

*Political economy and
decentralization: some lessons
from 15 case studies:*

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Outline

- Political economy and decentralization issues
- How to apply it
- Implications for EC/ others

Political economy-PE

- Originally (18th century) =economics of today
- PE was the study of society ;economics that of home activity
- Various meanings including marxist economy and public choice approach
- Here we mean taking into account the political side of issues and not only economic maximisation

Why apply it to decentralization

Evidence from *Decentralization in Developing Countries Global Perspectives on the Obstacles to Fiscal Devolution*: EE 2011(edited with Jorge Martinez –Vazquez) shows:

- 6 Obstacles to decentralization :
- 11 Success conditions

that have little to do with economics or PE

Indeed book born from frustrated economists!

So what are the Obstacles-1

1. *Design flaw in system* : imprecise assignment of responsibilities or over reliance on transfers-is it deliberate to make decentralization acceptable (Albania) or a mistake (Southern Sudan)
2. *Weak central institutions*: structural (Lao with revolutionary governors or RDC with civil war) or political (Bangladesh seesaw)

Obstacles-2

- 3 *Resistance from traditional/tribal elite and/or central apparatus* (line ministries): Burkina Faso, Sierra Leone
- 4 *Tradition of hierarchical power*: either indigeneous (Cambodia- grass root decentralisation) or mixed with colonial past (Madagascar)

Obstacles -3

5 Central power fear of loss of political power :

Sole parties concerned about emerging
(Ethiopia) or strengthening (Egypt) opposition

6 Union preserving (de)centralization in the face
of regional tensions in Tanzania (Zanzibar) and
Yemen(North-South)

Federalism glue or solvent of countries?

Mixed evidence Bird and Vaillancourt

And what are Success conditions-1

- 1- Goal of society –not just one party: dialogue and political economy of win/ loss ;
- 2 Acceptance of emergence of new power centres-if not meaningless decentralization can occur;
- 3) Existence of champion at center is crucial; where to locate since conflict inherent in line ministries => special unit or PM / President best?;

Success conditions -2

- 4 Strengthening existing tiers easier than creating new one but clear responsibilities crucial;
- 5 Exclusive responsibilities is best but for specific items under headings such as education: curriculum versus school cleaning;
- 6 Adequate revenues, both own and from well designed transfers, are necessary;

Success conditions-3

- 7 Decentralization must not threaten macro-stability –borrowing issue;
- 8 Decentralization is not only central-regional but regional-local;
- 9 Adequate human ressource are the key:
trained ressources should be available at the start of decentralization and be controlled by the decentralized entities;

Success conditions-4

10 Strong central government institutions must exist particularly since transfers are always necessary;

11 Coordination of donors preferably by country driven priorities is very important.

How to do this

- Inside or outside work? Depends on resources
- National or International? A mix seems best
- Literature review or original work? Start with literature review
- Choice of target audience: internal or country?
- Choice of mode of delivery: report, seminar..

How to do this-2

- Set out the questions
- Key factors: Geography-History-Demographics-Economics-Politics-Law: Inverse relationship-long and short term-what horizon? (Mubarak or Muslim brotherhood?)
- Successful decentralization means what? Democracy ? Power to local feudals?

Relevance to EC: COM2011(637)

- Useful to create checklist => probability/speed of success=> funding choices
- Could be used in choice of mix of Local Authorities and community when ↓CG
- How does this influence success of sector reform contracts (education, health
- How does this impact on building local economies

Conclusion

- Find Inter-temporal championship of clear decentralization
- Prepare human resources beforehand
- Set up well designed financial system: transfers (transparent pro poor with performance incentives) and feasible own resources
- Merci /Thank You