

Decentralization and Local Democracy in the World

Executive Summary

2007 First
Global
Report

United Cities and Local Governments
Cités et Gouvernements Locaux Unis
Ciudades y Gobiernos Locales Unidos

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GRALE



Coordinated by the Research Network
on Local Government in Europe (GRALE)

Under the scientific direction of Gérard Marcou,
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PREFACE

8 United Cities and Local Governments





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1st UCLG Global Report on Decentralization and Local Democracy in the World

PREFACE

It is our great pleasure, as Presidents of the World Organization of Local and Regional Authorities, to present the *First World Report on Decentralization and Local Democracy*.

We hope that this report, which is the first of its kind, will help deepen and strengthen knowledge about the role of local governments in the contemporary world, and will enrich national and international discussions on the relationship between decentralization and development.

The present report clearly shows that the world is undergoing a quiet **democratic revolution**. Therefore, even if important aspects of this process have yet to be accomplished, especially in countries in conflict (in the Middle East, Asia and Africa) local democracy is gaining momentum all over the world: from the African savanna villages, the highlands of Latin America, the *barangay* in the Philippines to the towns of Eurasia.

In a world where more than half of humanity now lives in cities, local authorities are also the key to the solution of major contemporary challenges of all kinds: democratic, as it is in the local sphere that the sense of citizenship is reinforced and identities are constructed to deal with globalization; environmental, since the preservation of our planet and the fight against global warming depends to a great extent on finding sustainable solutions to transform current models of production and consumption, particularly in the urban areas; economic, given that large amounts of wealth and opportunities, as well as extreme inequities are generated within the cities and in their surroundings; and, social, as it is at the local level that the foundations need to be laid for creating social inclusion, managing cultural diversity and ensuring human security.

This publication coincides with the adoption by Member States of the UN Habitat Governing Council of the International *Guidelines on Decentralization and Strengthening of Local Authorities*: the

first international cornerstone reference to “outline the main principles underlying democratic, constitutional, legal and administrative aspects of local governance and decentralization”¹

Both the guidelines and this report are the fruition of longstanding efforts by local governments and their partners which we hope will complement each other promoting the ownership and implementation of the *Guidelines* by States and local authorities all over the world. The report constitutes the first stage of the *World Observatory of Decentralization and Local Democracy* project launched by United Cities and Local Governments and supported by the UN Habitat Governing Council.

We are convinced that this publication -the first of regular triennial reports- will enable United Cities and Local Governments to become “a major world source of information and intelligence on local government” as anticipated by its members.

1. UN Habitat, 21st Governing Council, Decisions and Resolutions, Nairobi, 16-20 April 2007: Resolution 21/3.

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DEXIA

INTRODUCTION

"Local self-government denotes the right and the ability of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population".

(European Charter of Local Self Government, Part I, Art. 3)

One of the goals of **United Cities and Local Governments** since its creation in 2004 has been to create a Global Observatory on Local Democracy and Decentralization "in order to analyze on a regular basis the advances and possible reverses to local democracy and decentralization around the world, to anticipate potential changes and to analyze the obstacles faced and the solutions required to overcome them" (UCLG Executive Bureau, June 2005).

This *First Global Report*, as we present it today, is one of the results of that initiative. It is also the first global attempt to offer a comparative analysis of the situation of local authorities in every region in the world. The local elected representatives who are members of the governing bodies of UCLG share certain core values regarding local governance issues and sup-

port the principle of subsidiarity, whereby decisions should be made at the level of government closest to the citizens. This *Report* will contribute to deepening reflection of these values.

The *Report*, drawn up by a network of experts and university academics on every continent, under the scientific direction of GRALE (Groupement de Recherches sur l'Administration Locale en Europe - Research Group on Local Administration in Europe)⁴, is not intended to be exhaustive, although a majority of states around the world are examined. Among the countries that were not included in the *Report* were those with insufficient information sources and/or failed states lacking local institutions or affected by armed conflict. The *Report* focuses strictly on the municipal level (or equivalent), or the intermediate tier of government when it is the main level responsible for local government. Relations between the local level and other levels of territorial administration are also taken into account.

The *Report*, on which is based this executive summary, takes readers through the seven regions of the world, defined in accordance with the continental sections that make up the structure of UCLG. An eighth chapter examines the forms of governance of the metropolises, where rapid growth presents significant challenges,

4. GRALE is an international scientific network attached to the Centre National de la Recherche Scientifique (French National Science Research Centre) in Paris. It was set up in accordance with an agreement between the following French universities and other bodies: the Paris 1 Pantheon-Sorbonne University, the University of Reims-Champagne-Ardenne, l'Institut d'Etudes Politiques (the Institute of Political Studies) at Aix-en-Provence, the French Ministry of the Interior, the French National Assembly, the Inter-Ministerial Delegation on Regional Development and Competitiveness and the Compagnie Générale des Eaux. Dozens of research centres in France and abroad are members of the network. The eight specialist academic centres that are GRALE partners are: CESMO (Centre d'Etudes Stratégiques du Moyen Orient - Centre for Middle-East Strategic Studies) in Lebanon, the Institute of Comparative Law and Legislation in Moscow, Russia, the Institute of Political Sciences in Bordeaux, France, the EROPA (Eastern Regional Organization for Public Administration) in the Philippines, the Partnership for Municipal Development in Benin, the Autonomous University of Mexico, the University of Birmingham in the United Kingdom, and the University of Southern California in the United States.

The *Report* clearly shows, in the last twenty years decentralization has established itself as a political and institutional phenomenon in most countries around the world

particularly in countries of the global south and above all in Asia. This chapter is of particular interest to the metropolitan section of UCLG.

Drafting the *Report* raised numerous methodological and practical difficulties. In the comparative work, the terms used and above all the concepts they express often conceal different meanings and connotations that simple translation does not uncover. In-depth analyses are required, notably of the essential notions: "The *Global Report* calls for, and at the same time makes possible, an effort to clarify the essential notions", as expressed by Gérard Marcou, the scientific co-ordinator, who raises the key question as to "What we understand by decentralization, local democracy or even local self-government?"

As the *Report* clearly shows, in the last twenty years decentralization has established itself as a political and institutional phenomenon in most countries around the world. These countries have local authorities, consisting of local assemblies elected by universal suffrage and an executive, both of which are expected, to different degrees, to respond to their citizens. As is shown by widespread legislative or constitutional reform, the global process has resulted in wider recognition of the role and position of local authorities as well as a significant increase in their powers and financing, notwithstanding the many differences between countries. The emergence of new political leadership at the local level is reflected almost everywhere in the creation of associations of elected members or local authorities in more than 130 countries (virtually all members of UCLG).

"The notions of '*autonomía local*', 'local self-government', '*Selbstverwaltung*' and '*libre administración*'" have gradually become the norm in territorial administration in every region.

However, the picture that emerges from the research contains sharp contrasts. In

many countries, these reforms are either very recent or are facing difficulties in their implementation. Two issues come into view of particular concern for local authorities, especially in countries of the south: financing and staff.

Hence, the fundamental issues and questions of the growing debate are: What happens to local autonomy when the level of financial autonomy is deficient or non-existent given the tendency of central governments to absorb a larger share of the resources? What is the adequate proportion of local authorities' own resources and state transfers? What happens when interventions by higher tiers of government within the state weaken the ability of local authorities to freely choose the ways they manage their services and administrative structures? More broadly, to what extent do decentralization and subsidiarity enable local authorities and their communities to improve access to services and to work towards development? Moreover, how can we guarantee good quality services expected by citizens?

These debates explain the rising interest among local authorities and international organizations in the definition of the universal principles that serve as a reference on a worldwide scale. The approval by UN-HABITAT of the *Guidelines on Decentralization and the Strengthening of Local Authorities* in April 2007 was a major step forward in this direction, for which UCLG has worked very hard.

The *Guidelines* recognize that sustainable development is made possible by "the effective decentralization of responsibilities, policy management, decision-making authority and sufficient resources, including revenue collection authority, to local authorities, closest to, and most representative of, their constituencies". The *Guidelines* are conceived as guidance on reforms but do not impose a uniform, rigid model. The *Guidelines* integrate notions of governance and democracy, representative de-

mocracy and participative democracy; they define the principles that govern the mandate of locally elected authorities and the powers and responsibilities of local authorities, based on subsidiarity. The *Guidelines* also call for the introduction of constitutional and legislative guarantees to protect local autonomy and to ensure that local authorities have sufficient human and financial resources to meet their responsibilities. The *Guidelines* draw their inspiration from the *European Charter of Local Self Government*, to which the European section of UCLG contributed. The Charter, adopted in 1985 by the Council of Europe and today ratified by 46 countries, is the first document of a legal nature at an international level concerning the status and rights of local authorities.

The *Global Report* will allow the reader to consider the problems that may arise in the implementation of these principles and the way in which these difficulties may be surmounted. We therefore invite local authorities and their national, regional and international associations to engage in action with UCLG in order to:

- Circulate this Report and to press ahead with the dialogue with states on the implementation of the *Guidelines on Decentralization and the Strengthening of Local Authorities*.
- Ask national governments to support the adoption of the *Guidelines on Decentralization and the Strengthening of Local Authorities* by the General Assembly of the United Nations.

- Ensure that the principles of the *Guidelines* are supported by the regional institutions in every continent, thereby contributing to their implementation by member states.
- Contribute to furthering global reflection on local government systems of financing and management of human resources, which UCLG intends to pursue.

We would like to thank the experts and university academics who have contributed to this *Report*, in particular GRALE, which has co-ordinated the work and ensured the scientific quality of the project as a whole.

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Without the commitment and collaboration of all these partners, the *Report* would not have been possible.

World Secretariat
*United Cities and
 Local Governments*

AFRICA

Executive Summary

Background

Africa encompasses some 31 million square kilometres and supports a population of more than 933 million, which is close to a sixth of the world's population. The region is subject to rapid urban development: between 40% and 70% of the population lives in cities. There are over 34 metropolises with more than a million people; most of which face rapid growth of impoverished suburbs and deficiencies in infrastructure, public transportation and basic urban services. The human capital of Africa is inadequately trained (literacy rates on average range from 40% to 60%).

Since the 90s, there has been sustained progress of democratization across the whole region. Practically all stable countries have carried out substantial public sector and state reforms, including the implementation of decentralization reform policies. All the same, there are still some areas of tension and countries where the political and institutional systems are still very fragile in Central Africa (Congo, Central African Republic, and Chad), West Africa (Ivory Coast, Liberia, Guinea Bissau, Sierra Leone, Togo) and East Africa (Ethiopia-Eritrea, Somalia and Sudan).

Decentralization policies

With regard to the administrative structure of decentralization, the first embryo of local administration in Africa took form during the period of colonization. This system was then reorganized by the new states; yet as a whole, local administra-

tion is still perceived as an extension of central administration. The wave of democratization of the 90s represented a break with this tendency. Decentralization, underpinned by local democracy and development, has become an instrument for the modernization of the state. The implementation of new decentralization policies is a reflection of the internal forces at play and the support provided by international organizations.

In East and Southern Africa, the history of decentralization is closely linked to the end of social and political crisis. The case of South Africa is a clear example, where the fall of Apartheid brought about a new approach towards governance. In other countries like Mali or Niger, decentralization was undertaken in response to regional claims for greater autonomy. On the other hand, given the degree of local government dependency on the central government, the process of decentralization in North Africa has been slow-moving. Similarly, legislative reform in West and Central Africa has also been slow to take hold. Currently, fewer than 40 % of African State Constitutions refer to local governments as a specific level of governance.

Overall decentralization led to the emergence of new local governments: more than 10,000 across Africa. Although there are often different territorial levels, the basic local government unit is the "district" or "local government" in anglophone countries and the "*commune*" in francophone countries. The metropolises are usually managed under a special regime.

Practically all stable countries have carried out substantial public sector and state reforms, including the implementation of decentralization reform policies

Local Finances

Tax powers of local governments and levels of local revenue generation in Africa are very limited, particularly in countries of French administrative tradition; and local revenue generation is very poor. This is mainly because of the failure to adapt certain taxes to the social and economic realities, as well as the limited capacity at local levels to assess and collect fiscal revenues. When the state assumes these functions, local governments are generally left outside the fiscal management process, particularly in the French speaking countries. While urban centres are in a better position, rural local governments still face major deficiencies.

Shared tax systems and state-controlled financial transfers are increasingly more widespread as the main sources of local government budget funding. However, the terms of fiscal distribution are generally unfavourable for local governments and intergovernmental transfers are not carried out on a regular basis. The effective transfer of funds generally depends on the coercive nature of the law. In some countries, the standards or criteria for the distribution of resources between the state and sub-national levels are contained in the Constitution, where a fixed amount of the national income is assigned to local governments. In fact, in the international context of structural adjustment policies state-local transfers have been further affected. Moreover, in countries where an organized system of transfers does not exist, the flow of funds is more vulnerable to political developments.

With the exception of local governments in North and South Africa, local governments in the rest of the continent have little or no experience with international loans which limits their access to credit.

The combination of all these factors further diminishes the proportion of local finances in relation to national public expenditure

(generally lower than 5 per cent, with the exception of South Africa, Nigeria, Uganda and Zimbabwe: fluctuating between 5 and 10%).

Local competencies

There are two main tendencies: first, increased responsibilities of local governments for local services and urban management in some countries. This tendency can be both negative and counterproductive if the devolved responsibilities are not accompanied by the necessary financial resources. Second, the expanded private sector management of local public services, though various legal formulas such as delegation, licensing, and partnerships, have shown poor results.

The effectiveness of transfers is further hindered by resistance and opposition from ministry officials. Consequently, in North Africa, local spheres of competence and responsibility endure interference from the central government and national public enterprises in the provision of urban services such as education, health, transport, electricity, water and sanitation. This tendency is also perceived to be the case in West and Central Africa even though these basic services are generally considered of local interest. In countries of East and Southern Africa and a few other anglophone countries of West Africa, the government ministries have become gradually less involved in the implementation phases of their programmes. The transfer of responsibilities and resources include staff, budget resources, and patrimony and decision-making powers. This is the case in Uganda, South Africa and Ghana.

Human Resources

Insufficient administrative capacities represent another important obstacle to decentralization. Local government personnel are mostly implementing agents; senior executive staff members or directors are limited in number. The local personnel/-

There are two main tendencies: first, increased responsibilities of local governments for local services and urban management in some countries



population ratio is particularly low in Africa. Two complementary solutions are used in trying to cope with the situation: 1) the transfer of central government directors to local level; in which case the state provides three chief collaborators (responsible for administrative, technical and financial services respectively) to work with the mayor and 2) capacity building and training of local personnel; some countries are in the process of establishing a local public service system. Whichever the case, upgrading local finance capacities is the only way to draw qualified senior personnel.

Local Democracy

To date, local elections have been held in most African countries, leading to the emergence of new local political leadership. The deliberative bodies are generally elected by direct suffrage. In some countries, the head of the local executive or mayor is elected by universal and direct vote together with the members of the deliberative body; in other cases, the mayor is elected indirectly from among the members of the deliberative body. However, there are some countries where the members of the local executive are

There is increasing popular demand for greater inclusion in local decision-making, yet few countries have the appropriate institutions and mechanisms in place to ensure more effective participative democracy

still appointed by central government, particularly in the case of the large metropolises. In French speaking countries, the terms of office of municipal and national authorities are generally the same (usually 4 to 5 years) and they are allowed to stand for re-election. In addition, the mayor or equivalent is invested with significant decision-making power to manage the municipality. On the other hand, in countries of British administrative tradition, the term in office of the local executive authorities is usually shorter (1 to 3 years maximum) and in some cases they cannot be re-elected. Moreover, the office of mayor does not generally entail executive duties, as he is expected to devote his time to formal and ceremonial functions. In this case, executive powers are conferred on the Town Clerk or Chief Executive Officer CEO, commonly appointed by the Ministry in charge of Local Administration.

