Decentralization in Myanmar

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Decentralization: Process of balancing centripetal forces and centrifugal forces

- In every country, and indeed every society, there are always centripetal forces tending towards centralization and centrifugal forces tending towards the periphery.

- This is the fulcrum of decentralization which intervenes as a deliberate process to provide a stable and predictable structural arrangement where the two forces can interact and maintain a win-win position for forces of unity and indivisibility and those of local autonomy and diversity.

Interplay between two forces

- The interplay between centripetal and centrifugal forces can lead to either total unity (strong centralized, unitary state) or total disintegration.

- It can also lead to a mid-point equilibrium of decentralized governance with shared exercise of power.

Decentralization is not the power struggle

- Decentralization provides a structural arrangement through which critical issues (such as those of national unity and indivisibility, how to safeguard national interests and ensure coordinated and even development, equity in the distribution of resources, diversity, and local autonomy) can be reconciled.

- Through decentralized structures, central governments, local governments, civil society, and local elite continuously engage in inter-group negotiations, and by so doing, maintain equilibrium in the socio-politico-economic atmosphere.

Modes of Decentralization

- (i) Deconcentration which refers to the process of administrative decentralization whereby the central government designs a structure that enables its field agents and offices to work in close proximity to the local people

- (ii) Delegation which is the transfer of responsibilities from central government to semi-autonomous bodies that are directly accountable to the central government,

- (iii) Devolution which is the process of transferring decision-making and implementation powers, functions, responsibilities and resources to legally constituted, and popularly elected local governments,

- (iv) Delocalization which is the spatial distribution of central government socio-economic development facilities and activities such as schools, hospitals, etc in peripheral regions.

Objectives of Decentralization

Decentralization aims to

- allocate public power broadly so as to achieve more effective and responsive government,

- broaden access to government services and economic resources,

- encourage greater public participation in government,

- provide a basis on which often diverse groups can live together peacefully,

- underpin the stability of the state, by persuading groups to remain within it.

The Building Blocks of Decentralization

- Configuration (how to make up the decentralized system)

- Depth of decentralization (determines where on the spectrum of degrees of decentralization a particular system belongs)

- Actual division of powers (the actual division of powers between the centre and the sub-national levels of government)

- Devices for shared rule (Mechanisms to encourage unity and co-operation balance mechanisms for autonomy in all decentralized systems)

- The rest of the system of government (Arrangements for decentralization are only part of a system of government for a state)

Types of Decentralization

Types of Decentralization

TYPE	CRITERIA
POLITICAL	Democratization, citizen participation, legitimate government(s)
ADMINISTRATIVE	Transfer of functions with regards to planning, management, allocation of resources
FISCAL	Assignment of revenues to local governments so they can discharge their responsibilities. Sometimes related to local revenue generating capacities.
MARKET	Transfer of some responsibilities from states domain to the market

Decentralization

Political Decentralization

What is Political Decentralization?

- Political decentralization can be understood to refer to either or both of the following:

  (i)Transferring the power of selecting political leadership and representatives from central governments to local governments, and (ii) Transferring the power and authority for making socio-politico-economic decisions from central governments to local governments and communities

The first sense (narrow sense)

- Understanding political decentralization only in the first sense would be limiting the meaning of "political" to the choice of political leadership through elections.

- The promotion of political decentralization in this sense would entail only putting in place structural arrangements that would facilitate local people to exercise their voting power with limited hindrance or intervention from central government.

- In this sense, political decentralization would be referring to only electoral decentralization and participation would be understood only in terms of elections.

The second sense (broader view)

- Promoting political decentralization in the second sense, would entail putting in place structural arrangements and practices that would empower and facilitate local governments and communities to exercise not only the voting power in the choice of their local leadership and representatives but also to have strong influence in the making, implementation, monitoring, and evaluation of decisions that concern their socio-politico-economic wellbeing and to constantly demand accountability from their local leadership.

Combination

- The first sense of political decentralization refers to the vote while the second one refers to the voice.

- A combination of both enhances the influence of local people on the decisions that concern them.

