Rondinelli 1981; 1986; 1999; Rondinelli, Nellis and Cheema 1983).

In other cases, the glossary builds on definitions formally agreed by multilateral organizations, including the International Monetary Fund, World Bank, United Nations and OECD (e.g., System of National Accounts 2008). In yet other cases, the glossary builds on definitions offered by the Local Public Sector Alliance (and its precursor, the Local Public Sector Initiative) over the past decade.

The glossary aims to provide definitions that are concise, clear, and precise. When possible, each definition identifies the class of objects or concepts that the term belongs to, in addition to identifying the distinguishing characteristics that differentiate the term from others in its class. In formulating the definitions, consideration was given to the desire to arrive at definitions that are not just academically accurate, but operationally relevant.

In addition to offering the definitions themselves, this document also offers background to the definitions through extensive clarifying notes. Where necessary, these clarifying notes point out when terms have been used in different meanings, especially when such alternate meanings diverge from (or are inconsistent with) the meanings ascribed to them in the prevailing literature.

More in-depth discussions of the concepts and principles of decentralization, multi-level governance, and intergovernmental relations are contained in *Decentralization, Multi-Level Governance, and Intergovernmental Relations: A Primer* (Boex, Williamson and Yilmaz 2022).

Contributions and suggestions by numerous authors and reviewers are gratefully acknowledged.

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Core decentralization definitions

Decentralization

Short definition:

Decentralization is the transfer of authority, responsibility, and/or resources for public functions from the central government to subordinate governments or quasi-independent government organizations.

Long definition:

Decentralization is a public sector reform that involves the transfer of authority and responsibility for planning, management, service provision, resource-raising, resource allocation and/or other aspects of one or more public sector functions from a central (or higher-level) government and its agencies to (a) field units of central government ministries or agencies, (b) subordinate units or levels of government, and/or (c) semi-autonomous public authorities, public corporations, or nongovernmental organizations.

Clarifying notes:

These two ‘traditional’ definitions of decentralization noted above are closely based on definitions authored by Professor Dennis Rondinelli (1981; 1983; 1986; 1999). Although the precise definitions provided by Professor Rondinelli evolved over time,¹ his writings have provided the most consistent and most commonly-used set of definitions describing decentralization processes over the past forty years.

Professor Roy Bahl (2008) offered, by way of a (complementary) working definition, that decentralization entails “the empowerment of people by the empowerment of their local governments.” This formulation was slightly generalized by Boex and Yilmaz (2010) to suggest that “decentralization is the empowerment of people through the empowerment of the local public sector.”

It should be noted that there are slight variations among the different definitions that Professor Rondinelli used over the years: some are shorter, some are longer. Although decentralization can only be accomplished through the assignment or transfer of authority (or power) alongside the transfer of responsibility, some definitions omit the reference to authority. Likewise, for public sector authority and responsibility to be exercised by a subnational entity, there is generally a need to transfer a concomitant level of (and/or control over) public sector resources.

¹ In fact, Rondinelli (1999:2) himself noted that “[p]recise definitions are less important than ensuring a comprehensive approach.”

The term “subordinate government organizations” (in the shorter definition) may refer to subnational government levels or units that are subordinate either from a governance perspective, in a territorial sense, or both.

There is a clear link between shorter and longer versions of the definition, as the longer version of the definition clarifies what constitutes “subordinate or quasi-independent government organizations” in a way that provides a steppingstone for understanding different classes or types of decentralization (deconcentration, delegation, and devolution). Decentralization can further be divided into three main dimensions based on the nature of power or authority that is transferred (political decentralization, fiscal decentralization, and administrative decentralization).

Some of the versions of Professor Rondinelli’s definition also include references to the transfer of authority and responsibility for public functions from the central government to the private sector (i.e., privatization or “market decentralization”). While this made sense in the era after the dissolution of the Soviet Union and the Warsaw Pact, privatization of public sector functions is typically no longer thought of as falling within the scope of decentralization reforms.

Whereas the term ‘decentralization’ was used extensively in public sector reform circles in the last two decades of the 20th century, some (largely outside the immediate Community of Practice on decentralization and localization) started ascribing a somewhat negative connotation to the term in the late 1990s and early 2000s. One potential concern with the use of term is that it appears to hold an implicit bias that a more decentralized multilevel governance structure is preferred compared to a more centralized public sector arrangement. Increasingly, the term “multi-level governance” is used—in conjunction with, or separately from the term “decentralization”—as a more accurate and neutral term when describing reforms to a country’s intergovernmental arrangements (e.g., OECD 2019).