Representative democracy in Africa poses some problems that have yet to be solved, such as: the role of political parties; women's political participation in electoral processes and in local elective office; the routine of many consecutive terms of office; and local participation of legitimate though non-elected entities (civil society, conspicuous traditional groups and so on). In other words, local democracy is not fully realized through the electoral process alone. There is increasing popular demand for greater inclusion in local decision-making, yet few countries have the appropriate institutions and mechanisms in place to ensure more effective participative democracy.

Local government associations

The creation of national or regional associations (United Cities and Local Governments of Africa) of local governments further encourages broader discussion and exchange of opinions and helps to foster constructive dialogue with the states and their development partners. Afri-

can Ministries in charge of decentralization have created a platform for the exchange of tools and experiences (African Conference for Decentralization and Local Development - CADDEL) to promote the advance of decentralization throughout the member countries.

Conclusions

In spite of the progress made in the institutional and democratic components of decentralized governance, the real extent of decentralization has been limited by a number of persistent obstacles. Difficulties remain within the states concerning the transfer of financial resources needed to match the devolved responsibilities. Ensuring the availability of qualified human resources at local level and improving access to local public services are also critical areas that require concerted action.

ASIA PACIFIC

Executive Summary

Background

The report examines the experiences and the state of decentralization and local democracy in twelve countries in the Asia-Pacific region: Australia, China, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, Philippines, South Korea, Thailand and Vietnam. Together, these countries are home to nearly half of the world's population and demonstrate a great diversity in cultures, history, political systems and standards of living. Living standards range from the high-income OECD countries of Australia, Japan, Korea and New Zealand to a number of the least-developed countries of the world, including Bangladesh and Nepal. The region embraces the most highly developed features of global urbanization and already contains 23 of the 40 largest metropolitan areas in the world.

A mix of government systems is at work in the region, including federal states and constitutional monarchies with parliamentary governments, unitary presidential systems, and single party states. Since the mid-1980s, the countries of the region have sought to improve their governmental systems through decentralization programmes. An important aspect of these decentralization efforts involved reforms in the system of local government and democratization of local governance.

Decentralization policy frameworks

One significant stride that has been achieved in decentralizing governments in Asia and the Pacific is the creation of a decentralization policy and institutional frame-

work. This is true for both the established democracies and countries that recently are trying to democratize governance. The policy environment is established constitutionally and/or through separate national and state legislations or laws. This legal framework secures the status and the function of local self-government within the broader governance system of the country and will serve as a basis for decentralization policies. Given the diversity of backgrounds in the region, the patterns of decentralization and local democracy widely differ across countries.

Indonesia, Philippines, and India to a lesser extent, provide the most dramatic examples of reform for enhanced local self-government. Countries such as China and Vietnam have adopted decentralization strategies within the overall context of strategic economic modernization. In some other countries, like Pakistan, there has been a noticeable cyclical movement to and fro between periods of centralization and decentralization. In Thailand, only since the 1990s, and despite strong opposition from the Ministry of the Interior, have governments supported decentralization. By contrast, in Bangladesh and Malaysia resistance from the centre has impeded any substantial decentralization that would strengthen the political role of local government. Finally, the OECD countries in the region, Australia, Japan, the Republic of Korea and New Zealand, also emphasize decentralization as part of their ongoing administrative reform processes, which are relatively modest.

There is considerable variation in the Asia-Pacific region in both the number of tiers of local government and in the ave-

The region embraces the most highly developed features of global urbanization and already contains 23 of the 40 largest metropolitan areas in the world

In developing countries, own-source revenues of local governments and intergovernmental transfers are together insufficient to fund the delivery of local services, suggesting the need for the devolution of additional tax powers to correct this imbalance

rage population size covered by local government. Some countries have a two-tier local government (Indonesia, Japan, Thailand, New Zealand), others three tiers (Philippines, South Korea, Vietnam); China has four sub-national government layers; and in federal countries, Pakistan and some Indian states have three tiers, whereas others have only a single-tier local level under federal level (Australia, Malaysia). Furthermore, functions of these levels vary. Indeed, major local government functions are usually exercised at the upper local level in countries with a two-tier structure of local government.

Investing local governments with greater powers to carry out local projects and services has been one key aspect of decentralization in the region. But how central-local relations are actually played out on the ground affects the extent to which such powers can be exercised by local governments. Activities of local governments in Vietnam and China, for instance, remain subordinated to central supervision and direction. In Japan, local finance has remained under de facto supervision and control of the ministry in charge of internal affairs; it remains to be seen how far the fiscal decentralization reform carried out since 2004 will transform these relationships. Philippine local governments have also substantial powers and resources but their fiscal functions are also subject to central guidelines. Local civil servants in Pakistan remain under provincial control, and in India administrative and fiscal decentralization lags behind local political reforms.

Fiscal and Financial

While local governments all have their specific tax sources, fiscal autonomy varies considerably among countries in the region. In Australia and New Zealand, as well as in China, local governments also have discretion over the rate

of property taxation whereas elsewhere this tends to be determined by central or state government.

In higher-income countries such as Australia, Japan, New Zealand and South Korea, local governments derive a larger share of their total revenue from local taxation than those in lower-income countries. Local governments in developing countries such as India, Pakistan and Philippines, remain heavily reliant on transfers and grants from central government. Even in a country such as Philippines where local governments enjoy relatively substantial powers compared to their neighbours in the region, central transfers are still the main source of funds used by the majority of local governments to finance their activities. In China, stronger fiscal decentralization through revenue sharing mechanisms is counterbalanced by political centralization.

In developing countries, own-source revenues of local governments and intergovernmental transfers are together insufficient to fund the delivery of local services, suggesting the need for the devolution of additional tax powers to correct this imbalance.

Responsibilities

Generally speaking, all countries have decentralized some basic services to local level, including planning, education, provision of social and health services, water supply, public transport and business development support.

Local governments in China, Japan, India, Indonesia, Korea, Pakistan, Vietnam and Philippines are involved in the delivery of basic education, ranging from pre-school to secondary school. The only exceptions are Australia, New Zealand and Malaysia, where basic education remains a state or central government responsibility. Some aspects of health and welfare services are

delivered by local government in most countries in the region except for Australia and New Zealand, where these functions remain with the state and central government respectively. Water supply is primarily a local government responsibility in several countries of the region (e.g. Australia, Japan, Indonesia, Pakistan and Vietnam). In most countries of the region local government is also responsible for environmental protection although its powers of enforcement tend to be severely limited.

In China, the different tiers of local government play a major role in service provision and local economic development. Local governments manage some 80% of state-owned enterprises. As a result, they account for 22% of GDP.

Administrative Capacity

The share of local level personnel in total public sector employment ranges from highs of 92% and 77% in China and Indonesia, respectively, to lows of only 7% and 10% in Malaysia and New Zealand. Specific laws govern local public service in most countries of the region. But the degree of influence by higher tiers of government in the selection of local government staff remains considerable in the region. The challenges of limited capacity and resources that all local governments face are amplified in urban areas. Many developing countries of the Asia-Pacific region have serious problems with corruption.

Local Democracy study

Multi-party democracy is thriving at the local level throughout much of the Asia-Pacific region, where partisan local elections are the norm. The only significant exceptions are New Zealand and Australia where non-partisan or independent affiliation remains dominant, except in large cities. Turnout ranges from a high of around 90% in Vietnam, 80% in Phi-

lippines and China to 56% (2003), 52% (2004) and 47% (2005) in Japan, New Zealand and Pakistan respectively, and a low of 35% in Thailand's Bangkok Metropolitan Administration.

The mayor-council system is prevalent across the region although local electoral practices vary considerably, including whether mayors are directly or indirectly elected. In most countries, citizens directly elect their local government legislatures (councils) as well as their executives (mayors). The major exception is Malaysia, where the state government appoints local councils and executives. In China and Vietnam, local communities elect their respective congresses or councils, although the candidates are subjected to a prior screening process. These local councils in turn nominate representatives to higher level bodies at the town, county, city and provincial levels.

The term of office of the local executive varies within the region –from a minimum of three years (e.g. New Zealand and Philippines) to a maximum of five years (e.g. Australia, China, India, Indonesia and Vietnam). Several countries place restrictions on the number of executive office terms: two in Indonesia and Thailand and three in Philippines.

Direct participation in local governance is promoted through membership of citizens and non-governmental organizations in local bodies and village committees that are vested with project development functions. However, even with the explicit provision of laws that support community participation, these processes can become highly politicized to the detriment of the voiceless and powerless who are supposed to benefit from expanded local democracy.

Explicit attention has been given by decentralization laws in the region to women and other disadvantaged groups,

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particularly by involving them in local decision-making processes. India has reserved seats for women, scheduled castes and tribes in elected local councils. Pakistan provides for the representation of non-Muslims, peasants and workers in local councils. The Philippine decentralization law provides for the representation of women, the urban poor and other disadvantaged groups in local councils. The outcomes of these policies need to be evaluated in detail.

Local Government Associations

In the majority of the countries, local government associations have been set up. They work for the common interests and needs of local governments and represent their interests in dealing with higher levels

of government as well as external institutions such as donor agencies.

Conclusions

Decentralization has become a major theme of governance reform throughout the Asia-Pacific region over the past decades and has generally been accompanied by enhanced local democracy. But the forms and patterns of local governance have varied widely, as have the outcomes, reflecting the diversity of country contexts. While there are clearly many weaknesses in the current arrangements for decentralized governance in the countries studied, and further reforms will undoubtedly be required, it is hard to imagine any wholesale return to a centralized system of governance in the region.

EURASIA

Executive Summary

Background

The chapter describes the evolution of local governments and local self-government in former member states of the Soviet Union, namely Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. In most countries of the region, the majority of the population resides in cities and towns: 73% of the population of the Russian Federation, 70% in Belarus, 68% in Ukraine and nearly 60% in Kazakhstan. By contrast, population in Uzbekistan and some other states of Central Asia is predominantly rural.

Until the fall of the Soviet Union all these countries shared a unified system of local government depending on the central government. After 1991, the proper running of administration was hindered by overlapping functions and shared competencies, as well as the lack of a clear relationship between functions, responsibilities and resources (either locally generated revenues or state transfers). As the ruling party was removed from the executive and representative bodies, the two branches struggled and competed for power, particularly in countries where genuine democratic elections were held at the sub-national level. General problems and features might be better understood from an historical perspective.

Decentralization policy frameworks

Reform in the states of Eurasia was generally focused on separating the state authorities from local self-government. In fact, all constitutions provide bases for the

development of local self-government and guarantee their existence. But they have been implemented to different degrees. In Russia, Armenia and Azerbaijan, local self-government is legally autonomous and institutionally separated from the structures of state. Local government is recognized as the institutional level, through which the local community decides on local issues. In the second group (Georgia, Kyrgyzstan, Moldova and Ukraine) the process to institutionalize local self-government is still not concluded. Reforms are far from complete. In the third group (Kazakhstan, Tajikistan, Turkmenistan and Uzbekistan) local self-government functions exist on the lowest tier only, in small villages. In the main, local administration and services are provided by bodies subordinated to central government (deconcentration). Nevertheless, first steps for reform have been taken, aiming at an increase of the role of local self-governments and to an enlargement of their functions.

Russia is the only federal country in this region, even if main decision-making processes remain centralized. However, several countries have an intermediate level of government, called *oblast*, on a rather broad scale that is different to the local or municipal level of government. Usually, the local government level (municipal level) is bodyized into two tiers, the *rajon* and *microrajon*, similar to the German municipal bodyization or English districts. The most important is the district level (*rajon*), which comprises a large number of villages and even small cities in which main municipal functions are performed. Generally, the lower municipal level is much less significant concerning the scope of its functions.

Until the fall of the Soviet Union all these countries shared a unified system of local government depending on the central government. After 1991, the proper running of administration was hindered by overlapping functions and shared competencies, as well as the lack of a clear relationship between functions, responsibilities and resources

Fiscal and Financial

The most acute problem of local government is the shortage of financial resources, which continues to impede the execution of its responsibilities. Own source revenues of local self-governments in the Russian Federation have been constantly declining. Main resources include tax shares and budgetary transfers; the amounts are determined by central government, not always on the basis of clear and predictable rules. In many cases, the financial resources are far from sufficient to cover basic needs.

Local budget expenditures in relation to GDP show a downward trend. Thus, in the Russian Federation the share of GDP allocated to local budget expenditures was 6.5% in 2003, 6.2% in 2004, and 5.3% in 2005.

In most countries of the region, local taxes account for a very small proportion of total local government revenue. Furthermore, local bodies in the states of Central Asia are seldom permitted to tax and budget autonomously.

In a number of countries, published statistical data is neither complete nor reliable, and, due to the unstable economic situation of many countries of the region, economic indicators are very volatile and sometimes not directly comparable. Thus, a case by case analysis is necessary.

Responsibilities

In the majority of countries the functions of local authorities are not clearly defined in the law. This ambiguity is mainly explained by the constant process of redistribution of powers between different levels of government. Most of the time, central government establishes general legal norms in this sphere, and local self-governments put these norms into practice.

In the majority of states, local self-government, as a rule, is entitled to deal with pre-school and basic education, fairly broad functions in the provision of social services, providing medical first-aid, organizing medical aid in the "zone of first contact" and organizing preventive medical services, public transportation, water, energy, gas and heating, culture, sport and physical training and youth policy. In many countries, local self-government provides support to business development. Responsibilities for key services are, for the most part, divided between local state government and local self-government.

Administrative Capacity

Municipal service is regarded as a professional activity, which has to be exercised independently of state bodies, regardless of political forces and results of local elections. In Russia, there were about 280,000 employees in local self-governments in 2006 (representing on average, one municipal employee for every 500 citizens). Unlike many other countries, the Eurasian countries generally do not include employees engaged in the education sector.

The improvement of the professional level of municipal employees is still an acute problem for the development of local self-government. Qualified staff is leaving the public sector for the private, which often offers much higher earnings. Moreover rural territorial communities have far fewer municipal employees, and their knowledge of municipal management and marketing is low.

A number of countries (Russia, Ukraine, etc.) have launched administrative reforms with the aim to improve the functioning of all chains of public management.

Local Democracy

A certain indicator of progress for local democracy is the increasing competitiveness of local elections at the levels where they are organized, even though this occurs only at

The financial resources are far from sufficient to cover basic needs

the lowest level of governance in some countries. Electoral participation remains low in some countries, but is comparable to European countries in others.

Election by majority vote is the rule for most local governments. But in Russia the law permits the use of both proportional and majority electoral systems for local elections.

The organizational structure of higher municipal units in Russia, Armenia, Azerbaijan and some other states is composed of representative bodies, heads of municipal units, local administrations and other bodies and elected officials as stipulated by laws and charters of municipal units. Representative bodies are elected in all countries of the region. Meanwhile, heads of municipal units are elected (Russia, Armenia, Azerbaijan and some other countries) or appointed (generally in Central Asian states and in larger cities in Ukraine). But in Russia there are two procedures for electing local-level executive officials: a) by direct popular election, b) appointed by council through a contract on the basis of a competitive examination. In the municipal elections of 2005, more than 30% of the heads of municipal entities were directly elected. In Russia there are 252,000 elected members of local representative bodies; most members serve on a voluntary basis.

