



Localizing the MDGs: Unlocking the potential of the local public sector to engage in development and poverty reduction

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Abstract

Given the vast scale of the global development challenge, it is increasingly clear that the Millennium Development Goals (MDGs) are pursued in a manner that is excessively top-down in nature and that the distance between central government authorities and their citizens is too large for central authorities to effectively empower the people over the public sector. This paper explores to what extent local public entities—whether in the form of elected local governments or through deconcentrated local departments of the national government—can contribute to achieving poverty reduction and development outcomes.

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1. Introduction

Since 2000, the efforts of the global developing community have largely focused on the pursuit of the Millennium Development Goals 2015 (MDGs), a set of ambitious goals for developing countries around the world. For billions of people, the MDGs are offering the promise of a better life—a life with access to adequate food and income, access to basic education and health services, and access to clean water and sanitation. In other words, in accordance with the notion that “development is freedom,” the MDGs are seeking to empower the poor over their own lives.

One challenge in the pursuit of the Millennium Development Goals has been the difficulty in translating national poverty reduction strategies into tangible pro-poor interventions that have an impact on people’s lives at the local or community level. In fact, observers have noted that the MDGs—as a global framework for measuring progress on development and poverty reduction—are imposed in a highly top-down manner, without adequately taking into account the actual, specific needs of people in different localities and communities. In addition to the MDGs inherently being determined in a top-down manner, it could be argued that the global development community has been pursuing the MDGs in a manner that is excessively top-down in nature.

Given the vast scale of the global development challenge, it is increasingly clear that central governments can no longer go it alone: the distance between central governments and their citizens is too large to effectively empower the people over the public sector. While central government officials in developing countries should be responsible for setting the national development agenda and for coordinating across organizations and stakeholders, the central government should only be considered one set of actors in achieving the MDGs. Although development strategies must be country-led and based on broad national consensus, different mechanisms should be explored in which not only central government officials but the local public sector, businesses, nongovernmental organizations, community-based organizations, and individuals can contribute to pro-poor development.

This paper explores to what extent local public entities—whether in the form of elected local governments or through deconcentrated local departments of the national government—can

contribute to achieving poverty reduction and development outcomes. This paper does not seek to promote decentralization or the strengthening of local government as ends in themselves, nor does this paper argue that democratic decentralization should narrowly be pursued for the potential governance benefits that such reform might produce. Instead, the focus of this paper is on identifying the extent and ways in which the local public sector can effectively contribute to the broader global development agenda, including accelerating the achievement of the MDGs. To the extent that the local public sector could accelerate development and poverty reduction, one would hope that central authorities in developing economies would create the necessary space for local governments and other local actors to play a more active role in the development process. Likewise, one would hope that the development community would provide support for such processes consistent with the Paris Declaration and the Accra Agenda for Action, and in line with current efforts to identify and rely on the most effectiveness aid modalities in the run up to the Fourth High Level Forum on Aid Effectiveness to be held in the Republic of Korea in 2011.

2. Localizing the Millennium Development Goals

The concept of “localizing” the Millennium Development Goals may raise the false impression that a one-size-fits-all paradigm shift is being promoted in which local governments will come to play an increasingly prominent role in achieving the MDGs and will minimize the role of central authorities in attaining the MDGs. In reality, the notion of “localizing the MDGs”—as used here—connotes a more nuanced approach to development, which seeks to more fully exploit the comparative advantages of the local public sector in achieving its development and poverty reduction objectives.¹ While the local public sector in many countries consists of elected local government authorities, elected local governments are not necessarily the only subnational organizations that could help translate national development ambitions into poverty-reduction outcomes at the local level. For instance, in countries that lack an elected local government level—or in countries that rely heavily on delivering public services through deconcentrated local administrative departments—subnational administrative jurisdictions may play an important role in localizing the MDGs. Likewise, community-based organizations, NGOs, and even the private sector may play a role in localizing the MDGs. We should keep this broad set of local-level actors in mind as we contemplate the potential and range of possible options for localizing the MDGs.²

Nonetheless, this does not mean that all local governance arrangements have the same potential to support long-term sustainable development. If well designed and well implemented, the public participation and accountability commonly associated with elected local governments places decentralized local governments in a unique position to promote and deliver pro-poor public services to communities and people at the grassroots level. Achieving development and poverty reduction through local governance—as opposed to local administration—is based on the premise that elected local officials are in a better overall position than central officials to harness and transform public sector resources into improved public services and better local conditions. Because elected local governments operate closer to—and ideally, at the discretion of—the

communities that they serve, local governments have the potential of being a more responsive and efficient in delivering public services than other local institutions or governance mechanisms. International experience suggests that in the long run, it is generally not possible to attain the same degree of public sector responsiveness and accountability in the absence of elected local governments. Yet, even under the best circumstances, elected local governments cannot achieve poverty reduction or other development outcomes by themselves—higher level governments, private sector actors, and communities necessarily have critical roles.

