

Decentralisation and the efficiency of public services: a critical review

John Tomaney[†]



[†] with Andy Pike, Andrès Rodríguez-Pose, Vassilis Tselios and Gianpiero Torrìsi

Outline

- **Types of decentralisation**
- **Benefits and costs of decentralisation**
- **Empirical evidence**
- **Conclusions**

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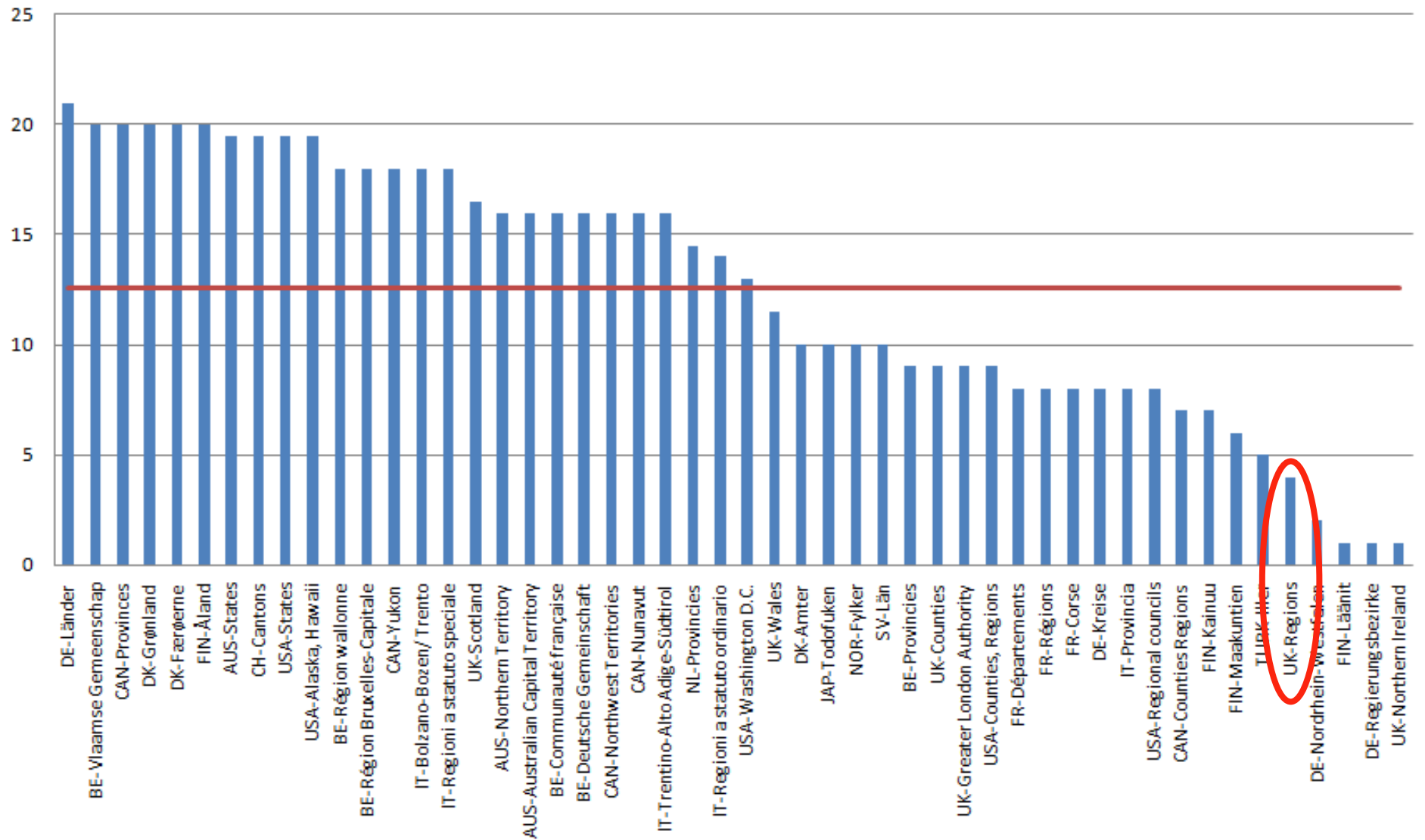
Types of decentralisation