Citizens' attitudes towards local political life are varied. In the communities where local bodies have sufficient resources, when they decide efficiently on local issues and defend the interests of the local population, the authority of local power is high and may be compared with the authority of state bodies. In the countries where resources of local self-government are limited (in Georgia and Moldova for instance) the population has the impression that local self-government bodies only have the lowest level of state power wholly dependent on them.

Despite the hard conditions, local democracy is taking root in the majority of the

states of the region, following standards of the Council of Europe, the Commonwealth of Independent States and internationally accepted principles on local self-government.

Local Government Associations

In countries with more developed forms of local self-government (Russia, Ukraine, Azerbaijan...) there are national institutions representing the interests of local self-government. In the countries of Central Asia there are as yet only plans to establish such institutions.

Conclusions

The countries of Eurasia are at different stages in the development of local self-government. The legal framework of local self-government has been established in all the countries in the region. The constitutions of all countries, except Kazakhstan, enshrine important powers of local authorities.

In some countries, decentralization is hindered by unstable political and economic conditions. The general process of decentralization and strengthening of local self-government is also affected by the chronic shortage of resources. To reverse these deficiencies, it is necessary to reinforce local taxes, develop inter-budgetary relations, and provide fair and objective procedures for raising and allocating local revenues.

As a rule, the development and strengthening of local self-government takes root within the framework of broader administrative reform aiming to separate and clearly distinguish the powers of all levels of government, as well as workable principles of subsidiarity. Progress, however, is slow, and some reforms are quite fragile, in part due to complicated economic conditions in several countries and frequent political changes.

Progress is slow, and some reforms are quite fragile, in part due to complicated economic conditions in several countries and frequent political changes

EUROPE

Executive summary

Background

The *Report* covers 35 states of Europe and 4.92 million square kilometres, inhabited by 530 million people. Regardless of differences of history, institutions and local government structures, all countries share a set of core values.

What distinguishes Europe from other regions of the world is the value attached to the role of local institutions. There is no single European country whose territory is not completely organized into municipalities, even if the conception, the size and the functions of the municipality may differ greatly.

Decentralization policy framework

The European countries, today, are embarked on a new phase of territorial reform, distinct from that of the 1960s and 70s. Not all states are similarly affected by this process –some in fact have remained outside of it. In essence, these reforms are concerned with strengthening municipal and intermunicipal frameworks, the trend towards regionalization, and problems related to the organization of urban areas. On the other hand, levels of local funding are not consistent with the increase of local government functions in most countries.

Moreover, the relatively simple two-tier local administration system (and even in certain countries only one tier of decentralization, the municipality) has evolved into a more complex system with a greater tendency towards regionalization. While it does not always translate

into the creation of an additional level, it carries consequences for pre-existing local government functions.

Territorial reforms aim to rationalize the organization of the municipal level, which adapts to the functions local governments must assume. The reforms of the 50s and 70s promoted the merging of municipalities (Germany, Belgium, United Kingdom, Nordic countries, Northern and Eastern Europe). The end of the 90s saw a new wave of territorial reform resulting both in the merging of municipalities (Greece, Lithuania, Eastern Germany, Denmark) and in the integration of municipalities through cooperation mechanisms, by delegating some essential functions to the intermunicipal level (France, Hungary, Italy, still at project stage in Spain). However, these reforms pay greater attention to the political, rather than the technical dimension of this reorganization.

Fiscal and financial

Local public expenditure varies generally between 6% and 13% of GDP in European countries, excepting the Nordic countries and Switzerland, where local public expenditure is greater than 20% of GDP. Despite these differences, local authorities represent the greatest share of public sector investment, with rapid growth in Eastern Europe.

In most countries, financial autonomy has advanced in terms of expenditure, yet it remains particularly limited in terms of revenues. Local budgets are mainly funded through intergovernment-

What distinguishes Europe from other regions of the world is the value attached to the role of local institutions

tal transfers and shared taxes, which are state controlled. In only eight countries do own tax revenues represent more than 40% of the total of local budget resources. Apart from a few exceptions (such as Sweden or Italy), the proportion of own tax revenues is decreasing. In most countries, securing resources is given priority over financial responsibility.

Responsibilities

The general clause of competency, based on a principle of freedom for local governments, has found widespread application amongst municipalities.

By and large, the group of core functions common to municipalities in all countries of the region, include: urban planning, the provision of social benefits and the management of social institutions for certain sectors of the population (in particular for the elderly), roads and public transport (depending on the size of the municipality), water supply (with the notable exception of England), housing (with the notable exceptions of the Netherlands, Italy and Switzerland), the construction and maintenance of school buildings, education support activities, and economic development (even in countries where this function is not listed in the law).

Local powers and responsibilities vary across countries in the areas of health, education (recruitment and management of staff), social security and police.

However, the series of local government functions creates interdependencies amongst the different levels of administration. This is reflected in sectoral legislation that regulates these functions, in the extent of contractual arrangements between the various levels of government and in local finances.

Capacity

Depending on the country, there is a job-based employment structure, subject to private law, or to a career employment structure for civil servants (civil service).

The impact of New Public Management (NPM) ideas varies from one country to another -less significant in countries where local governments are intent on handing the operation of local public services over to the private sector.

However, the range of choice available for local authorities in relation to management models has been reduced under the effect of privatization and EU competition policies.

Local democracy

The election of local governments is a reality today in all countries. Moreover, there is a growing trend towards personalization of the executive power, principally through the election of mayors by direct universal vote. In other countries, the local executive consists of a council of members elected by direct popular vote; there are now steps being taken towards introducing a direct election system in countries where mayors are elected from within the municipal councils. Indirect elections of local councils at the intermediate level no longer exist. In parallel to these developments, there is a growing tendency towards the professionalization of chief executive officers.

Despite all the reforms, voter turnout at local elections is either declining or has remained low.

Various forms of citizen participation have been provided for by the law, from citizen initiated referenda to other forms of consultation. The degree of accomplishment of these procedures much depends on the political culture of each country. Such instruments are rarely

Despite all reforms, voter turnout at local elections is either declining or has remained low

applied in countries with strong traditions of representative democracy.

State control of local government has also evolved. Administrative controls, which are carried out in most of the countries, are generally limited to legal checks and audits. The power of national or regional authorities to approve, amend or censure the acts of local governments still exists particularly in urban planning. Policies aimed at upgrading performance effectiveness and evaluation could lead to new forms of state control.

By contrast, local government systems are not converging, and they differ in relation to forms of regionalization and in the role of the intermediate level of local government.

The principles of local self-government constitute a corpus to which all states of Europe adhere, with the intent to rationalize territorial divisions and scale, in order to adapt them to their functions

Conclusions

The principles of local self-government constitute a corpus to which all states of Europe adhere, with the intent to rationalize territorial divisions and scale, in order to adapt them to their functions.

The responsibilities of local governments are not only defined on the basis of local public interest, but rather in relation to their participation in functions of overall national interest within a legal framework; the distance that formerly existed between European countries, schematically between Northern and Southern Europe, is now shrinking.

The role of local government has increased considerably. Not only from the economic standpoint, but also in the implementation of major collective functions, and the extent of self-government. With the exception of a few countries, levels of own resources are declining compared to the resources that local governments are entitled to set and regulate.

From the institutional point of view, there is stronger political leadership and new participatory methods and mechanisms are being developed. There is a closer relationship between Eastern and Western Europe.

Latin America

Executive Summary

Background

Latin America is made up of a large group of countries located in a vast territory stretching from the Rio Bravo in Mexico to Tierra del Fuego in Argentina. More than 540 million people live in Latin America. With 77.8% of its inhabitants residing in cities, it is the most urbanized of the developing regions. Even so, levels of urbanization vary between a high of 93% in Venezuela to a low of 42% in Haiti. Over half of the continent's population lives in cities of more than one million inhabitants.

The largest countries –Brazil, Mexico, Argentina and Venezuela– are federal republics, with at least two tiers of sub-national government. The other countries are unitary states. There are more than 100 states or provinces in countries with federal governments; 250 regions or departments in unitary states; and more than 16,000 local governments (municipalities, districts, cantons and so on) across the entire region.

Tension between centralization and decentralization already existed in the region before the founding of its nation states, eventually leading to political and ideological confrontation in the 19th century between unitary and federal tendencies –sometimes flaring into open war. Throughout the 20th century the emerging nations opted for a strong executive power and centralized political and economic control, to the detriment of intermediate and municipal entities.

Decentralization policy frameworks

During the 80s and 90s, the transition towards democracy brought on sweeping state reform and the onset of decentralization. We can differentiate two cycles of decentralization. The first was undertaken in the eighties during the dual crises of debt and high inflation; aimed at reducing the size of the central government, eliminating the fiscal deficit and boosting markets. The management and delivery of basic services was transferred to sub-national government levels, and public enterprises were privatized. The second cycle began in the mid-nineties, in the midst of major financial and social crises that particularly affected Argentina, Bolivia, Brazil, Ecuador, Mexico, Peru and Venezuela; corrective strategies included social policies and a broader focus on democratic development and citizen participation.

However, these main cycles have had distinct and varied effects across regions and types of state structure. Apart from Brazil where municipalities are recognized as “federated entities”, intermediate levels of government (federated states or provinces) were strengthened in the federal countries of Latin America. In the Andean countries and Chile, major reform efforts focused on strengthening the municipal tier and allowed for the relatively rapid development of an intermediate level of government (department and/or region); marked, however, by successive periods of progress and failure. In other countries of the Southern Cone (Paraguay and Uruguay), the pace of reform has been slower. Meanwhile, in Central America, the focus of

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Over the past twenty years, the volume of funding made available to Latin American local governments has increased

recently enacted decentralization policy has been on expanding local finance capacities.

Local finance and taxation

Over the past twenty years, the volume of funding made available to Latin American local governments has increased: local public expenditure as a share of total national expenditure increased from 11% in the eighties to 19% after 2000.

However, limited local taxing powers are a fundamental problem for decentralization in the region. In most countries, municipalities lack the power to fix taxes. In general, taxation in Latin America is low (CEPAL: 16.9% of GDP). The situation is particularly critical at the local level, where tax collection is weak and generally represents a limited percentage of the local budget. Given the heterogeneity of the territories, population and municipal wealth levels, tax revenues and local levies are extremely uneven. The more developed urban municipalities have access to greater resources, in contrast to poorer, rural and/or more isolated municipalities.

Consequently, Latin American local governments are increasingly more dependent on central government transfers.

In most countries of Latin America, central government approval is required for all sub-national borrowing. Over the last decade, several countries in the region have encountered fiscal problems caused by excessive sub-national indebtedness, and so some countries are trying out new strategies and solutions to avoid excessive borrowing.

Local Responsibilities

During the second half of the 20th century, national and intermediate tiers of

government took control of public services which, following the principal of subsidiarity, should have been provided by the municipalities. This trend is now changing.

In addition to the routine services provided by most local governments in the world, increased responsibilities for primary health care, primary and secondary education, environmental protection, economic development, and social welfare -the elderly, single women-led households, the unemployed- have been transferred to intermediate and local tiers of government. Furthermore, many municipalities are often assuming additional responsibilities that are not listed in the law.

During the nineties, several countries in the Southern Cone were part of the drive to privatize local services or grant them in concession. Nevertheless, the management of services is slowly returning to the hands of public authorities at local and national levels (e.g. water utilities in Bolivia, Ecuador and Buenos Aires).

In Central America, most local governments provide basic services in very precarious conditions.

Human Resources

Local Governments in Latin America suffer serious shortages of career civil servants. The predominant spoils-system causes a high turnover of personnel, especially in the middle and top echelons of sub-national government, following political changes.

In general, sub-national government civil servants and employees in most countries are covered by national labour or public employment laws; although in practice legislation is often ignored. Most countries lack precise statistics on intermediate government and municipal personnel.

Local Democracy

Back in 1980, democratic election of authorities was held in only a handful of countries. Nowadays, all municipal governments are elected by universal suffrage. For the most part, electoral turnout is high, and yet with signs of decline in some countries. Direct election of mayors is the norm, generally through a majority vote. The term of office of the mayor is four years (three years in Mexico and two and a half years in Cuba). In 2004, only half of the departments and regions in unitary states had elected authorities (e.g. Colombia, Bolivia, Ecuador, Peru and Paraguay).

The participation of women in local office remains low. Between 1999 and 2002 only 5.3% of all mayors were women. Progress has been made to incorporate the rights of indigenous peoples and other minorities, though the process remains incipient.

The constitutions and legal reforms in most countries contain a broad range of participatory mechanisms that are not always fully and effectively implemented. Noteworthy experiences include the "participatory budget", developed initially in Porto Alegre (after 1989), which gained international recognition as an expression of direct democracy through which the community involves itself in formulating the municipal investment plan.

Local Government Associations

The reform and transformation of local government arising from processes of decentralization have led to the creation and strengthening of national and regional associations of local governments. With the exception of Brazil, Ecuador and some Central American countries, most regional and national associations of municipalities were set up between 1980

and 2000. Usually the national associations of municipalities are members of the Latin-American Federation of Cities, Municipalities and Associations (FLAC-MA).

Conclusions

With all its advances and contradictions, the process of decentralization and strengthening of intermediate and local governments in Latin America is a reality. Major achievements have occurred within the span of two decades.

However, the decentralization process is still far from complete and still faces a number of obstacles, including incomplete policy frameworks, weak enforcement of legislation, limited financial capacity, lack of local skills and a long-established culture of intermediate government and municipal subordination to the central authority.

Notwithstanding significant progress towards decentralization, Latin America is still a continent with a high degree of political, territorial and economic centralization, exacerbated by metropolitan concentration and immense social and territorial disparities.

With all its advances and contradictions, the process of decentralization and strengthening of intermediate and local governments in Latin America is a reality

Middle East and West Asia Region

Executive summary

Background

The region of Western Asia and the Middle East covers Turkey, the Near East⁵ - with the exception of Israel - the Arabian Peninsula and Western Asia including Iran, with more than 260 million inhabitants. Long-standing military, ethnic and religious tension and turmoil have affected stability in the region. Turkey, based on secular and democratic institutions, is the only country that has enjoyed stability for several decades. The region comprises seven monarchies (Saudi Arabia, Bahrain, United Arab Emirates, Jordan, Kuwait, Oman and Qatar), six republics (Iraq, Iran, Lebanon, Syria, Turkey and Yemen) and the autonomous territory of Palestine, which has not yet all the attributes of a state. Religion is an important factor throughout the region and is omnipresent in private and political spheres. There are 28 large cities with over one million inhabitants.

Decentralization policy frameworks

In recent years, a number of developments in the policy process of decentralization deserve recognition. Some of the states have made decentralization a priority by introducing new laws with more concrete objectives. Among these advances are Saudi Arabia's first local elections, the holding of democratic elections in Palestine, the restoration of mayoral elections by universal

suffrage in Jordan, and the 2002 constitutional reforms in Bahrain. Turkey, with a local government system that dates back to 1930, recently introduced three new laws favourable to decentralization in 2004 and 2005.

These changes respond to two different types of pressures:

- 1) democratic demands of the population, as is the case in Saudi Arabia and Iran, or the need to build a fragmented governance system in Palestine, or the reorganization of the state and the general economy in anticipation of the end of the oil boom;
- 2) other external pressures exerted by the European Union on Turkey and by the United States in the case of other countries.

