



DECENTRALISATION &  
LOCAL GOVERNANCE

# The Local Public Sector's Role In Achieving Development Goals: Subnational Governance, Finance, and the Post-2015 Global Development Agenda

## Research Agenda and Methodology



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Prepared by the



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IN ACHIEVING DEVELOPMENT GOALS:  
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2015 GLOBAL DEVELOPMENT AGENDA**

**RESEARCH AGENDA AND METHODOLOGY**

# **THE LOCAL PUBLIC SECTOR'S ROLE IN ACHIEVING DEVELOPMENT GOALS: SUBNATIONAL GOVERNANCE, FINANCE, AND THE POST-2015 GLOBAL DEVELOPMENT AGENDA**

## **RESEARCH AGENDA AND METHODOLOGY<sup>1</sup>**

### **1. Introduction**

In the year 2000, the global development community adopted a set of eight concrete, ambitious global development goals to be achieved by the year 2015. The eight Millennium Development Goals (MDGs)—which range from halving extreme poverty rates to combating HIV/AIDS, malaria and other diseases, and providing universal primary education—form a blueprint agreed to by all the world's countries and all the world's leading development institutions. The MDGs have galvanized unprecedented efforts to improve the access and quality of public services, especially for the poor, in recognition of the social impact as well as the economic impact of many public services—including the provision of public education, basic health services, agricultural extension services, access to clean water, sanitation, and so on.

As a result of the adoption of the MDGs, the past decade has seen a considerable increase in official development assistance targeted at improved public services in these sectors (OECD, 2012). However, in the absence of consistent attention to the vertical or intergovernmental aspects of service delivery, governance and finance, it is unclear to what extent government funding flows and development interventions have been able to reach the local level where frontline services are actually delivered.

Indeed, in many countries, the MDGs will not have been achieved by 2015. One of the obstacles to the achievement of global development objectives may be the fact that global development organizations work primarily or exclusively with central government institutions and officials, with limited recognition of the fact that the delivery of most public services is local in nature. Although the empirical research in this area is inconclusive, there are indications that more responsive governance and greater resource allocations to the local level are critical ingredients in achieving sustained progress towards global development goals (UNDP/UN OHCHR, 2013a; Boex, 2013).

Consistent with these observations, the initial round of consultations surrounding the post-2015 global development agenda and “The World We Want 2015” places much greater emphasis on issues such as governance, equity and inclusiveness (UN, 2013). The post-2015 consultations thus far have highlighted governance—including subnational governance—not only as a key development area in its own right, but also as a catalyst for development gains in other areas of social and economic development, including in areas such as basic education, improved health outcomes (including for mothers and children), access to drinking water and improved sanitation, and so on. The consultations surrounding

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<sup>1</sup> This research agenda was prepared by Dr. Jamie Boex (Senior Research Associate, The Urban Institute Center on International Development and Governance, Washington DC 20037: [JBoex@urban.org](mailto:JBoex@urban.org)) in August 2013 on behalf of the Development Partners Working Group on Decentralisation & Local Governance (DeLoG) with support from the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), funded by the German Federal Ministry of Economic Cooperation and Development (BMZ) and Swiss Development Cooperation (SDC).

the post-2015 framework explicitly recognize that the global development agenda should build on existing accountability mechanisms—not only at the national level, but also at the sub-national levels—and that governance is not merely about engaging with institutions; it is about empowering people to engage with these institutions and access mechanisms to hold them to account (UNDP/UN OHCHR, 2013b). All these points speak to a much clearer recognition of—and potentially a more dominant role for—the local public sector in the post-2015 global development framework.

Although it would be premature to predict the final outcome of the new, post-2015 global development framework, it is likely that its development objectives will continue to be organized in line with key thematic areas or sectors, such as education, health, water, food security, energy, and environmental sustainability. Yet, governance and inclusiveness are likely to play much more prominent role as cross-sectoral issues within the implementation strategies for each of the thematic areas of the post-2015 agenda, offering an opportunity for an expanded role of the local public sector in the global development agenda.

In addition to the formulation of the post-2015 global development framework, over the past decade, the international development community has increasingly promoted and relied on the principles of country ownership, alignment, harmonization, results-orientation, and – when possible – the use of country systems (Paris Declaration, 2005; Accra Agenda for Action, 2008). This means that whenever countries commit to providing key public services in a decentralized manner, development partner interventions should be designed in such a way that they appropriately support the role of the local public sector in improving frontline services. In this light, the Busan Global Partnership for effective Development Cooperation, at the end of 2011, specifically recognized the critical role that local governments play in linking the state and its citizens, in order to achieve democratic ownership, accountability, participation and effective public service delivery.

While strong arguments can be made that improved local governance and decentralization will contribute to more efficient public services and greater economic growth, this view is not universally shared within the development community. Similarly, the academic research on the role of the local public sector has been unable to confirm to what extent (or under what conditions) a greater degree of decentralization results in better development outcomes. The absence of such evidence can be attributed in part to the complexity of multi-level governance and service delivery systems as well as to the absence of the necessary data to properly measure the contribution of different government levels to development outcomes.

