Obstacles to Decentralization: Lessons from the Developing World

An Overview of the Main Obstacles to Decentralization

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Since World War II, the political map of the world has been influenced by three major 'D' phenomena; decolonization in Africa and Asia; dissolution of states like Pakistan, Czechoslovakia, the Soviet Union and Yugoslavia; and the emergence of new decentralized states in lieu of centralized ones. Although less dramatic in political resonance, it is the last process that is most alive today and which is affecting the lives of many citizens because of its global reach and scale. Decentralization with fiscal and political devolution has taken a stronghold in some European states such as Belgium, Italy, Spain and the United Kingdom, while other developed economies have also deepened their decentralized government structures in recent years, but the phenomenon of decentralization is mainly playing out in Africa, Asia, and Latin America at this time. There are various reasons for these states to do this, responding to a variety of forces. Some may be of a political nature such as keeping a country together or, reacting to past centralized undemocratic regimes; others may be of a more economic nature such as replacing a failed economic model of which centralized socialism is a common example. Finally improving governance by making the public sector more efficient and accountable is also an explanation for the initiation of decentralization.

But decentralization is not always easily implemented, and in fact many developing countries have failed or are failing to introduce effective decentralized governance systems. Why? Many reasons are possible. The main purpose of this book is to seek them out in a systematic fashion. The book is a collection of invited original essays bringing together a group of experts in decentralization reforms from all around the world. They are drawn from both academia and international institutions but all have in common the fact that they have advised a good number of countries over the years and worked with domestic authorities with different degrees of eventual success on fundamental decentralization reform or various aspects of the implementation of a decentralization policy such as the assignment of specific expenditure responsibilities or of revenue sources. While these experts have written extensively on the various points of the reform process, they had not had the opportunity to set down in writing their reflections on why decentralization reforms often times are so hard to enact effectively. The chapters in the volume are thus the product of interactions among the members of this group through reading and commenting on each other's papers and presentation and discussion of the essays during a two-day workshop held in Atlanta, Georgia in September 2008 sponsored by the International Studies Program of the Andrew Young School of Policy Studies at Georgia State University

This book examines the experiences of 15 countries in different regions of the world all of which have seriously attempted to decentralize or continue to do so and all of which have faced obstacles serious enough to either derail or significantly delay their decentralization objectives. The countries covered in this volume they cover various geographical areas of the world and offer a cross section of different decentralization experiences and stages of decentralization. The 15 countries studied in the volume are listed in Table A-1. They differ in population size, from 3 million in Albania to 162 million in Pakistan. In terms of per capita income, the countries vary from low middle income (Cambodia or Egypt) to the very poor (Congo or Sierra Leone). Also as shown in Table A-1, the countries studied show large ethnic/linguistic and religious diversity, and a good number of them are coming out of a civil war period.

A common goal of all chapters in this volume is to identify the main obstacles to the decentralization process in each of the countries selected and extract lessons for policy makers, technical advisers and academic researchers regarding what may be done and what should be avoided in other countries in order to avoid repeating the same types of policy errors and in order to attain successful reform faster and on a more secure footing. In some cases, of course, such as when obstacles are the result of historical legacies, this type of advice may be hard to implement. But identifying the main obstacles to a sound decentralization process can help improve the effectiveness of both the own decentralization efforts of the countries themselves and of the international technical assistance they receive.

What are the main obstacles to effective decentralization? One answer is that there are as many as there are countries attempting to decentralize, with each situation being a unique one. This is by definition true but not very useful. We would argue that the main obstacles to decentralization in the countries studied in this volume can be categorized into six groupings as follows:

1. Fundamental flaws in the design of the decentralization system having to do, among other things, with murky assignments of expenditure responsibilities or overwhelming transfer dependence on the revenue side of sub-national budgets.

2. Weak central government institutions in the form of political instability or lack of control of the basic levers of government, such as domestic taxes and customs administration.

3. Effective resistance from tribal elites and traditional deconcentrated powers to newly imposed decentralized power architecture.

4. Impact of history and colonial influences with a tradition of hierarchical power and key employees of decentralized entities that do not necessarily have career goals in agreement with decentralization goals.