Nevertheless, apart from Turkey, centralized governance structures remain prevalent in the region, illustrated here by two different cases: on one hand, deconcentrated models of state organization in countries such as Saudi Arabia and Kuwait, where the local entities are merely an extension of the central government ministries. On the other hand, countries where legislation relating to local self government exists, yet is distorted by contradictory dispositions and practices, such as: the cascade tutelage of local governments from higher levels; insufficiencies of human and financial resources, etc.

5. Insofar as there does not exist any generally accepted definition of the terms "Near East" and "Middle East", we shall refer in this study to the former Levant (Lebanon, Syria, Palestine and Jordan) as the "Near East" and the countries of the Arabian Peninsula, Iraq and Iran, as the "Middle East". Turkey for our purposes is considered as part of Western Asia.

Delays or setbacks in the decentralization process can be explained in part by situations of domestic instability leading governments to perceive local governance as a platform for state division and regime collapse. Other factors include: the weakness of civil society, with some exceptions; the existence of ethnic discrimination; the reliance on tribal structures, values and behaviour generally deemed more dependable and effective than the state; the tradition of submission to all central authorities; and the sense of powerlessness caused by the lack of freedom of expression, which is why the desire for change is expressed only through religious movements.

Local finances

The collection of reliable data on local finances represents a formidable challenge, due to a lack of transparency in public administration, compounded by a lack of computerized and harmonized data. Even so, the following is an outline of the important tendencies in local finance:

- Local public expenditure accounts for a low proportion of national public expenditure (less than 5% in general);
- Absence of fiscal decentralization;
- Scarce central government transfers to local governments (with the exception of Turkey) and the absence of transparency and equity in the distribution of funds;
- High levels of indebtedness incurred to finance current expenditure (rather than investment) especially in Lebanon, Palestine, Syria and Jordan although special measures have been taken to reduce local debt.

Finally, there are some instances in which the central state exercises ex ante and ex

post supervision and control of municipal budget management.

Local Responsibilities

According to the texts of most countries in the region municipal competencies are wide-ranging, from basic areas of responsibility (waste disposal and public cleaning, public lighting, sanitation, etc.) to the more modern conception of municipal responsibilities (culture, education, urban planning and social action).

In practice however, at best local governments only carry out the first group of services as a result of financial constraints and/or centralized state control which in many cases resorts to the privatization of services. Local service provision in Palestine is seriously hampered by the security situation.

For this reason, local governments are increasingly looking for external solutions: such as the union of towns or cities, the creation of neighbourhood committees, or philanthropy; particularly in countries with particularly weak state institutions: Palestine and Lebanon.

Human resources

Another factor that is holding up the process of decentralization is the shortage of personnel in local government. Procedures for the recruitment and promotion of local government employees are unclear, and they are not based on principles of merit or career management. In Lebanon, for example, city personnel are hired directly by the state.

Moreover, for financial and/or legal reasons, there is a growing tendency among local entities to hire temporary personnel, and wages are low compared with the private sector.

The region has more than 260 million inhabitants. Long-standing military, ethnic and religious tension and turmoil have affected stability in the region

Decentralization, understood as the devolution of responsibilities and financial and political decision-making to local government has made little progress in most countries in the region, with the notable exception of Turkey

Local Democracy

The first stage and precondition to achieve good local governance is to ensure genuine local democracy through free elections.

Although some cities in the region have held elections since the late 19th century—during the Ottoman Empire—, the first real local elections were not held until 1930 in Turkey. Indeed most countries have only recently held elections, between 1990 and 2000, for the first time in their history or after many decades.

Consequently, local democracy is new and experimental. Last minute changes to the rules of the game are not unusual, including: the definition of the electoral districts in Saudi Arabia in 2005; the formula to elect the mayors in Lebanon in 1998; as well as modifications to the electoral methods in the second and third rounds of voting in Palestine in 2005.

State authorities also wield significant influence on the formation of the municipal council, either through pure and simple nomination of some or all of its members, or by the designation of mayors in the case of Saudi Arabia, Jordan, Bahrain and Kuwait or via prior examinations of the candidates (Saudi Arabia, Iran, Syria), and through pre-electoral arrangements between political parties and traditional leaders in Lebanon.

There is growing disaffection among voters in local elections (except in Turkey). Turnout is higher when local elections provide a platform for the promotion of community-specific values (e.g. Shiites are a majority or large minority), nationalist ideals (in countries with Kurdish minorities), or, religious beliefs (as in most countries in the region). Overall voter turnout in Turkey in the 2004 local elections was 72.3%.

Again with the exception of Turkey, political participation of women in municipal councils is particularly low. Strategies and me-

chanisms used to reverse this trend in some countries include quotas, direct nomination and campaigns for the promotion of women in politics.

Conclusions

What emerges from this study is that decentralization, understood as the devolution of responsibilities and financial and political decision-making to local government has made little progress in most countries in the region, with the notable exception of Turkey.

At the same time, one should take into account in this analysis critical aspects of both social organization and security in the region. Limited advances in decentralization should be considered in the overall context of the tensions and conflicts, vis-à-vis the relations between traditional leaders, tribal or religious, as well as in relation to the population at large.

Finally, the process of decentralization has to be accompanied by fundamental changes to state structures; democracy being a precondition for its success.

North America

Executive Summary

Background

Local governments and decentralization in the North American settler nations of Canada and the United States share many institutional characteristics. Both countries are established constitutional democracies with federal structures of government. Both possess highly developed economies and have in common legal, institutional and cultural legacies from British colonization from the seventeenth to the nineteenth centuries. Local government powers are not enumerated in national constitutions, and are generally more circumscribed than those found in many other developed countries. In both federal countries local government is a creature of federal states, provinces, or territories. Despite these limits, North American local governments have considerable power and status and fewer constraints compared with counterparts in many developing countries that do have formal constitutional protections. American and Canadian local governments have considerable discretion in raising their own revenues, are not closely supervised by territorial representatives of higher level government, hire employees locally rather than through a national civil service, and have an unusual degree of choice in determining the shape of their own institutions.

Decentralization policy frameworks

In the United States local government has been the largest, the most active, and the fastest growing part of government. Recent reforms have brought broader local

powers, greater discretion and new institutional arrangements in Canada, even as funding and staffing levels there have remained comparatively limited.

Because different U.S. states have established a variety of legislative frameworks, there are some fifty American local government systems. Even within states, the diversity of local arrangements has produced more heterogeneous systems of local institutions than elsewhere. Most of the largest cities in the United States, as well as Montreal, Winnipeg, Vancouver and Saint John in Canada, have individual charters from their respective state or provincial governments.

Expansion of local powers has been only one of several local government reforms. Along with enhanced local powers, legislation in both countries has articulated local responsibilities in greater detail, and has specified mechanisms for accountability in a variety of specific functional domains, such as local educational services, environmental regulation, and planning. In various ways, local governments have also evolved practices to address the growing horizontal interconnectedness of localities and regions. In Canada these reforms have often taken the form of inter-governmental consolidation or metropolitan governance; in the United States, informal inter-local cooperation and special district governance have proliferated.

Fiscal and Financial

In terms of its place in public expenditure, public finance and functions, the pro-

American and Canadian local governments have considerable discretion in raising their own revenues, are not closely supervised by territorial representatives of higher level government, hire employees locally rather than through a national civil service, and have an unusual degree of choice in determining the shape of their own institutions

portion of Gross Domestic Product (GDP) devoted to governmental expenditure in Canada and the U.S., remains somewhat lower than the average for the OECD and has crept upward slightly in recent years (18% and 27%, respectively). The relative discretion that North American local governments exercise over their own finances and the modest supervision by higher government officials also set local government in both countries apart from most of their counterparts worldwide, including in Europe and East Asia. But in the United States, the laws of some individual states restrict local initiatives to raise taxes or change assessments by requiring prior approval by local voters.

In both countries local governments have in recent years found themselves less reliant on grants from higher level governments for local revenues (current state or provincial grants represent 39% in USA and 40% in Canada, both lower than in the 1970s). The fiscal autonomy of local government in these countries makes them especially vulnerable to unfunded mandates.

Local borrowing has been most widespread in the United States. Although often conditioned upon local voter approval, borrowing by local governments is subject to approval by a higher level government in only one state. In Canada, local borrowing generally requires approval by a provincial board, and has been more limited.

Responsibilities

Local governments in Canada and the United States take on certain functions that are unusual in most established democracies. The greater local expenditure in the North American nations stems largely from local government responsibilities in education and public safety. Education consumes 57% of all local

expenditure in the United States, and 40% in Canada. Security services such as police and fire represent about eight percent of local expenditure in the United States, nine percent in Canada.

Local governments in Canada and the United States have assumed additional areas of responsibility that are increasingly being delegated to them including: environmental regulation, planning, transportation, public health, immigration, education, emergency preparedness and security. However, most have involved some sharing of responsibilities with higher government tiers.

One of the most far-reaching recent transformations in provision of local services has been the shift toward privatization. Contracting for services with private businesses or non-profit organizations has become a common practice among local governments in the United States. In Canada privatization has not been pursued as aggressively as it has in the United States.

Administrative Capacity

In the United States more than 60% of all government employees work in local government (overall in the education system and public safety). This rate approaches that of the Nordic democracies or Japan, where much of the welfare state is administered locally. In Canada the proportion is lower but still considerable at 35%. The growth of local government in the United States has outstripped government at other levels. In Canada, local government employment declined along with public employment over the course of the 1990s. It has been rising again since 2002. A distinguishing characteristic of local government in both countries is the absence of a national civil service for local government. In North America, municipal hiring is by individual, private law con-



tract; professional accreditation and certification often provide a partial substitute for civil service standards.

Local Democracy

Participation in local elections is relatively low (an average turnout between 10-29% in USA, 31% to 49% in Canada). In Canada and the United States the overwhelming proportion of local elections are non partisan. Canadian candidates tend to be listed either as independents, or to be affiliated with local, rather than national parties.

In the United States some 38% of municipal governments feature a mayor-council system, with an elected mayor who often exercises considerable independent authority. This arrangement is most common in larger cities. A growing majority of U.S. cities —a 2001 survey estimated the proportion at 53%— have

adopted instead a council manager system. In Canada, mayors of lower-tier authorities are generally elected.

Electoral terms are short (three years in USA), elected offices often more numerous, direct democratic procedures like recall and referenda more widespread, and citizen commissions have long been a regular feature of local government.

Local Government Associations

The Canadian Federation of Municipalities (FCM) began in 1901 as the Union of Canadian Municipalities. In the United States, the National League of Cities (NLC) was founded in 1924, and the United States Conference of Mayors in 1932. Associations of local professionals, such as the International City/County Management Association, have also been a major factor.

In Canada and the United States the overwhelming proportion of local elections are non partisan



Conclusions

In the United States, local government has thrived even as it has confronted widespread decentralization, greater supervision, intergovernmental fragmentation and an increasingly limited role in national policy. Local government has one of the highest proportions of public employment in the world. Both this proportion and the local government portion of public spending continue to rise. The growing trust of citizens in local government suggests that this growth will continue.

Canadian local governments traditionally possess more limited powers and fiscal resources than do those in many U.S. states, but this may be changing. Local government representatives have lobbied for the strengthening of these powers. New governmental units, and planning at the metropolitan level have taken hold, and the trust of citizens in local government remains high.

Metropolitan governance

Executive Summary

Background

With the spread of urbanization worldwide, more of the global population lives in larger, more extended urban regions. In 1950 there was only one city of more than 10 million, located in the global north; by 2000 there were sixteen cities over 10 million and twelve of these were in the developing world.

Economic globalization has increasingly linked urban regions to each other and cities to their peripheries and hinterlands. These metropolitan regions pose challenges for governance that are in many respects unprecedented. Their size, their continued growth, their social and spatial fractures, their distinctive economic status and their institutional dimensions all pose major issues for governance. On the one hand, public policies and problem-solving at the local level must now provide the means for horizontal coordination among increasingly diversified interests and local governments. On the other hand, metropolitan issues also present problems for levels of government above the local level, including national governments.

The conditions of metropolitan governance

The common problem of governance across an extended area confronts all of these urban regions. Settlement and eco-

nomic activity frequently expand across institutionalized boundaries and beyond the reach of stable, pre-existing governance arrangements. This process poses several potential problems:

- The absence of territorial controls or guidance of urban spread;
- Shortcomings in management capabilities and experience;
- A lack of sufficient consultation in attempts to solve common problems

This interconnectedness of metropolitan communities lies at the core of the metropolitan problem. Metropolitan governance poses issues of vertical as well as horizontal relations between governments.

The key challenges of governing metropolitan areas

Contemporary metropolitan governance encompasses several evolving societal structures and dynamics:

- A growing territorial diversity in the social, economic and ethnic makeup of neighbourhoods amplifies an already increasing social diversity in metropolitan regions.
- Fragmentation of authority among metropolitan localities, between governance

Their size, their continued growth, their social and spatial fractures, their distinctive economic status and their institutional dimensions all pose major issues for governance

From the early 20th Century, optimal governmental arrangements for metropolitan regions have been an object of intense debate. Many scholars and officials have argued for reforms that would create more encompassing government arrangements at the metropolitan level

arrangements in specific policy sectors, and between different levels of government creates imposing difficulties in coordinating responses to collective metropolitan agendas.

- Growing transnational economic competition makes new demands on major metropolitan regions to bring jobs and prosperity to their surrounding regions, but has also aggravated metropolitan social and spatial inequalities.
- Governance in metropolitan areas also must confront changing lines of social, economic, and cultural conflict brought to the fore by the process of governmental decentralization.

Differences between northern and southern metropolises

Conditions in the global north differ considerably from those in the south. In the north, the process of urbanization is mostly complete. There, metropolitanization typically takes the form of expanding settlement by middle class and affluent residents into metropolitan peripheries. Metropolitan regions surrounding smaller cities that are centres for services or have high-tech clusters, often reap the greatest benefits from rapid increases in mobility and communication.

In the global south, especially in Asia, the rapid growth of many metropolitan regions by itself presents formidable difficulties for governance. There, Metropolitan areas are typically denser and less dispersed than their northern counterparts; new manufacturing, commercial activity and housing are located closer to the largest agglomerations. At the same time, larger concentrations of poverty, informal jobs and unauthorized housing exist alongside prosperous areas in both the urban peripheries and the central cities. The social, economic and environmental needs of these proximal areas of

poverty pose some of the most dramatic global challenges for governance.

Institutional alternatives for governance within metropolitan areas

From the early 20th Century, optimal governmental arrangements for metropolitan regions have been an object of intense debate. Many scholars and officials have argued for reforms that would create more encompassing government arrangements at the metropolitan level. Others have contended that smaller local units provide the best form for more efficient democratic governance. Since the 1980s, especially in older metropolitan regions of the north, "new regionalist" approaches have attempted to bridge these two perspectives. Such regionalist approaches emphasize pragmatic responsiveness, adaptation of existing governmental forms, strengthening of democratic legitimacy for metropolitan institutions, management and execution of tasks in specific policy sectors—primacy given to mission over management—, and close association with the private sector.

Institutional arrangements for metropolitan governance vary widely in spatial coverage of metropolitan territories, in the effective integration of functions and territorial units, and in providing democratic accountability. Metropolitan governance arrangements also vary among countries and metropolitan regions with respect to centrality in policymaking and in the political processes at higher levels of government.