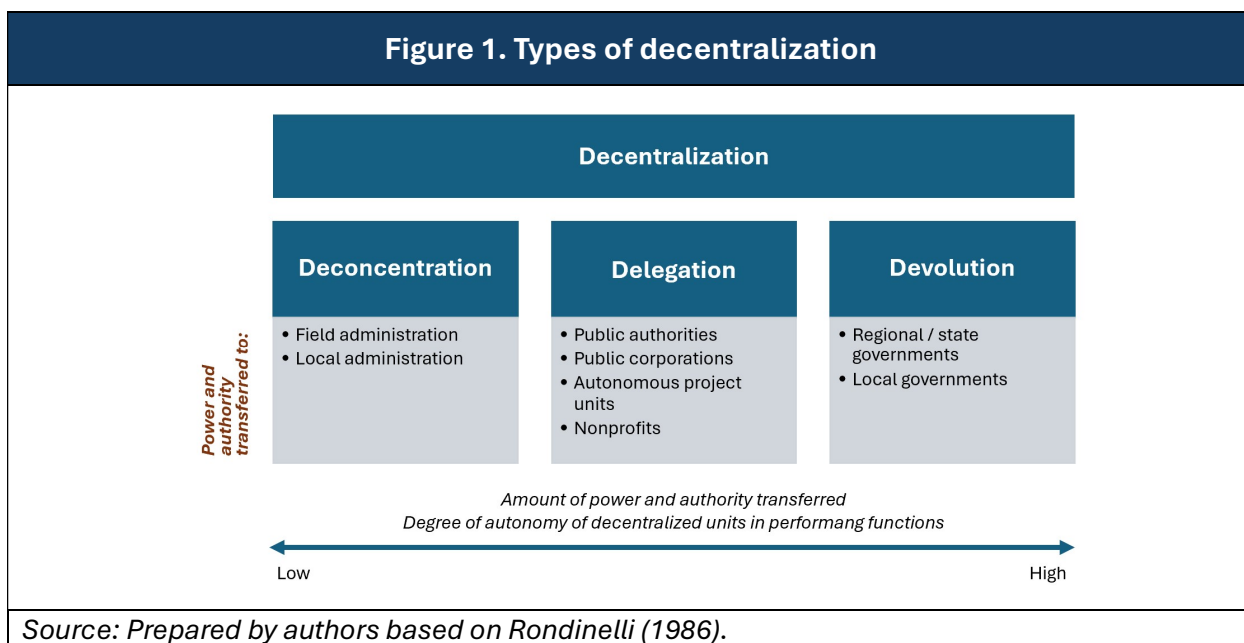
Whether as a noun (“decentralization”), verb (“to decentralize”), or adjective (e.g., “a decentralized public sector”), the definition(s) of decentralization above describe a public sector reform process or spectrum of policy choices made with respect to the organization of the public sector. Decentralization should be understood as a spectrum of policy choices, rather than as an absolute (or binary) public sector structure.

None of the definitions of decentralization should be understood to imply a value judgement as to the desirability of either greater centralization or greater decentralization, or any specific model of decentralization, in any specific country at any specific point in time.

Types of decentralization

The longer version of Rondinelli’s definition of decentralization provides a steppingstone for connecting the overarching term “decentralization” to different the three main institutional forms, classes, or “types” of decentralization (i.e., deconcentration, delegation, and devolution).

While these different types of decentralization provide progressively more decentralized approaches to organizing the public sector, in Rondinelli’s framework, the defining feature of these different types of decentralization is not necessarily the degree of autonomy itself, but rather, the institutional nature of the recipient of the responsibility or authority.



The three main types of decentralization are sometimes referred to as different types of “administrative decentralization” (including by Rondinelli himself) rather than referring to these types as different *institutional* or *organizational* types of decentralization (or simply, “types of decentralization” as done here). Unfortunately, using the term “administrative decentralization” in this context causes confusion, as the term would have a different meaning here from the current consensus understanding of the meaning of the term administrative decentralization (as highlighted later in the glossary). Therefore, these types of decentralization are more accurately understood as different “types of decentralization” (without adding the term “administrative”) or different types of decentralized institutional arrangements, thereby not unnecessarily convoluting the term “administrative decentralization”.

Deconcentration

Deconcentration is [a type of decentralization reform that involves] the transfer of authority and responsibility for public functions from central government officials in the capital to subnational (field) units of the central government (i.e., central government officials that are located outside the capital).

Clarifying notes:

Although deconcentration causes government services to be provided by (deconcentrated) subnational administrative units, these subnational administrative units—including their officers and staff—continue to be part and parcel of the central government’s administrative apparatus. As a result, under deconcentration, although (some) operational decision-making responsibility may be transferred to central government officials located outside the capital (at regional, local or facility level), ultimately all political, administrative, and fiscal decision-making authority remains within the central government.

Deconcentration may include the transfer of authority and responsibility over the allocation and/or management over the budgetary resources required to perform public sector functions. This may be referred to as budget deconcentration (sa distont from administrative deconcentration).

Under budget deconcentration, the budgets and finances of deconcentrated administrative units continue to be part and parcel of the central government’s budget and treasury systems. Under effective budget deconcentration, the budgets of subnational administration units become a visible part of the central government’s budget document (e.g., as subnational administration budget votes, or as subnational department subvotes of central government ministries, departments or agencies).