5. Reluctance of central authorities because of fear of losing political control.

6. The imperative of "union preserving federalism," where genuine decentralization never was meant to work but rather it is used as a political decoy to preserve otherwise unsustainable political unions.

There are, no doubt, some other obstacles to effective decentralization that are identified in the chapters in the volume, for example lack of qualified administrative personnel, and many of the country cases reveal that multiple obstacles can be present in the case of a particular country. But the six main obstacles listed above, we believe, capture the essence of the range of potential problems facing developing countries when embarking on decentralization strategies and will be used to structure the contents of the volume. In the remainder of this introductory chapter we review where each of the 15 countries fit in terms of the observed main obstacle but also what other accompanying obstacles are identified. We will conclude with some lessons that can be extracted from the collective experience of the 15 countries. We present the 15 countries covered in this book under these various groupings with the exception of Sierra Leone which is joined at the hip with Sudan in a single paper.

Fundamental flaws in the design of the fiscal arrangements:

Four countries studied fall for similar reasons under this category. In the case of Albania, written by Bernard Dafflon, the most important factor slowing down decentralization has been the murkiness in the assignment of expenditure responsibilities. According to Dafflon, the drafters of the decentralization law were deliberately unclear as to who did what to ensure passage of the law through parliament. But once passed, this law turned out to be extremely hard to implement because of this flaw. The initial problem with expenditure assignments was aggravated when newly created regions were inserted between the central and local governments with both the ill-defined roles discussed above and with a dual role to play as decentralized entities and also as deconcentrated agencies of the central government. This second factor added to the confusion caused by the unclear legislation on functional responsibilities. The duality of roles for intermediate level governments as both autonomous and hierarchically subordinated units has plagued decentralization reform processes in many other transitional countries over the last two decades. Additional country specific features also contributed to slowing down effective decentralization reform in Albania; for example, the fact that the opposition at the central level was headed by the mayor of Tirana, the capital, made decentralization less appealing to the central authorities, while offering Tirana a special status was perceived as an easy way out.

Although many miles away in a different continent, in the case of Southern Sudan, written by Bob Searle, the main obstacle in the decentralization process has been very similar to that in Albania, what appears to be an intentionally designed fuzziness in the assignment of expenditure responsibilities, this time taking the form of a complete lack of legislation pertaining to the issue. In a related problem, that is present in many other countries including countries long perceived as highly decentralized such as India, the focus of the decentralization efforts has been at the intermediate level of government, the provinces in this case, with a complete lack of attention given to local governments and also to local traditional chiefs. An additional complicating factor in Southern Sudan has been the great expectations with respect to oil resources associated revenues and disagreements on,how to share it leading in Searle's view to little revenue mobilization effort and the use of an ill-designed system of grants.

Flaws in the design of other fundamental pillars of fiscal decentralization, like revenue assignments, have become serious impediments to decentralization in other countries. In the case of Pakistan, written by Roy Bahl, Sally Wallace and Musharraf Cyan, the most serious impediment to viable decentralization has been the lack of fiscal autonomy at the provincial level. The lack of tax autonomy has resulted in a weak financial footing and a high transfer dependence of sub-national units. As a consequence, Bahl, Wallace and Cyan argue that Pakistan's intergovernmental system has not grown very far from a centralized system of fiscal governance. Both central and provincial authorities have grown comfortable with a system that relies heavily on transfers and little by way of provincial government tax effort. This may be one of the most common obstacles to effective decentralization in other developing countries. Pakistan's decentralization has also suffered from considerable neglect of local government units, although with marked cycles in the attention given to local governments, which are stronger when the military are in power at the centre and weaker when civilian authorities are in power. An additional obstacle to effective decentralization at the local level in Pakistan, according to Bahl, Wallace and Cyan, is that most of the employees working for the local governments belong to the provincial cadres, with direct allegiance to the provincial authorities as opposed to the local ones.