- Political decentralization is best conceived within these two frameworks so that the power and authority to decide is not limited to electing leaders or representatives but includes the full range transfer of decision-making from central government to local governments / authorities / communities.

Major requirement: vertical and horizontal

• This requires a structural arrangement that goes beyond putting in place local governments.

• It requires a process that combines vertical and horizontal decentralization.

• While vertical decentralization transfers power and authority from central government to local government, horizontal decentralization empowers the local communities and enables them to receive and utilize the powers that are transferred to them especially in problem analysis, priority setting, planning, and constantly demanding accountability from their local and national leadership or any governance actor at the local level.

Decentralization

Administrative Decentralization

What is Administrative Decentralization?

Administrative decentralization involves strengthened governance, increased transparency and accountability, and more effective and efficient production and delivery of public goods and services.

The administrative decentralization involves the full or partial transfer of an array of functional responsibilities to the local level, such as health care service, the operation of schools, the management of service personnel, the building and maintenance of roads, and garbage collection.

Three administrative design strategies

- Three administrative design strategies, which are defined by how concentrated roles are:

 (1) Institutional Monopoly, or centralization, is where roles are concentrated at the spatial center in an organization or institution;

(2) Distributed Institutional Monopoly, or administrative decentralization to local-level governmental institutions or private sector firms and organization through de-concentration, devolution, and/or delegation, but where roles are distributed spatially and concentrated in one organization or institution;

Three administrative design strategies (2)

(3) Institutional Pluralism, or administrative decentralization through deconcentration, devolution, and/or delegation, but where roles are shared by two or more organizations or institutions, which can be at the spatial center, distributed, or a combination of both.

Levels of specification: objectives, goals, and tasks

Identifying the purposes of the public sector and carefully considering these levels is the key to determining which public activities should be administratively centralized or decentralized.

Objectives of Government

(1) stabilization and maintenance of high levels of employment and
   output;

(2) achievement of a desired distribution of wealth and income; and

 (3) efficient allocation of resources.

The objectives of administrative decentralization should be aligned with
   the objectives of government.

Goals of administrative decentralization

- solvency, openness, and competitiveness (stabilization);

- side-payments, political support, economic growth, and equity (distribution); and

- adequate human, fiscal, and political resources

- (allocation).

Goals of administrative decentralization (2)

- Two main propositions:

(1) effective administrative decentralization requires that all three objectives be mutually supportive; and

(2) distributive policies and their considerable resources must be devoted to the distributive goal of economic development rather than to side-payments.

Decentralization

Fiscal Decentralization

Decentralization

MYANMAR

The Logic of Fiscal Decentralization: Developed Countries

The argument for decentralizing public finances initially emerged in developed countries, then migrated to developing countries

Early fiscal decentralization was justified by the problem of how to allocate public resources when the population is diverse and citizens have differing preferences for public services

The solution was to enable citizens to "vote with their feet" by opting to live in communities that matched their preferences for services and taxes

In this model, inequality in incomes and services is a virtue because it provides citizens with a wide range of choices

This model depends on local jurisdictions having sufficient autonomy and resources to satisfy citizen preferences

But the model does not fit the many developing countries that have low geographic mobility or offer citizens a narrow range of choices

The Logic of Fiscal Decentralization: Developing Countries

The key rational for fiscal decentralization in developing countries is to empower citizens by shifting resources and fiscal autonomy from remote, unresponsive central governments to local governments

This concept of decentralization goes beyond the distribution of revenue and spending assignments between CG and SNGs to the distribution of political power and administrative discretion

In this model, the benefits of fiscal decentralization – in particular improved public services and social outcomes – depend on having efficient and accountable subnational governments

The Logic of Fiscal Decentralization: Developing Countries, *continued*

In many developing countries, however, fiscal decentralization has preceded the existence of effective local institutions. In these circumstances countries have not realized the gains expected from decentralization unless they succeed in strengthening local governance

A few countries have combined fiscal decentralization with new forms of participations (such as participatory budgeting) that give citizens a direct voice in allocative decisions that affect their wellbeing