While deconcentration does not require the establishment of elected subnational bodies, many countries that rely on a deconcentrated public sector structure have established elected subnational bodies for the purpose of enhancing public participation at a subnational level and for ensuring oversight over (central) government activities within subnational jurisdictions. Care should be taken not to assume that the presence of elected subnational bodies equates to a devolved public sector structure.

Delegation

Delegation is [a type of decentralization reform that involves] the transfer of authority and responsibility for public functions (along with associated resources) from the central government to semi-autonomous public authorities, public corporations, or community-based organizations.

Clarifying notes:

Delegation involves a process of shifting responsibilities for the provision of certain public services or other public sector functions from the central government (or a higher-level government) to entities that are not wholly controlled by the central government, but that are ultimately fully accountable to it.

Entities that are not wholly controlled by the central government, but that are ultimately fully accountable to it may include (i) semi-autonomous public authorities or public corporations, (ii) areawide, regional or functional authorities, or (iii) nongovernmental private or voluntary organizations.

The technical definition of the term ‘delegation’ differs in a nuanced manner from the typical ‘dictionary definition’, where the process of delegation often implies one entity or authority instructing another authority to exercise its powers in its place, or a case in which one entity person (the delegator) instructs or orders another (the delegate) to perform or undertake to provide a service.

In common parlance (i.e., when the term ‘delegation is used in a non-technical manner), the term ‘delegation’ may be applied to the transfer of a service delivery function or responsibility from the central government to a subnational government (e.g., “This function is delegated to the local government level”). However, as defined above, the meaning of the term ‘delegation’ is slightly narrower, based on the nature of the recipient institution. Based on the technical definition above, it would be incorrect to say that a function is “delegated” to a local government (since, as noted below, the appropriate terms for the transfer of authority and responsibility where the recipient is a subnational government is “devolution”).

It is possible for non-profit organizations to provide goods and services to individual households without the intervention of the public sector (see SNA 2008). To the extent that central governments may rely on community-based or non-governmental organizations to deliver public services on its behalf (with a degree of discretion beyond what may typically be granted to a contractor, but where ultimately the organization is ultimately fully accountable to the central government), this arrangement is generally considered one of delegation.

Devolution

Devolution is [a type of decentralization reform that involves] the transfer of authority and responsibility for public functions to subordinate (regional or local) government units or levels of government.

Clarifying notes:

Devolution involves the process of transferring authority and responsibility for the provision of certain public services and/or other public sector functions (along with access to the resources required to fulfill those functions) to subnational government units that operate at the regional and/or local government level.

The term ‘devolution’ originates from the Latin verb devolvere (to “roll down”). Its first use in English, in the sense of “transference by default”, is said to date to the late 15th century.

Whereas the English language has a word for ‘devolution’ (as distinct from the more general term for decentralization), this is not the case in many other languages. For instance, neither French nor Arabic have a separate word for ‘devolution’. In French, the concept of devolution is referred to simply as ‘décentralisation’, which is the same term that is also applied more generally to other forms of decentralization.

One important conceptual issue that is not clarified by the prevailing definition of devolution is under what conditions a subnational governance institution is understood to constitute a regional or local government unit. This issue is discussed later in this document.

Dimensions of decentralization

In addition to considering different types of decentralization based on the institutional nature of the recipient of decentralized responsibility, authority, or resources, decentralization can further be divided into three main dimensions based on the nature of power or authority that is transferred: political decentralization, fiscal decentralization, and administrative decentralization. Sometimes sectoral decentralization is recognized as a separate dimension of decentralization.

To some extent, the analysis and consideration of the different dimensions of decentralization has taken place along the lines of their related academic disciplines: political science, public administration, and public economics (or public finance).

Drawing on the separate sets of literature on the three topics of fiscal, administrative, and political decentralization, Yilmaz, Beris and Serrano-Berthet (2008) developed an analytical framework for studying the accountability implications of decentralization reform across political, administrative and fiscal dimensions. and

Political decentralization

Political decentralization is [the reform of multilevel political systems that involve] the transfer of political (decision-making) authority and responsibility from the central government to subordinate or quasi-independent government organizations.

Clarifying notes:

Political decentralization transfers political authority to the local public sector, typically through the establishment and empowerment of elected regional or local governance institutions (Yilmaz, Beris, and Serrano-Berthet 2008). Political decentralization allows citizens to manifest their preferences by electing candidates closest to their preferences and political decentralization allows the elected candidates to reflect these preferences in the decision-making processes. As such, political decentralization is the primary mechanism through which citizens can hold their local officials accountable in a devolved public sector if the actions of local politicians or local administrators deviate from the priority of the community.

The political dimension of decentralization further defines electoral rules and norms of interaction among elected local councilors, local executives and local bureaucracy, which determines the degree of oversight of the elected officials over local executives. Local political processes may also allow the citizens to directly intervene in local decision-making processes through various instruments, such as direct legislation, referenda, and so on.