A somewhat different issue with the design of the pillars of fiscal decentralization involves the threats or perceived threats associated with sub-national borrowing powers and also with other forms of fiscal devolution. In the case of Peru, written by Ehtisham Ahmad and Mercedes Garcia-Escribano, the decentralization system has been handicapped by design problems arising from a high fear among central authorities of the potential macroeconomic destabilizing consequences of decentralization extrapolating from the past decades bad experiences of Argentina and Brazil and also from past experiences with macro-crisis in that country. Another significant obstacle to effective decentralization in Peru, according to Ahmad and Garcia-Escribano has been the uneven distribution of natural resources and the high participation in revenue proceeds by a small number of subnational units that is not matched in any realistic way by the assignment of expenditure responsibilities. The proper participation of sub-national governments and effective ways to contain the horizontal fiscal disparities among sub-national units that can arise from that revenue sharing are common problems to other decentralizing developing nations rich in natural resources that are not evenly distributed across their territories.

Weak central government institutions:

Somewhat paradoxically, a key obstacle to effective decentralization in some developing countries is a weak central government, where this weakness can manifest itself along several dimensions. One of these dimensions is weak central government institutions vis-à-vis decentralized units, as in the case of Laos, written by Juan Luis Gomez, Jorge Martinez-Vazquez and Cristian Sepulveda. In effect, for many years Laos has not been able to decentralize effectively because the central government was too weak vis-à-vis the provincial governments. Provincial governors gained extraordinary powers with roots in the war of independence efforts and also in the fragmented geography of the country. Until the very recent reforms, provincial governors were charged with the collection of all taxes and the administration of customs; at some point the provincial governments even had the right to issue their own money supply. On the other hand, the central government did not have a unified treasury system and had no other means of enforcing its policies or to control the provincial governments. At the same time, the decentralization design was faulty; there was no clarity on expenditure assignments, no legal autonomy to raise taxes by sub-national governments, no system of equalization grants or organized conditional grants. As Gomez, Martinez-Vazquez and Sepulveda put it, in order to undertake the right kind of decentralization, the central government needed to recentralize a number of functions that had been wrongly decentralized before and to become a significantly stronger central government in key areas of the budget process.

A second dimension of weakness at the central level is a high degree of political instability, as in the case of Bangladesh, written by William Fox and Balakrishna Menon. The political instability at the national level in Bangladesh has been characterized by a mixture of military and civilian rule and a strong animosity between the two main political parties with a penchant for the politics of the streets plus a strong dislike of whatever system was introduced by the other party. As Fox and Menon put it, a striking feature of decentralization in Bangladesh is that every new leader coming to power attempts to introduce a new system at the same time it deconstructs all the efforts made by the previous regime. Another obstacle to decentralization in Bangladesh, shared with Pakistan, is the presence of strong deconcentrated institutions and the fact that most local government employees are central government employees; realities that in a sense choke off attempts to see decentralized units become better established. An experience also shared with Pakistan, notable and somewhat paradoxical, is that the two most significant decentralization initiatives in Bangladesh in recent times came during periods of martial law in Bangladesh.

In the case of Congo DRC, written by Kai Kaiser, Mabi Mulumba and Tony Verheijen, the central government remains weak as a consequence of a civil war that saw the country divided and governed by different factions during 1998-2003: it was officially reunited with the promulgation of a Transitional Constitution in 2003. This is a country case study that highlights the significance of political economy as backdrop to any decentralization process and getting this part of the story right before proceeding ahead. As Kaiser, Mulumba and Verheijen point out, decentralization in Congo may promise a way for national reconciliation and working together when the level of trust between its citizens is not high and natural resource riches are unevenly distributed. On the other hand, it is far from clear that such a weak central state as Congo RDC should be encouraged to decentralize; it may have nothing to devolve. The situation is complicated by the absence of strong leadership at the center with a coalition government in place and by the pull between provinces advocating for strong rules-based transfers and revenue sharing on the derivation principle to secure greater resource flows and the center's preference for discretion to maneuver freely to compensate friends and punish foes.