As such, the current study seeks to engage in an empirical stock-taking exercise to assess the contribution of local governments (and the local public sector more broadly) in achieving the global development goals. The results from this study would form an evidentiary starting point to promote the more prominent inclusion of the local public sector in the implementation of the post-2015 global development framework.

## **2. The role of the local public sector in achieving global development goals**

### The local public sector, public service delivery and poverty reduction

Local governments and the local public sector have an important role to play in the achievement of global development goals. Most development experts agree that the bulk of pro-poor public services that are relevant for the MDGs as well as for the post-2015 agenda going forward—including the provision of public education, basic health services, agricultural extension services, access to clean

water, and so on—have to be delivered in a localized manner (Boex, 2010). Therefore, it would have been reasonable to expect that since 2000, an increasing share of ODA as well as an increasing share of public sector resources in developing countries would have been funneled towards the local public sector.

Many economic development and poverty reduction strategies, however, seem to have overlooked the role of local governments and the role of the local public sector more widely.<sup>2</sup> Anecdotal evidence suggests that in most developing countries, a considerable share of the additional funding that has become available for pro-poor government services (both from domestic as well as international sources) has remained stuck at the central government level in a way that has not improved public service performance or global development outcomes at the local level. If this is indeed the case, this means that greater progress towards global development goals could have been achieved if central authorities would have been willing to rely more on the local public sector. It is the ambition of the current study to quantify to which extent this may be the case.

#### What is the scope of the local public sector?

Many countries around the world rely on elected regional or local governments to interact with communities and residents at the grassroots level and to provide certain public services, in a process known as *devolution*.<sup>3</sup> Indeed, the traditional focus of development interventions in the area of decentralization and local governance has been on strengthening elected local governments. Likewise, much of the existing analysis of the local public sector and local public sector finances has focused narrowly on the expenditures and revenues of devolved state and local governments.

A comprehensive analysis of the local public sector should take into account that there are different approaches by which governments interact with—and deliver services to—the people. Roughly half of the countries around the world deliver public services predominantly or exclusively through mechanisms other than devolution. Many of the countries rely on local “deconcentrated” administrative bodies, which are not elected and are a hierarchical part of the state administration.<sup>4</sup> In other cases, central government may delegate the delivery of public services to para-statal organizations or NGOs, or may even deliver certain public services directly through central government agencies. Indeed, in most countries, frontline services—even within a single sector—are often provided and funded through a combination of different ‘vertical’ or intergovernmental mechanisms at the same time.<sup>5</sup>

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<sup>2</sup> An early assessment of progress on the implementation of the first generation of Poverty Reduction Strategy Papers (PRSP) conducted by the IMF (2003) simply dismissed the role of the local public sector by noting that “translating the PRSP into local priorities—including in the context of decentralization—is not reviewed here.”

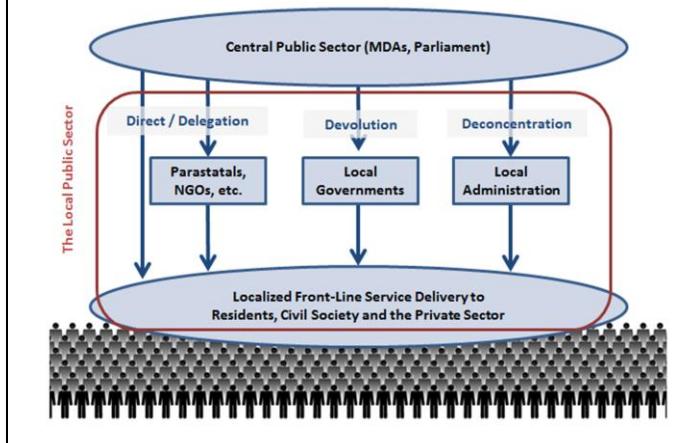
<sup>3</sup> Devolution can be defined as “the transfer of authority for decision-making, finance, and management to quasi-autonomous units of local government with corporate status. Devolution usually transfers responsibilities for services to municipalities that elect their own mayors and councils, raise their own revenues, and have independent authority to make investment decisions. In a devolved system, local governments have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions.” (Litvack and Seddon 1999: p.3).

<sup>4</sup> Deconcentration is the redistribution of decision-making authority and financial and management responsibilities among different levels of the central government. Deconcentration can merely shift responsibilities from central government officials in the capital city to those working in regions, provinces, or districts, or it can create strong field administration or local administrative capacity under the supervision of central government ministries.

<sup>5</sup> For instance, teacher salaries and operation and maintenance expenditures may be the responsibility of local governments, while the construction of school buildings and the procurement of textbooks and other learning materials may be undertaken centrally by the Ministry of Education (and provided to the local level in-kind).

In this line of argument, decentralization and local governance are increasing understood as a multi-level system of governance and service delivery, where the ability of local governments or other local public sector entities to contribute to the more effective delivery of public services is defined to a considerable extent by the intergovernmental institutional context within which they operate (Figure 1). Rather than treating them as isolated actors, subnational authorities and central governments ought to be considered as mutually dependent. The key underlying question is not whether to ‘decentralize or not’, which falsely suggests that public services can be delivered effectively without having the public sector reach down to the local level. Nor is the key policy question which specific decentralization model to follow, since most countries rely on different funding streams and vertical governance mechanisms at the same time. Instead, the key challenge is to look at ways to improve capacity and co-ordination among public stakeholders at different levels of government, and to determine ways in which local governments and other local-level stakeholders are able to increase the efficiency, equity and sustainability of public services and public spending (Charbit, 2011).