A comparison of arrangements in nine sectors of metropolitan institutions in Johannesburg, Los Angeles, Mumbai, Paris, Sao Paulo and Seoul illustrates how governance has taken different forms with different functional domains of policy. The comparison also elucidates broad global similarities in the metropolitan organization of do-

mains such as infrastructure, planning and roads. Generally, formal metropolitan organization, higher-level governments and large-scale public companies have occupied more central positions in the south and in Korea than they have in the two northern metropolises selected for this analysis. In both Los Angeles and Paris, despite significantly different forms of intergovernmental fragmentation, there is evidence of more institutionalized arrangements for inter-local cooperation, and for greater local public or private capacities.

Conclusions

The extension and increasing diversity of metropolitan settlement has imposed new conditions for governance in the metropolitan areas of the north and the south. In both, arrangements for governance present parallel dilemmas of fragmentation and coordination. Metropolitan governance poses common problems:

Multilevel governance. As urban regions have become increasingly extended, and interconnections with their hinterlands have grown, a better understanding is needed of the changing dynamics of intergovernmental relations between large cities and other surrounding regions.

Participation in metropolitan governance. Participation in metropolitan governance presents important issues for the realization of democracy as well as for effective, efficient processes of decision-making.

Ecological sustainability. Environmental policy in many domains depends on effective implementation at the local level, and in turn on the efficacy of metropolitan governance.

Social and spatial inequalities. Ways to address the informality and poverty of southern cities, crime and deficits in education or health need to be addressed. In segregated metropolitan regions, governance

can reinforce the disadvantages that the poor already face with disparities in public services.

With the global study of metropolitan governance only recently begun, there is a need for more in-depth comparative examination of how organizational differences work in practice, and of their significance for metropolitan governance. Important areas requiring further investigation include the dynamics of relations between multiple levels of government in metropolitan regions; the inclusion of private businesses, NGOs and citizens in the process of governance; and best practices in the pursuit of economic prosperity, environmental sustainability and social equity in metropolitan regions.

The extension and increasing diversity of metropolitan settlement has imposed new conditions for governance in the metropolitan areas of the north and the south

CONCLUSION

Executive Summary

Decentralization and Democracy A Global Perspective in 2007

Tim Campbell

The purpose of the First World Report on Decentralization and Local Democracy – and of this overview – is neither normative nor prescriptive⁶. Rather, the aim is to provide a balanced view of the state of decentralization and local democracy in the world.

The opening section of these conclusions provides an overview of trends. The section also frames the major issues – the policy objectives and component issues – that virtually all states must engage to achieve decentralized democracy, noting outstanding areas of progress as well as areas of concern. The succeeding section then reviews each of six central policy issues, analyzed from the perspective of their contribution to decentralized democracy. Next, are emerging sets of global issues, selected Millennium Development Goals – climate change, land use, health, and gender – are directly relevant to local governments and will require more attention in the future. Another emerging issue, though not an MDG, concerns metropolitan governance. Suggestions for next steps to address the state of inter-governmental relations and democracy are included in the closing section.

Though the regional reports provide a central source of information for this synthesis, additional perspectives are brought in from a variety of local, national, independent, and supra-national organizations. In

addition, recent research from a sampling of academic literature complement and round out the discussion.

I. The Many Faces of Decentralization and Democracy

The nations covered in this report present a wide variety of experiences, most of them leading toward decentralized governance in some form. The fact that so many states have chosen to move along the path of decentralization constitutes a remarkable phenomenon, the impetus for which must connect with deep underlying structural factors felt around the globe.

Among the more frequently mentioned drivers of change are the exhaustion of the central state model after the collapse of the Soviet Union and the realization that a new departure towards state development was required, one that relied on a broader-based pyramid of legitimacy and state presence. Meanwhile in Europe, the process of regionalization was encouraged by the European Union and many countries were confronting the emergence of regionalist demands (Spain, Italy, Scotland, and Northern Ireland). At virtually the same time, and for similar reasons, the spread of democracy was a palpable form of reconnecting citizens and governments, and many actors and grass roots movements pushed for deeper democratization in the countries of Africa, Asia and Latin America (Haggard, 1994; Campbell 2003).

In a related sphere, and about the same time, liberalization of trade and the drama-

6. The author wishes to acknowledge the extensive and detailed contributions of the World Secretariat of UCLG to the preparation of this report. The present analysis draws from regional chapters from time to time. Reference is made to the respective chapter whenever necessary.

Nations have moved on decentralization in half a dozen distinct directions, and have not held close to any single normative framework to guide the formulation and implementation of decentralized governance

tically increased velocity of global transactions suddenly thrust states into a more vulnerable, more competitive environment, as compared to just decades earlier (Swyngedouw, E. A. 1992; Amin and Tomaney, 1995). One consequence of the globalized economy has been the rise of cross-state corporate connections. As national borders began to lose their importance as markers of comparative advantage, regions and cities became the next distinguishing feature on the economic landscape (Harris, 2003; Taylor and Watts, 1995). Some authors point to the "...opposing forces of horizontal competition imposing market based disciplines in Europe... constrained by within-country redistributive tendencies and mobility-based competition" (Salmon, 2007). Accordingly, a regional perspective on economic development began to assume an important place in both the process and the outcome of decentralization.

Snapshot of the Regions

In short, looking across an extremely diverse set of nations grappling with a complicated field of issues, nations have moved on decentralization in half a dozen distinct directions, and have not held close to any single normative framework to guide the formulation and implementation of decentralized governance.

- European countries seem to have embarked on a new phase of territorial reforms. Not all states are similarly affected by this development, with some in fact remaining outside of it. In essence, the reforms are concerned with strengthening the municipal and intermunicipal framework, a trend to regionalization, and the problems related to organizing urban areas.
- In North America, higher-level governments have shifted more of the responsibility for financing activities to the local level, often cutting back on fiscal

support from above. New substantive mandates and procedural requirements for accountability have often accompanied these shifts. To varying degrees local governments operate under less regulatory restrictions than in other regions and have sought new modes of service delivery through privatization and public-private partnerships. Various innovations have introduced elements of interlocal cooperation or territorial consolidation.

- In Africa, implementation of the decentralization process has rarely been properly planned. Many countries, especially south of the Sahara, have undertaken reforms in the field of organization of the state and public life, particularly by adopting decentralization policies. These countries have organized local elections, which have seen local authorities emerging as new public authority figures alongside the national authorities. In almost all these countries, this splitting of public authority has caused problems, as this major institutional change has not yet been reflected in the behaviour of most national authorities. But in West and Central Africa, apart from Mali, Senegal and Burkina Faso, there is no real plan to implement decentralization, which seems to rest on policy announcements. And in North African countries the autonomy of local government is still restricted overall in relation to the central state.
- In Eurasia, the main idea of the reforms was to separate the state from local self-government. Legal reforms have been approved, but for the most part the functions of local authorities are not clearly defined. The Soviet system of sub-national government forms a legacy that continues to influence the evolution of decentralization. The principle of local autonomy has often come into collision with that of regional autonomy and nowhere more than in the

Russian Federation from the early 1990s onwards. It is possible to distinguish three groups of countries. In the first –Armenia, Azerbaijan and Russia– local governments could be seen as independent institutions. Whereas in the second group –Georgia, Kyrgyzstan, Moldova and Ukraine– the process of the formation of local self-government is still not concluded. Reforms can hardly be implemented, or simply could not be achieved until now. The third group is composed of the states of Central Asia (Kazakhstan, Tajikistan, Turkmenistan, Uzbekistan) where local issues in this region are vested in local state organs subordinate to central government.

- In Latin America, the three biggest nations (Argentina, Brazil, Mexico) all federal systems, focused mainly on strengthening the intermediate levels of government, although Brazil shifted more weight to the municipal level. In Venezuela, also a federal country, contradictory reforms are actually taking place that could affect the nature of local institutions. In the Andean countries, decentralization has taken place through far-reaching constitutional and legislative reforms, in relatively brief processes. Colombia and Bolivia produced comprehensive visions of reform in the early 1990s. But economic and political crisis altered their coherence and slowed the pace of their implementation. In Peru, the process of decentralization restarted after 2000 following a reversal of direction in the 1990s. The unitary states of the Southern Cone –Chile, Uruguay and Paraguay– have also carried out reforms shaped by their respective characteristics. Central American countries have enacted laws on decentralization, and their main challenge is to achieve their implementation.
- In the Middle East and Western Asia, in spite of the ceaseless political, military, and religious tensions, some advances

deserve recognition: the first local elections in Saudi Arabia, the holding of democratic local elections in Palestine, the restoration of the mayoral elections by universal suffrage in Jordan, and the 2002 constitutional reforms in Bahrain. In Turkey, three new laws favourable to decentralization were adopted in 2004-2005. Decentralization is one of the criteria for membership of the European Union.

- In Asia Pacific, decentralization has become a major theme of governance reform over the past decade and decentralization has for the most part been accompanied by enhanced local democracy. But the forms and patterns of local governance have varied widely, as have the outcomes, reflecting the diversity of country contexts. While there are clearly a great many weaknesses in the current arrangements for decentralized governance, and while further reforms will undoubtedly be required, it is hard to imagine that any wholesale return to a centralized system of governance would be either appropriate or politically acceptable.

Framework of Issues

In short, decentralization has been pursued by different countries with different objectives –some political, others more economic, still others give more weight to better services or democracy. Furthermore, states have placed emphasis on different combinations of the half dozen strategic areas which must be engaged to decentralize successfully. These include national policy, state organization, responsibilities of local governments, intergovernmental finance, mechanisms of participation, and capacity strengthening. Taken together, the objectives and strategic areas constitute a framework for understanding the breadth and depth of the decentralization experience.

Decentralization has been pursued by different countries with different objectives –some political, others more economic, still others give more weight to better services or democracy

Turning to the pace of change in decentralization, the nations covered in the reports can be classified very broadly in three groups

To illustrate, from the snapshot of cases, political reforms were mixed with economic restructuring in some regions, notably in the transition states in Eastern Europe, the former Soviet Union, and China and Vietnam. Still others centred on democracy and modernization of the state as in Africa, Latin America and in some countries in Asia (e.g. Indonesia, Philippines). Improved services were perhaps a more notable priority in North America, Australia and New Zealand. And though this categorization is far from neat, pursuit of policy and practice, especially in political reforms, economic development, and finance, has strayed even further afield from the avowed objectives of many states.

Velocity of Change

Turning to the pace of change in decentralization, the nations covered in the reports can be classified very broadly in three groups. At one extreme, are those countries (many of them higher income GDP) where decentralization has advanced quite far, having built on 50 years or more of consolidated local government. In many countries of this group (and some countries in other groups, as noted below), deliberate if not measured progress has been made on policy and technical issues in a search for what must be called a dynamic balance in power sharing. Shifting political preference is complicated by gradual improvement in institutional capacity and occasional shifts in technological possibilities, all of which can move the fulcrum of balance in central/local relations.

At another extreme, mainly but not entirely in the Middle East, are those countries that are taking a long, slow take-off, mostly in the direction of improving participation at the local level. A few countries are making good faith efforts and show promise to be sources of advice and counsel for their neighbours in the region. Reviewing the

uneven record, Cheema and Rondonelli (2007) point to ineffectiveness in implementation, as opposed to weaknesses in the concept of decentralization itself. They also caution about the use of parallel administrations at the subnational level, a ploy that is ultimately self-defeating. The most troubled cases, from the point of view of power-sharing and democracy, are those countries afflicted by armed conflict or oil wealth. They present understandable sluggishness, even resistance.

In the middle, a disparate collection of countries that, with few exceptions, are in an active tug of war over the state of decentralized democracy. Some detailed examples, below, are drawn from the regional chapters.

- The most exemplary case in this respect is South Africa, where the end of the Apartheid regime imposed a new approach to governance based on decentralization and involving the entire population in public management at all levels. In most francophone countries of Africa, the profusion of statutes complicates the implementation of decentralization and slows things down, causing substantial delays between approval of laws and their actual enforcement (delays of 10 years are common). In countries of North Africa, the pace of decentralization is uneven.
- In Latin America, some countries, such as Bolivia, Brazil, Chile, Colombia, Peru, and Venezuela started early and, with Argentina and Ecuador, went further than others in the devolution of functions and resources. Peru and Venezuela reversed some of the decentralization reforms begun in the 1980-90s. Mexico has moved forward with a "new federalism," but progress is slower at the municipal level. Other countries are evolving to a lesser extent.
- In Eurasia, particularly in Eastern Europe, reforms were taken quickly to

dismantle the former system and move toward local self-government, and at present the countries have attained different levels of institutional development. In some countries local self-government exists as an independent institution, while in others reform has not been implemented.

- In Asia Pacific, Indonesia, Philippines, and India provide the most dramatic examples of major reform for enhanced local government autonomy. Countries such as China and Vietnam have adopted decentralization strategies within the context of strongly centralized political ruling systems. In some other countries, like Pakistan, there has been a noticeable cyclical movement to and fro between periods of centralization and decentralization. By contrast, in Bangladesh and Malaysia resistance from the centre has impeded any substantial decentralization that would strengthen the political role of local government. Finally, the OECD countries in the region, Australia, Japan, the Republic of Korea and New Zealand, also emphasize decentralization as part of their ongoing administrative reform processes.

With these two perspectives –on strategic objectives and on velocity of change– we turn now to explore how the nations and local governments have approached the organization of the state. To what extent have policy frameworks guided the design and implementation of decentralized governance? What changes have been made in assigning functions, in providing adequate finance, and arranging for participation and democracy? How closely have governments adhered to international expectations and standards as expressed in the UN Habitat *Guidelines on Decentralization and the Strengthening of Local Authorities* and the *European Charter of Local Self-Government*?

II. Progress and Pitfalls: Six Core Issues

Though the preceding introduction may be rhetorically useful for grasping a glimpse of the global state of affairs, it is not a tidy categorization and has limitations in terms of understanding the tactical issues in implementation. Countries are in various degrees of engagement with the six areas of policy

- 1) national policy and strategy,
- 2) organizational units,
- 3) responsibilities,
- 4) financing,
- 5) mechanisms of participation and accountability, and
- 6) institutional capacity.

This section reviews the six core issues, noting trends across or within regions, and spotting promising areas of progress where lessons may be useful in a wider setting.

Policy and Strategy

This review of countries and regions reveals a wide spectrum of policy positions and organizational strategies for local governments. Though few countries have full-blown strategies, as we note below, most make some reference to the *European Charter* and *Guidelines on Decentralization* (see Box 1, below). Both documents refer to principles that have been widely discussed, synthesized and generally accepted by the international community. The *European Charter* was published in 1985. UN Habitat in close collaboration with local authorities produced *Guidelines on Decentralization*.

Only a handful of nations have framed a comprehensive policy on decentralization, blending political reform (power-sharing), economic development, and democratic choice-making with capacity-strengthening and financing in order to produce a long term solution. As noted above, Bolivia, South Africa, and Indonesia have each

With these two perspectives –on strategic objectives and on velocity of change– we turn now to explore how the nations and local governments have approached the organization of the state

Box 1:

Guidelines and Charter of Europe

UN Habitat Guidelines on Decentralization and the Strengthening of Local Authorities

- o The principle of subsidiarity constitutes the rationale underlying the process of decentralization. According to that principle, public responsibilities should be exercised by those elected authorities, which are closest to the citizens.
- o In many areas powers should be shared or exercised concurrently among different spheres of government. These should not lead to a diminution of local autonomy or prevent the development of local authorities as full partners.
- o National, regional and local responsibilities should be differentiated by the constitution or by legislation, in order to clarify the respective powers and to guarantee access to the resources necessary for the decentralized institutions to carry out the functions allocated to them
- o As far as possible, nationally determined standards of local service provision should take into account the principle of subsidiarity when they are being drawn up and should involve consultation with local authorities and their associations.
- o Local authorities should freely exercise their powers, including those bestowed upon them by national or regional authorities, within the limits defined by legislation. These powers should be full and exclusive, and should not be undermined, limited or impeded by another authority except as provided by law.