Effective resistance from tribal elites and traditional political powers:

Local governance in some regions of the world traditionally has been conducted along tribal and extended family lines which for the most part resemble very little the institutions associated with modern decentralized government units with representative democratic institutions, explicit transparent budgets, taxes, etc. The implanting of these modern institutions in the traditional social fabric often has generated a sharp rejection or at least a significant struggle. This type of experience has been common in Sub-Sahara Africa with different nuances, as is documented in the case of studies of Burkina-Faso and Sierra Leone.[1]

In the case of Burkina Faso, written by Eric Champagne and Ben Mamadou Ouedraogo, the main obstacle to decentralization comes from a pincer like resistance to decentralization with both traditional elites (village leaders/elders) and central government officials resisting it in order to preserve their power in their respective spheres of influence. Other obstacles to effective decentralization in Burkina Faso are identified by Champagne and Ouedraogo including inconsistent assignments of responsibilities --- with legal documents devolving powers to municipalities in areas such as primary education in conflict with the legal documents reserving them for the central government, or issues with human resources with many local officials unable to read or write. Also important in Burkina Faso is that decentralization has not received much popular support because of the fear by the population that decentralization would imply a withdrawal of government services which have always come from the centre.

In the case of Sierra Leone, written by Bob Searle, the first obstacle to decentralization is also the conflict between traditional chiefs and local councils. This conflict is most acute in the area of local revenue sources. As Searle points out, the Local Councils' revenue was legislated to the detriment of the Chiefs and these were not sufficiently involved in making that decision. An additional obstacle to effective decentralization in Sierra Leone has been the lack of clarity in expenditure assignments and getting the central government line ministries to accept their lesser role in a decentralized system of governance. The resistance from central government agencies to give up what had in the past, a core part of their turf, is a problem shared with many other developing countries. The advantage of Sierra Leone over some of those other countries is that the line ministries and other central agencies were never asked to take exclusive charge of defining the decentralization process and scope of their respective sectors. Another advantage of Sierra Leone that Searle points out is that the decentralization process was facilitated by the introduction of modern budget management practices, which allowed for transparency of financial management at the sub-national level.

[1] Beyond Sub-Sahara Africa, tribal traditional alliances have also been an obstacle to decentralization in some Middle East countries. These experiences may also have some relevance for other countries. For example, the central government of Bolivia recently announced the introduction of an ethnic dimension superimposed over the traditional modern decentralized units of provinces and municipalities, and where the ethnic local units will overlap in many cases several local governments and not always in an exclusive manner.

Impact of history and colonial influences with a tradition of hierarchical power:

Perhaps among the hardest obstacle to decentralization is presented in those countries where the "dead hand" of history because of culture, colonial influences and other factors ally themselves to create an environment of hierarchy and power that is antithetical to devolution of power and self governance by local entities. These appear to be the experiences for Cambodia and Madagascar in this volume. In the case of Cambodia, Paul Smoke and Joanne Morrison identify a strong tradition of hierarchy as the strongest obstacle to decentralization in that country. Other obstacles to decentralization are present. Smoke and Morrison point out that the party in power at the center at the present time may be eyeing decentralization as leading to a reduction in its power and so it remains to be seen how this party in power will react in the future if other parties gain significant support in local elections. Cambodia's decentralization process has also suffered from the imprecise assignment of expenditures and revenues; this may not have been a very important choice to begin with at the commune level but as decentralization is extended to the provincial level much more clarity in assignments will be necessary. That said, one positive aspect of the decentralization reform in Cambodia highlighted by Smoke and Morrison is that it is being built in an integrated way from a lower subnational level to higher subnational levels rather than through the more typical, although not exclusive, scenarios in which intermediate levels of government are the starting point for decentralization reforms.

In the case of Madagascar, François Vaillancourt identifies as the first obstacle to effective decentralization a strongly centralizing political tradition, reinforced through various regimes over the years. This tradition reflects both the desire to finalize an unfulfilled indigenous unification of the country and the French colonial influence. In searching for the appropriate form of hierarchy, different reforms have played with an ever changing status of the intermediate entities between the central government and well established municipalities, provinces, autonomous provinces, regions, and so on. This focus on what the intermediate level of government should be has provided a convenient excuse not to strengthen the municipal level, although it is the municipalities that provide a stronger basis for fiscal and political devolution. Other obstacles to decentralization come from poor implementation or operational measures, for example larger better established municipalities have restricted access to their cash management by the central treasury system while paradoxically the poorest ones with little financial management capacity have their own bank account.