**Figure 1: The local public sector as a space for multi-level governance and service delivery**



The local public sector should thus be understood as the local space within which multi-level governance and service delivery takes place. As a working definition, ***the local public sector can be defined as that part of the public sector that regularly interacts with residents, civil society, and the private sector within a localized setting; it is where residents and businesses regularly receive services from the public sector and where residents interact with government officials.***

As a more practical definition of the local public sector, Boex (2013) defines a specific list of functions of government that are (a) localized in nature, and (b) that involved regular interaction between the public sector and residents, civil society and the private sector. This means that the local public sector encompasses not only the activities and spending of ‘devolved’ state and local governments, but also the activities of deconcentrated administrative bodies below the central level, as well as the delegated or direct (central) spending on frontline service delivery for certain functions. All of these mechanisms and funding flows should be taken into account in order to arrive at a better understanding of the role of the local public sector in delivering public services and reducing poverty. This is a major departure from current practice, as existing analyses of decentralization have generally limited itself to analyzing devolved local government expenditures.

#### The local public sector and the production function of the public sector

The process of transforming public sector inputs (e.g., human and financial resources) into public sector outputs or outcomes (such as progress on global development indicators) is referred to by economists as the “production function” of the public sector. Few systematic metrics are currently available to capture how the institutions and processes within the (local) public sector help effectively transform financial resources into public sector outcomes. Until recently, the absence of the necessary metrics or measures has made it almost impossible to systematically explore the impact of the local public sector

on development indicators or other measures of public sector performance, such as measures of good governance and control of corruption.

In order to begin filling this knowledge gap, the Urban Institute's Local Public Sector Initiative (Boex, 2012) recently developed an extensive set of metrics for measuring four important dimensions of the (local) public sector's institutions and processes (Figure 2). LPSI's Country Profile methodology seeks to capture:

**I. Organizational / Governance Profile of the Public Sector.** What number of levels or tiers does the public sector have? What is the (average/range) size of jurisdictions at each level? What is the legal and organizational nature of entities at each level, and how are they governed?

**II. Functional Profile of the Public Sector.** What are the functions and responsibilities of jurisdictions at each level or tier?

**III. Fiscal Profile of the Public Sector.** For each public sector function (or within each sector), how much does the public sector spend at the central level, as well as at each level or tier below the central level, respectively? Likewise, how are the functions and services provided at each regional or local government level (or at each subnational administrative tier) funded?

**IV. Institutional Profile of the Local Public Sector.** What are the political, administrative and fiscal institutions and processes that guide the authority, autonomy, accountability and capacity for each level or type of local entity?

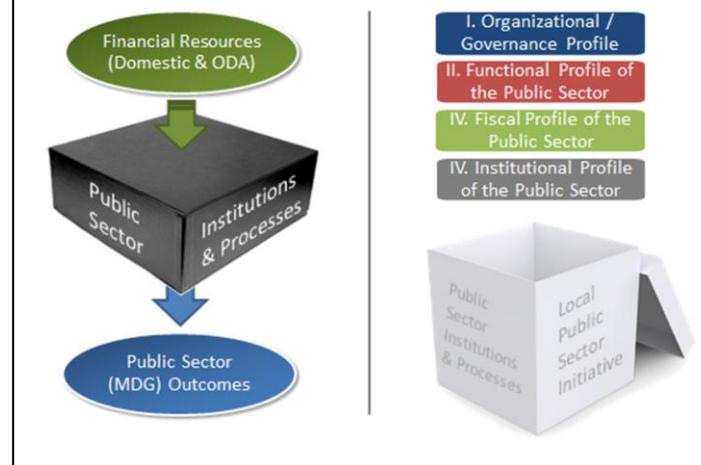
The availability of comparative measures of (i) the legal and organizational structure of the public sector; (ii) the assignment of functions and service delivery responsibilities; (iii) the allocation of financial resources across sectors and between government levels; and (iv) the nature of local (political, administrative and fiscal) institutions is critical in order to analyze the degree to which the local public sector contributes to effective public sector performance in terms of achieving global development outcomes.

### 3. Research questions

Our main interest in this study is to better understand the role of the local public sector in the performance of the public sector as it pursues key service delivery and development outcomes. This begs a three-stage analytical question:

1. First, can we document the extent to which increases in local public expenditures and improvements in local governance have resulted in improved global development outcomes (vis-à-vis improvements in development outcomes triggered by increased central public sector spending)?

**Figure 2: Unpacking (local) public sector institutions and processes**



2. Second, in their pursuit of the MDGs, to what extent have developing countries and their donor partners relied on the local public sector in order to improve MDG-relevant public services, or have financial resources for MGD-relevant services remained stuck at the central government level?
3. Finally, what is the potential for improving specific sector development outcomes (in education and health) if more funds are channeled through the local public sector?