Although deconcentrated countries may have local political structures which may provide citizens with a channel for formal or informal participation and oversight over the local public sector, the empowerment that results from political decentralization pertains most obviously to devolved countries, where the authority of local government jurisdictions is explicitly vested in an elected local government political leadership.

Boex and Yilmaz (2010) consider that political decentralization and empowerment can be divided into four main elements, notably: (1) institutional arrangements for separation of powers among executive, legislative, and judicial bodies at the local level; (2) election laws and the electoral systems; (3) the nature (existence and functioning) of party systems and political party laws; (4) and local participation and accountability mechanisms. Each of these technical dimensions requires the balancing of local authority and autonomy on one hand, versus local capacity and accountability on the other hand.

It should be noted that 'political decentralization' is sometime erroneously used as a synonym for 'devolution'. While devolution involves the transfer of a degree of political authority and autonomy, devolution also requires the transfer of administrative and fiscal powers and resources.

Administrative decentralization

Administrative decentralization is [the reform of multilevel public administration systems that involve] the transfer of administrative (decision-making) authority and responsibility from the central government to subordinate or quasi-independent government organizations.

Clarifying notes:

The term “administrative decentralization” refers to the type or nature of power that is being transferred, notably, authoritative decision-making power over public administration tasks, such as planning, human resource management, procurement, and/or the power to regulate (e.g., regulation of public spaces, building construction, or local economic activities). The local ability to administer or manage the delivery of local public services is often also included in the administrative dimension of decentralization (e.g., Boex and Yilmaz 2010).

It should be noted that “administrative decentralization” is sometimes erroneously used as a synonym for the term “deconcentration”. While deconcentration involves the transfer of a degree of administrative authority and autonomy, other types of decentralization (i.e., devolution) also require the transfer of administrative powers.

In addition, as noted earlier, sometimes the term “administrative decentralization” has been more broadly applied to capture not only the assignment of administrative powers and responsibilities within the public sector, but also the institutional or organizational (“administrative”) structure associated with a multilevel public sector. Avoiding this practice, by using terms that convey greater precision and accuracy, is likely to prevent potential confusion.

Fiscal decentralization

Fiscal decentralization is [the reform of multilevel public finance systems that involve] the transfer of fiscal resources, as well as authority and responsibility over the decision-making and management of public sector financial resources, from the central government to subordinate or quasi-independent government organizations.

Clarifying notes:

Fiscal decentralization, or systems of intergovernmental fiscal relations, are generally understood to comprise four sub-dimensions or 'pillars', including (i) the assignment of expenditure responsibilities, (ii) the assignment of revenue powers, (iii) the system of intergovernmental fiscal transfers; and (iv) the framework for subnational borrowing and debt.

In principle, the study of fiscal decentralization should include not only the analysis of devolved expenditures, subnational revenues, intergovernmental fiscal transfers, and subnational borrowing and debt, but also the analysis of non-devolved finances (such as deconcentrated and delegated expenditures) and potentially even direct central government outlays on frontline public services that are part of the local public sector. In practice, however, virtually all discussion and analysis of fiscal decentralization focuses on fiscal devolution.

Sectoral decentralization

Sectoral decentralization is [the reform of multilevel sectoral systems that involve] the transfer of sectoral (decision-making) authority, responsibility, and resources from the central government and its agencies to subordinate or quasi-independent sectoral organizations or service delivery providers.

Clarifying notes:

Sectoral decentralization is not typically considered one of the main dimensions of decentralization (political, administrative, fiscal). However, it is often useful to consider sector-specific aspects of the vertical structure of the public sector.

Most sectoral-specific aspects of decentralization (or sectoral decentralization) fall within the realm of administrative decentralization, yet they are distinguishable from the general aspects of administrative decentralization by their sector-specific nature. For instance, the transfer of administrative powers and responsibilities (or funds) to the school level, to health facilities, and/or to water utilities (or other water service providers) are sector-specific considerations that are generally not considered as part of administrative decentralization.

It is not unusual for central sector ministries and officials to have (informally, at least) their own institutional viewpoints on decentralization reforms. This is particularly the case in countries where the central government is formally pursuing devolution reforms. In these cases, it is not usual for sector ministries or agencies to pursue sectoral decentralization reforms that bypass elected local government institutions, but rather, assign authority, responsibility, and resources to sectoral organizations or service delivery institutions that are under the control over the central government's sector ministry.



Multilevel governance and the local public sector

Multilevel governance

Multi-level governance refers to the systems and processes that support the dispersion and coordination of policy formulation, decision-making, and public service provision authority among stakeholders at different levels of the public sector, including central (national), regional, and local governments.

Clarifying notes:

The definition combines elements of a definition of multilevel governance provided by the OECD (“Multi-level governance refers to the system that supports policy and decision-making among central (national), regional, and local governments.”), [along with](#) a definition of multilevel governance (“Multilevel governance is the dispersion of authority to jurisdictions within and beyond national states.”) provided by Liesbet Hooghe, Gary Marks and Arjan H. Schake (2020).