Rather than reinforcing diversity, decentralization in developing countries aims to reduce inequality through transfer policies that favor low-income communities. In practice, however, fiscal decentralization has sometimes preserved or even reinforced inequality

STATE AND REGION RESPONSIBILITIES
UNDER SCHEDULE 2

FINANCE AND PLANNING SECTOR
- Region/state budget
- Local plan
- Taxes, such as municipal taxes and land revenues

ECONOMIC SECTOR
- Economic matters
- Commercial matters
- Hotels and tourism

AGRICULTURE AND LIVESTOCK-BREEDING SECTOR
- Agriculture and livestock breeding
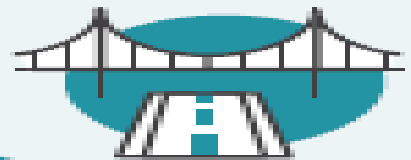- Freshwater fisheries
- Irrigation works

ENERGY, ELECTRICITY, MINING, AND FORESTRY SECTOR
- Electric-power production and distribution (medium and small scale)
- Small scale mines
- Environmental protection and conservation

INDUSTRIAL SECTOR
- Industries (other than Union-managed)
- Industrial zones
- Cottage industries

TRANSPORT, COMMUNICATION, AND CONSTRUCTION SECTOR
- Roads, bridges, and ports
- Private vehicles
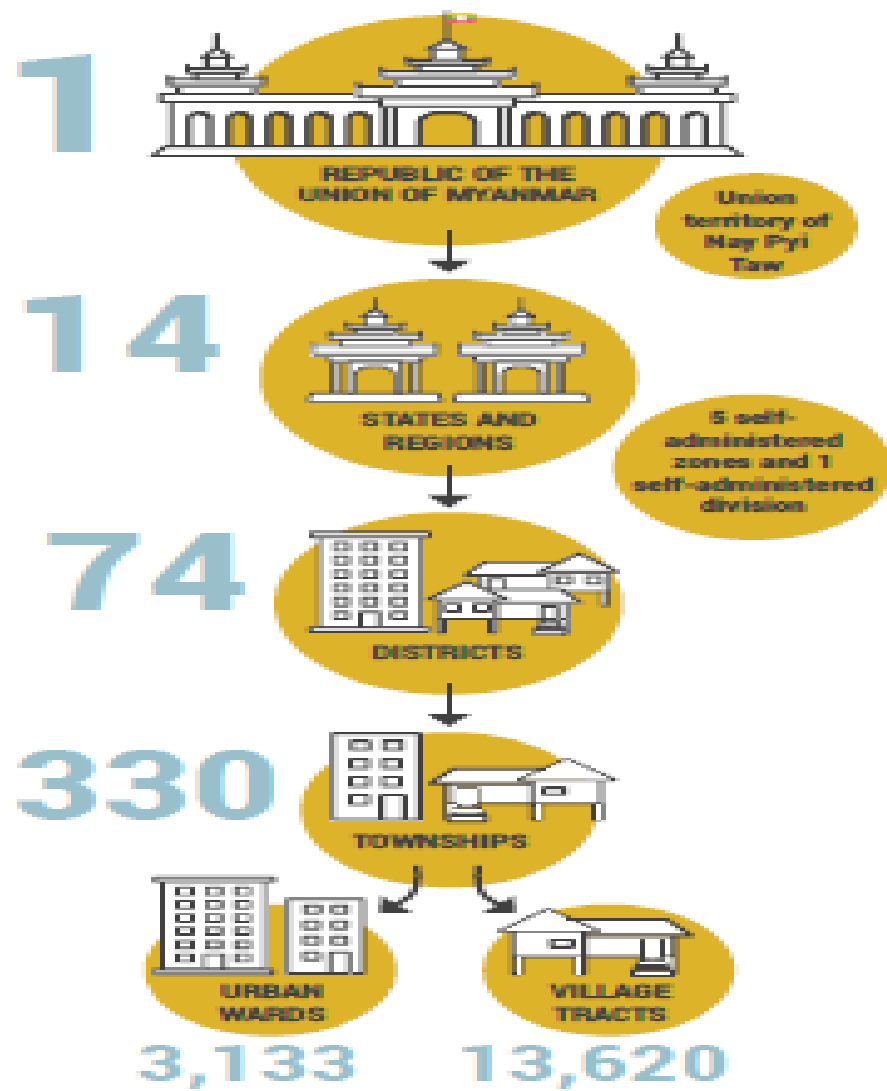- Water resources and waterways
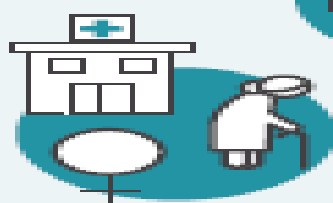
SOCIAL SECTOR
- Basic education schools administration
- Hospitals and clinics
- Welfare of children, women, the disabled, the aged, and the homeless
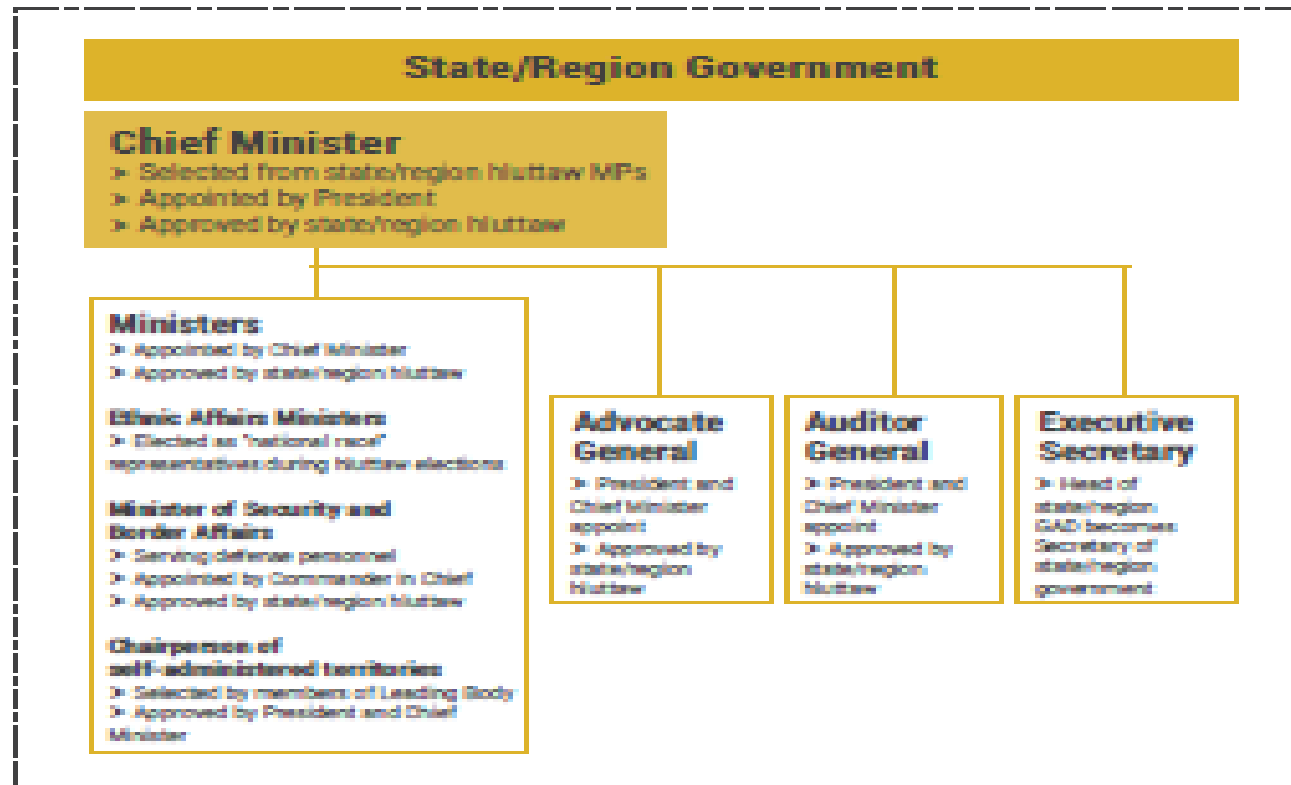- Museum, libraries, cinemas, and cultural heritage
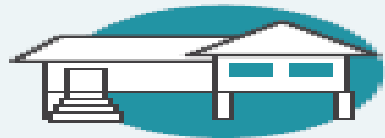
MANAGEMENT SECTOR
- Development matters (municipal and urban services)
- Town and housing development
- Border area and rural development