Reluctance of central authorities because of fear of losing political control:

In countries with strong single-party governments, decentralization nevertheless beacons like in other countries with its promise to increase the overall efficiency of public expenditures. Single-party governments also tend to see decentralization as a way to increase political legitimacy. However, in these countries the central authorities can develop a visceral fear, not unjustified, that decentralization will bring with it political competition and ultimately a weakening of their grip on power. This fear of losing political control is the main obstacle to bona fide decentralization reforms in countries like Egypt and Ethiopia also discussed in this volume.

In the case of Egypt, written by Jorge Martinez-Vazquez and Andrey Timofeev, the main obstacle to effective decentralization reform has been the lack of political will at the center since it is becoming increasingly understood that genuine decentralization will require different degrees of democratization and political opening which part of the elite believe may facilitate the empowerment of the political opposition to the current regime. Put differently, a single party regime with still significant vestiges of Soviet style government institutions and with a centralized tradition going back to Pharaonic rule has to make way for a grass-root oriented local democracy, which may open legitimized venues for the opposition Muslim brotherhood party; a party that in the recent past has proven more adept to work with local constituencies than the official party. Even though Egypt currently has the basic structural elements needed for deepening decentralization reforms, most of those elements, such as elected local councils, are neutralized for lack of open local elections and the dominance of vertically appointed executives over elected ones. In addition, the zero retrenchment policy that has accompanied decentralization reform has made efficiency gains difficult.

In the case of Ethiopia, Serdar Yilmaz and Varsha Venugopal also identify as the most serious obstacle to decentralization in that country the reluctance by the party in power, the EPRDF, and its allies, formal or informal, to allow the emergence of political competition at the sub-national level. So while the current institutional design allows for decentralization, this is limited in practice. Yilmaz and Venugopal point out that the role of the national party in the selection of the local government undermines the accountability of officials to local residents; the dominance of vertical accountability to party officials over horizontal accountability to residents is aggravated by the fact that the government takes mostly into account party loyalty when appointing local government employees. In addition, the current design of local government finances and administrative arrangements rules out any real opportunities for political competition. Yilmaz and Venugopal conclude that unless the EPRDF and its allies are prepared to take a serious look into deeper underlying political issues, including the role of the party in local governance, the government will only be paying lip service to the idea of decentralization in the Ethiopia.

The imperative of "union preserving federalism":

In some cases decentralization does not really work because it is subordinated to the role of a political tool to preserve fragile or otherwise unsustainable political unions. Although this is another feature shared by other countries examined in this volume, its presence is most significant in the cases of Tanzania (with Tanganyika and Zanzibar) and Yemen (with North Yemen and South Yemen). In the case of Tanzania, Luc Noiset and Mark Rider challenge the notion that the difficulties encountered in decentralizing in that country are real difficulties. Rather, they argue that seemingly ill conceived fiscal arrangements from the perspective of the conventional wisdom may be understandable from the perspective of union preserving federalism. Although the system of intergovernmental relations in the continental part of Tanzania (formerly Tanganyika) is quite developed, the island of Zanzibar is largely outside that system. And while it is true that the extensive use of block grants and the role played by the central government in both policy and personnel makes decentralization weak, Noiset and Rider argue that the obstacles to decentralization in Tanzania arising from fundamental characteristics of the country's socio-economic conditions and its political economy preclude further decentralization at this time.

In the case of Yemen, Leonardo Romeo and Mohamed El Mensi note that decentralization in that country must be implemented in a renewed state of tension between North and South Yemen and thus walk a fine line between too much and too little devolution. The most important obstacle to the decentralization process is political with the central elites trying not to lose power from decentralization or rebellion. This has been accompanied by the "simultaneous co-opting and displacing of the tribal elite," with the co-opting taking place at the center and the displacing at the periphery. But as Romeo and El Mensi point out, the progress made at the periphery with the introduction of modern state institutions is being effectively countered by an increased "tribal colonization" of the state in the capital Sana'a.