The overall case in support of “localizing the MDGs”—pursuing the accelerated achievement of the MDGs by increasing the involvement of local governments and other local-level stakeholder—is built on four arguments, notably that

- (i) all poverty is local;
- (ii) in many countries, local governments are charged with delivering services that are highly relevant to MDG progress;
- (iii) in many countries, the local public sector has largely been bypassed in pursuing poverty reduction and the MDGs;
- (iv) there is strong reason to believe that local governments as well as other local-level organizations offer the potential to improve public service delivery in ways that would accelerate progress toward the MDGs.

All poverty is local

In every country, poverty takes place in cities and towns and in districts and villages across geographic space. In fact, the causes of poverty are often highly location-specific: rural poverty is typically spatially concentrated within certain regions of a country, while urban poverty is often equally concentrated within certain sections of the urban areas. Accordingly, the development response to poverty should be tailored to the specific locations and situations where the poor find themselves. It goes without saying that the development interventions pursued to enhance the livelihoods of the poor and to improve public service delivery in a highly-populated urban area would be quite different from those that would be effective in a rural setting. While successful poverty reduction strategy cannot ignore the spatial dimension of poverty nor fail to take into account the intergovernmental dimension of poverty, too many central government line ministries and sectoral agencies apply a one-size-fits-all approach to development and public service delivery.

In many countries, the local public sector is charged with delivering services that are highly relevant to MDG progress

Local officials stand at the intersection of the public sector and the community, as local officials form the front line for the delivery of many basic public services, such as basic education or basic health services. As a result, they form the level or tier of government that intersects most closely with the daily lives of people. In the least developed economies and in fragile and post-crisis situations, local government officials may in fact be the only representatives of the public sector that people interact with on a regular basis.

The proximity of the local level to the community has important implications for the breadth of the range of responsibilities that is commonly assigned to the local public sector. On a regular day, citizens look to their local officials to collect the garbage, operate the market, and monitor the attendance of teachers and students. In case of floods, landslides, or other natural disasters, however, local officials are often (implicitly or explicitly) designated as the first responders, emergency coordinators, and providers of disaster relief. As the level or tier of government closest to the community, local officials may also have an important role as agents of social change. For instance, by promoting gender equality within the local government organization or by adopting environmentally sound practices, local officials may be able to set an example and encourage similar social change among their constituents.

Local officials around the world have long been relied on to serve in a broad range of capacities as circumstances have required. Most countries apply the subsidiarity principle to determine which public services are delivered subnationally. The subsidiarity principle states that government services should be delivered at the lowest level of organization that can do so efficiently. Where local officials have been assigned clear responsibilities in accordance with the subsidiarity principle, have been subjected to effective accountability mechanisms, and where local officials have been provided with adequate resources, they have generally performed well. Where local officials have only been weakly empowered and resourced, and subjected to weak oversight, their functioning and responsiveness has often been insufficient and unsatisfactory.

Table 1. Relationship between service delivery functions commonly assigned to the local government level and the MDGs									
MDG	Primary education	Primary health	Agricultural extension	Water and sanitation	Roads	Solid waste mgmt.	Fire fighting and police	Land use planning ^a	Economic development ^a
1: Poverty and hunger	■ ■	■ ■ ■	■ ■ ■ ■	■ ■ ■	■ ■ ■	■	■ ■ ■	■ ■ ■	■ ■ ■
2: Primary education	■ ■ ■ ■	■	■	■	■			■	
3: Gender equality	■ ■		■				■ ■ ■		
4: Child mortality	■ ■ ■	■ ■ ■ ■	■	■ ■ ■	■ ■ ■	■ ■ ■		■	
5: Maternal health	■	■ ■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■	■	■		
6: HIV / AIDS and malaria	■	■ ■ ■ ■	■	■ ■ ■		■ ■ ■		■	
7: Environmental protection	■	■	■	■ ■ ■ ■	■ ■ ■ ■	■ ■ ■ ■	■	■ ■ ■ ■	■
8: Partnership									■
■ ■ ■ direct provision, ■ ■ indirect relationship, ■ some relationship Source: Based on <i>Improving Local Government: the Commonwealth Vision</i> , Commonwealth Local Government Forum, 2009 (Box 2). a. In some cases, local governments can influence the MDGs negatively through poor governance.									

Table 1 shows that there is a substantial overlap between the functions commonly delivered at the local government level in accordance with the subsidiarity principle and the pro-poor public services that are required in line with the achievement of the MDGs. Accelerating progress on the MDGs would require increased public spending on primary education, basic health services, access to drinkable water, agricultural extension, roads, and local economic infrastructure. In virtually all countries around the world, these public services are delivered at the local level, either through devolution (by elected local governments, such as district councils or municipalities), by deconcentration (local administrative units of the national government), or sometimes even by the private sector or nongovernmental organizations.

