

Decentralization -- A Global Overview with Reference to Local Economic Development

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 - Gold Report
 - Guidelines and Framework of Issues
- Policy areas and a peek at the end
 - Familiar tensions in local and central in prerogatives
 - Issues of scale in LED and Metro city regions
 - Heavy burden on local governments
- Conclusions and Recommendations

Policy Areas

- National strategy
- Organization of the state
- Responsibilities
- Finance— internal and intergovernmental
- Democratic participation
- Capacity building

LED

- Macro– framework, markets, stability
- Innovative culture and entrepreneurship
- Physical Infrastructure
- Social Cohesion, business friendly, coordinated programs, teams

Decentralization Issues and Endogenous Elements in LED

Principles/Element	Social Cohesion	Bus Friendly	Strategy	Programs/team
Strategy	National and local strategies need to be in line			
Org of State			Central recognizes and allows programs, sometimes in new “tiers”	
Assignment of Functions		Central needs to assign local role and define limits, LGU can simplify and streamline		
Finance		LGUs can simplify taxes	Financial support needed from center	Central can offer co-financing to support
Participation and Choice making	Needs to be open		Systems of voice an LGU option	Feedback and accountability LGU option
Capacity	Skill required to achieve	Many options for LGUs, but expertise usually outside typical LGU capacity		
Metros	Tendency is toward fragmentation	Competitiveness is key	Vision and coherence are rare. Soft infrastructure needed	Some cities are very successful

Origins and Velocity of Change

- Early adopters, fast moving
- Broad middle, many battles
 - Framework and autonomy
 - Service delivery vs. representation
 - Finance
- Stressed states, little progress

Objectives of Decentralization

National strategies: address some, rarely all

- Political and fiscal reform
- Economic development
- Service Delivery
- Democracy

UN Habitat Guidelines

- *principle of **subsidiarity** constitutes the rationale underlying to the process of decentralization.*
- ***powers** should be shared or exercised concurrently among different spheres of government. These should not lead to a diminution of local autonomy or prevent the development of local authorities as full partners.*
- *National, regional and local **responsibilities** should be differentiated by the constitution or by legislation*
- *nationally determined **standards of local service** provision should take into account the principle of subsidiarity*
- *Local authorities should **freely exercise their powers...** and **powers** should be full and exclusive, not be undermined, limited or impeded*

European Charter

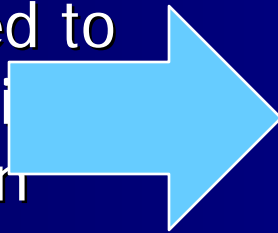
European Charter:

- *basic powers and responsibilities of local authorities shall be **prescribed by the constitution or by statute***
- *Local authorities shall, within the limits of the law, have **full discretion** to exercise their initiative*
- *Public responsibilities shall generally be exercised, in preference, by those authorities which are **closest to the citizen**.*
- *Powers given to local authorities shall normally be **full and exclusive**.*
- *Where powers are delegated to them by a central or regional authority, local authorities shall, insofar as possible, be allowed discretion in **adapting their exercise to local conditions**.*

National strategies

Decentralization

National strategies need to recognize and coordinate allowing alignment in many ways—