1 REPUBLIC OF THE UNION OF MYANMAR

Union territory of Nay Pyi Taw

14 STATES AND REGIONS

5 self-administered zones and 1 self-administered division

74 DISTRICTS

330 TOWNSHIPS

URBAN WARDS

VILLAGE TRACTS

3,133

13,620

Political Dimensions: Government

Functions of Government
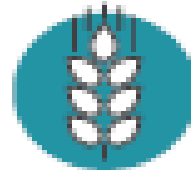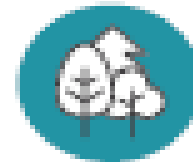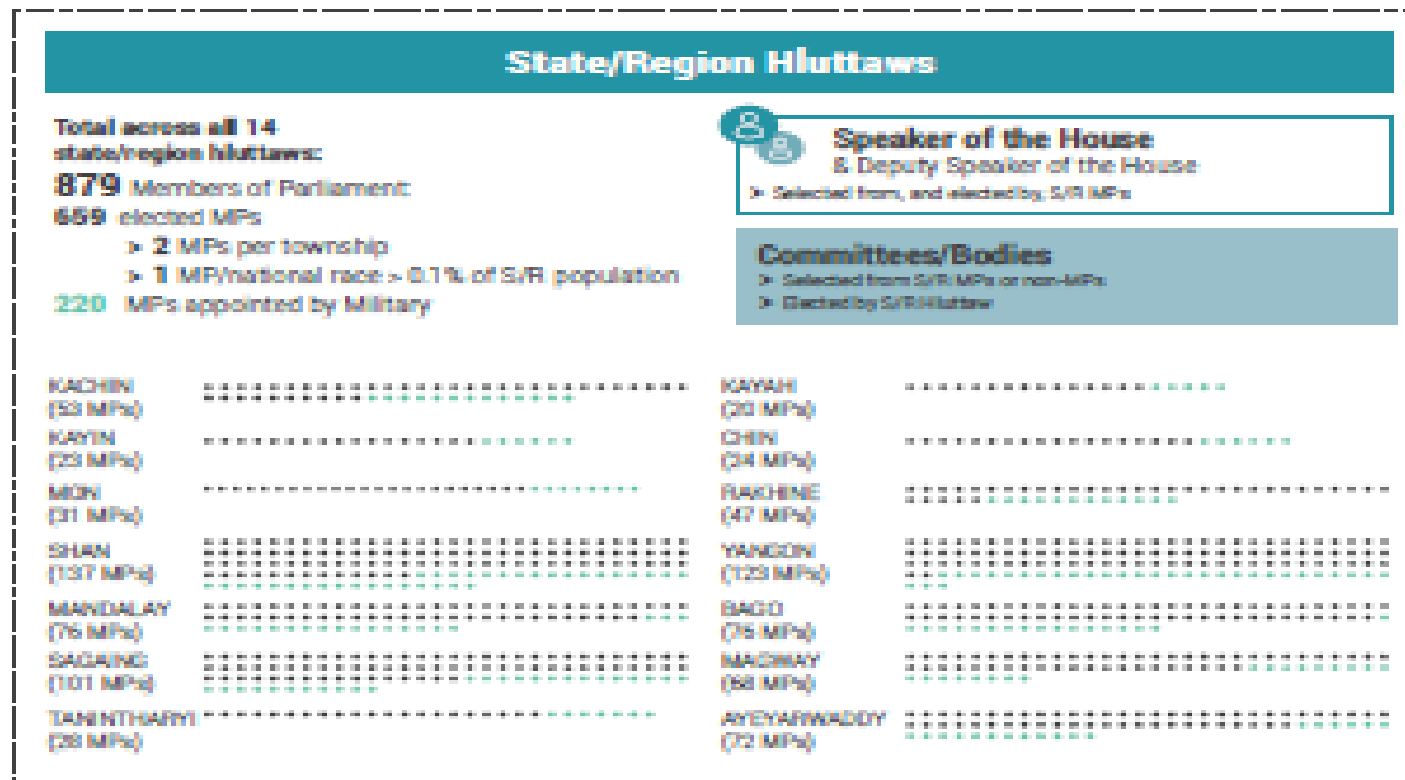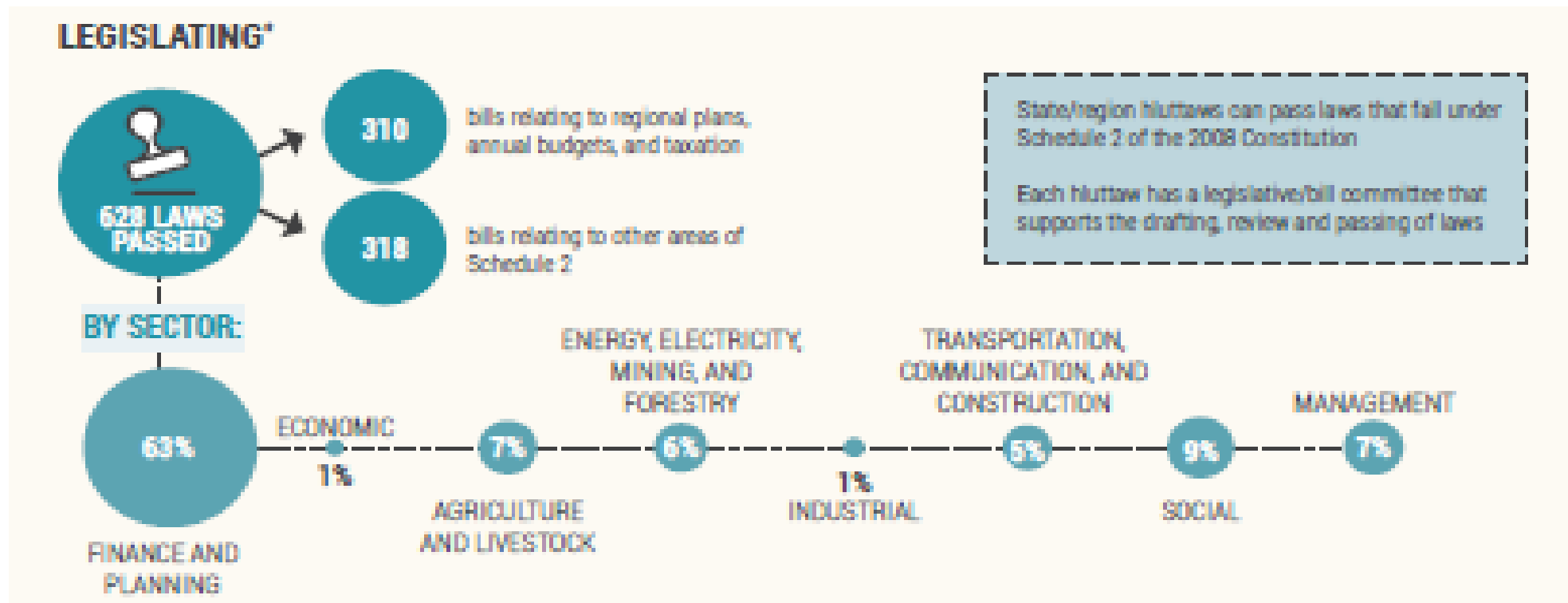
Political Dimension: Legislatures

Functions

Functions

OVERSIGHT OF THE EXECUTIVE*

QUESTIONS: 9,563
Representatives may ask the state/region government for information of public interest.

