

## Annex 1.4: Guidance for Political Economy of Decentralization Analysis<sup>5</sup>

The Terms of Reference (ToR) for PEDCA (and PEDIA) studies should aim for an output of eight to ten thousand words (about 15–20 single-spaced pages). Longer reports are likely to provide diminishing returns to informing operational engagement by development partners. The ToR for these reports should include opportunities for the authors to present their initial findings, and to revise them as needed based on feedback and subsequent investigations. The outline of the study should cover the main issues raised in this guidance framework, drawing in particular on Sections 3, 4, and 5 of the main PED volume. The elements of the study would include:

### Key elements in the PEDCA/PEDIA studies

- I. Introduction
- II. Background: Decentralization in Historical Perspective
- III. The Design and Adoption of Decentralization in Country X:
  - A. Political Incentives in Country X
  - B. Bureaucratic Incentives in Country X
- IV. Shifting Incentives and Contexts
- V. Conclusion

The authors should begin the analysis by reviewing the initial country context and the most critical motivations for starting decentralisation and local government reform, with a view to assessing their consistency with prevailing development partner objectives.

### The initial country contextual circumstances and most critical motivations for starting decentralisation and local government reform:

- What are the main motivations for the current or planned decentralisation reforms?
- Are the motivating incentives of country actors consistent with the service delivery and development objectives of development partners?
- If so, what aspects of reform seem most strategic and pressing to support? For example, is there a need for framework development, for creating new systems and procedures or modifying existing ones, or for supporting more effective connections between sub national governments and citizens? (See assessment of actors below.)

If there does not seem to be a genuine motivation for reform, is it recommendable to disengage, to think about supporting alternative reforms, or to work on small-scale activities that might influence policy development later on?

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<sup>5</sup> This document has been extracted and adapted from Eaton, K. et al, (2010) “The Political Economy of Decentralization Reforms Implications for Aid Effectiveness”, World Bank, Washington D. C.

Answers to these basic questions need to be complemented by more detailed assessments in order for development partners to be able to identify appropriate partners (national and external) and determine the levels and types of support that are likely to be viable and sustainable.

**The range of country actors involved in moving decentralisation forward:**

- Who are the key government actors and organizations that are or ideally should be involved in decentralisation?
- What incentives do they face with respect to decentralisation? Are they likely to support or oppose reform? In what ways, under what conditions, and at what level of intensity? To what extent are some individual actors likely to work with others that have similar interests and incentives?
- What is the level of influence of each main actor, both in terms of his or her official position via legal or administrative empowerment and through unofficial channels that may sometimes be more important than formally defined roles?
- Given the range of actors, their incentives, and their relative levels of power, where are there productive opportunities to engage?
- What are the specific opportunities, potential benefits, and potential risks associated with partnering with particular agencies?

The answers to these questions will shed light on whether particular agencies or individuals - perhaps those who are not the partner's traditional counterparts in the country- might be more disposed than others and better able to promote decentralisation-related reforms in line with development partner priorities. In this regard, it is also important to take stock of current and planned decentralisation efforts by all development partners.

**The range of development partners involved in or interested in supporting decentralisation:**

- What is the nature of the current and/or potential decentralisation support of each development partner?
- Have past and existing support activities been evaluated and reflected in proposals for prospective programs?
- What are the existing relationships of each development partner with particular government agencies and other development partners?

Although donor coordination is always a challenge and may not always be desirable at early stages, when there could be benefits to experimentation, a greater effort to understand the overall development partner situation and how it relates to national political and institutional dynamics, especially in aid-dependent countries, can provide useful information about how to position support and the effect that it is likely to have.

Finally, it is important to examine the trajectory of decentralisation reforms, including whether any major shifts in key dynamics have occurred or may occur in the near future.

### **The trajectory of decentralisation reform:**

- Where decentralisation has been around in some form for a while, how has recent reform been evolving in general terms and differentially across aspects of decentralisation (administrative, fiscal, political) and across sectors?
- What accounts for the observed evolution of reforms? What is known about the performance of these reforms and the factors underlying it?
- Have there been changes to the political and economic conditions (and incentives) that initially triggered reform or to the institutional landscape in which these changes have played out? How have these affected the path and effects of reform to date? Might they affect prospects for the future?

The conclusion of the PEDCA (or PEDIA) should begin to reflect on how the answers to these questions may affect a development partner's decision on whether and how to support decentralisation in the future, with specific attention to the advantages and disadvantages of concrete options for engagement.