- Division of labor
- Finance
- Capacity

LED Needs

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Organization of the State



Organization of the State

Opposing Pressures

Municipalities

Township

Special District

Metropolitan

District

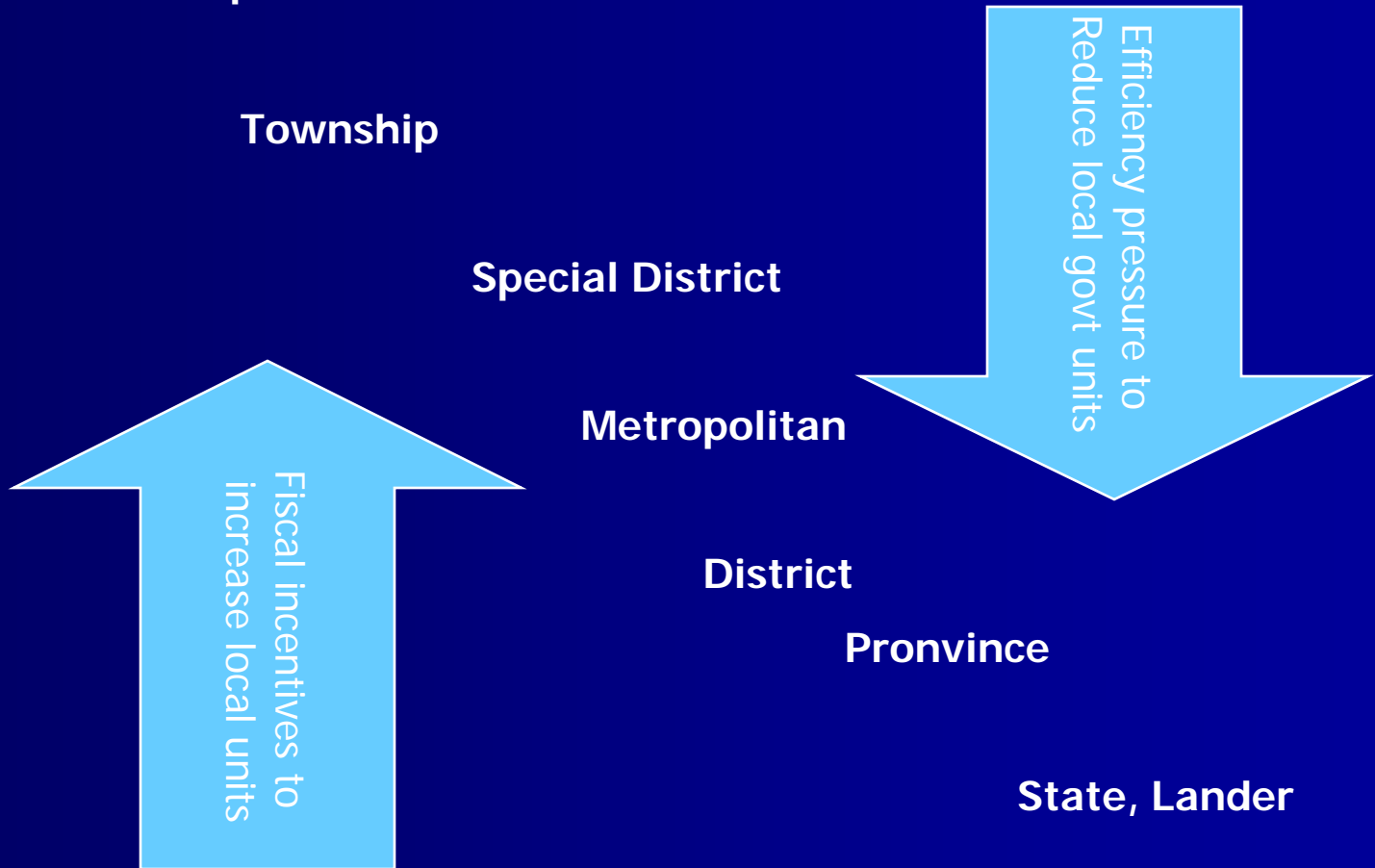
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State, Lander