Whereas public sector reforms that modify the system of intergovernmental relations have traditionally been referred to as ‘decentralization reforms’, the term ‘decentralization’ has started to carry a negative connotation in some circles and in some countries, where decentralization reforms are seen a political process that undermines the power of the central government and may undermine (rather than strengthen) the efficiency and accountability of the public sector.

While the term ‘decentralization’ implies a specific direction of multilevel governance reform (i.e., less reliance on centralized institutions systems), the term ‘multilevel governance’ is seen as a more neutral term that focuses on the ability of subnational governance institutions to “better spend”, by improving the coordination and vertical distribution of powers and responsibilities within the public sector and by identifying relevant paths for territorial competitiveness and effective delivery of public services. The analysis of multilevel governance recognizes that the powers of subnational governance institutions are largely enshrined in their institutional background, but that—rather than isolated actors—subnational authorities and central governments are mutually dependent on each other. In this context, and for a majority of OECD member and non-member countries, the key underlying question is not whether to “decentralize or not” or even opt for a specific decentralization model, but to look at ways to improve capacity and coordination among public stakeholders at different levels of government to increase the efficiency, equity, and sustainability of the public sector (Charbit 2011).

The term multilevel governance is seen by some observers to also include reference to supranational governance levels, such as the European Union or international organizations. This glossary does not focus on the supranational aspects of multilevel governance.

Central government

The central government (or central government subsector) consists of all government units having a national sphere of competence. The political authority of a country's central government extends over the entire territory of the country. The central government is generally composed of a central group of ministries, departments, or agencies that make up a single institutional unit plus, in many countries, other operating units that function under the authority of the central government with a separate legal identity.

Clarifying notes:

The central government can impose taxes on all households and business entities engaged in economic activities within the country. Central government typically is responsible for providing collective services for the benefit of the community as a whole, such as national defense, relations with other countries, public order and safety, and for regulating the social and economic system of the country. In addition, it may incur expenditure on the provision of services, such as education or health, primarily for the benefit of individual households, and it may make transfers to other institutional units, including other levels of government.

The central government is defined to include all agencies or instruments of the central authority of a country, including the geographical extension of central government authority which may operate at the regional or local level without the attributes necessary for existence as a separate government.

When considering the central government subsector in the context of comparative national account, the central government subsector specifically excludes any units dedicated solely to social security funds or functions, like pension funds or social security funds from which unemployment benefits are paid.

Note that a central government may be referred to by different names, including 'central government' (common in unitary countries), 'national government', or 'federal government' (in federal countries).

Federal country

A federal country is a country where political authority is structurally (e.g., constitutionally) divided between two or more autonomous sets of governments, generally between the national government and subnational government units at one or more subnational levels, with each level deriving their power and authority directly from the people.

Clarifying notes:

Contrast with “unitary country”.

In federal countries, the division of power is typically established in the constitution between the national or federal government, which exercises authority over the whole national territory, and regional (and sometimes local) governments that exercise independent authority within their own territorial jurisdictions.

Functional assignment

The assignment of functional powers and responsibilities (or “functional assignment” for short) is the delineation of roles and functional responsibility among levels (or units) of government for different aspects of public sector functions, including the regulation, financing, oversight, provision, and/or production of public infrastructure and services.

Clarifying notes:

In line with the (Rondinellian) definition of decentralization, functional assignments require not only the transfer of responsibility for a function, but also the authority (power) and financial resources to perform that function.

An ‘exclusive function’ exists when the same government level is responsible for all aspects of a public sector function. A ‘concurrent function’ exists when different government levels are responsible for different aspects of a public sector function.

It is not unusual for there to be a difference between the constitutional or legal (‘de jure’) functional assignment and the actual (or ‘de facto’) functional assignment.

Local public sector

The local public sector is the part of the public sector that interacts with citizens, civil society and the private sector in a localized manner: it is where residents and businesses receive services from the public sector and where citizens regularly interact with public servants and government officials. As such, the distinguishing feature of being part of the “local public sector” is not the legal or organizational status of a public entity that interacts with the community, but rather, whether the primary objective of the public entity or institutional unit is to interact with the public within a local setting, in terms of providing public services, regulation, public information, and so on.

Clarifying notes:

The term “local public sector” was first defined by Boex (2012). The term was previously used and references by different authors, including Rubinfeld (1987) and Oates (1999).

One of the most common ways for the public sector to interact with people at the local level is through elected local governments. When local government officials are responsive to the needs of their constituents, devolution can increase the responsiveness, effectiveness and accountability of the public sector.

In addition to providing services through local governments, there are several other ways in which the public sector interacts with people and provides—or supports— public service delivery at the local level. These non-devolved approaches to decentralization and localization are part and parcel of the local public sector.