European Charter of Local Self-Government

- o Basic powers and responsibilities of local authorities shall be prescribed by the constitution or by statute
- o Local authorities shall, within the limits of the law, have full discretion to exercise their initiative
- o Public responsibilities shall generally be exercised, in preference, by those authorities which are closest to the citizen.
- o Powers given to local authorities shall normally be full and exclusive.
- o Where powers are delegated to them by a central or regional authority, local authorities shall, insofar as possible, be allowed discretion in adapting their exercise to local conditions.

mounted comprehensive elements, but not a complete strategy. Bolivia and South Africa produced comprehensive visions (in 1992 and 1994, respectively), and though Bolivia recently reaffirmed its intentions (Government of Bolivia 2006), neither government has been able to sustain coherent effort to implement its strategy.

Indonesia's sudden "Big Bang" of reform is notable for the scope of change (transferring several million public sector workers to local authorities), but not for the integrated, long term solution needed. None of these countries has developed a comprehensive decentralization plan, a blue-print with concrete objectives and milestones to guide the decentralization process, including local capacity-strengthening and a central agency to see through the entire process. Even when piecemeal legislation is in place, sluggish regulation drags down the speed and limits the reach of implementation.

International institutions –financial, technical, and political– have had no shortage of normative frameworks to recommend to governments, yet neither do they fully address the practical issues of implementation most governments face. The international financial assistance organizations like the World Bank and the regional development banks adhere to a market-based approach, seeking to introduce quasi-market mechanisms to guide supply and demand of public goods. The Asian Development Bank does not have a specific policy paper on decentralization. Instead, it focuses on good governance and corruption.

The Inter-American Development Bank (IDB) published its public sector strategy in 1996 and last year issued a companion policy paper on the issues of implementing decentralization (IDB 1996, 2002). Like most development banks, the IDB policy starts with the fiscal imperative of macroeconomic stability. Guarding against exces-

sive debt, and particularly sub-national debt held by domestic banks and even suppliers, is not merely to keep the banks in line with their primary stakeholders, national governments. It is also to safeguard exposure to risk and increased cost of borrowing on international capital markets.

A companion principle in the international finances institutions (IFI) framework is management of economic systems free from distortions (for instance, due to interference in local decision-making). Efficient resource allocation places a premium on expression of demand, especially at the local level. The banks also recommend clarity in the division of labour among levels of government. All of the development banks espouse a similar line in connection with reform of the state.

The World Bank recently cast decentralization issues in terms of poverty alleviation and services for the poor. Building on earlier work devoted to reform of the state (World Bank 1995), the World Bank's *World Development Report* (WDR) of 2000 dedicated a chapter to decentralization, and the 2004 report focuses on services to the poor, arguing that politicians, providers, and the poor must be brought into tighter juxtaposition with one another in order to improve provision of and access to basic health-care and education. A key mechanism is "local voice." Expression of demand at the local level goes hand in glove with the idea of participatory democracy. The Bank points out that local government plays a key role in certain circumstances, for instance, when local populations are more or less homogeneous and when services are easy to monitor. These tests could prove useful in evaluating policies of nations and roles of local governments.

Thus, governments have the benefit of several international sources on general principles. We shall see in the ensuing discussion that more practical strategies of implementation might be useful. Before moving on, note should be taken of impor-

tant areas that have been largely ignored and should be addressed in the future. One gap is the calculation of the cost to the nation of decentralizing in a piecemeal or haphazard way. None of the regional chapters speak of the economic and social costs of burdens being transferred to local authorities in the shape of half-baked or under-financed decentralization schemes imposed on poorly-equipped local governments.

Organization of the State

The inchoate nature of national decentralization policies is mirrored by piecemeal measures, either explicit or tacit, to organize administration of the state at the local level. This may be partly due to the dual nature of governmental units. Governments have both **territorial** and **functional** aspects. They are put in place to connect to citizens **and** they operate to deliver services. Decentralization experiences sometimes get wrapped up with these multi-dimensional features –federal, unitary, territorial, functional– producing a system of governance which is incomplete or out of sync.

Many federated systems accord to states, with their own constitutions or legal statutes or both, the powers to govern, regulate, and sometimes even create, lower tier, municipal governments. For the most part federated systems have been adopted in large territories, as for instance in Russia, Brazil, and India, and often, national governments like Argentina, USA and India have left many issues for the states to decide. This can either compound or help to solve problems, depending on the system in question, i.e., states can help coordinate, but as the regional reports have shown, they can also introduce confusion and interfere with national policy on both functional and representational issues.

Some states were more inclined to respond to a clamour for representation, as in the

Many federated systems accord to states, with their own constitutions or legal statutes or both, the powers to govern, regulate, and sometimes even create, lower tier, municipal governments

majority of African, some Latin American and some Asian countries in the 1990s. Most states in Eurasia have created or extended local government units to accommodate regional or ethnic groups. Other countries (New Zealand, Germany) focus on the functional side, aiming to improve the extension or efficiency of services. This sometimes means a diminution of numbers in local government units. In OECD countries, a wave of amalgamation is taking place to reduce the sheer number of local government units in the interest of improving efficiency. OECD Countries such as the UK, Belgium, and Greece, among others have reduced the numbers of governmental units by substantial fractions. Where local units were weak in the past (Hungary, France, Italy), new tiers have been created to handle new tasks.

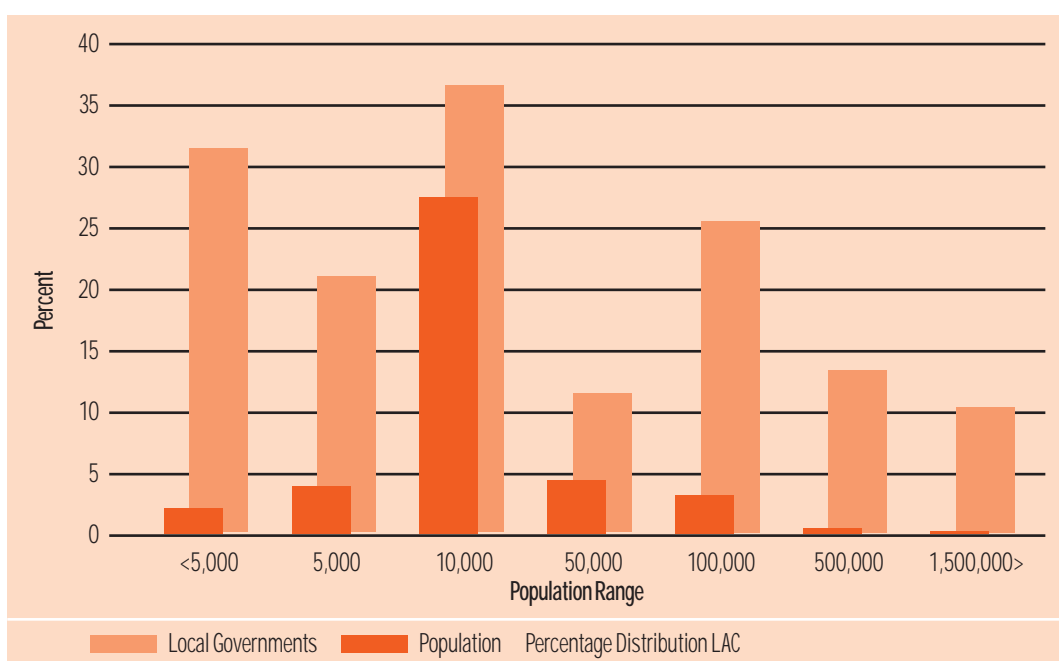
The wide range of organizational approaches, and even conceptions of local government, makes head to head comparisons

between nations not just difficult, but also ultimately unproductive. Nevertheless, it is useful to gain an appreciation for the variations in approaches taken by states in different regions.

Many countries are experiencing problems where units of government overlap in dense urban areas. Countries have explored various kinds of partnerships among local units –a step that is frequently allowed in national legislation. North American local governments have fewer constraints imposed upon them about cooperating across boundaries, both horizontal and vertical (with states). The US is unusual also in having developed a large number of special districts; governmental units with high target finance and a tightly focused mandate (for instance in primary education, environmental controls or fire safety).

Outside Europe and North America, Japan is the only country that provides examples

Figure 1: Local Governments and Population Percentage Distribution LAC



of policies of amalgamation of municipalities. Horizontal cooperation among first tier units of government is taken up again in a later section of this paper on metropolitan governance.

It should be noted that the sheer numbers of small local governments implies a policy dilemma. The weak institutional capacity of many small local governments affects a minor share of the population, while a few strong local governments of big cities hold an important share of the population (see Figure 1). Take the example of Latin America, a region with 16,400 units of local government and a population (2005) of nearly 550 million. Less than 5 percent of local governments –those in big cities– contain more than half the population, while more than 53 percent of local governments in small towns and rural areas cover less than a tenth of the population. Similar proportions are found in most regions (see Figure 1).

In a nutshell, the issue of organizing local government units is one of balancing a tension between two imperatives. Effective representation is needed to serve democracy, but this tends to require more units of government. Against this expansionary push is a constricting pull to reduce the number of units, or fold them into higher tier governments in order to achieve economies of scale and more efficient service delivery. Virtually all countries in the middle and many in the advanced stages are engaged at some level with this issue.

Responsibilities

The logic of assigning responsibilities to local governments is to achieve efficacy or efficiency in delivery of local goods and services to citizens. And though the guideline principles of subsidiarity and autonomy provide a normative standard for governments, in practice, states find many dilemmas when implementing subsidiarity (See Box 2).

States also face many temptations to push the limits, like shifting responsibilities to local governments with little or no consultation and without corresponding financial resources. The issues related to responsibilities can be summed up as follows: a) clarity and consistency in observing subsidiarity and autonomy of choice; b) achieving efficiency in allocation and in delivery of services, an issue that involves public and/or private provision of service; and c) the impact of technology.

Subsidiarity and Autonomy in Choice.

Most countries have devolved a core set of local functions, and many countries gradually adjust these, as circumstances require. On the one extreme are China's big cities that handle supra-local functions like judiciary, pensions, and economic development. A more typical arrangement involves local public services, like water connections, streets, solid waste, local markets, urban and land use planning, and primary care in health and often education, social policy, and sometimes economic development and housing.

In Europe the most important variations relating to powers and responsibilities occur in the fields of education, health, and social security or benefits. Broadly, local governments are responsible for such services in the Nordic countries and to a large extent in the United Kingdom. Others restrict assignments to be either exclusive (land-use controls in many countries) or shared, such as primary education in most countries and in others, police and security. Still others share responsibilities. Turkey provides an example of a *modus vivendi* in which municipalities and the Special Provincial Administrations (SPAs) share public services, including education (maintenance of school buildings).

None of these variations necessarily violates the principles of subsidiarity and autonomy. The problem comes, as regional reports frequently show, when assignments are shifted in a way that is unclear,

In Europe the most important variations relating to powers and responsibilities occur in the fields of education, health, and social security or benefits

Box 2:

Subsidiarity - an issue at the heart of autonomy—is viewed in different ways by academics, political organizations, and development institutions

Oates, 1972	"...assign to the lowest level of government possible, those local public goods and services which can best be delivered at that level."
World Bank 2004, p. 189	"...the lowest tier of government that can internalize the costs and benefits of the service."
European Charter Art. 4.3	"Public responsibilities shall generally be exercised, in preference, by those authorities which are closest to the citizen."

is ambiguous, or is unreasonable, arbitrary, or inconsistent. For instance, in the US, recent devolution of Home Security responsibilities suddenly imposed severe financial constraints on many cities. Another example is found in Eurasia, where in most countries the functions of local authorities are not clearly defined by law, largely because of an unending process of redistribution of powers between different levels of government. In the Middle East, on the other hand, many countries designate local services in national law, but these are sometimes ambiguously worded, contradicted, or ignored. The report on the Middle East notes that formal assignments are "highly idealized and out of step with reality..." (of local authorities and institutional capacity).

In Africa, while public assertion of the new nominal powers of local governments is widespread, the actual transfer of real executive and operational powers is still rare. In Northern Africa, national ministries typically retain control of local services, or delegate them to the private sector. This tendency can also be observed in West and Central Africa, although basic services there for education, health, water, sanitation and transportation are generally acknowledged as local concerns. In several eastern and southern African countries, like Ghana, South Africa and Uganda, central government defines strategic guidelines for sectoral policies regarding health, water and education and local govern-

ments are responsible for implementation.

Direct intervention by higher levels is another form of disturbing subsidiarity and violating the principle of choice. Ambiguous or overlapping jurisdictions sometimes lead to "end run" practices –nominal decentralization coupled with direct delivery by central government. This represents a significant slippage in the way governments should work. Serious problem arose in Latin America in the 1990s when central governments either delivered directly to local citizens, as a means of gaining political support, or simply fell short on coordination, meaning that both central and local governments were spending on redundant services, resulting in the increase of economic costs to the nation (Peterson, 1997). Similar problems have been detected in Russia

Intervention from higher levels of government in Europe is currently the focus of debate in connection with the European Community Laws on public service management subject to competition rules. The issue is the extent to which, in seeking to provide certain services, national powers effectively limit local self government. The position of local governments is that they should enjoy complete freedom to choose the modality of service provision that best reflects the needs of its community

The uncertainty and lack of definition illustrated in these examples—examples which are

a few among many cited in the regional reports—effectively rob the subsidiarity principle of its virtues and limit the choice of local governments.

Efficiency in Allocation and Production. A second aspect of the assignments issue is efficiency. Two distinct functions are involved: 1) deciding on what is needed (allocation efficiency) and 2) actually delivering the services (production efficiency). Allocation efficiency is one of the principal economic rationales for decentralization. It is to ensure public sector decisions are made close to the citizens who use (and may need to pay for) infrastructure and services. For this reason, participation in choice-making—in voicing preferences and voting in local elections—is important. These topics are covered in a more organic way in a subsequent section, below, having to do with participation and choice.

One of the front edge issues in the delivery of services is whether and how much to contract out, to privatize, or to delegate. In the case of the Middle East, mentioned earlier, so-called “external solutions” include joint service councils for infrastructure in small rural areas and neighbourhood committees. A survey of North American local governments in 2003 showed that as many as two-thirds of the municipalities had tried privatization of some kind, although this trend has declined in this decade. New Zealand and Australia have followed a steadily expanding privatization policy. In other countries, the reform process that has been reliant on the private sector has led to a reduction of local government competencies (UK, Holland and Sweden).

In the 1990s, public-private-partnerships (PPP) were advanced by the international financial assistance agencies (World Bank, Asian Development Bank, International Finance Corporation) as a promising solution to lagging investment and poor management by public agencies.

PPPs promised a practical alternative for financing the ever-growing demand for services. The argument reached the point of suggesting that local governments should limit themselves to a strictly “enabling function,” leaving service provision in the hands of a competitive private sector (European Commission). In hindsight, the promise of private sector investment in infrastructure was overestimated. A World Bank report shows that private participation in infrastructure represented a small and decreasing proportion of the total in local public and urban infrastructure in the 1990s (Annex 2006).