What can one conclude from this brief presentation of the content of this book? It will not come as a surprise to those acquainted with decentralization reform that the dominant obstacles to effective decentralization tend to be of a political or political economy nature. This is naturally so because decentralization as devolution of powers is fundamentally a political process. Central government politicians well entrenched in power, either because they win elections repeatedly or because they control de facto a single-party state are reluctant to share powers with other levels of government since this would reduce their capacity to exercise patronage, delivering rewards to their supporters and allies, or because it may allow the emergence of other political forces, geographically based, that may in the future challenge their power. Central government civil servants are in agreement with their political masters on this point. They see no reason to create additional power centers they have to compete with while well deconcentrated structures can deliver services to regional entities. And this can be done without the need to spend too much time in one's career outside the capital and its central offices.

Put differently, why would a monopoly want to change its position for more competition and transparency? That said, both groups may agree on the convenience of having some form of local governments to facilitate the delivery of some basic local services that are far too distant and small in size to be a concern of the central authorities. Once decentralization is attempted, a similar kind of obstacle also of a political nature is the conflict often neglected between traditional rulers such as tribal chiefs and lower level tiers of decentralized government whose powers overlap in a variety of areas. It is perhaps not surprising that the benefits of decentralization, if accompanied by more democratic power, will be hard to sell to those who wielded power without such constraints. It is also notable that the obstacle to decentralization presented by a weak central government, caused by either electoral instability or absence of basic control institutions, is fundamentally of a political nature. This conclusion also applies to what we have termed imperative of "union preserving federalism." This is not to deny the importance of obstacles to effective decentralization of an economic and institutional nature, such as the failure to establish clear functional expenditure responsibilities, low or inexistent revenue autonomy with transfer dependence among sub-national governments, and the threat of macroeconomic instability because of uncontrolled sub-national borrowing. But these are the kind of obstacles that are more commonly identified in the analysis of decentralization processes in developing countries. In closing, this volume is about a fundamental question: What are the conditions under which decentralization is most likely to be successfully implemented? Or, what are the main obstacles to successful decentralization? So what are the main lessons learned from the essays in this volume? To be sure some of the main obstacles to effective decentralization that have been identified, such as the powerful role of history or the imperative of "union preserving federalism" are less amenable to policy corrections, but having identified them should prove useful to policymakers, international donors, and academic researchers. Part of the answer to that fundamental question of implementing effective decentralization lies within the following 11 propositions:

1. Decentralization has the highest likelihood of success if it is a goal that society as a whole subscribes to as opposed to just being a program element of one political party or a means for parties in the ruling coalition to divide the spoils. This means that successful decentralization efforts need to be preceded by society-wide dialog and buy-in by all or most stakeholders in government and civil society. A successful reform strategy must focus not only on the technical aspects but also on the politics and political economy of winners and losers, thus internalizing all the constraints reformers will face in the future.

2. Decentralization creates new centers of power that can confront the central government. For the decentralization process to fully work, this reality must be accepted by the party in power. But this is unlikely to happen in single party states. It remains an open question, awaiting further research, whether fiscal decentralization unaccompanied by political decentralization can really result in any benefits to citizens, for example in terms of production efficiency, where horizontal accountability is lacking.

3. Decentralization needs a powerful champion at the center for it to be successful. The institutional arrangements in that respect matter a lot. Selecting as champion a line ministry, for example the ministry of Interior or the ministry of municipal affairs, may not work. This ministry may be already overburdened by work with local entities, may be incapable of finding the resources necessary to push forward decentralization, and more importantly, may not be able to pull rank over other ministries and agencies at the central level which may see decentralization as a threat to their own turf and power. Most likely the winning choice is to select as champion the Prime Minister or the country's President even though these champions will have high demand on their time and may be willing to sacrifice some decentralization goals to obtain something else in their government reform agendas.

4. Decentralization reforms that shift powers or create a new tier of government are more likely to create tensions and to be less successful than

decentralization reforms that provide more autonomy to existing entities in already existing areas of activity. But in any case, the right place to start any decentralization reform is to establish a clear assignment of expenditure responsibilities at all different levels of government. Other important elements of decentralization such as political accountability, revenue autonomy or equalization will make little sense without a transparent assignment of functions. Because this can be messy hard work and even divisive, the temptation may be to muddle through and try to figure out the division of responsibilities at a later date; however, falling into this trap is likely to hold hostage any progress in decentralization reform.