In many countries, local governments have largely been bypassed in pursuing poverty reduction and the MDGs

Irrespective of a country's territorial-administrative structure or its intergovernmental architecture, we expect to see a combination of three patterns in developing countries that are successfully pursuing development and poverty reduction in line with the MDGs:

- First, we would expect to see the public sector dedicating an increasing share of national resources to the delivery of pro-poor public services, specifically those targeted by the MDGs.
- Second, we should see central authorities paying attention to make sure that public resources (including financial as well as human resources) are distributed in an effective, pro-poor manner across the national territory, so that jurisdictions that have higher expenditure needs or that lag in their human, social, and economic development receive a greater share of public resources.
- Third, we should see countries pursuing service delivery modalities that ensure that the public resources which are targeted for development and pro-poor activities are used in the most efficient manner possible.

Given that in most countries, local authorities are responsible for the bulk of pro-poor public services (such as primary education, basic health services, agricultural extension and so on), it would have been reasonable to expect a precipitous increase in local government spending in developing countries following the adoption of the MDGs in 2000. However, there is no systematic evidence to suggest that the local share of public sector spending has increased since the implementation of the MDGs (Box 1). This means—to the extent that progress is being made on the MDGs by increasing pro-poor public expenditures—that this progress is being made by circumventing local governments rather than working through the local level.

Neither is there any evidence to suggest that central governments have made a consistent effort to improve the “horizontal” allocation of local resources across their national territories, to make sure that local governments or jurisdictions with greater poverty and greater public expenditure needs receive greater financial resources. In fact, many developing countries continue to struggle to allocate adequate and equitable levels of financial and human resources (including teachers, health workers, local administrators, and so on) to rural, remote, and under-served areas.

In most countries, poverty reduction and other development efforts—and the pursuit of the MDGs in particular—has largely been a central government affair. National poverty reduction strategies are commonly developed by central government officials; pro-poor interventions are primarily implemented by central line ministries; and progress on the MDGs is monitored by central poverty reduction agencies. Even in countries where local governments are assigned with the responsibility for delivering key pro-poor public services that are aligned with the MDGs (such as education, health services, rural water access, and agriculture extension), the poverty reduction strategy often only mention local governments in passing, as few national development programs accord local governments a critical implementing role.

Box 1: Localizing the MDGs by increasing the resources available to the local government level?

Although one would expect that pursuit of the MDGs would have substantially increased the local or subnational share of public spending in developing countries around the world, this trend has failed to materialize in most countries. A comprehensive review of decentralization trends suggests that while local governments in industrialized countries on average account for more than twice the share of expenditures than in developing countries (32 versus 13 percent), this trend has remained almost unchanged for the past three decades.³ Likewise, there is no evidence to suggest that there has been a systematic increase over the past ten years in the share of public expenditures that takes place at the local level in deconcentrated manner in developing countries.

Individual country case studies confirm that despite the lip-service being paid to decentralization in countries around the world and despite the pursuit of the MDGs, subnational spending levels have not increased. For instance, while Uganda is widely considered to be at the forefront of both decentralization reforms and poverty reduction efforts, the country has shown little or no increases in the share of local-level spending over the past ten years.⁴

Yet there is strong reason to believe that in many cases, local governments offer the potential to improve public service delivery and poverty reduction.

The local capacity myth debunked

An often-heard concern in many developing countries is that the local public sector lacks the capacity to efficiently deliver pro-poor public services, thereby preventing local governments or local administrations from playing a more substantive role in achieving the MDGs. In fact, critics of decentralization often note that there is no systematic empirical evidence to suggest that decentralization results in stronger economic growth, improved public service delivery, or improved poverty reduction.⁵

The reverse is equally true but seldom acknowledged: despite the major advantages that central authorities have in terms of human and financial resources, there is no convincing empirical evidence to suggest that centralized authorities are more effective at achieving stronger economic growth, are better at delivering public services, or have a comparative advantage in achieving poverty reduction.