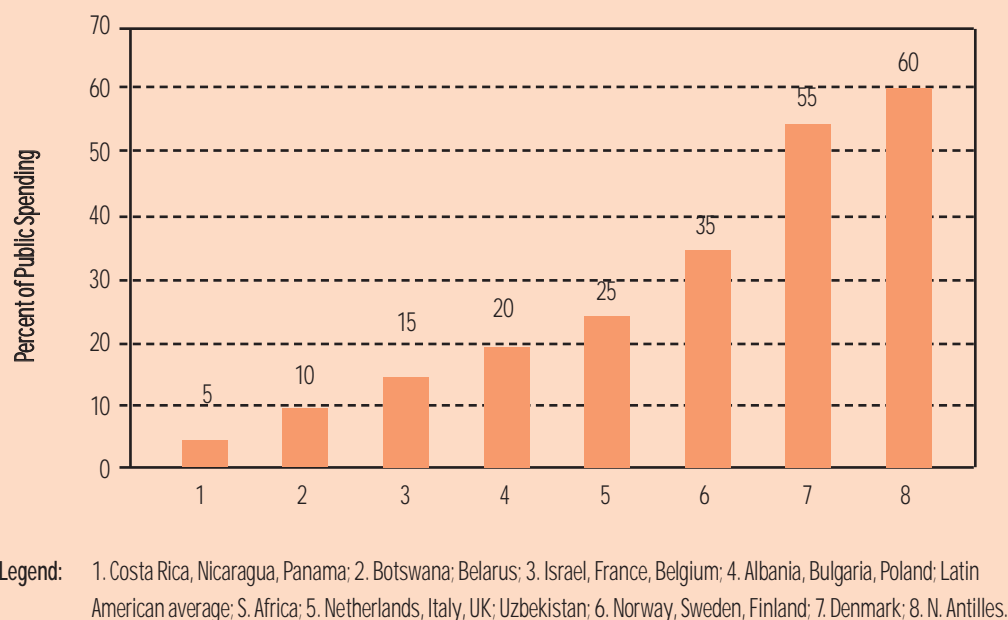
Technology. Finally, few if any assignments of functional responsibilities will hold for all time because of shifting preferences, political agendas, and administrative capacity in government. Changing technology also plays a role. Technological change in such fields as distributed solar power, health care diagnostics, distance-learning in education, and water purification can affect the placement of responsibilities. Furthermore, the time cycles of change—either of decentralizing functions or bringing new technologies on line—have similar life cycles. This means that a well-intentioned country might, say, centralize diagnostic aspects of health care and take three or four years to accomplish it, only to find that during the period of implementation, technological progress now permits sophisticated diagnoses to be done virtually anywhere. For these technological and other reasons, the assignment of responsibilities is probably best viewed as a moving target.

Financing Decentralized Systems

When assignments change, so should finance. Inter-governmental finance is inextricably linked with decentralization because the vast majority of states on the planet have more than one level or tier, and lower tiers of government are rarely, if ever, financially self-sufficient. In fact, it is

For these technological and other reasons, the assignment of responsibilities is probably best viewed as a moving target

Figure 2: Local Government Expenditures, Sample Countries



Source: World Bank 2004

worth noting that the notion of pure financial autonomy for local governments is illusory. Even the richest countries, for instance those in the G-8, support half or more of local government expenditures through revenue transfers of some sort. Constraints on many local governments in the south –for instance limited or no ability to set rates, raise taxes, or borrow– make the idea of financial autonomy even more remote.

National governments structure many ways to finance local investment and services, and almost all of them involve issues of tax (and rate setting), borrowing (or private involvement), and revenue sharing. But each of these singly and in combination entails issues of policy and practice, including mechanisms of control, capacity constraints, and problems of transparency and discretion. The question is how have current practices around the globe engaged and solved these issues?

Though regional reports document a widespread growth in the share of spending by local governments relative to central government spending, the share is small in all but a few cases. Denmark and the Netherlands Antilles are the only two countries where municipal spending is over 50 percent of the total sub-national spending.

Figure 2 shows spending by all sub-national tiers. Municipal-level spending ranges widely and on the whole is on an upward trend over the past few decades. At the low end of the spectrum are some Caribbean islands (zero) and a number of countries in the Middle East, which range in a few percentage points of total government spending. The chapter on Africa reports a range of five to 10 percent in 30 African countries. Most of Latin America is under 20 percent, but it is notable that this proportion has increased from 11% to 18% in the past two

decades. On the high end are countries like Denmark, Switzerland, Finland and Sweden. More than anything, these figures suggest that many formulas for spending are in use.

On the income side, central governments are in the habit of restricting the income potential of local governments. In Latin America, local governments depend on the executive or legislative branches and sometimes the states in federated systems to set taxes and, in some instances, to set tariffs. Fiscal power in the Middle East, Africa, and Eurasia is even more limited or nonexistent, with very low levels of revenue (excluding Turkey, Zambia and South Africa). More than half the countries in the Asia Pacific region have own-source revenues above 30% of the total. The same pattern holds in North America and Europe (around 40 percent).

Perhaps the most troubling trend is the tendency of central governments to impose spending responsibilities on local governments without loosening the constraints on income. These unfunded mandates are a burning issue in high income countries and some southern countries. Virtually all of the regional reports mention (but did not quantify) increasing burdens on local governments.

Non-tax sources of income –borrowing and private finance– have been tightly circumscribed in most countries. In the first place, only a small fraction of local governments are credit worthy. Some countries (Chile) flatly prohibit borrowing; others (Philippines) are experimenting with graduated systems of indebtedness. In the European Union, the newer states enjoy fewer restrictions on borrowing. Often, the potential for revenue mobilization varies directly with city size, and the distinctive advantage of larger cities echoes an earlier discussion about the possible practical ad-

vantages of managing decentralization by size class of city.

Even when credit worthiness can be established, national governments face moral hazard issues of sovereign guarantees. India has begun to experiment with syndicated subnational borrowing by packaging loans to groups of local governments. European countries are discussing municipal credit, somewhat along the lines of the Swedish and former Belgian municipal funds. Municipal bonds are common in the US. They are approved by voters at elections and enjoy tax advantages, but these arrangements would be of dubious feasibility in lower income countries. Depending upon the state of capital markets, credit worthiness, and the willingness of national governments to offer sub-sovereign guarantees, bond financing can be feasible for a handful of well-managed local governments.

Transfers from central government, in grants or revenue sharing, is the most common way to cover local government costs (the so-called “vertical gap”). They are also useful in helping less advantaged regions (“horizontal gap”). Intergovernmental finance specialists have a multitude of tools –automatic, formula-driven revenue sharing, block grants, and conditional grants, for instance, that have matching requirements and other refinements. Fiscal specialists are learning about the multiplier effects of conditional grants (Shah 2007) and the importance of hard budget constraints (Rodden, Eskeland and Litvack 2003).

A tension in financial imbalance is discernible in virtually every report. The theory of intergovernmental finance is not the problem. The problem arises more with ambiguous or changing rules (Latin America), lack of transparency (Middle East), and excessive discretion (Africa) on the part of central governments in implementing revenue sharing programmes.

Perhaps the most troubling trend is the tendency of central governments to impose spending responsibilities on local governments without loosening the constraints on income

The regional reports document a growing tendency of involving citizens in the decision making process

Wescott (2005) provides a review of these arrangements and the questions they raise for nations and the Asian Development Bank in the case of several Asia Pacific countries.

One more point deserves emphasis. For the most part, intergovernmental transfers are formulated, promulgated, and defended by central governments, often on advice from international financial institutions (IFIs). The point of view of local governments is rarely given equal weight in adjusting the system. In the case of Latin America, constant tinkering with transfer formulas left local governments perpetually in the dark about prospective income from year to year (Peterson, 1997). An added problem is imprecision of data. The regional reports speak of a fiscal squeeze in which local governments have more responsibilities without the financial means with which to discharge them. None of the regional reports contains data to measure the magnitude of this squeeze. Indeed, many reports call attention to the need for reliable, time-series data to document financial and other issues (for instance, personnel). Even fewer countries have accurate numbers on the costs of delivering local services. Objective cost and expenditure data are vital to help decision makers formulate and defend policies on finance and spending.

Local Democracy: Participation and Accountability

One of the signal features of decentralization, and one of its bright spots, is the renewed connection between citizens and government. The regional reports document a growing tendency of involving citizens in the decision-making process. This is important for economic reasons –the allocative efficiency discussed earlier– and for political reasons of legitimizing local government and holding elected leaders accountable for their actions. In practice,

governments employ many modes of participation and choice-making.

The range of issues considered in the participatory dimension of decentralization includes:

- a) elections and electoral rules;
- b) the focus on chief executives and councils at the local level; and
- c) modalities of voice, participation, and choice.

Elections. The very fact that elections are taking place at the local level in most regions of the world is by itself a notable achievement. The regional reports note “important gains” in Europe and that, “undeniable progress” has been made in Africa, LAC, Asia, Eurasia, and MEWA. Several reports refer to political parties and election rules in connection with local democratic choice-making. The Eurasia report notes that elections are “increasingly competitive,” and in Asia Pacific, that “multi-party democracy is thriving” and is the norm. In LAC, the regional report notes that “pluralism is taking hold,” and the North America report notes an independence from partisanship. Further, in North America “...single-member electoral districts, frequent elections, direct democracy, and greater local choice set local institutions in these counties apart” from others with British traditions like Australia and New Zealand.

Yet a number of concerns persist in connection with local elections. One issue signalled in several regions is the tendency for national partisan issues to crowd out local concerns. Some observers feel that local and national elections should be staggered in time in order to prevent local elections from becoming miniature battles of national issues. A second issue is low turnout of voters in local elections. With some exceptions, turnouts are in decline in North

America, Europe and Eurasia and decreasing in some parts of East Asia and the Pacific.

Still another issue, one that requires much more scrutiny, concerns the rules of elections, not just the timing, but also how winners are declared (first past the post versus majority or slate lists), and the issues of direct and indirect elections, the periods of office (often short, three to four or five years), and whether electoral rules allow for self-succession in re-election. Short periods and prohibitions on re-election make it difficult to design and implement significant programmes at the local level.

Executive and Legislative. Much of the focus of local democracy has been on the city or municipal executive –mayor, principal officer, or municipal president. Selection of chief executives is not always direct. Countries have structured indirect means to select second tier executives or to accommodate minority parties at the local level. But direct elections appear to have increased accountability (in Europe). Some countries –for instance Indonesia and Vietnam– are beginning to relax the rules on candidacy. In Asia Pacific and Latin America, big city mayors are a well-known stepping stone to higher political office. On the other hand, more than half the North American cities have adopted a council manager form of executive, separating political functions from the day to day operations of running a large city. City managers bring certified, professional skills to handle the complexities of modern city management. The disadvantage of the manager (or in Russia the hired manager) system, is that this arrangement puts the CEO of the city one step further away from direct electoral accountability, since most managers are hired by, and are accountable to, the city council.

Modes of Participation. Modes of participation by local citizens –i.e., expressing voice and making choice –are the most

colourful and innovative spots in the unfolding story of decentralization and democracy. Perhaps the most refreshing message in the reports is that many countries in Africa (for instance, Ghana, Niger, and Uganda) in Asia (India and Pakistan) in East Asia (Philippines) and in Latin America draw on tradition and custom, making creative use of village councils to hear citizen opinion and deliberate. A good example is the *Gram Sabha* in rural India, a mandatory meeting of registered voters called to decide important issues. Table 1 illustrates the many ways that citizens at the local level take part in planning, implementing, and monitoring local government activities.

However, evaluative research reports that participation by itself does not mean that governance or services are better or that poverty is any more quickly reduced, or even that local autonomy is safeguarded. One tricky issue concerns interventions by central state actors on behalf of disadvantaged people at the local level (Johnson et al 2005 in India; Tandler 1997 in Brazil). Other studies have focused on the conditions of successful participation. Crook and Manor (1998), suggest that in the cases of South Asia and Africa, the impact of participation depends on pre-existing conditions and the type of participation employed.

Still others argue for the importance of connecting participation to the deeper issue of citizenship and citizen rights (Hickey and Mohan, 2005). Local leadership, central monitoring, an articulate civil society, and the right kinds of information are all necessary, though not a guarantee that government services will work better (Devas and Grant 2003). Several of the regional reports speak of serious issues in the free flow of information and the need to ensure the availability of information, as represented in legislation on freedom of information (Philippines, UK, US).

Modes of participation by local citizens –i.e., expressing voice and making choice– are the most colourful and innovative spots in the unfolding story of decentralization and democracy

Table 1: Sample Mechanisms of Participation and Their Functions

Participatory mechanism	Area of Effectiveness			
	Policy and planning	Demand preferences and budgeting	Implementation and oversight	Accountability
Tapping Into Grassroots Opinion	<i>Gram Sabha</i> , India; Neighborhood Councils (Africa, Middle East)			
Mobilizing Grassroots Groups	Participatory budgeting (several countries in LAC, Philippines, Europe).		Neighborhood work gangs, many countries	<i>Comités de Vigilancia</i> (Bolivia)
Beneficiary Contributions		Mayor's funds (Chile)	Bond measures in US	
Citizens Initiated Contact			Voluntary neighbourhood organizations in Japan	Rating systems India, US
Electoral and Voting Process	Programmatic campaign (Colombia)			Referenda in US, Europe, and Eurasia (permitted but not used).
Legal and Judicial System				Impeachment, LAC, US, Canada

Source: Adapted from Campbell 2003

A somewhat deeper modality of participation, one that relies on the instigation of citizens, is in such tools as the ballot initiative, referenda, and recall elections (see Campbell 2003 and Cabrero 2007). These are widespread in North America and Japan, and though permitted in many countries of Eurasia, not used. They are "seeping down" in Europe and Latin America. The LAC region has its own innovative uses of participation, in the form of participatory budgeting. As the name implies, the practice involves community and neighbourhood groups taking part in semi-formal planning sessions to determine the mix and scale of capital investment.

Capacity

The second most important problem after financial shortfalls, (again, except for many OECD countries) is the yawning gap in proficiency of administration and mana-

gement in local government. The range of issues covered includes

- a) the sheer numbers of qualified staff,
- b) contracting and management systems,
- c) the need for merit based reforms; and
- d) corruption, where it occurs.

In the first place, the majority of regional reports note that local governments are undermanned and their personnel underpaid and in many places poorly qualified. In purely numerical terms, the reports from regions frequently cite local public sector workers as a proportion of total public sector (often ignoring differences across countries in responsibilities assigned to local governments).

A somewhat more useful ratio is the number of local government personnel in rela-

tion to population. This figure, compiled from the regional reports, runs from 2 per 1000 population in West Africa to over 43 per 1000 population in the US (see Table 2).

Another way to normalize the data is to express municipal staff in relation to the responsibilities of local government, for instance, per capita public expenditures at the local level (column 2 in Table 2). The range here is €5.6 in West Africa to €348 in Japan. The implications of these ratios are clear. A municipal government of 100,000 in West Africa would have no more than six professional staff to look after a spending programme of €1 million. Increased decentralization or increased assistance to African cities or both, imply a need to improve these ratios. The numbers of qualified personnel per capita, would need to move ahead of public

expenditure (the denominator) in order to expect national governments to deepen decentralization. But the data are sketchy. Moreover, time series data are rarely available. Nickson (1995) is a notable exception.