#### **4. Research methodology**

Because detailed and reliable local government finance data for developing countries is scarce, and because comparable data for non-devolved local public sector spending is unavailable altogether, any cross-country analysis on the impact of local public sector spending will first have to collect the necessary data on local public sector finances and institutions. With the support of the Development Partners Working Group on Decentralization and Local Governance (DeLoG) and building on the Local Public Sector Country Profile methodology, a standardized (four-page) Country Survey has been developed. It is expected that the Country Survey will be collected and compiled for up to 60 developing and transition economies (Annex A).

Research Question 1: Size and governance of the LPS in developing countries. The starting point for a thorough analysis of the role of the local public sector in the performance of the public sector is to measure the size of the local public sector in developing and transition countries and to understand how the governance of the local public sector constrains or supports effective front-line service delivery. In this analysis, we limit ourselves to two sectors—the education and health sectors—which account for over two-thirds of local public sector spending in most countries.

For each of these two sectors, we wish to compile and analyze information about four types of expenditures: wage expenditures, expenditures on operation and maintenance (O&M), expenditures on sectoral supplies; and capital infrastructure expenditures. Sectoral supplies include school books and learning materials in the education sector, and pharmaceuticals (drugs) and medical supplies in the health sector. The first question to be answered is: what share of each of these types of expenditures – as well as the sectoral totals- is actually spent at the local level, versus the share that is retained at the central level.

Based on the broader definition of local public sector spending adopted by the Local Public Sector Initiative, local public sector spending that should be counted includes not only local government expenditures within these sectors, but also deconcentrated expenditures as well as delegated and direct (central) expenditures on frontline services. Counting both devolved as well as non-devolved local public sector expenditures will allow for an even-handed comparison between (predominantly) devolved and (predominantly) deconcentrated or centralized countries, something which was hitherto not possible. In addition, it is important to apply this broader definition of sectoral decentralization since different countries rely to different degrees on the in-kind transfer of sectoral supplies (from central ministries to local governments), “vertical programs”, and the centralized procurement of local infrastructure.

Preliminary evidence suggests that the overall size of the local public sector varies considerable between countries, roughly in the range from 20 percent of total public expenditures at the bottom end of the spectrum to 45-60 percent of public spending in highly decentralized countries (Boex, 2013). A more in-depth analysis of the size, structure and composition of the local public sector will be able to reveal the

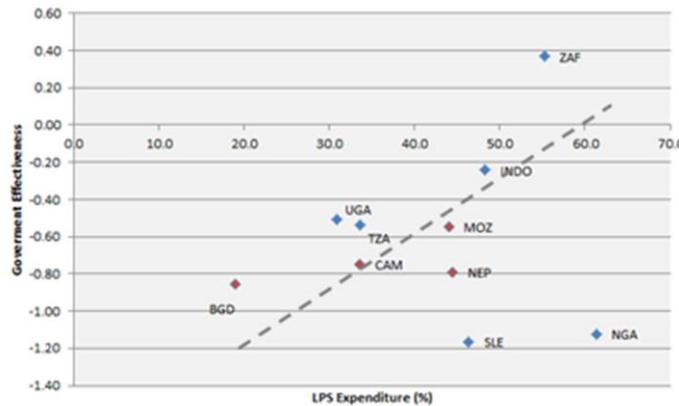
relative size of local public sector expenditures (for the education and health sectors) in a larger, more representative sample of developing and transition countries around the world.

The analysis of the local public sector should further consider the main organizational and institutional characteristics of the local public sector in different countries. Are public services (within the health and education sectors) delivered by deconcentrated administrative bodies or by elected local governments? Do local officials have discretion over the different aspects of service delivery, such as human resources, procurement, and so on? What accountability mechanisms exist to ensure that local officials are responsive and accountable to the communities they serve?

**Research Question 2: Impact of the local public sector on global development goals.** Although it is an intuitively appealing hypothesis that countries that are spending a greater share of sectoral resources at the local level (closer to the public that is being serviced) have better public sector outcome (e.g., poverty reduction), there is no guarantee that greater public spending at the local level necessarily results in better public sector outcomes. Proponents and skeptics of decentralization reforms would readily agree that the performance of the local public sector depends considerably on the degree of authority, autonomy, accountability and capacity of local public sector entities. As such, the second stage of our research agenda seeks to empirically analyze the extent to which increases in the share of local public expenditures—as well as improvements in local governance—result in improved development indicators.

Much of the existing literature that tries to address this question is based on case studies rather than on empirical, cross-country analysis, and the available empirical evidence is mixed (M'Cormack, 2011). Some initial evidence suggests that countries with more advanced decentralization have generally made more progress towards the MDGs. For instance, Sepulveda and Martinez-Vazquez (2011) find that more advanced fiscal decentralization is generally associated with lower income inequality. Similarly, a recent survey of selected African countries suggests that more progress on the MDGs is being made by countries that are more decentralized when compared to countries where decentralization reforms are at a less mature stage (Veigel, 2012). Boex (2013) finds that countries which spend a larger share of their public resources at the local level tend to rank higher in terms of government effectiveness (Figure 3).

**Figure 3: Impact of LPS on government effectiveness**



Source: Boex (2013).

