

CONCLUSION

280

United Cities and Local Governments

CONCLUSION

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 prescriptive¹. 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

1. 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.

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 dramatically 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 a half 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 behavior 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, Kyrgyz Republic, 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 República Bolivariana de 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 reforms 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 un-

derstanding the breadth and depth of the decentralization experience.

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 centered 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 neighbors 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 República Bolivariana de Venezuela started early and, with Argentina and Ecuador, went further than others in the devolution of functions and resources. Peru and República Bolivariana de 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, the 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 center 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 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 go-

Box 1

Guidelines and charter of Europe

UN Habitat Guidelines on Decentralization and the Strengthening of Local Authorities

- 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.
- 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.
- 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
- 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.
- 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

- Basic powers and responsibilities of local authorities shall be prescribed by the constitution or by statute
- Local authorities shall, within the limits of the law, have full discretion to exercise their initiative
- Public responsibilities shall generally be exercised, in preference, by those authorities which are closest to the citizen.
- Powers given to local authorities shall normally be full and exclusive.
- 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.

vernment 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 excessive 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 labor 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 important 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

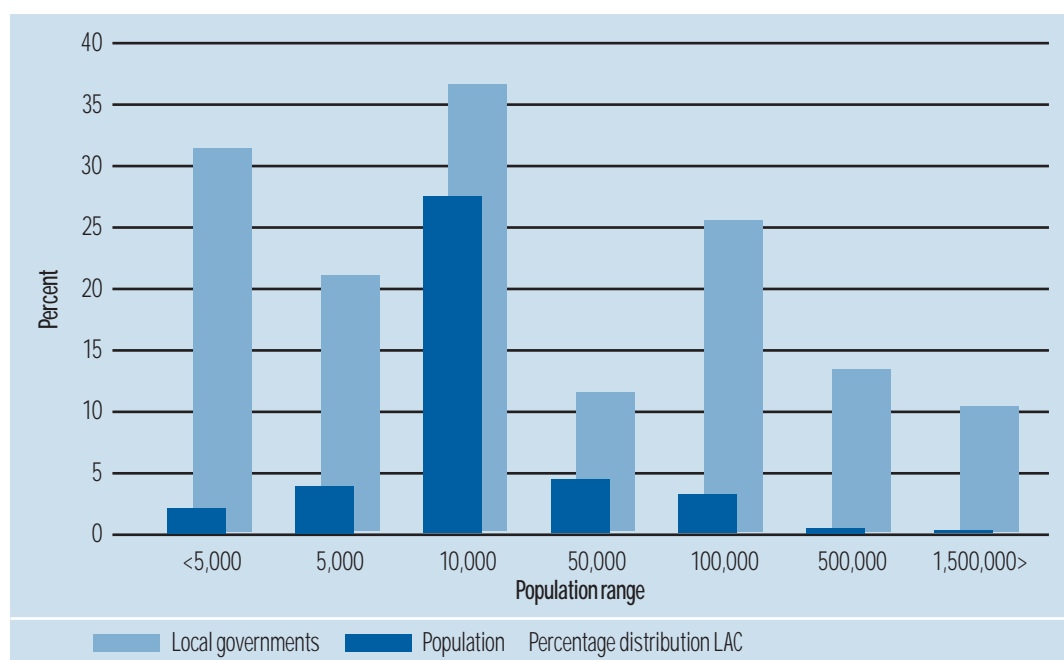
The inchoate nature of national decentralization policies is mirrored by piecemeal measures, either explicit or tacit, to organize administration of the state at the local level. This may be partly due to the dual nature of governmental units. Governments have both **territorial** and **functional** 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, 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 clamor for representation, as in the 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

Graph 1

Local governments and population percentage distribution LAC



Source: IDB 2006.

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 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

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."

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 % of local governments – those in big cities – contain more than half the population, while more than 53 % 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, 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 governments 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 their communities.

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 effi-

ciency). 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 neighborhood 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 infra-

structure represented a small and decreasing proportion of the total in local public and urban infrastructure in the 1990s (Annex 2006).