<-----First Tier-->

<-----Second Tier----->

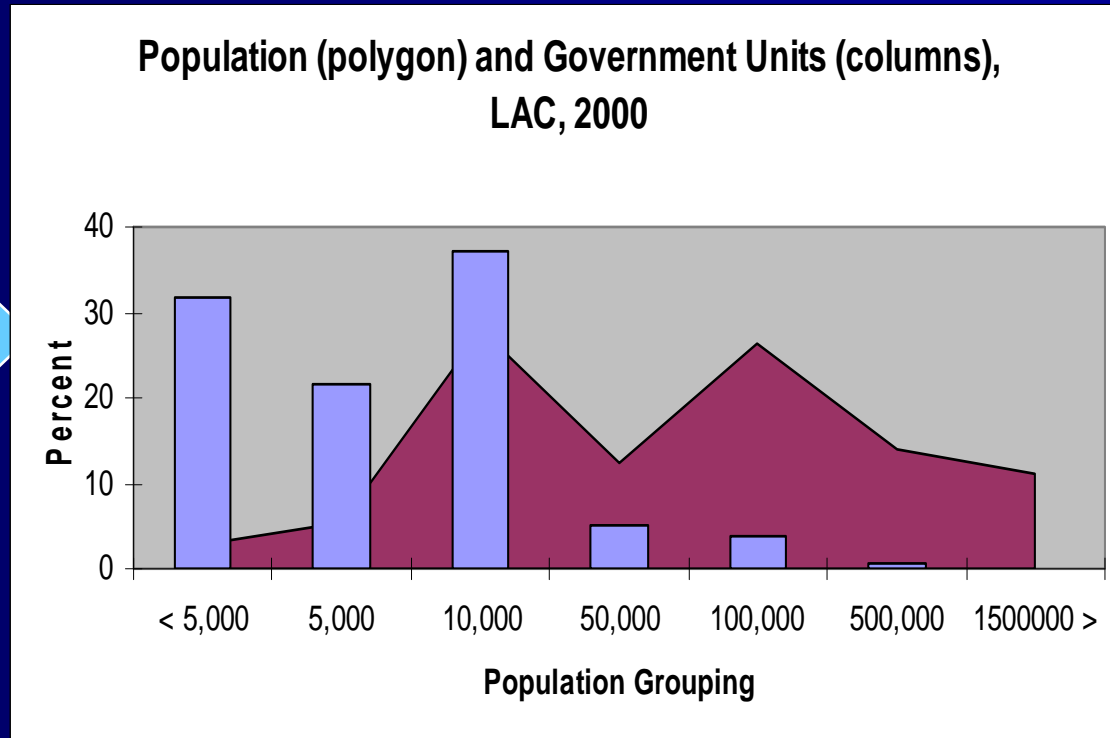
<-----Third Tier ----->



Structural Problem

Local Government Units and Urban Population

Most units have small populations



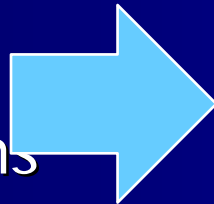
Responsibilities

- Wide ranging
- Question of autonomy in choice
 - Principle agent
 - Fiscal choosers with public consent