5. The most direct way to achieve clarity and transparency in the assignment of functional responsibilities is to assign each of them exclusively and fully to a single level of government. Nevertheless, this may not always be feasible or even desirable from a particular national perspective. Even though there are general principles, such as economies of scale, jurisdictional spillovers, and representation and accountability that are helpful in the assignment of functional responsibilities, these are guiding and not deterministic principles. Other considerations, such as history, societal institutions, and others can have a meaningful bearing on the final assignment. For example, it may not be education that is the exclusive responsibility of a given single tier of government but specific aspects or attributes of the production function of education such as setting the curriculum and qualifications of teachers that be considered central responsibilities while determining the catchment area of schools or setting the pay scales may be considered local responsibilities. But, each and every one of these attributes must be clearly assigned. One understands that, for example, after a civil war when decentralization is seen as the answer to solving the conflict, one may be tempted to sweep these issues under the carpet. But, as shown in the discussions of several country cases in this volume, this can strongly handicap decentralization and make it less successful.

6. Decentralization will work well only if decentralized entities have access to adequate revenues. The mix between own revenues will vary between countries but: 1) own revenues have to be clearly owned and be a meaningful source of financing in making marginal budget decisions –for accountability—and for the entire budget—for fiscal responsibility; 2) transfer revenues need to address vertical imbalances and horizontal disparities among sub-national jurisdictions in revenue capacity and expenditure needs; 3) transfer revenues have to be appropriate in their design and not create disincentives to good public management; in addition, revenues registered in the books and really available resources may not be the same if cash management is not under the control of the owners of the revenue resources.

7. Decentralization will not work if it creates macro-instability or even if it only threatens to do so. One key issue in that context is the proper regulation and

control of issuing of sub-national debt. Even though this is no easy task, there is now ample international experience on best practices and how they can be adapted to particular national contexts. Sub-national prudential borrowing can be an effective tool for financing capital infrastructure needs, and thus regulating and controlling this activity is superior to a strategy that prohibits it outright for the sake of a macro-instability threat.

8. Decentralization is not only about center-provincial relations but also fiscal devolution and autonomy at the lowest level of government, where most services affecting the ordinary life of citizens are provided. A common failure of decentralized systems around the world is the co-existence of significant decentralization in center-provincial relations and strong centralized regimes between the provinces and local governments.

9. Decentralization, however well designed in law, will not work if human resources are not adequate. This means in particular the need for: 1) well trained local public servants, particularly in the area of budgeting and financial management; with 2) these human resources be under the effective control of the sub-national governments, for example in terms of hiring-firing or salary setting, which means that their loyalty must be at this government level. One also needs competent local politicians that are held accountable by their population, and who may also have to be trained.

10. Successful decentralization requires strong central government institutions for revenue raising, monitoring and control, and so on. In countries where some fundamental state functions such as tax administration and customs or treasury system are completely decentralized, central governments may be institutionally too weak and thus effective decentralization can require the previous re-centralization of some functions.

11. Decentralization in developing countries is often supported by outside donors but often there may be as many visions of decentralization as there are donors and hence it is quite important to ensure proper coordination of these activities at the risk of otherwise well intentioned efforts bringing confusion and possibly ultimately derailing the reform. This coordination can take place voluntarily but more often than not both donors and recipient agencies will pay lip service to it and de facto oppose it. A good approach is for the country authorities to lay down their priorities and coordinate international aid, for example through the creation of a Municipal Development Fund. But, regardless of the agency that is put in charge, effective coordination will require an explicit decentralization strategy and implementation plan for that strategy.

It is our hope that the essays in this volume will deepen our understanding and offer insights and practical solutions to the challenges of intergovernmental fiscal relations reform in the large number of developing and transitional countries around the world increasingly embarking upon decentralization strategies.