In the same spirit, the current study seeks to explore the impact of the local public sector on global development outcomes by analyzing whether better sectoral outcomes in health and education are achieved in countries that devote a greater share of their financial resources to the local public sector.<sup>6</sup>

<sup>6</sup> A number of studies analyze the impact of greater sector spending and other determinants on better outcomes in health and education. See, for instance, Wilhelm and Fiestas (2005), Vos (2008), Lay (2010), and AERC (2011),

Such an analysis could further show whether devolved countries or countries with stronger local institutions (in terms of local discretion and accountability, for example) tend to perform better in terms of MDG outcomes when compared to deconcentrated countries or countries with weak local institutions.

A rigorous analysis of this research question will require the use of advanced qualitative analysis techniques. In order to answer this question, the basic empirical model to be estimated for selected global development performance indicators (MDG) in country  $i$ , for sector  $s$ , and in year  $t$  is:

$$MDG_{i,s,t} = f \left( MDG_{i,s,t-10}, \frac{\text{sectoral exp}_s}{GDP}, \frac{\text{local sector exp}_s}{\text{sectoral exp}_s}, LPS \text{ Institutions}_i, SEC_i, \right) + \varepsilon$$

Consistent with other empirical studies of this kind (e.g., Kamiya, 2010), the empirical model is built on the expectation that a country's progress on a development indicator is a function of the lagged value of the same indicator ( $MDG_{t-10}$ ), a vector of policy interventions, as well as a vector of socio-economic characteristics (SEC). Initial specifications of the empirical models to be estimated are contained in Table 1 below.

**Table 1. Proposed Empirical Model: Determinants of Global Development Outcomes**

Dependent variable	Health Outcome (MDG 4.1)		Education Outcome (MDG 2.3)	
	(i)	(ii)	(iii)	(iv)
<b>Resource allocations</b>				
Sectoral Spending (as %GDP)				
Local Sector Spending (LSS) as %Sector		--		--
LSS (% sectoral wages)	--		--	
LSS (% sectoral O&M)	--		--	
LSS (% sectoral supplies)	--		--	
LSS (% sectoral infrastructure)	--		--	
<b>LPS structure &amp; institutions</b>				
Devolved spending (%LSS)		--		--
Devolved wages (% LSS wages)	--		--	
Devolved O&M (% LSS O&M)	--		--	
Devolved supplies (% LSS supplies)	--		--	
Devolved infrastr. (% LSS infrastr.)	--		--	
Regular local elections (C3.7)				
Local staff control (A3.7/3.8)				
Own source funding >20%				
<b>Socio-Economic Characteristics</b>				
GDP (per capita)				
Poverty (MDG 1.1)				
Urban population (share of pop)				
Population density				
Proportion clean water (MDG 7.8)			--	--
Health outcomes (MDG 4.1)	--	--		
<b>Other</b>				
Lagged dependent (t-10)				

As far as policy variables, the empirical estimation of the model will reveal whether (a) increased total sectoral spending (as a percentage of GDP) improves sector performance; (b) whether greater local public sector spending (as a share of total sectoral spending) improves sectoral development outcomes; and (c) whether political, administrative and fiscal institutions and processes at the local level matter in determining public sector performance.

Under ideal circumstances, we would expect multivariate, quantitative analysis to reveal a positive relationship between all three exogenous variables and MDG outcomes (i.e., sectoral outcomes are improved by greater sectoral spending; when more of the sectoral resources are spent at the local level; and when local authorities have greater discretion over local spending). The dependent variable may alternately be estimated as the nominal value of the relevant MDG performance indicator, or as the change in the nominal value of the indicator from 2000-2010.<sup>7</sup> Alternatively, non-linear transformations of the dependent variable may be considered. Depending on the sample size, the number of independent variables included in the empirical model may be reduced.

#### Research Question 3: The potential for improving public services in line with global development goals

If the preceding empirical analysis establishes that increases in local public expenditures result in improved global development outcomes (versus increased sectoral spending on central bureaucracy), the final stage of the research agenda will estimate the potential for improving development performance outcomes by channeling greater funds through the local public sector. Similarly, if the empirical results show that devolved political systems or other decentralized practices increase the public sector's performance, we will estimate the potential impact (either in improved results or in potential cost savings) of promoting a more important role for the local public sector in attaining the MDGs.

### **5. Limitations of the Research Design**

Although the empirical methodology described above is the first attempt of its kind to determine the impact of local public sector expenditures and institutions on global development outcomes, the methodology builds on previous empirical models of public sector performance in health and education (e.g., Kamiya, 2010). Nonetheless, the methodology is not free from the same limitations encountered by earlier attempts to model public sector performance.

Because detailed local public sector financial data are extremely difficult to collect for multiple years, we are limited to estimating a cross-section data set of up to 60 countries for 2010 rather than a larger panel data set covering multiple years. This data limitation prevents us from estimating a first-difference regression model, which regresses changes in the dependent variable on changes in the independent variables.