The resource imbalances that local governments or local administrations face in developing countries are often considerable: while it is not unusual for the local level to be responsible for delivering the bulk of public services and employ 75 to 80 percent of all public servants, the local level often receives no more than 15 to 25 percent of all public financial resources. National public-sector regulations and pay scales typically dictate that local executive officials who are in charge of delivering pro-poor public services earn substantially less, confront tougher working conditions, and face poorer career options than central ministry officials. Likewise, the local public sector often only receives a tiny fraction of the public sector's operation and maintenance (O&M) resources with which they are to provide the bulk of public services. To the extent that nonwage recurrent inputs are needed to deliver local public services—such as school books, drugs and medical supplies, allowances needed for in-line staff training, or fuel for service delivery monitoring and supervision—local officials in many countries are dependent on central officials to provide resources for such expenditures on a highly conditional basis or in-kind. Similarly, central line ministries routinely retain the lion's share of development expenditures at the central level, even for sectoral functions which are assigned to the local level. The existence of such vertical (central-local) resource imbalances suggests that local capacity constraints could largely be resolved if the local public sector were simply better resourced in terms of wage expenditures, operations and maintenance resources, and infrastructure expenditures. In turn, addressing this vertical resource imbalance would allow local governments to play a prominent role in accelerating the progress toward attaining the MDGs. As such, the relative lack of capacity at the local government level should not be seen as a fundamental obstacle that would structurally prevent local governments from engaging more proactively in achieving the MDGs.

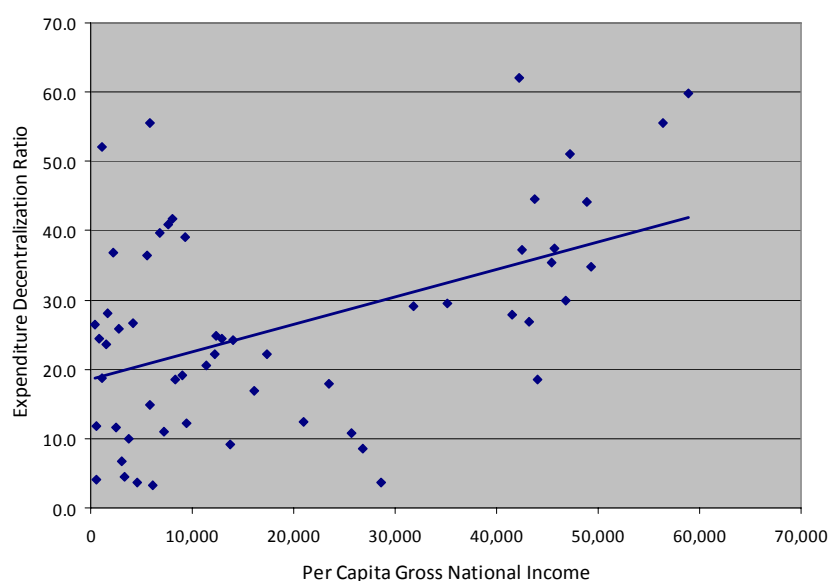
International patterns regarding the role of the local public sector

Another clear indication that local governments are well-positioned to accelerate progress on the MDGs is that there is a strong positive relationship between the level of economic development and the degree of decentralization: local governments in industrialized countries are typically assigned a wide range of service delivery responsibilities and regularly spend around one-third (or more) of all public finances. Research on the structure and composition of the public sector consistently indicates that the more developed a country is, the more likely it is to spend a greater share of public finances at the local level (figure 1). While figure 1 only shows this positive trend for devolved expenditures, it would not be surprising to find a similar positive trend between a country's income levels and the share of public expenditures that is deconcentrated at the local level.

The finding of correlation between decentralization and national income does not necessarily mean that decentralization *causes* economic development or that decentralization *causes* the attainment of the MDGs. In fact, it is more likely that the main line of causality runs in the opposite direction, with higher national income both having a direct impact on poverty reduction and the MDGs (when public expenditures are prioritized towards pro-poor public services), as well as on the quality of public sector governance (figure 2).⁶ If spending priorities exist disproportionately at the local level within the public sector, a well-governed public sector would allocate greater resources to the local public sector accordingly. Given the strong overlap

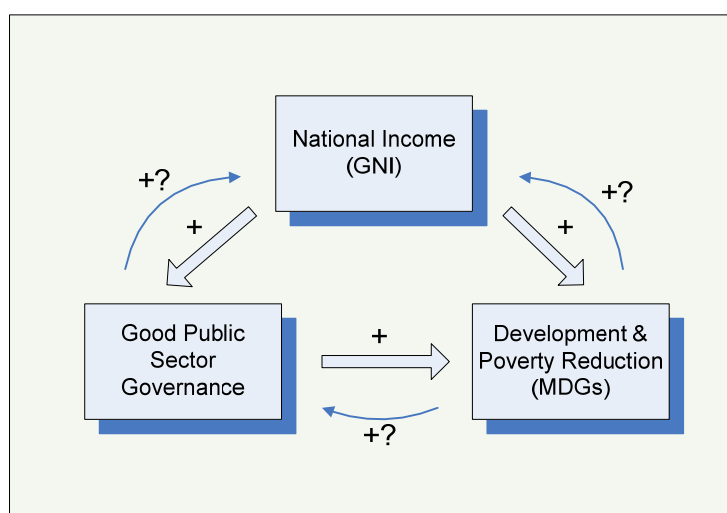
between the MDGs and the competencies normally assigned to local governments (primary education, basic health care, and so on), the causal links presented here would support contention that higher-income countries focus a greater share of their public spending on localizing the MDGs.

