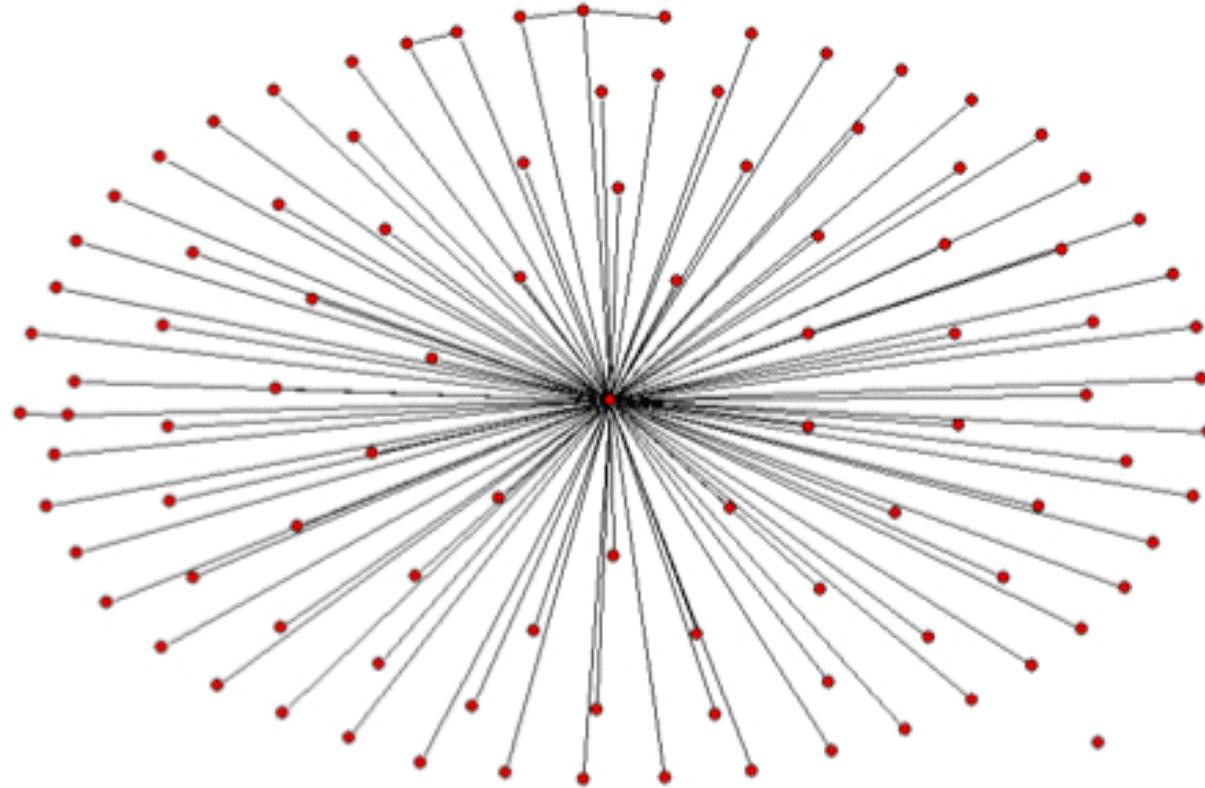


Administrative Decentralization and Management for Myanmar: Decentralization and Local Governance (Part 1)



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Session Roadmap

- Why decentralize?
- Types of decentralization
- Global trends in decentralization
- Risks of decentralization

Why Decentralize (1)?

Economic Efficiency and Effectiveness

- ***Limited span of control:*** respond to diverse and changing local priorities; use appropriate technology; improve sustainability of investments; create incentives for growth
- ***Laboratory for innovation:*** allow space for experimentation and cross-fertilization based on local successes and failures
- ***Fiscal constraints:*** broaden tax base, mobilize additional resources
- ***Demographic trends:*** economics of scale, scope, contiguity, and agglomeration; larger pools of skilled human resources

Why Decentralize (2)?

Political Expediency

- ***Shift responsibility***: improve governance (or blame others. . . .)
- ***Voice and exit options***: expressions of discontent and mobility
- ***Effective local demand***: increased capacity and willingness to pay
- ***Preserve the state***: political compact/compromise

Types of Decentralization

Political Decentralization

- Selection and removal of subnational political leaders for both the executive and legislative branches of government
- Issuance of executive decrees and promulgation of local laws

Administrative Decentralization

- Hiring, promotion, and dismissal of subnational civil servants
- Formulation and implementation of operational regulations

Fiscal Decentralization

- Generation and utilization of subnational own source revenue
- Allocation of central government resource transfers (grants and tax/revenue sharing)

Global Trends In Governance

20TH CENTURY

- UNITARY
- CENTRALIZED
- CENTER MANAGES
- BUREAUCRATIC
- COMMAND & CONTROL
- INPUT CONTROLS
- TOP-DOWN ACCOUNTABILITY
- INTERNALLY DEPENDENT
- CLOSED & SLOW
- INTOLERANCE OF RISK

21ST CENTURY

- FEDERAL/CONFEDERAL
- GLOBALIZED & LOCALIZED
- CENTER LEADS
- PARTICIPATORY
- RESPONSIVE TO CITIZENS
- RESULTS MATTER
- BOTTOM-UP ACCOUNTABILITY
- COMPETITIVE
- QUICK & OPEN
- FREEDOM TO FAIL/SUCCEED

Global Trends In Fiscal Decentralization

	Transition (1999)			Developing (1997)		
	Average	Max	Min	Average	Max	Min
<i>Sub-national expenditures</i>						
As % of GDP	10.8	20.4	5.8	7.4	18.3	0.8
As % of public sector expenditures	22.3	38.8	7.3	23.3	45.2	3.5
Sub-nat'l education expenditures, as % of public sector education expenditures	55.9	91.4	0.2	49.8	97.5	0.2
Sub-nat'l health exp., as % of public sector health expenditures	41.9	95.9	0.3	60.2	98.1	13.7
<i>Sub-national revenues</i>						
As % of GDP	7.9	17.1	2.9	5.3	12.5	0.5
As % of public sector revenues	18.4	36.0	5.6	16.6	39.8	2.2
<i>Fiscal transfers</i>						
As % of sub-national revenues	24.0	50.4	4.1	42.2	80.8	5.0
<i>Sub-national autonomy</i>						
Tax autonomy	55.1	91.0	29.1	40.1	76.5	7.6
Expenditure autonomy	74.0	96.2	49.6	58.0	95.0	23.4

Source: Author's calculations based on IMF Government Finance Statistics, various years and World Bank Fiscal Indicators.

Risks of Decentralization

- **Risk of political instability**
 - Not quick fix for administrative/political/economic woes
 - Can jeopardize stability, undermine efficiency, increase corruption during transition
 - Not suitable for a country experiencing a severe crisis
- **Risk of macroeconomic disequilibrium**
 - No hard budget constraint → large, chronic deficits
 - Implicit central government guarantee → unsustainable borrowing
- **Risk to delivery of essential infrastructure and services**
 - Inadequate local government institutional capacity
 - Decentralized corruption with increased uncertainty
- **Risk of social inequality**
 - Can worsen regional imbalances
 - Can worsen local inequities