A related limitation of the empirical model is that a country's performance, as measured by global development indicators (such as the literacy rate for 15-24 year olds or the under-five mortality rate), is not merely determined by the current year's resource allocation pattern or institutions, but rather, is determined as the cumulative effect of effective service delivery over a number of years. However, the difficulty in collecting previous years' data on local public sector finances and institutions prevents us from capturing the cumulative impact of previous years; instead, the expenditure pattern and

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<sup>7</sup> Instead of relying exclusively on a single MDG indicator per sector, a weighted average of different sectoral MDG outcome indicators may also be considered as the respective dependent variable for health and education.

institutional arrangements within the local public sector for the last year serves as a proxy for the intergovernmental structure in previous years.

Other issues need to be taken into consideration during the estimation of the empirical model as well. For instance, it is widely agreed that the public sector's performance (in terms of achieving poverty reduction outcomes) is not only determined by public sector characteristics, but also by socio-economic characteristics of the population being served. For instance, higher levels of household income and education have a substantial impact on health care outcomes (Vos, 2008). It is not always possible to include all such exogenous factors as independent variables in the empirical model (for instance, household spending on education and health services is hard to measure across countries), which could lead to omitted variable bias in the estimation.

Another potential concern with the empirical approach is driven by the expected causality of the relationship being estimated. The empirical model specified above assumes that global development outcomes are determined by public sector spending, but that public sector spending levels for education or health care (or the way in which these resources are distributed between the central public sector and the local public sector) in turn are not influenced by the public sector's performance on these indicators. It will be important during the empirical estimation process to test for—and if necessary, account for—such reverse causality.

A final concern is the definition and measurement of the local public sector itself. Although relying on the broader definition of local public sector expenditures is an improvement over the narrow definition of local government expenditures, measuring the share of local public expenditures that reaches the front lines is likely to be easier in some countries—for instance, in countries with only one local government level—when compared to other countries (e.g. countries with one or more intermediate government levels).

## **6. Data Collection: Country Selection and Survey Instrument**

### Local Public Sector Country Survey

Since little or no systematic comparative data are available for local public sector finances and local public sector institutions, the main data source for the proposed study will be data collected from up to 60 countries around the world. For this purpose, a four page country survey instrument has been developed that provides a series of standardized definitions and descriptions with regard to local public sector spending and institutions (Annex A). To the extent possible, the survey relies on existing global data sets and/or standard measures of public sector finances, institutional characteristics, and public sector (poverty reduction) outcomes.

Along with the survey itself, a complete instruction manual is being prepared. It is the intention that in each of the relevant developing or transition countries, the lead donor agency for the decentralization and local governance sector coordination group will complete the country survey in coordination with its government counterparts and stakeholders within the development community.

### Country Selection

It is the intent of the current study to collect data from a broad and representative sample of developing and transition countries. This means that the proposed selection of countries included in the study should cover countries from regions around the world. In addition, to the extent relevant, the sample

should also seek to include a balance of predominantly devolved countries as well as predominantly deconcentrated countries.

Since decentralization and local public sector reforms are more relevant in larger countries (both in terms of population and geography), an effort was made during the country selection process to include the large, more populous countries in each region. Furthermore, since the methodology is somewhat less suited to countries with one or more intermediate government levels, this has been taken into account in the sample selection process. As a result, the BRICS countries were generally not considered in the country sample. Finally, countries with extensive active domestic or international conflicts (that would likely distort public sector spending or prevent the collection of accurate data) have not been included in the proposed data set.

The countries selected for tentative inclusion in the cross-country study are contained in Table 2 below. The final list of countries that will be included in the study will depend to a large degree on data availability and the ability of DELOG and its constituent members to complete the relevant country surveys.

**TABLE 2. Countries tentatively proposed for inclusion in the analysis**

Region	Countries			
Africa (21)	Angola	Ethiopia	Mozambique	Sierra Leone
	Benin	Ghana	Mauritania	Tanzania
	Botswana	Kenya	Namibia	Uganda
	Burkina Faso	Liberia	Nigeria	Zambia
	Cameroon	Madagascar	Rwanda	
	DR Congo		Senegal	
Asia (11)	Bangladesh	Laos	Pakistan	Thailand
	Cambodia	Myanmar	Philippines	Vietnam
	Indonesia	Nepal	Sri Lanka	
Europe & Central Asia (12)	Armenia	Georgia	Kosovo	Serbia
	Albania	Kyrgyzstan	Macedonia	Ukraine
	Croatia	Kazakhstan	Moldavia	Uzbekistan
LAC (14)	Argentina	Cuba	Guyana	Nicaragua
	Bolivia	El Salvador	Haiti	Peru
	Chile	Ecuador	Mexico	Venezuela
	Colombia	Guatemala		
MENA (7)	Algeria	Jordan	Tunisia	Yemen
	Egypt	Morocco	Turkey	

#### Data collection process and schedule

The first phase of collection of at least 15 Local Public Sector Country Surveys is supposed to take place from August– October 2013. Due to its global reach, the Development Partners Working Group on Decentralisation & Local Governance (DeLoG) is well-positioned to play a strong role in the collection of the Country Surveys. The data collections process and schedule is organized as follows:

- In addition the description of the research agenda and methodology (contained in the current document) and the (Excel-based) Country Survey, an instruction manual for the completion of the Country Survey is being prepared by the Urban Institute. Additional multimedia presentations on the role of the local public sector –and supporting information for the completion of the Country Survey- will be made available online at [www.localpublicsector.org](http://www.localpublicsector.org).