For instance, in many countries, local administrative units or local departments of central line ministries provide public services in a ‘deconcentrated’ manner. In addition, central authorities often provide grants or subsidies to para-statal organizations, semi-autonomous corporations, non-governmental organizations (NGOs) or faith-based organizations (FBOs) deliver certain public services on behalf of the central government in a delegated manner. Likewise, central government line ministries sometimes provide direct support to local public services. For instance, centralized or direct support for localized services takes place when central line ministries supply schoolbooks or medicines that are used in local schools and clinics, or when a central agency funds directly funds the construction of classrooms or other local infrastructure.

Depending on how broadly or how narrowly one wants to define the concept, each of these different modalities may be included in the methodology used to define and measure the local public sector. Most countries do not rely exclusively on one approach or the other. Instead, many countries rely on a collaborative multi-level governance system where local public services are provided through a combination of different mechanisms at the same time.

Localization

Localization is the process of organizing and managing the public sector so that its main objectives and results are achieved at the local level across the national territory by ensuring that government services are provided in an inclusive, efficient, and accountable manner in a way that reflects differences in local conditions and responds to the needs and priorities of constituents in specific locations.

Clarifying notes:

In 1999, the World Bank proclaimed that, upon entering the 21st century, “[t]wo main forces will be shaping the world in which development policy will be defined and implemented: globalization (the continuing integration of the countries of the world) and localization (the desire for self-determination and the devolution of power).” The term ‘localization’ in this context refers to country-level processes of central-level actors engaging with local governments and other subnational stakeholders, for instance, through the decentralization of power to subnational levels of government; through more effective urban governance; or by ensuring that the localized provision of essential public services reaches the cities, towns, and rural communities where people live and work.

In the period from 2000 through 2015, the prevailing understanding was that the term localization dealt with bringing the public sector closer to the people, whether through ‘localizing the MDGs’, through participatory local development, or through localizing public services, such as health and education. Among UN-related stakeholders, the concept of localization has more recently been associated with the achievement of the 2030 Agenda for Sustainable Development. According the United Cities and Local Governments (UCLG) and the United Nations (e.g., [UN 2024](#)), SDG localization (or the localization of the Sustainable Development Goals, or SDGs) is the process of transforming the SDGs into reality at the local level, in coherence with the national frameworks and in line with communities’ priorities.

It should be noted that in the last few years, the term ‘[localization](#)’ (or localizing global development or ‘[locally-led development](#)’) is increasingly being applied within the global development community to refer to efforts to shift power from development actors in the Global North to development actors in the Global South. In this context, localization (for instance, of development interventions) may be defined as a set of actions that empower local actors to lead and drive policies, programs, and services.

Public sector

The public sector is defined to include all units of the general government sector plus all public (financial and non-financial) corporations [at all government levels]. In turn, the general government sector is divided into three subsectors: the central government subsector; the state [provincial or regional] government subsector; and the local government subsector.

Clarifying notes:

For further details, see the IMF Government Finance Statistics Manual (various years) and the System of National Accounts (European Commission, IMF, OECD, United Nations. and World Bank, 2009)

Subsidiarity principle

The subsidiarity principle is the principle that public sector functions should be performed by the lowest level of government organization that can perform the function or task efficiently.

Clarifying notes:

An alternative way of articulating the subsidiarity principle is that a higher-level government should only involve itself in a function when (and/or to the extent that) its involvement improves the efficiency of the public sector, relative to actions taken by lower-level governments.

While the subsidiarity principle is widely regarded as a good practice (or best-practice principle) to be followed in the assignment of functional powers and responsibilities, some countries have formally adopted the principle as a formal legal concept. The subsidiarity principle was included in the 1992 Maastricht Treaty that established the European Union and has subsequently formed the basis for defining the relationship between the EU and its member states (EU 2024), as well as the basis for the intergovernmental systems of member states of the Council of Europe (2024) under the European Charter of Local Self-Government.

The general aim of the principle of subsidiarity is to guarantee a degree of independence for a lower authority in relation to a higher body or for a local authority in relation to central government. It therefore involves the sharing of powers between several levels of authority, a principle which forms the institutional basis for (devolved unitary as well as) federal states.

When applied in the context of the EU, the principle of subsidiarity serves to regulate the exercise of the Union's non-exclusive powers. It rules out Union intervention when an issue can be dealt with effectively by Member States themselves at central, regional or local level. The Union is justified in exercising its powers only when Member States are unable to achieve the objectives of a proposed action satisfactorily and added value can be provided if the action is carried out at Union level.

Unitary country

A unitary country is a country or sovereign state governed as a single entity in which the central government is the supreme authority.

Clarifying notes:

Contrast with 'federal country'.

In a unitary country, all the power and authority of government is vested in the central government, whereas in a federal system, the powers and functions of government are divided (typically in the constitution or basic law) between the national government and one or more subnational government levels.

It is important to note there is nothing that prevents unitary countries from establishing autonomous (elected) subnational governments that are directly accountable to their constituents, nor are unitary governments prevented in any way from devolving powers and functions (authority and responsibilities) to elected subnational governments.