But the regional reports are clear about the discouraging, vicious circle of local employees. In several regions, for instance, the Middle East and Africa, there is little career prospect for municipal employees. As a result, qualified professionals do not seek positions in local government. One consequence noted in Lebanon, admittedly an extreme case because of the war, is that the average age of municipal workers is 55. Another consequence is that governments turn to contract workers. Turkey has reverted to a short term contract system. Elsewhere, the prospects for rent seeking begin to

Table 2: Local Government Personnel and Spending in Selected Countries

Country	Personnel per 1000 population	Expenditure/cap/staff €
Africa (5)* 3 West 2 North	2	5.6
Eurasia (5)	2.5	Na
N. America (US)	43.8	31.6
Canada	28.3	36.4
Europe	Na	Na
Asia Pacific (4 low income)	6.75	Na
Indonesia	12.8	4.84
Malaysia	2.3	67.4
Australia	7.5	36.8
New Zealand	5.5	69.1
Japan	11.1	348.5
LAC	4.9	Na

* Uses per capita expenditures from West African Economic and Monetary Union

Source: Compiled by author from Regional reports, Nickson (1995), OECD

Other hopeful signs of progress include the new public administration (NPA) reforms that have begun to influence thinking and policy in several regions, though according to the Europe chapter it is “running out of steam”

appear in the system. The perception is that corruption has increased in China and Indonesia, and a survey in the Ukraine established that 60 percent of the respondents had “faced one fact of corruption” in the previous year and in Turkey, the confidence level is only 5.2 on a scale of 10.

Different systems of management –public law, civil service, and private contract law– can all be made to work. Public law is still the predominant career employment structure in Europe. Russia has recently taken this step (Art 86 of its public framework law of March 2007). Some countries are in the process of extending the national civil service to local levels (ex: in LAC Colombia, Brazil, Costa Rica, Nicaragua, El Salvador..). It should be noted that the civil service is only one solution of many. Certification systems are beginning to appear in Mexico and Thailand. In the US, certification is managed by professional associations of municipal employees, not by government. The issue is not so much the nature of legal framework, but rather that few governments have established a unified system of merit-based public employment that offers career professional employment and mobility.

Other hopeful signs of progress include the new public administration (NPA) reforms that have begun to influence thinking and policy in several regions, though according to the Europe chapter it is “running out of steam.” Many countries have launched initiatives to improve professional competence of local public officials or to explore alternatives to direct service (such as increased private provision with local public supervision), for instance, public transport in Europe, the US, and Latin America and the swapping of national and local employees, as in Korea, Germany, and Japan, so that national officials might see the world from the shoes of local officials.

Only a small handful of countries in the south have framed a long term strategy to build capacity at the local level. These circumstances leave local governments weak and provide a convenient justification for nations to hold position in the stalemated tug of war.

III. Metropolitan Governments

Cities that are comprised of more than one local governmental unit are of special concern to decentralization and democracy. Virtually every regional report, in addition to the dedicated chapter on metropolitan governance, calls attention to the special problems of large, multi-jurisdictional cities. National strategies and actions are hobbled by the lack of understanding about feasible approaches to horizontal cooperation among governments in large cities. The changing global environment, coupled with rapid city growth, have often made institutional arrangements obsolete soon after they are promulgated.

Definition: Numbers and Growth

Much attention has been paid to the growing urban population, and to the peak cities in the demographic pyramid –the so-called mega-cities of 10 million or more in population. More attention needs to be paid to the growth in the number of large cities– those of a million or more in population. Cities in this size class numbered around 200 in the latter part of the 20th century. They will reach more than 500 by 2015 (Table 3). These are all metropolitan cities in the sense that they are either of great economic importance (Douala, Cameroon) in their countries; or are centres of cultural heritage or religious tradition; or because they are national capitals (Rabat), or all of these things. Many cities have special regimes (Abuja), but not a metropolitan government. Virtually all cities in this group are comprised of more than one municipa-

Table 3: Cities by Population Size 2015

Size Range	World Total	Less Developed	More Developed
10 M >	21	17	4
5-10 M	37	31	6
1-5 M	496	378	118
.5-1 M	507	400	107
Total >500,000	1,061	734	235

Source: National Research Council 2003

lity, and often involve many units of local government. Only about a quarter of metro cities are in advanced economies.

Emerging Features of Metro Cities: Flatter, More Fragmented, In Competition

Three features about growing metropolitan areas add new challenges to decentralized governance and democratic choice-making. First, metro cities are spreading out. Angel et al (2005) have recently reported that average densities are falling in cities around the globe, and particularly in the developing regions. Angel's data are drawn from side-by-side comparisons of 1990 and 2000 satellite images of a representative sample of 120 cities. His team calculated that average density decrease is a direct function of spreading city perimeters. These observations are corroborated by the chapter on metropolitan governance and by data from East Asia (e.g. Webster 2003, Laquian 2005).

Second, as settlements move beyond established administrative and jurisdictional boundaries, they stretch the customary definitions of city limits and often lead to new municipalities, contributing to a frag-

mentation of the metro area. The Africa report provides a comprehensive illustration of the large number of municipal jurisdictions in Africa's major cities. A well-known example of this spreading urban region is the Boston-Washington corridor, a megalopolitan region with a population of 50 million, which extends more than 600 km, far beyond the prospective planning competence of any of the more than 50 metropolitan areas in the region.

The significance of spreading urban regions is not just the growing territorial expansion, but also the increasing social distance implied in these developments. Though many low income populations still settle in and around the urban core of metro cities, increasingly, low income settlements take up residence on low-cost land where property values are suppressed because of distance or due to clouded title, poor conditions of slope or flood. At the same time, wealthy settlements spring up in nearby places, formed as self-contained enclaves protected by security walls. Both the poor and emerging middle classes require services of health, education, water, and roads outside the established perimeters of the city. These settlement patterns translate into fragmented political

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units and uncoordinated actions. Metro cities increase the importance of inter-jurisdictional coordination in planning, infrastructure investment, and services delivery.

A third feature of metropolitan centres is that they have entered a more competitive environment. Liberalization of trade leaves cities much more exposed to outside competition because the elimination of protectionist trade regimes no longer shields city industries from competitors. Also, the increasing velocity of international transactions –in trade, exchange of capital, and investment– means that metropolitan cities must move quickly to retain industries as well as to attract new ones. Beaverstock et al (1999) have developed indicators which measure the growing extent to which metropolitan centres are connected to global places of doing business.

Policy Challenges

The policy challenges for cities spanning more than one jurisdiction or sprawling into outlying regions fall into three familiar areas:

- 1) substantive issues of growth, poverty, and environment;
- 2) institutional issues of powers, organization, and finance, and
- 3) issues of democratic representation.

City regions have always been the centres of national GDP. For example, the cities of Rio and Sao Paulo in Brazil accounted for around 40 percent of the nation's US\$800 billion dollar economy in the early 2000s. This made the economies of those two cities approximately equal in size to the economic importance of all five Andean countries, combined. And although cities in decentralized regimes all around the world are handling much more public spending, few nations have found the solutions and tools to manage infrastruc-

ture and services in metro cities.

Handling spillovers, both positive and negative, is a defining feature of metropolitan areas. Smaller cities or units of government cannot generate the economies of scale that are typical of production in metropolitan cities. On the other side of the coin, major cities generate negative spillovers in pollution and congestion. The challenge is made sharper by the need to incorporate large regional hinterlands.

Few organizational models seem to hold up under the pressures of changing economic and political circumstances. Virtually all the European countries are engaged in the question of metropolitan organization. Turkey has addressed the problem directly with reforms that link municipal, metropolitan and national tiers in planning and functions and the direct election of a metropolitan mayor. Russian and some former Soviet states have given capital cities special legal or financial status, as is the case with many capitals, particularly special districts, for instance, Brasilia, Canberra, and Abuja (Nigeria). These enjoy special spending or planning status, often linked directly to central government budgets. Cities in Europe, Canada, the US, and Korea have all undergone a variety of configurations with mixed success. Many of the cities —London, Montreal, and Toronto, for example— have reversed field, going from regional councils or area-wide governments to facilitate planning and investment of large scale infrastructure, back to small governance units, and back again to larger areas in a quest to capture a wider tax base. In the US, the policy battle has been over whether there is an economic payoff to cities with regional authorities (Nelson and Foster 1999).

Recent Trends

The chapter on metropolitan governance points out that recent trends are toward cooperative pragmatism at the regional level. Governments are recognizing that no

normative solution will fit the rapidly changing political and economic circumstances of the globalizing world, and that metropolitan governance needs to start with solutions for basic problems and have degrees of flexibility as it moves to more complex arrangements, as they have in Korea and Peru. Cooperative regionalism might describe the problem-solving approach and give-and-take arrangements for large regions in Europe and the *ad hoc* intergovernmental agreements in the US, like Seattle's King County. An example of flexible arrangements is the growing use of "*convenios*" (agreements) in Brazil, having grown from a handful in the 1990s to hundreds today (Spink 2005), or the *mancomunidades* (associated municipalities).

III. Role of Associations

Virtually every region reports a flowering of regional and sometimes professional associations involving local governments. In Latin America, 28 associations are listed, the oldest (in Ecuador) dating from 1940, but 16 having been formed since 1990. Further, many regions report a parallel growth of associations of local government professionals, for instance, of mayors, of finance officials, and engineers. For these groups, the most common denominators functionally are 1) representing interests of local governments in national policy; 2) advocating for local governments; and 3) building capacity to strengthen local governments. They also create a platform for exchange of views and experience about policy and practice. Very few countries do not have associations, but some, for instance in Africa, have very limited resources.

At the apex of national and regional groupings is the Union of Cities and Local Governments (UCLG), formed from the World Federation of United Cities and the International Union of Local Authorities and Metropolis. UCLG came into being officially in 2004 and counts on various regio-

nal affiliates (known as sections) and a network of regional associations which is growing in numbers and strength. For instance, in Africa, the United Cities and Local Governments of Africa, a Pan-African local government organization, arose from three local government organizations previously divided along linguistic lines. The founding congress in 2005 marked a starting point for a unified African municipal movement.

National associations have had mixed success in mobilizing political movement to solve the many problems faced by local government. A combination of approaches has been tried and needs deepening; they include focused educational activities on selected topics for local and national governments to assist national associations to do their job, documentation of good practice approaches and techniques, and a system of learning and information exchange between and among local governments across nations and regions.

IV. Global Challenges

New evidence is coming to light about the impact of decentralization on the Millennium Development Goals (MDGs) and related issues. Besides poverty, gender, health, technology and culture, the MDGs have brought out the importance of environmentally sustainable development. But climate change, particularly the production of green house gasses, moves this issue to a much higher and more urgent plane. Similarly, some infectious and communicable diseases threaten to become global problems.

Local governments have a front line position in the battle against poverty, through social inclusion, access to basic services, and participation. But environmental issues are increasingly at the top of the agenda: fighting green house gasses, for instance, land use and transportation, building standards, density controls, solid

National associations have had mixed success in mobilizing political movement to solve the many problems faced by local government

More than a few countries –Africa, Middle East, Asia Pacific are notable examples among many– speak of quotas to involve woman in local government

waste recycling, and many other aspects of urban growth that frequently fall under local government jurisdiction. Hundreds of cities have taken action to improve environmental sustainability of urban growth following Local Agenda 21 and the Aalborg Charter of 1994, that addresses climate change agendas and action plans. Scores of European cities have developed detailed plans to achieve a smaller “carbon footprint,” that is, more sustainable settlements. In the US, mayors are joining a coalition to achieve or surpass Kyoto protocol targets. More than 500 US mayors have signed a climate protection agreement.

Recent evidence reported by Angel et al (2005) shows a trend towards decreased density in cities, signalling an alarming move in a direction away from sustainable urban living. Brazil and China have begun to focus on urban remedies to the problems of rapid conversion of land into the urban fabric. Brazil has recently enacted legislation requiring local governments to meet a higher standard in land-use planning and has created land-swapping tools to do so.

As for the MDGs, local governments have an important role to play in managing growth for health and safety. Effective action in these spheres would strengthen the rationale for governments to mobilize lower tiers to address these issues. WHO has recently signalled the importance of the social determinants of health, pointing particularly to issues of safety, violence, and prevention of at risk buildings in urban settings. WHO’s contribution adds to the already large body of work on local level action to address communicable diseases like HIV/AIDs, malaria and tuberculosis (Kjellstrom, et al 2007). In health and climate change, local governments have a critical role to play.

On other MDG issues, gender, culture, and technology, local governments are again on the front line. More than a few countries

–Africa, Middle East, Asia Pacific are notable examples among many– speak of quotas to involve woman in local government. Special status is accorded to women in Africa; 30 to 40 percent of council seats are held by women in Eurasia, and India has set aside 30 percent of local government elected positions for women and scheduled castes. Cultural issues, in heritage, buildings, and inter-cultural dialogue, are areas where cities have shown promise and have great potential, for example in city to city exchanges, in cultural understanding, and in informal alliances around issues of sport and festivals. New information technology holds great promise for local governments in a variety of fields –management, information for citizens, and education to name a few. In all of these areas, the agenda is wide and promising.

V. Next Steps

In this final conclusion we have attempted to summarize the main points and findings of the *World Report*, while also introducing new elements and insights that may enhance reflection. Quite possibly, the study does not always provide precise, conclusive answers to the issues and questions raised in the introduction of the *Report* regarding the principles of local self-government and subsidiarity.

The discussion remains open. Only through the sustained practice of running local governments and continued interaction with their citizens and other levels of government will concrete solutions be found.

Therefore, the *Report* essentially concludes with a call for initiatives that develop and deepen local democracy. In effect, the objective should be to apply these core principles of local self-government, subsidiarity and participation to the praxis, particularly by:

- Underpinning policies favourable to decentralization. The *Guidelines on*

Decentralization approved by UN Habitat are important instruments for advancing in this direction. It is necessary for UCLG and local government associations to disseminate this *Report* and to encourage the implementation of the *Guidelines* both at national levels and among international and regional organizations, e.g. African Union through the African Conference on Decentralization and Local Development (CADDEL), the Organization of American States (OAS), and its Inter-American High Level Network on Decentralization (RIAD).

- Strengthening policy-making capacities of local government. In effect, UCLG, through the Global Observatory on Local Democracy and Decentralization (GOLD), should develop indicators, recognized by national and international institutions, to monitor processes of decentralization and the implementation of the *Guidelines*; and contribute to local capacity for policy dialogue vis-à-vis national governments and international organizations. These indicators should be used to shape and inform local development policies and national strategies for poverty reduction.
- Enhancing local finance systems. Local access to adequate funding is key to development. In view of the fiscal weaknesses observed at local level, UCLG should continue to promote proposals and initiatives to strengthen local finances and to draw up plans, in consultation with governments and regional and international financial institutions, for new national systems in order to keep pace with urban explosion, growing demands for basic services and mounting environmental challenges.

This list of initiatives could, without a doubt, be extended further to include equally as important initiatives such as local government capacity building, upgrading service provision, and urban policy for sustainable development.

Local governments have an integral role to play in the international development agenda not only to articulate their own needs and have them met, but also to play a role in reaching the MDGs and fighting climate change. The sustained efforts of local governments to integrate their needs in the international development agenda for the fulfillment of the MDGs and fight against climate change will continue to guide these actions.

Quite plainly, change and transformation cannot be brought about without the direct involvement and determination of local governments around the world.

Local governments have an integral role to play in the international development agenda not only to articulate their own needs and have them met, but also to play a role in reaching the MDGs and fighting climate change

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