- DeLoG will support the translation of the survey materials in French and Spanish and will assist in the coordination of the overall collection of the Country Surveys. Further it is envisaged that some DeLoG members will support the data collection of the country surveys through their regional structures.
- Within each country, the lead donor on decentralization and local governance will be asked to complete the survey. They will coordinate the completion of sector-specific data with their colleagues in the education and health sectors, as needed.

## **7. Policy relevance and policy impact for the post-2015 global development goals**

The answer to the basic empirical question pursued by the current research agenda—what is the role that the local public sector has played over the past ten years in achieving the MDGs—is not only relevant in a retrospective manner. In fact, this question is highly relevant for the global development agenda beyond 2015. Whereas the MDGs have been very effective in focusing the attention of the global development community on a set of key poverty challenges, indications are that more money by itself won't achieve these goals. As such, the current analysis informs how the objectives of the global development community—attaining poverty reduction, economic growth and inclusive development—can be achieved in a more effective and sustainable manner, especially if the global economic slowdown results in reductions of ODA for the medium term.

As noted in the introduction, a better understanding of the local public sector is also in line with the development of the post-2015 global development agenda. Early discussions surrounding the formulation of the next set of global development objectives seem to increasingly mention the inclusiveness of the development process and the inclusiveness of governance and service delivery. Likewise, within the global aid effectiveness debate, the Busan Partnership Document focuses not only on poverty reduction, but also on accountability, participation and democratic ownership. In this respect, the vision of an inclusive local public sector as an effective platform for inclusive development – empowering people by bringing the public sector closer to their communities– can be a powerful argument around stakeholders within the development community might be able to coalesce as part of a more inclusive global development agenda.

As a first step, however, we need rigorous and careful research to confirm the view held by many development agencies that the availability of greater public financial resources at the local public sector (and potentially, greater discretion and accountability at the local level) indeed results in improved poverty reduction and better development outcomes. If this is indeed found to be the case, then in countries where financial resources and discretion have disproportionately remained stuck at the central government level, considerable improvements can be made in the effectiveness of the poverty reduction efforts, simply by providing greater financial resources (as well as discretionary and accountability) to the local public sector. In addition, to the degree that public sector resources are not flowing down to front-line service delivery units, development partners will be in a better position to assess the degree to which country ownership and relying on country systems is an efficient and desirable development assistance strategy.

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## ANNEX A: THE LOCAL PUBLIC SECTOR'S ROLE IN ACHIEVING DEVELOPMENT GOALS: COUNTRY SURVEY

### I. BASIC COUNTRY INFORMATION

C1.1	Country Name:	
C1.2	Financial Year (2010 or 2010/11?):	
C1.10	Population density (pop per sq. km):	
C1.11	Percent Urban Population	
C2.1	Administrative Tradition:	
C3.1	Unitary or Federal Country:	

### II. STRUCTURE OF THE PUBLIC SECTOR (MAIN LEVELS / TIERS / TYPES)

G1.1	Name of subnational level / tier / type	Number of jurisdictions	Average population
C.9	Central (national) government	1	
1.			
2.			
3.			
4.			

### III. ORGANIZATIONAL / GOVERNANCE STRUCTURE OF THE PUBLIC SECTOR

	Subnational Level / Tier / Type	1.	2.	3.	4.
<b>G1</b>	<b>Main features of local entities</b>				
G1.2	Are local entities corporate bodies?				
G1.4	Do local entities have their own political leadership?				
G1.6	Do local entities prepare/adopt/manage their own budgets?				
G1.7	If G1.2 no, are local entities budgetary sub-units of the higher-level?				
G1.8	If G1.2 no, are local entities non-budgetary sub-units of the higher-level?				
<b>G2</b>	<b>Governance of local entities</b>				
G2.1	Are local entities governed by locally elected officials?				
G2.2	If yes (G2.1), have elections been held in the past seven years?				
G2.3	Does the local political leadership include elected local councils?				
G2.4	If no (G2.3), is there a local advisory / supervisory council?				
G2.5	Is the local executive directly or indirectly elected?				

### IV. (DE FACTO) ASSIGNMENT OF FUNCTIONS & EXPENDITURE RESPONSIBILITIES

		Pers.	O&M	Infrastr.	Supplies
<b>707</b>	<b>Health</b>				
F1.18	Public health and outpatient services (7072,7074)				
F1.19	Hospital services (7073)				
<b>709</b>	<b>Education</b>				
F1.22	Pre-primary Education (7091)				
F1.23	Primary Education (7091)				
F1.24	Secondary Education (7092)				
F1.25	Vocational (postsecondary, nontertiary) Education (7093)				
F1.26	Tertiary Education (7094)				

#### V. BACKGROUND ON PUBLIC HEALTH AND EDUCATION EXPENDITURES (INCLUDING ODA)

C1.5	Currency Name:	
C1.6	Currency Unit (e.g., thousands, millions):	
C1.7	Exchange Rate (US\$ 1 = X Local Currency)	
C1.8	Gross Domestic Product	
Z5.9	Budget estimates of actual spending?	
ODA1	ODA spending included in public accounts?	