Table A-1 General Features of the Fifteen Countries Reviewed in the Volume

Country	**Population 2007 (millions)***	**Area (sq. km) (thousands)***	**GDP per capita (PPP) 2007 (current international $)***	**Ethnic/Linguistic fragmentation % of top three groups +name****	**Religious fragmentation % of top three groups +name****	**Secessionist movement/ region based civil war**	**Number of devolved tiers (including central)**
Albania	3.18	28.8	7,240	Albanian 95% Greek 3% Other 2% (1989 est)	Muslim 70% Albanian Orthodox 20% Roman Catholic 10% (estimated, no available data)	No	3
Bangladesh	158.57	144.0	1,330	Bengali 98% Other 2% (1998)	Muslim 83% Hindu 16% Other 1% (1998)	No	2
Burkina Faso	14.78	274.0	1,120	Mossi 40% Other 60% Official language: French	Muslim 50% Indigenous beliefs 40% Christian 10%	No	3
Cambodia	43.99	180.4	8,260	Khmer 90% Vietnamese 5% Chinese 1%	Buddhist 96.4% Muslim 2.1% Other 1.3% (1998)	Recent civil war Khmer rouge	2=>3(2008)
Congo RDC	62.40	2,344.0	290	Over 400 African ethnic groups. 4 large tribes, Mongo, Luba, Kongo, and the Mangbetu-Azande make up about 45% of the population Official language: French	Roman Catholic 50% Protestant 20% Kimbanguist 10% Muslim 10%		

Table A-1 General Features of the Fifteen Countries Reviewed in the Volume (continued)

Country	Population 2007 (millions)*	Area (sq. km) (thousands)*	GDP per capita (PPP) 2007 (current international $)*	Ethnic/Linguistic fragmentation % of top three groups +name**	Religious fragmentation % of top three groups +name**	Secessionist movement/ region based civil war	Number of devolved tiers (including central)
Egypt	75.47	1,001.5	5,370	99.6% Egyptian 0.4% other (2006 census)	Muslim (mostly Sunny) 90% Coptic 9% Other Christian 1%	No	3
Ethiopia	79.09	1,104.3	780	Oromo 32.1% Amara 30.1% Tigraway 6.2% (1994 census)	Christian 60.8% (Orthodox 50.6%, Protestant 10.2%) Muslim 32.8% Traditional 4.6%	No but right to secede in constitution	4
Lao	5.86	236.8	2,080	Lao 55% Khmou 11% Hmong 8% (2005 census)	Buddhist 67% Christian 1.5% (2005 census)	No	3
Madagascar	19.67	587.0	930	Merina 26% Betsileo 12% Betsimisaraka 15% Unified language: Malay-Indonedian Malagasy***	Indigenous beliefs 52% Christian 41% Muslim 7%		
Pakistan	162.48	796.1	2,540	Punjabi 44.68% Pashtun 15.42% Sindhi 14.1%	Muslim 95% (Sunni 75 %, Shia 20%) Other 5%	No	3
Peru	27.9	1,285.2	7,200	Amerindian 45% mestizo 37% white 15%	Roman Catholic 81.3% Evangelical 12.5% other 3.3%		3

Table A-1 General Features of the Fifteen Countries Reviewed in the Volume (continued)

Country	**Population 2007 (millions)***	**Area (sq. km) (thousands)***	**GDP per capita (PPP) 2007 (current international $)***	**Ethnic/Linguistic fragmentation % of top three groups +name****	**Religious fragmentation % of top three groups +name****	**Secessionist movement/ region based civil war**	**Number of devolved tiers (including central)**
Sierra Leone	5.85	71.7	660	African ethnic groups 90% (Temne 30%, Mende 30% other 30%) Creole 10%	Muslim 60% Christian 10% Indigenous 30%	Civil war	2
South Sudan (just Sudan)	38.56	2,505.8	1,880	Black 52% Arab 39% Beja 6%	Sunni Muslim (in north) 70% Christian 5% (mostly in south and Khartoum). Indigenous beliefs 25%	yes	3
Tanzania	40.43	947.3	1,200	95% Bantu 4% Other African 1% Other	Christian 30% Muslim 35% Indigenous beliefs 35%; Zanzibar –more than 99% Muslim		
Yemen	22.38	528	2,200	Arab 92.8% Somali 3.7% Black 1.1% (2000)	Muslim 98.9% (Sunni 60% and Shia 40%) Other 1.1% (2000)****	Yes	3

Notes:
* World development indicators database 2009
****** CIA World Fact book unless indicated
*** http://www.nationsencyclopedia.com/economies/Africa/Madagascar.html
****http://www.worldstatesmen.org/Yemen.html