

TITLE: Subnational Development Strategy

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3	EXECUTIVE SUMMARY 1	Background. To this end,making subnational governments more attuned to the needs of local economies and better able to work with local entrepreneurs and civil society organizations in enhancing the competitiveness and promoting the growth of the local economies.
	EXECUTIVE SUMMARY 3	Objectives. The Bank will focus attention on the system of incentives built into the different structures that determine subnational government outcomes: (1) the structure of intergovernmental relations, (2) the system of governance, (3) the institutional capacity of subnational governments and, (4) the mechanisms for financing subnational entities.
4	7	Concerning the Governance structure, the Bank will stress the importance of well-functioning mechanisms of citizen representation and oversight so that elected subnational officials can effectively be held accountable and the management of local affairs can be made transparent.ensuring the transparency of subnational governments' operations.
5	A. 1.1	To this end, they seek to improve government services and infrastructures making subnational governments more attuned to the needs of the local economy and better able to work with local entrepreneurs and civil society organizations to enhance competitiveness and promote economic growth.
6	1.8	Borrowing by subnational governments is a powerful tool of financing but pose problems when used in contexts where c) officials are not fully accountable to their constituencies.....
9	2.5	This makes private-public partnerships an effective mechanism to promote local economic development. The partnerships are the milieu where subnational governments, the business community and civil society organizations – particularly universities, chambers of commerce and entrepreneurial organizations – discuss goals for economic development, make strategic plans, design projects, and jointly implement them.
10	2.10	As governments confront institutional difficulties in delivering services, non-governmental organizations (NGOs) and, to a lesser extent, community based organizations (CBOs), have stepped in to provide services particularly to low-income households. These initiatives often encompass a large variety of mostly isolated projects that profess to rely heavily on popular

		participation. Although sometimes successful in alleviating poverty at the community level, these initiatives frequently do not escape the limitations of the institutional setup in which subnational governments operate. Care must be taken to overcome the difficulties that NGOs and CBOs face in sustaining their activities in the long-term and in developing activities of sufficient scale to tackle the problems effectively.
	2.11	To fully tap the potential of private sector participation, subnational governments need to develop strategies to identify the most efficient privatization schemes under local circumstances.
11	2.14	To foster the efficient allocation of resources at the subnational level, the Bank will stress the need for a close correspondence between those who benefit and those who pay for government programs and services to ensure that the different constituencies are aware of the costs of their choices. The use of transfers, co-participation in centrally collected taxes, and other forms of higher tier financing of subnational governments need to be guided by the objective of putting in place incentives for local decision makers to adopt sound decisions.
12	2.17	In all circumstances, subnational governments must be accountable for the actions they undertake and particularly to those citizens that finance those actions.
15	2.31	Well-functioning mechanisms of citizen representation and oversight are essential to hold elected subnational officials accountable and to make the management of local affairs transparent.
16	2.32	<ul style="list-style-type: none"> • Representative bodies with the capacity to assimilate the full range of citizen and group preferences and to oversee the executive. • Formal institutions in which citizens have real opportunities to air their complaints, articulate their preferences and receive and provide information and advice.
16	2.33 the possibility for citizens to participate in law-making through initiatives and referenda.
	2.34	To strengthen subnational democracy, Bank-sponsored operations will encourage the continual involvement of citizen in government affairs. This entails the development and regularization of a variety of forums or mechanisms, such as community advisory boards, open town meetings, public hearings by planning boards and regulatory commissions, citizen complaint centers, and the strengthening of the judicial system so that citizens can better protect their rights. Such forums can encourage government accountability and responsiveness by providing opportunities for citizens and civil society organizations to articulate their preferences , air their grievances,

		and influence policy and investment decisions beyond Election Day. The broadening and deepening of citizen representation requires that the participation of different socioeconomic and ethnic groups directly in the democratic process or through membership in community groups be proportionate to their presence in the population. Adequate representation of women is critical. In addition, the profile of public office holders should be gender balanced and mirror to the greatest extent possible the underlying socio-cultural diversity of society. Bank sponsored operations should contribute to the establishment of effective mechanisms to promote the leadership and representation of women, indigenous and afro Latin groups, and other marginalized constituencies so that their specific interests are adequately represented.
16	2.35	Productive and effective participation requires accurate and comprehensive information. Thus, citizen involvement in investment planning, zoning decisions and others, is enhanced when citizens are guaranteed in law full access to the findings of review panels, to government records, to company data and other relevant information. Disclosure of information thus forms an important part of the set of incentives and conditions that are needed for subnational government to be efficient and democratic providers of services.
17	2.39	Appropriate civil service institutions and personnel policies are also required to ensure equitable access to career opportunities to marginalized groups including, women, indigenous populations and people of African descend.
18	2.40	Transparency, reliability, and comparability in budgetary information, essential for promoting the accountability of the government to citizens via electoral and other participatory mechanisms, is also a prerequisite for efficient financial management. Sound financial management with legal enforced procedures is a prerequisite to prevent corruption.
18	2.42	Most countries that have devolved responsibility and resources to subnational governments have developed specialized institutions to provide the public with trustworthy (not-partisan) information on what the different levels of government are doing, separately and together.
19	2.46	coordination can take the form of associations of subnational governments (commonly municipalities) or public-private partnerships. When civil society can offer distinctive capacities for policy-making and implementation, without market discipline, cooperative arrangements should be put in place to enable the joint use of public and private resources on behalf of the public interest.
20	2.50	Increased private sector involvement in the financing and

		provision of local services...
20-21	2.53	b.1. Bank Lending I will be directed at fostering private sector participation in financing infrastructure and the expansion of services provided by subnational governments, as well as strengthening institutional capacity to enhance the delivery of these services.
23	5.3the Bank will have to bring into the discussion complex issues. These include: <ul style="list-style-type: none"> • subnational governance systems that provide elected officials with incentives to respond to their constituencies and to behave in a fiscally and administratively responsible manner.
24	3.6	Government efforts to support institutional development at the local level are to be entrusted to institutions (public, private or non-governmental organizations) in which subnational governments have a management and financing role.
24	3.7	As has been asserted, such information is critical for ensuring the transparency and accountability of subnational government.
25	3.10	In countries placing a priority on Bank support for this area of lending, this exercise should lead to agreements on a long-term subnational development strategy. Such an agreement should be the result of a broad consultation process involving all stakeholders.
26	3.13	MIF operations can support aspects of the reforms, in particular those concerned with the development of local capital markets and the enhancement of the regulatory framework for the privatization of municipal services.
27	3.17the development of the institutional framework for the privatization of municipal infrastructure and services, and the establishment of institutional mechanisms for the promotion of subnational economic development. The Bank will also expand MIF activities in support of national regulatory bodies concerned with privatized public services and in support of the development of local capital markets.
30	5.7 moving away from ex-post valuation methodologies to continuous feedback on the effectiveness of the operations.
30	5.8	To this end the Bank will undertake a baseline study to assess the extent to which Bank projects in the last four years have included the key themes addressed in the Strategy. The same study will be conducted after five years of implementation to assess whether the new crop of operations incorporated the themes and orientations provided by the Strategy. This methodology allows a measure of the influence of the Strategy on Bank operations, a significant dimension of impact.