ODA Spending by Sector (US\$ millions)	2000	2005	2010
Health Sector			
Education Sector			
Total ODA (all sectors)			

ODA Modalities	SWAp	Sector Basket	Budget Support	Local ODA 2010
Health Sector				
Education Sector				

#### VI. SECTORAL SPENDING: HEALTH EXPENDITURES (E707)

		Pers. Exp.	O&M Exp.	Infrastr. Exp.	Supplies Exp.	Total Exp.
C	Central (Non-Local) Expenditures					
D	Direct & Delegated Expenditures					
1						
2						
3						
4						
<b>Total Expenditures</b>						

#### VII. SECTORAL SPENDING: EDUCATION (E709)

		Pers. Exp.	O&M Exp.	Infrastr. Exp.	Supplies Exp.	Total Exp.
C	Central (Non-Local) Expenditures					
D	Direct & Delegated Expenditures					
1						
2						
3						
4						
<b>Total Expenditures</b>						

#### VIII. SECTORAL HUMAN RESOURCES / STAFFING LEVELS: HEALTH AND EDUCATION

	Subnational Level / Tier / Type	Health Sector	Education Sector
C	Central Government Staff		
1			
2			
3			
4			
<b>Total Sectoral Staff</b>			

#### **IX. POLITICAL INSTITUTIONS AT THE LOCAL LEVEL**

	<b>Subnational Level / Tier / Type</b>	<b>1.</b>	<b>2.</b>	<b>3.</b>	<b>4.</b>
C3.4	The central government recognizes the principles of local autonomy and subsidiarity in law and in practice.				
C3.7	Local government elections have been regularly held over the past 20 years.				
P3.3	Local political candidates are (s)elected at local level with little or no out central party involvement.				
P3.5	The ruling national party does not have a dominant position in local elections; other parties control at least 25 percent of local governments.				
P4.2	Local records and documents are required to be available (and are available) to the public.				
P4.4	Alternative participatory mechanisms (such as referendums) are used at local level.				

#### **X. ADMINISTRATIVE INSTITUTIONS AT THE LOCAL LEVEL**

	<b>Subnational Level / Tier / Type</b>	<b>1.</b>	<b>2.</b>	<b>3.</b>	<b>4.</b>
A2.2	Local jurisdictions engage in procurement of all infrastructure and goods/services needed to perform local functions.				
A3.4	Local jurisdictions determine own staff structure and the number of local employees without requiring central approval.				
A3.5 /A3.6	Local jurisdictions have the authority to set their own salary scales and allowances.				
A3.7 /A3.8	Local jurisdictions recruit, hire, promote, and fire their own employees.				
A4.4	Heads of local service delivery units (such as schools and clinics) have a degree of managerial autonomy in administering services.				
A4.5	Local service delivery units (such as schools and clinics) have their own formal public oversight mechanisms.				
A2.2	Local jurisdictions engage in procurement of all infrastructure and goods/services needed to perform local functions.				

#### **XI. FISCAL INSTITUTIONS AT THE LOCAL LEVEL**

	<b>Subnational Level / Tier / Type</b>	<b>1.</b>	<b>2.</b>	<b>3.</b>	<b>4.</b>
REV	Local own source revenues exceed 20% of local expenditures.				
F2	Local jurisdictions have at least one major revenue source over which it sets the tax base and/or tax rate.				
F3.1	Size of intergovernmental transfer pool is determined by fixed rules.				
F3.2	Allocation of intergovernmental transfers is determined by rules or by transfer formulas.				
F3.3a	Intergovernmental transfers are provided in complete, timely and consistent manner.				
F4.1	Local entities generally have the right to borrow in their own name without obtaining specific central permission.				

## XII. GLOBAL DEVELOPMENT OUTCOME INDICATORS

	<b>Basic education outputs/outcomes</b>	<b>Outcomes: 2000</b>	<b>Outcomes: 2005</b>	<b>Outcomes: 2010</b>
2.1	Net enrolment ratio in primary education			
2.2	Proportion of pupils starting grade 1 who reach last grade of primary			
2.3	Literacy rate of 15-24 year-olds, women and men			
2.2	Passing rate for primary school leaving exam			

	<b>Public health outputs /outcomes</b>	<b>Outcomes: 2000</b>	<b>Outcomes: 2005</b>	<b>Outcomes: 2010</b>
4.1	Under-five mortality rate			
4.2	Infant mortality rate			
4.3	Proportion of 1 year-old children immunized against measles			
5.2	Proportion of births attended by skilled health personnel			
6.1	HIV prevalence among population aged 15-49 years			
6.6	Incidence and death rates associated with malaria			

	<b>Other MDG outputs /outcomes</b>	<b>Outcomes: 2000</b>	<b>Outcomes: 2005</b>	<b>Outcomes: 2010</b>
1.1	Proportion of population below \$1 (PPP) per day			
7.8	Proportion of population using an improved drinking water source			

## XIII. PROFILE COMPLETION / CONTACT PERSON

Contract person (name):	
Email:	
Remarks about completion:	