Figure 1. Relationship between Expenditure Decentralization and Gross National Income (GNI)



Source: Computed by author. EDR data are based on Boex and Simatupang (2008). Per capita GNI reflects nominal income based on Atlas methodology. Three outliers (China, Luxemburg, Norway) were excluded from the graph.

Figure 2. Expected Causality between National Income, Public Sector Governance, and the MDGs



The finding that wealthier countries rely more on the local public sector provides a strong indication that centralized planning and top-down, hierarchical bureaucratic supervision are generally considered a less effective way to organize the public sector in more developed economies. Instead, community participation and downward accountability in the public sector appear to become increasingly important as an economy develops. At the same time, figure 1 reminds us that there is a lot of variation in the degree of decentralization, both among developed and developing economies, meaning that, although a country that fails to consider decentralization as a policy option does so at its own peril, a variety of different factors may play a role in determining the optimal level of decentralization.

So, why has the role of the local public sector in pursuing the MDGs been so limited?

The inadequacy of financial and human resources provided to the local government level is only the first in a series of challenges that the local public sector faces in supporting pro-poor development and localizing the MDGs. Likewise, as noted above, there is little evidence to suggest that central governments around the world have made consistent efforts to improve the horizontal allocation of public resources.⁷ Similarly, little systematic attention has been paid—in a constructive manner, at least—to the efficiency (or inefficiency) with which public resources are used by transforming public sector inputs into outputs and policy outcomes at the local level across their national territories.

The global development community appears to have reached an impasse. While the case for greater involvement of the local public sector in poverty reduction and development interventions may be strong in theory, it seems that there are systemic obstacles in many developing countries that prevent local governments and local administrations from playing a stronger role in the public sector's development efforts. As long as those obstacles remain unaddressed, the potential for local governments and other local-level actors to accelerate progress toward the MDGs will remain limited. This begs the question: what are the main obstacles to localizing development efforts, and how do we resolve these obstacles in an effort to unlock the potential of local public sector?

3. Unlocking the Potential of the Local Public Sector: Technical Obstacles

While local governments have claimed a substantial and growing place in the public sector reform agendas of many developing countries over the past two decades, the promise of involving the local public sector in national development and the MDGs often remains considerably greater than its reality. Critics are quick to point to three technical obstacles: first, the weak capacity of local government organizations; second, the poor design of decentralization reforms and weak intergovernmental systems; and third, the absence of bi-directional linkages between the national poverty reduction strategy and the local public sector. These technical obstacles need to be overcome in order to unlock the potential of local governments to contribute to the acceleration of the MDGs.

Achieving effective, high-performing local government organizations

There is no doubt that the organizational effectiveness of local governments and the quality of local government services—particularly in developing countries—are often constrained by the limited capacity and resources available to the local government level. As noted earlier, however, local government capacity itself is determined in turn by the level of resources made available to the local level and the political and administrative discretion or autonomy that local governments are provided by the center. Then, enhancing the capacity of the local government level is perhaps more a matter of political or institutional will. Nonetheless, there is an important technical aspect to building the institutional capacity of local governments. In this regard, what technical support or capacity strengthening efforts are needed to achieve effective, well-capacitated local organizations within the view where local governments play a broad role in promoting and supporting development in response to local needs?

After decades of providing capacity building support to local governments, the international development community generally knows the ingredients needed to establish a basic local government administrative apparatus that is capable of managing their financial resources and delivering basic public services based on instructions and guidance from the center. However, for local governments to support accelerating the MDGs, basic local government administrations would have to be transformed into high-performing local government organizations able to proactively advocate for the needs of their residents and tackle complex policy issues, such as poverty reduction, local environmental protection, and so on. Experiences from middle- and higher-income countries clearly indicate that local governments are feasible contributors in these policy areas.

Transforming more traditional, reactive local government entities into high-performance local government organizations presents us with the first main technical challenge that needs to be overcome in order to unlock the full potential of local governments in the public sector. This will require not only re-orienting the political, institutional, and fiscal environment within which local government officials operate for local officials to become more responsive to the needs of local constituents (rather than exclusively looking upward for guidance), but many developing countries will also require building local technical expertise in areas where local governments previously may only have had a limited role, including in areas such as local economic development, community development, environmental management, and emergency responsiveness. While the challenge of achieving effective, high-performing local governments is highly context and country-specific, international experience-sharing and identifying best-practices can contribute significantly in overcoming this challenge at the local level in developing economies.