Whereas in federal systems, the nature and (some of the) powers of at least one of the levels of regional and/or local governments are established, guaranteed, and/or protected (partially or in full) in the country's constitution or basic law, in unitary countries, local governments are creations of the central power. As such, in unitary countries, it is ultimately up to the central government to determine the exact nature and powers of subnational governance institutions and the vertical (subnational or intergovernmental) allocation of powers and resources.

It should be noted that some countries proclaim to be unitary in nature, but in practice, have features of a (quasi-)federal system.



Subnational governance institutions

Subnational governance institutions

There is considerable consensus among the Community of Practice that the term devolution refers to the transfer of authority and responsibility for public functions to regional or local governments. One issue where there is a lot less consensus is on what actually constitutes a regional or local government.

Some institutions or authors have provided precise definitions of what a regional or local government is (e.g., SNA 2008).

In practice, however, these definitions are not always strictly enforced or adhered to. In common parlance, therefore, it is not unusual to refer to local administrative units or other local governance institutions as “local government”, even though the local governance unit clearly does not adhere to the definitional requirements of a local government. (For instance, Panchayat Raj Institutions in India are commonly referenced as local governments, even though they clearly do not adhere to the definitional requirements of a local government).

Others have preferred not to define the terms for regional and/or local governments further, and simply accept that any subnational governance institution established by national and/or state authorities in different countries should be accepted as subnational governments (e.g., V-Dem).

In order to ensure clarity in conversations among stakeholders from different backgrounds and different countries, the Local Public Sector Alliance (2024) advocates for a clear distinction to be made between subnational *governance* institutions—a general term capturing different types of subnational public sector institutions—and subnational *government* institutions, which are subnational institutions that adhere to a number of specific institutional characteristics.

Corporate body

A corporate body is a group of people or an organization that has a separate legal identity (or 'legal personality') from its members and acts as a single entity (or single body). Corporate bodies have legal rights and responsibilities, similar to a natural person, and can enter into contracts, own property, sue or be sued in their own name, and conduct business independently.

Clarifying notes:

There is no single, precise (globally accepted) legal definition for corporate body or "body corporate". The term "corporate" derives from the Latin "corpus" meaning "body".

According to many prevailing definitions of subnational (regional or local) governments, subnational governments should be corporate bodies.

It is not unusual for municipal acts or other legislation to define local governance institutions as being ('de jure') corporate bodies, whereas either in law and in practice, these institutions fail to 'de facto' meet the attributes of a corporate body and/or institutional unit. For instance, this would arguably be the case when a regional or local governance institution is not able to appoint its own officers, independently of external administrative control.

Institutional unit

An institutional unit is an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities. The main attributes of institutional units may be described as follows: (a) An institutional unit is entitled to own goods or assets in its own right; it is therefore able to exchange the ownership of goods or assets in transactions with other institutional units; (b) It is able to take economic decisions and engage in economic activities for which it is itself held to be directly responsible and accountable at law; (c) It is able to incur liabilities on its own behalf, to take on other obligations or future commitments and to enter into contracts; (d) Either a complete set of accounts, including a balance sheet of assets and liabilities, exists for the unit, or it would be possible and meaningful, from an economic viewpoint, to compile a complete set of accounts if they were to be required.

Clarifying notes:

The nature of an institutional unit is quite similar to that of a corporate body.

The definition of an institutional unit is provided by the System of National Accounts (2008), which builds on definitions established as part of the IMF Government Finance Statistics Handbooks.

According to the SNA/GFS framework, subnational (regional and local) governments are required to be 'institutional units'.

Local governance institution

Local governance institution is a general term to refer to any type of devolved, non-devolved, or hybrid local governance body or entity (regardless of whether it meets the definition of a 'local government').

Clarifying notes:

It is important to distinguish between the more general term 'local governance institution' and the term 'local government'. As noted below, the term 'local governmentment' refers exclusively to a local governance entity (or institutional unit) that strictly adheres to the definition of a devolved local government.

Local government

A local government is a corporate body (or institutional unit) that performs one or more public sector functions within a local jurisdiction and that has adequate political, administrative, and fiscal autonomy and authority to respond to the needs and priorities of its constituents.

Clarifying notes:

The most consistent set of definitions with respect to local governments is provided by the IMF's Government Finance Statistics Manuals, dating back as far as 1986. The IMF GFS framework notes that:

“The legislative, judicial, and executive authority of local government units is restricted to the smallest geographic areas distinguished for administrative and political purposes. The scope of a local government's authority is generally much less than that of the central or state governments, and such governments may or may not be entitled to levy taxes on institutional units or economic activities taking place in their areas. They are often heavily dependent on grants from higher levels of government, and they may also act as agents of central or state governments to some extent.

To be treated as institutional units, however, they must be entitled to own assets, raise funds, and incur liabilities by borrowing on their own account. They must also have some discretion over how such funds are spent, and they should be able to appoint their own officers independently of external administrative control.