MOTIONS: 6,303
Motions can initiate debate or propose a course of action for the state/region government.
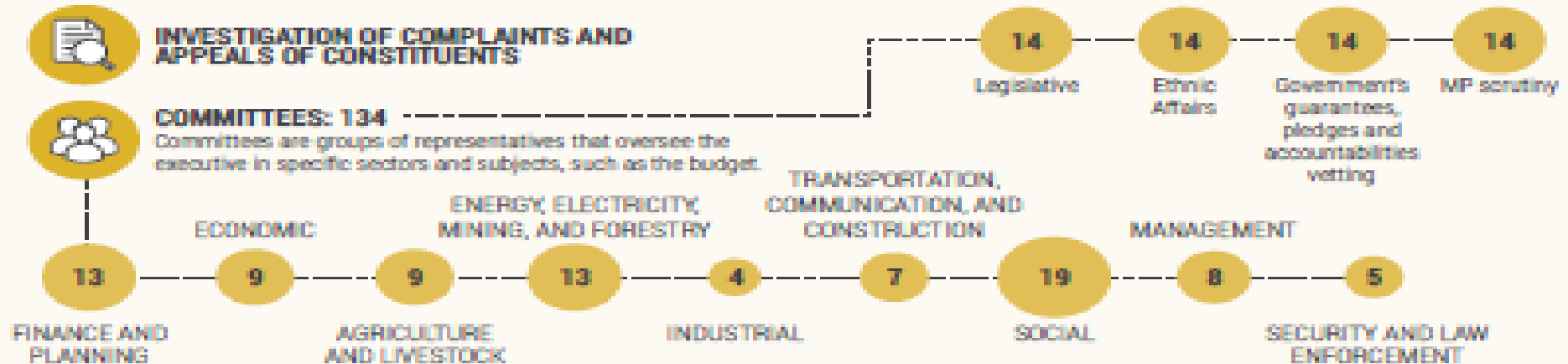
INVESTIGATION OF COMPLAINTS AND APPEALS OF CONSTITUENTS
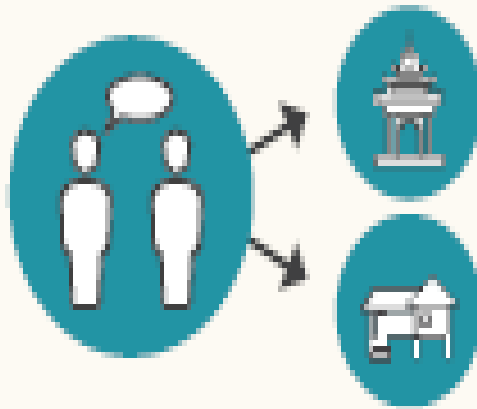
COMMITTEES: 134
Committees are groups of representatives that oversee the executive in specific sectors and subjects, such as the budget.

State/region hluttaws can oversee the state/region government through the asking of questions and motions in the hluttaw and through the work of committees.

14 — Legislative
14 — Ethnic Affairs
14 — Governments guarantees, pledges and accountabilities vetting
14 — MP scrutiny

13 — FINANCE AND PLANNING
9 — ECONOMIC
9 — AGRICULTURE AND LIVESTOCK
13 — ENERGY, ELECTRICITY, MINING, AND FORESTRY
4 — INDUSTRIAL
7 — TRANSPORTATION, COMMUNICATION, AND CONSTRUCTION
19 — SOCIAL
8 — MANAGEMENT
5 — SECURITY AND LAW ENFORCEMENT

Functions

REPRESENTING THEIR CONSTITUENTS

WITHIN HLUTTAWS
MPs represent their constituents through their legislative and oversight work