The design and implementation of effective intergovernmental systems

When local governments fail to deliver on the promise of improved local service delivery, detractors are quick to place the blame with weak local governments. Upon closer analysis, however, the design of the intergovernmental systems within which local governments operate

are often weak and the implementation of local government reform programs is often quite incomplete.

A comprehensive and effective system of intergovernmental relations provides the political, administrative, and fiscal environment in which local governments operate. Accordingly, a comprehensive approach to decentralized local governance requires not only the institutional strengthening of local governments but requires a wider range of policy interventions, including the adoption of a high-level decentralization policy document; putting in place a consistent legislative and regulatory framework; defining an institutional framework at the central government level for dealing with central-local relations; and strengthening civil society and the private sector to engage with local government officials and hold them accountable.

The design and implementation of a technically sound system of intergovernmental relations requires the careful design of political, administrative and fiscal mechanisms, and the balancing of local discretion and local accountability within each of these three dimensions of decentralization. In addition, balance and coordination is required among these three dimensions for the benefits of decentralization to materialize. After all, even if financial resources and administrative systems are decentralized to the local level, the potential benefits of decentralization—including responsiveness and the efficient and accountable use of local resources—will fail to materialize in the absence of real and effective political decentralization.⁸

However, just as the weak capacity of the local public sector is often caused by political and institutional dynamics, the challenge to improve the design and implementation of decentralization reforms is often only partially technical in nature; politics and institutional dynamics often play an important role in weakening the design of decentralization reforms. Since national governments are often hesitant about the loss of authority that comprehensive decentralization reforms would entail, central authorities face an incentive to agree to only decentralize in certain areas, while preserving centralist practices and/or national government prerogatives in other dimensions.⁹

Linking the national development and poverty reduction agenda to the local public sector

Most decentralization policies and strategies make explicit reference to the fact that the local public sector—whether in the form of local government authorities or in the form of deconcentrated line departments—serves the national poverty reduction and development agenda. National development and poverty reduction policy documents, however, are often much more timid about acknowledging the central role of the local public sector in promoting development and achieving poverty reduction. For instance, few national development strategies provide an indication of the specific activities that local government should pursue in support of the national development agenda, while even fewer—if any—national development strategies make specific reference to the additional resources that would be required at the local level for the local public sector to effectively support the national development agenda.

The hesitance of central authorities in most countries to recognize that urban and rural local governments are indispensable actors in developing and implementing a national development

strategy is a major obstacle in localizing the MDGs. Likewise, the absence of explicit, bi-directional technical linkages between the national development and poverty reduction agenda and the local public sector forms an important obstacle in translating national development policies into actual progress on the ground. For instance, while national poverty reduction agencies often carefully collect and tabulate data to measure the progress on the MDGs, these data are seldom broken down at the local jurisdiction-level or shared with local officials. Such information asymmetries prevent local officials from playing a more proactive role, as they are unable to use nationally available data as an input into local progress assessments on achieving the MDGs. Likewise, local-level data on MDG-related performance outcomes are seldom used by central authorities to target central financial resources or support to local jurisdictions that need greater support in their public service delivery efforts. How to form effective central-local partnerships in reducing poverty and attaining the MDGs, how to share the available disaggregated information on MDG performance, and, subsequently, how to technically integrate locally developed poverty-reduction plans within the national poverty reduction strategy are technical challenges that few countries have successfully met.

4. Unlocking the Potential of the Local Public Sector: Political and Institutional Obstacles

In addition to technical constraints being faced in effectively engaging the local public sector into the national development and poverty reduction agenda, political and institutional obstacles frequently limit the role of the local level within the public sector and thereby prevent nascent systems of decentralized governance from functioning effectively.

The centralization of political space

The decentralization of power and resources among different government levels is by definition a highly political reform, and understanding decentralization requires appreciating its fundamental underlying paradox: what motivates the central government to give up powers and resources to subnational governments?¹⁰ As a result of this paradox (and as already alluded to above), domestic political considerations in most countries limit the space that the center will allow for local governments to develop into viable, well-resourced, and well-capacitated governance units. For instance, in countries where competitive multiparty elections are yet to fully flourish, a national ruling party may prefer to restrict subnational political competition in order to prevent the opposition from gaining a foothold at the subnational level. Yet in the absence of political mechanisms where local officials can be held accountable by the constituents that they serve, the potential benefits of decentralization will almost surely fail to materialize. These short-term central political concerns notwithstanding, political, administrative, and fiscal space for local-level officials will have to be opened up in order to unlock the long-run potential of the local public sector to accelerate progress on the MDGs.