Local governments typically provide a wide range of services to local residents, some of which may be financed out of grants from higher levels of government. Statistics for local government may cover a wide variety of governmental units, such as counties, municipalities, cities, towns, townships, boroughs, school districts, and water or sanitation districts. Often local government units with different functional responsibilities have authority over the same geographic areas. For example, separate government units representing a town, a county, and a school district may have authority over the same area. In addition, two or more contiguous local governments may organize a government unit with regional authority that is accountable to the local governments. Such units should also be included in the local government subsector.”

Regional governance institution

Regional governance institution is a general term to refer to any type of devolved, non-devolved, or hybrid regional governance body or entity (regardless of whether it meets the definition of a ‘regional government’).

Clarifying notes:

The general term “regional governance institution” may refer to a governance institution at a country’s state, provincial, or regional level. The term “state” is commonly used to refer to intermediate-level governance institutions in many federal countries. However, there is no consistency in country-level terminology (i.e., the use of one term or another does not consistently signify any particular governance arrangement).

It is important to distinguish between the more general term ‘regional governance institution’ and the term ‘regional government’. *The term ‘regional government’ refers exclusively to a regional governance entity (or institutional unit) that strictly adheres to the definition of a devolved regional government.*

Regional government

A regional government is a corporate body (or institutional unit) that performs one or more public sector functions within a regional jurisdiction and that has adequate political, administrative, and fiscal autonomy and authority to respond to the needs and priorities of its constituents.

Clarifying notes:

The most consistent set of definitions with respect to local governments is provided by the IMF's Government Finance Statistics Manual. The IMF GFS framework notes that:

"A state, province, or region is the largest geographical area into which the country as a whole may be divided for political or administrative purposes. These areas may be described by other terms, such as provinces, cantons, republics, prefectures, or administrative regions." For consistency, the IMF refers to the regional or intermediate level of government as state government, where LPSA generally prefers the more neutral "regional governance level".

"The legislative, judicial, and executive authority of a [regional] government extends over the entire area of an individual [region, province, or] state, which usually includes numerous localities, but does not extend over other states [or regions]. In some countries, individual [regions] and state governments may not exist. In other countries, especially those with federal constitutions, considerable powers and responsibilities may be assigned to state governments."

"A [regional government or] state government usually has the fiscal authority to levy taxes on institutional units that are resident in or engage in economic activities in its area of competence. To be recognized as a government unit the entity must be able to own assets, raise funds, and incur liabilities on its own account, and it must also be entitled to spend or allocate at least some of the taxes or other income that it receives according to its own policies. The entity may, however, receive transfers from the central government that are tied to certain specified purposes. A [regional government or] state government should also be able to appoint its own officers independently of external administrative control. If a government entity operating in a [region or] state is entirely dependent on funds from the central government, and if the central government also dictates the ways in which those funds are to be spent, then the entity should be treated as an agency of the central government."

Subnational governance institution

Subnational (regional or local) governance institution is a general term to refer to any type of devolved, non-devolved, or hybrid subnational governance body or entity (regardless of whether it meets the definition of a ‘subnational government’).

Clarifying notes:

The term “subnational” (rather than using the term regional or local) is a term that generally refers to entities at the regional and/or local levels, below the central or national government.

Although there is often agreement among stakeholders on whether a governance level is a “regional” (intermediate) versus “local” governance level, sometimes there is disagreement. For instance, some observers consider Kenya’s county governments to be “regional”, whereas counties are the lowest political-administrative governance institution in Kenya’s constitutional hierarchy (i.e., local). Similarly, Namibia’s regional councils are considered to be regional governments by some observers, while consider local governments by others.

In the context of pluri-national countries (a political framework that allows for the coexistence of multiple nations within a single state), some sources prefer the term “sub-central”.

It is important to distinguish between the more general term ‘subnational (regional or local) governance institution’ and the term ‘subnational (regional or local) government’. The term ‘subnational (regional or local) government’ refers exclusively to a subnational (regional or local) governance entity (or institutional unit) that strictly adheres to the definition of a devolved subnational (regional or local) government.

Subnational government

A subnational (regional or local) government is a corporate body (or institutional unit) that performs one or more public sector functions within a subnational (regional or local) jurisdiction and that has adequate political, administrative, and fiscal autonomy and authority to respond to the needs and priorities of its constituents.

Clarifying notes:

With respect to subnational (regional or local) governments, the IMF (1986:14) notes that:

“A central issue ... for both regional and local governments ... is whether they may be judged to have a separate existence, that is whether they have sufficient discretion in the management of their own affairs to distinguish them as separate from the administrative structure of another government.

A government may be considered to have substantial autonomy when it has the power to raise a substantial portion of its revenue from sources it controls and its officers are independent of external administrative control in the actual operation of the unit’s activities.

Governments may be deemed to be dependent agencies of some broader governmental unit where ... they lack their own officers ... [or if] they must submit budget estimates to another governmental entity [for approval] ... [or where] important aspects of their administration are controlled by another government entity.”

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