- **“...a startling diversity of definitions and measures of the decentralisation concept [so that] there is little agreement about what constitutes an example of decentralization, or what effects it his likely to have” (Schneider, 2003)**

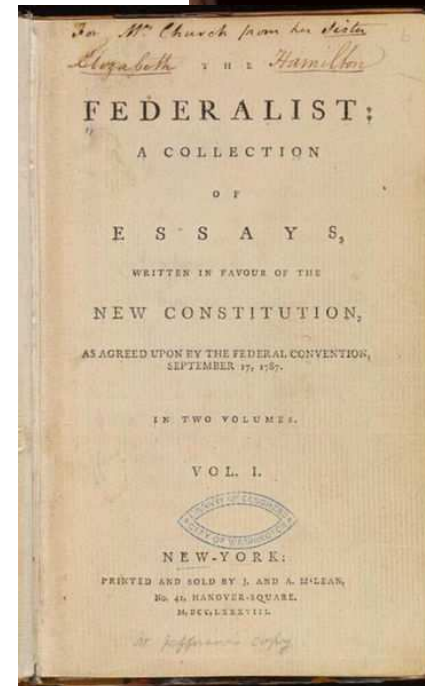
Types of Decentralisation and Their Measurement

	Fiscal	Political	Administrative	Deconcentration	Delegation	Devolution
Definition	Degree to which central governments cede fiscal impact to non-central government entities	Degree to which central government allow non-central government entities to undertake the political functions of governance; degree to which political actors and issues are significant at the local level and are at least partially independent from those at the national level.	Degree of autonomy non-central government entities possess relative to central control	Degree to which a central government disperses responsibility for a policy to its field offices; powers are transferred to lower-level actors who are accountable to their superiors in a hierarchy	Transfer of policy responsibility to local government or semi-autonomous organizations that are not controlled by the central government but remain accountable to it.	Degree to which central government allows quasi-autonomous local units of government to exercise power and control over the transferred policy.
Measurement	Simple or modified measures of ratio of subnational government spending/revenue to general government datum	Existence of elections at the municipal level or at the state/provincial level	Percentage of local revenue from taxes; percentage of total grants and revenue not accounted by transfer	Forms of administrative decentralisation not individually measured		

Regional Authority index (year 2006)



Source: Authors' elaboration of data in Hooghe, L., G. Marks *et al.* (2008). "Patterns of Regional Authority", *Regional and Federal Studies*, 18, 2-3, 167-181.



Benefits and costs of decentralisation

- **Impacts are contingent upon design:**
 - “Arguing about whether decentralization should happen is largely irrelevant; the way it is implemented will determine how successful it is ... decentralization is almost always politically motivated ... [and] ... devising a successful decentralization strategy is complex because decision makers do not always fully control the decentralization process” (World Bank, 1999: 8-9)
- ***Decentralisation theorem:* trade-off between efficient internalization of inter-jurisdictional spill-overs through centralization and the efficient matching of local policies to local preferences through decentralisation**

Benefits and costs of decentralisation

Benefits	Costs
Improved accountability and transparency	Institutional capture
Context sensitivity	Geographically uneven provision of basic services
Incentive for innovation	Duplication
Better co-ordination of regional/local actors	Lack of resources, capacity and knowledge

Empirical evidence

- Only a few academic studies ...
- ... which do not provide *unambiguous* corroboration of the positive effect of decentralisation on efficiency of public services
- Multiple methods — difficult to compare studies
- Typically measurement in terms of *objective* indicators (waste collected, length of municipal road, public buildings surface area, etc.) without controlling for the quality of outputs
- *Broadly*, positive link between decentralisation and efficiency, but results sensitive to socio-economic contexts and estimation techniques

Conclusions

- **Difficulty of definition, measurement**
- **Outputs versus outcomes**
- **Objective measures versus citizen preferences**
- **Do citizens prefer decentralised government irrespective of outcomes?**
- **Decentralisation as a means of matching the delivery of public services to individuals' needs and wants, rather than achieving objective "efficiency"?**
- **Decentralisation improves satisfaction with government and is associated with higher levels of (subjective) "wellbeing" (cf. European Social Survey)**