Opposition from central bureaucracies

Within central-level bureaucracies, opposition to decentralization by central line ministries—which fear loss of power, prestige, and resources—often forms another important obstacle to

successful decentralization reforms and a stronger role for the local public sector in pursuing the MDGs. Many decentralization reforms stall or fail to provide local government with adequate discretion over local government functions as a result of such institutional opposition at the central government level.¹¹ For instance, it is not unusual for decentralization legislation—when adopted—to languish for years before line ministry officials move forward with anything that resembles the devolution of functions and expenditure responsibilities. And even in these cases, central line ministries often seek to retain control over many aspects of local service delivery, whether by retaining central control over the local public service and the hiring and firing of local staff; by providing local governments with earmarked, conditional grants that are subject to central government approval; or simply by the center retaining a large share of the financial resources necessary to deliver local public services.¹²

The centralizing bias of the international development community

Support by the international development community for decentralization efforts rarely takes into account the influential political and institutional dynamics that underlie the development of a decentralized local government systems. The lack of correspondence between official public policy goals for pursuing decentralization and the—often shifting—goals of political and bureaucratic actors commonly results in the failure of such reforms to fully meet the stated objectives of decentralization and in a host of unintended consequences. Political-institutional obstacles to decentralization, however, are not limited to domestic political considerations: in many countries, there is often an institutional bias against decentralization within the international development community itself.¹³ Given that donor agencies and international financial institutions need to have their primary counterparts at the central government level, a combination of institutional self-interests (by the donor agency as well as by their counterparts at the central government level) can bias the implementation of development projects to the central government level. While this is true for most development activities in general, ironically, the implementation of decentralization reforms is no exception, explaining the large number of decentralization projects that seek to promote decentralization reforms in a top-down manner, sometimes empowering the central institution that is supposed to champion decentralization more than the subnational governments themselves.

5. Concluding Remarks and Ways Forward: Localizing the MDGs

Accelerating progress toward achieving the MDGs will require that pro-poor development interventions be localized, whether through the local administrative tier of the national government (deconcentration), through elected local governments (devolution), or in some cases possibly even through civil society or the private sector. The most effective approach (or combination of approaches) to localizing the MDGs will be different from one country context to another. Although elected local governments would be quite possibly best-positioned to support progress towards the MDGs in the long run, technical obstacles as well as political and institutional obstacles have prevented local governments from fulfilling their potential in supporting the attainment of the MDGs. These obstacles should be addressed if we wish to

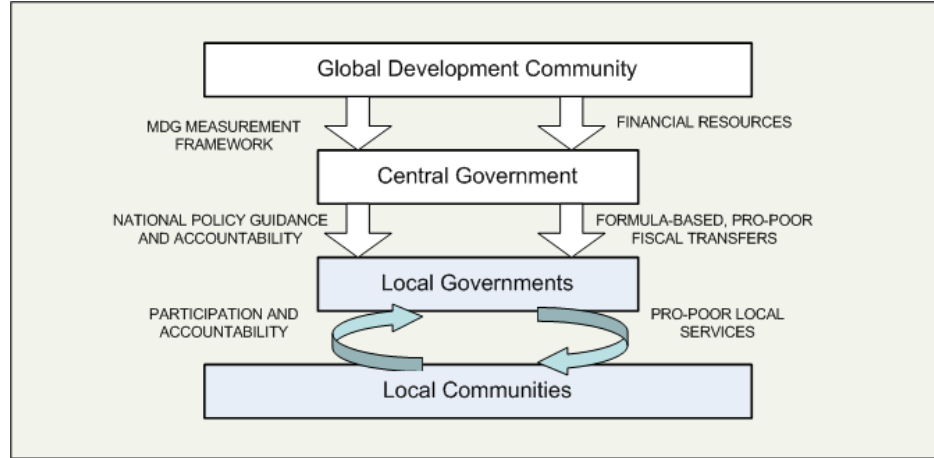
unlock the potential of the local public sector—and local governments in particular—in achieving the MDGs.

While localizing the MDGs should not be achieved following a one-size-fits-all solution, some lessons are emerging from the current state of international practice in decentralization and poverty reduction. Many of these lessons are technical in nature. For instance, meaningful involvement of the local level in accelerating progress on the MDGs requires a clear assignment of functions and competencies among different government levels or tiers. Next, once functions and expenditure responsibilities are clearly assigned, the level and distribution of public financial resources provided to the local level should follow the functions assigned to the local level. In addition, transforming local governments into high-performing local government organizations (that deliver public services in a responsive and efficient manner) requires that local governments are provided with substantial decisionmaking power and discretion, in a manner that carefully balances the degree of local discretion with local accountability.

Recognition should further be given to the fact that, in many cases, the technical obstacles being faced by the local public sector are not independent from the political and institutional dynamics at the central government level. Central political and institutional pressures often cause, deepen, and/or prolong the systematic weaknesses of local governance systems by prioritizing centralized solutions in pursuing development challenges, such as those framed by the MDGs. This—advertently or inadvertently—leads to underfunding of the local level, thereby undermining the capacity of the local public sector to function effectively and marginalizing it as an effective force for good within the public sector. As such, unlocking the potential of the local public sector will require us to address both the technical as well as the political and institutional obstacles simultaneously.