Organization of the state

Decentralization Issue

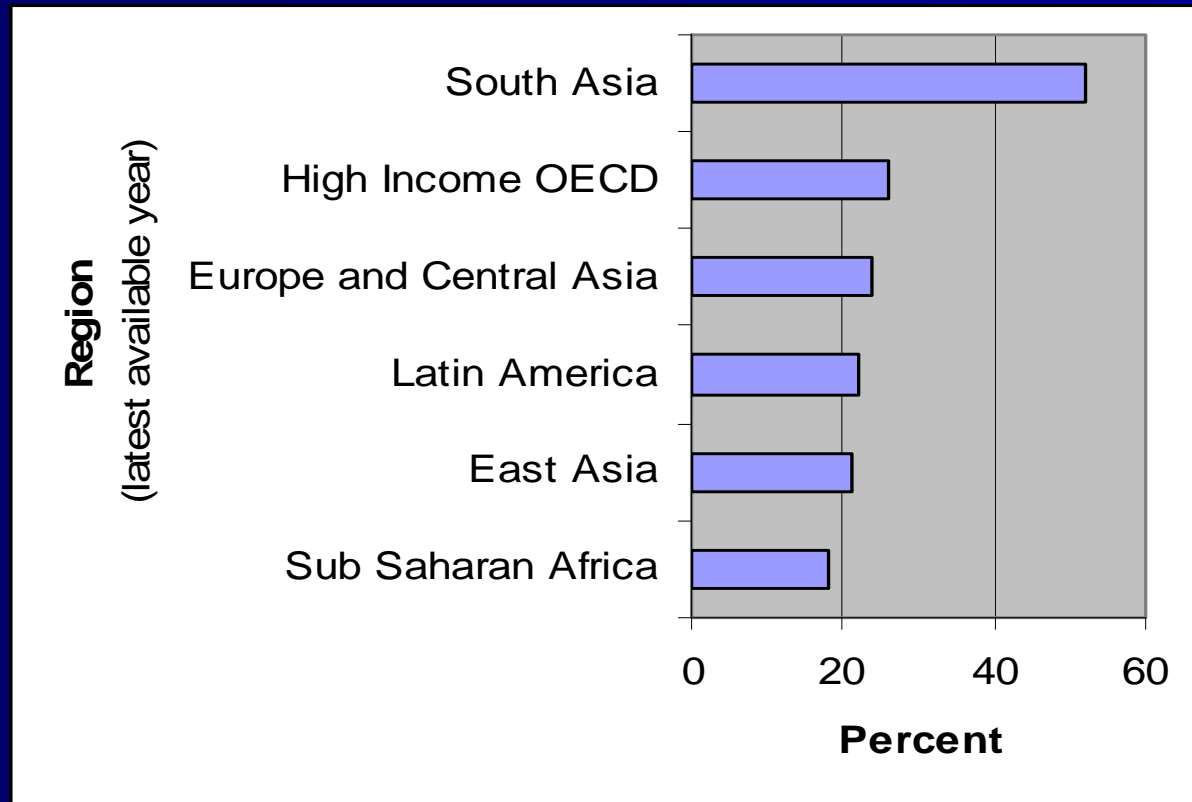
A key question is the proper scale(s) and assignments of functions– micro, meso, other– is intertwined with assignment of functions



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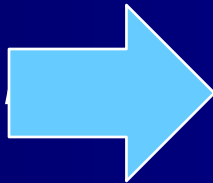
Subnational Share of Total Public Expenditure



Finance

Decentralization

Inter-governmental finance coordinated with local resource mobilization according to the strategy— for example regional or local infrastructure, training, local teams.



LED Issues

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Local democracy– brightest spot

Many models being explore

Grassroots opinion

Mobilizing groups

Contributions

Citizen initiated

Electoral systems voting

grand sabha (India), Africa

participatory budgeting (Brazil)

mayor's funds

voluntary organizations (Japan)

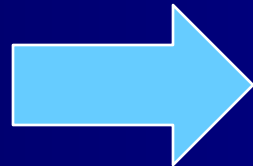
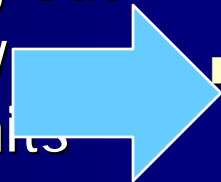
impeachment

Participation and accountability

Decentralization

LED

Participation in sounding out needs, governing new units, holding local units accountable, creating open environment.



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Metros and City Regions

- Spreading
- fragmenting
- Economic regions
- Cooperative pragmatic regionalism

Cities by Size

Size	Total	Less Developed
■ >10 m	21	17
■ 5-10	37	31
■ 1-5	496	378
■ .5-1	507	400
■ Total	1061	

Metro city regions

Decentralization

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LED

Spontaneous emergence of regional bodies, plus promising experience with competitiveness and growth in some places, suggests new initiatives may be needed to foster growth in meso-regions.

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Next Steps

- National frameworks with application where rubber hits the road
- Balance autonomy and responsibility
- Stratify governments, offer incentives in graduated system, focus on a few
- New tools needed
 - Cooperation across city units into regions
 - Sustain consistent approach over time
- Burdens on local governments
 - Capacity limitations , vis a vis business and private
 - Participation one of the strongest tools, but not sufficient
- Learning strategy needed

Thank you.

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