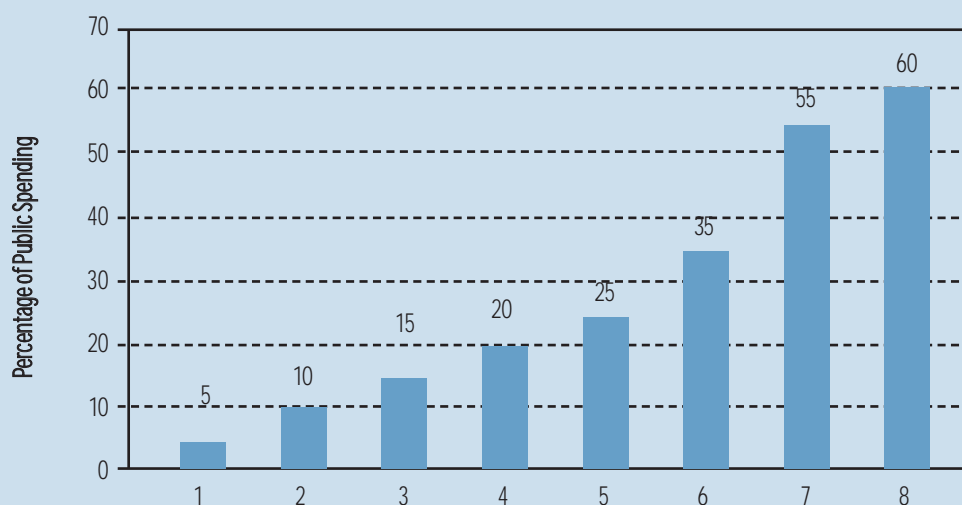
Technology. Finally, few if any assignments of functional responsibilities will hold for all time because of shifting preferences, political agendas, and administrative capacity in government. Changing technology also plays a role. Technological change in such fields as distributed solar power, health 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 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.

Graph 2

Local government expenditures, sample countries



Legend: 1. Costa Rica, Nicaragua, Panama; 2. Botswana, Belarus; 3. Israel, France, Belgium; 4. Albania, Bulgaria, Poland; Latin American average; S. Africa; 5. Netherlands, Italy, UK; Uzbekistan; 6. Norway, Sweden, Finland; 7. Denmark; 8. N. Antilles.

Source: World Bank 2004.

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%).

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 advantages 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, are 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 programs. 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 countries apart” from others with British traditions like Australia and New Zealand.

Yet a number of concerns persist in connection with local elections. One issue signaled 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 programs 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 colorful 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 (see Table 1).

Still others argue for the importance of connecting participation to the deeper issue

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	Gram Sabha, 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 neighborhood 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.

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).

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 neighborhood 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 management 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 under paid 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 relation to the 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 program 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 appear in the system. The perception is that corruption has increased in China and Indonesia, and a survey in the Ukraine esta-

Table 2: Local Government Personnel and Spending in Selected Countries

Country	Personnel per 1000 population	Expenditure/cap/staff (euros)
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.

blished that 60 % 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 Republic of 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 centers 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 municipality, 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

Table 3 Cities by population size, 2015

Size range	World total	Less Developed	More Developed
10M >	21	17	4
5-10M	37	31	6
1-5 M	496	378	118
0.5-1 M	507	400	107
Total >500,000	1,061	826	235

Source: National Research Council 2003.

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 fragmentation 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 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 centers 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 centers 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;
- 3) issues of democratic representation.

City regions have always been the centers 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 infrastructure 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 Republic of 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 Republic of

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).

IV. 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;
- 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 regional affiliates (known as sections), 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.

V. 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 greenhouse 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 greenhouse gasses, for instance, land use and transportation, building standards, density controls, solid 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 sustain-

ability 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 signaled 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 % of council seats

are held by women in Eurasia, and India has set aside 30 % of local government elected positions for women and scheduled castes. Cultural issues, in heritage, buildings, and inter-cultural dialog, 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.

VI. 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 favorable 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 dialog 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.