Regardless of whether the local level in a particular country is being tasked to play a specific, more limited role in supporting the MDGs as defined by the central government or whether local governments are able to play a broader developmental role in pursuing poverty reduction and human development in their country, there is a general need for an adequate enabling framework that allows the local public sector to function effectively in supporting the achievement of the MDGs. While decentralization reforms and efforts to improve the effectiveness of the local public sector should focus on improving the capacity of local officials to deliver pro-poor public services to their constituents and on the ability of local constituents to participate and hold local officials accountable, this does not mean that the central level or the global development community does not have an important role to play.

Figure 3. Localizing the MDGs: Stakeholders, Resources, and Accountability



As shown in figure 3, in addition to the interaction between local governments and the local communities they serve, specific attention should be paid to the role of the central government and the international development community in supporting the local public sector and decentralized local government systems. The role of central authorities in achieving an effective local public sector includes assuring the development of a sound decentralization policy, reform of the legislative framework, and establishing appropriate intergovernmental institutional relations (such as providing central policy guidance in appropriate policy areas; supporting sound local public financial management systems; and the provision of norm-based budget allocations or formula-based, pro-poor fiscal transfers). In accordance with the precepts of aid effectiveness and aid harmonization (and in line with the Paris Declaration and the Accra Agenda for Action), the role of the international development community is not only to provide financial resources and a measurement framework for progress, but also to support developing economies in recognizing whether—or to what extent and how—the local public sector can be an efficient modality to tackle the development challenges being faced in developing countries around the world.

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Notes

Dr. Boex is a senior research associate at the Urban Institute in Washington, D.C. The Urban Institute is a nonprofit, nonpartisan policy research and educational organization that examines the social, economic, and governance problems facing the United States and countries around the world. The views expressed are those of the author and should not be attributed to the Urban Institute, its trustees, or its funders. An earlier version of this paper for prepared as an input into the UNCDF Global Forum on Local Development, which was held in Kampala, Uganda, from October 4–6, 2010. The author is thankful for valuable comments and suggestions received from numerous reviewers on earlier drafts of this paper, including from Aladeen Shawa, Alessandra Heinemann, Katie Mark, and David Morrison.

1. Unless noted otherwise, the terms ‘local public sector’ and ‘local government’ apply more broadly to the subnational public sector and other subnational governments.
2. Public sector reform is highly context-specific, and devolved local governments are not always the fastest or most efficient way to get things done within the public sector. The efficiency of deconcentrated public sector institutions should be considered as an important comparator or alternative service delivery modality in considering the potential benefits of localizing the MDGs. This is particularly the case in countries with highly centralized institutions, countries with weak democratic traditions at the local level, as well as fragile and post-crisis countries.
3. For further details, see Bahl and Wallace (2005).
4. For instance, see Ssewankambo, Steffensen, and Tidemand (2008).
5. The empirical research on the impact of decentralization is inconclusive as to its impacts of decentralization on economic efficiency, improved service delivery, and economic growth. However, this research is constrained by numerous limitations. It is quite likely that the difficulties in properly measuring decentralization and the imperfect real-world implementation of decentralization reforms have contributed to the absence of a positive and significant relationship between decentralization and improvements in public service delivery. In addition, it should come as little surprise that researchers have found it difficult to concretely prove that local governments in developing countries have been able to improve local development results, given the fact that there has not been a measurable increase in the allocation of resources to the local level in developing economies over the past three decades.
6. For instance, Paul Collier (2009) suggests that with higher national income (in particular, with levels of GDP above a threshold of \$2,750 per person), democracy will lead to better governance outcomes such as increased domestic security.
7. This is a general statement: there are of course countries that have made a greater effort to ensure an equitable and more pro-poor allocation of subnational resources. One country that has made a significant effort in recent years to achieve horizontal fiscal balance is Indonesia.
8. For great detail on the role of political decentralization, discretion and accountability, see Serdar Yilmaz (2009) and Boex and Yilmaz (forthcoming).
9. For a further discussion, see Eaton and Schroeder (2010).
10. For a detailed discussion of the role of politics in decentralization reforms, see Eaton, Kaiser and Smoke, (2010).
11. For a stakeholder analysis of supporters and opponents of decentralization, see Bahl (1999).
12. Another approach for central officials to retain bureaucratic control over local service delivery is by assigning certain functions (such as urban water provision) to local boards which are controlled by the line ministry, rather than by the local government authority.
13. For a more in-depth discussion on fiscal decentralization as an international development strategy, see Boex (2009).