WITHIN THEIR TOWNSHIPS
MPs can represent their constituents through:
- Their involvement in township committees
- Meeting with department officials, Township Administrators, and Ward and Village-Tract Administrators.
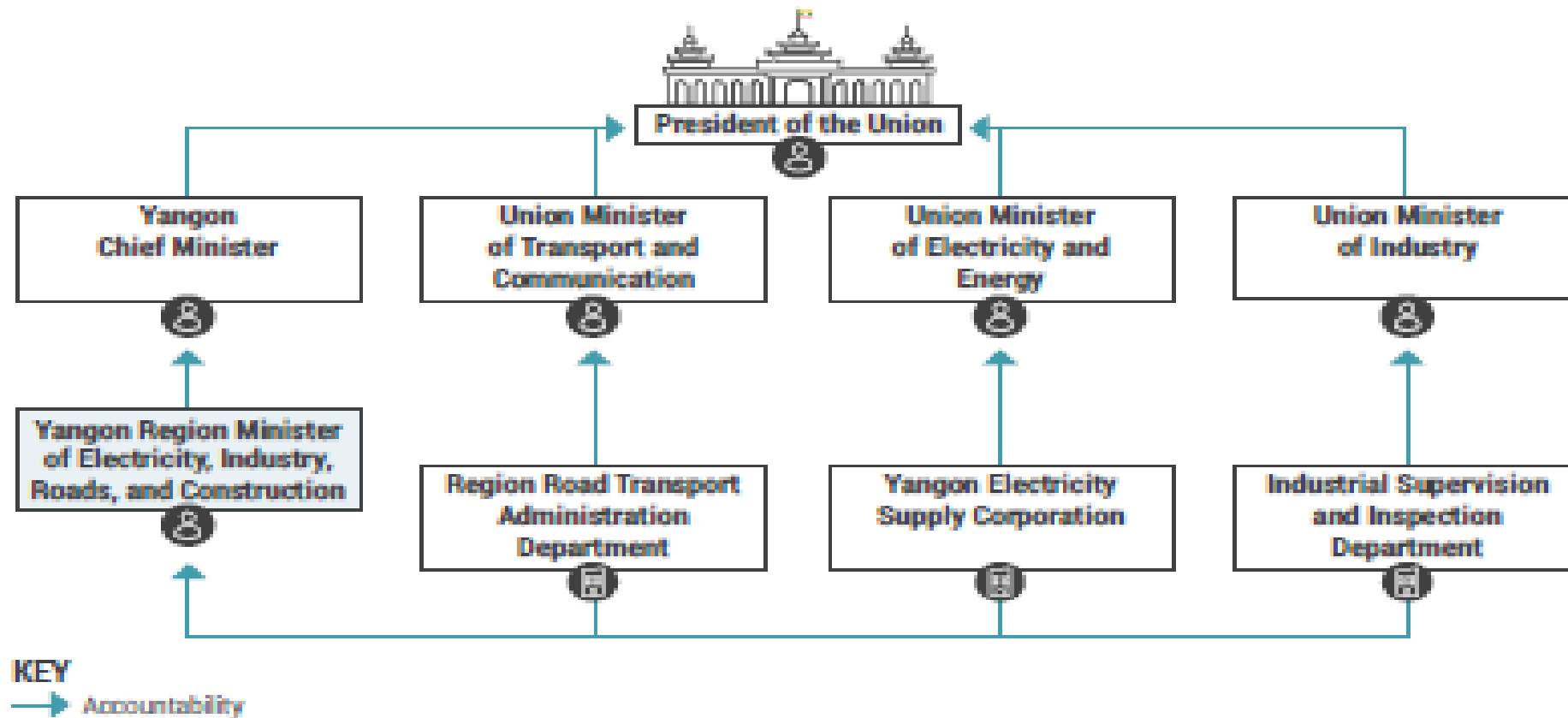
MPs meet with their constituents and then carry out work, within the Hluttaw and outside, to help local people.

*Data on laws passed, questions, and motions is from the creation of state/region Hluttaws until April 24, 2018

Emerging trends in political decentralization

- Role of Union Government (plays an important role in shaping state/ regional governments)

- Role of State/ Regional Government (More responsibilities)

- Role of State/ Regional Government (Prioritized efforts to make local governance more participatory and responsiveness to local needs)

- Role of State/ Regional Parliaments (Diverse Political Space, influencing role, active representative for regional development)

Administrative Dimension (Accountability)- Yangon

President of the Union

| Yangon Chief Minister | Union Minister of Transport and Communication | Union Minister of Electricity and Energy | Union Minister of Industry |

Yangon Region Minister of Electricity, Industry, Roads, and Construction

Region Road Transport Administration Department

Yangon Electricity Supply Corporation

Industrial Supervision and Inspection Department
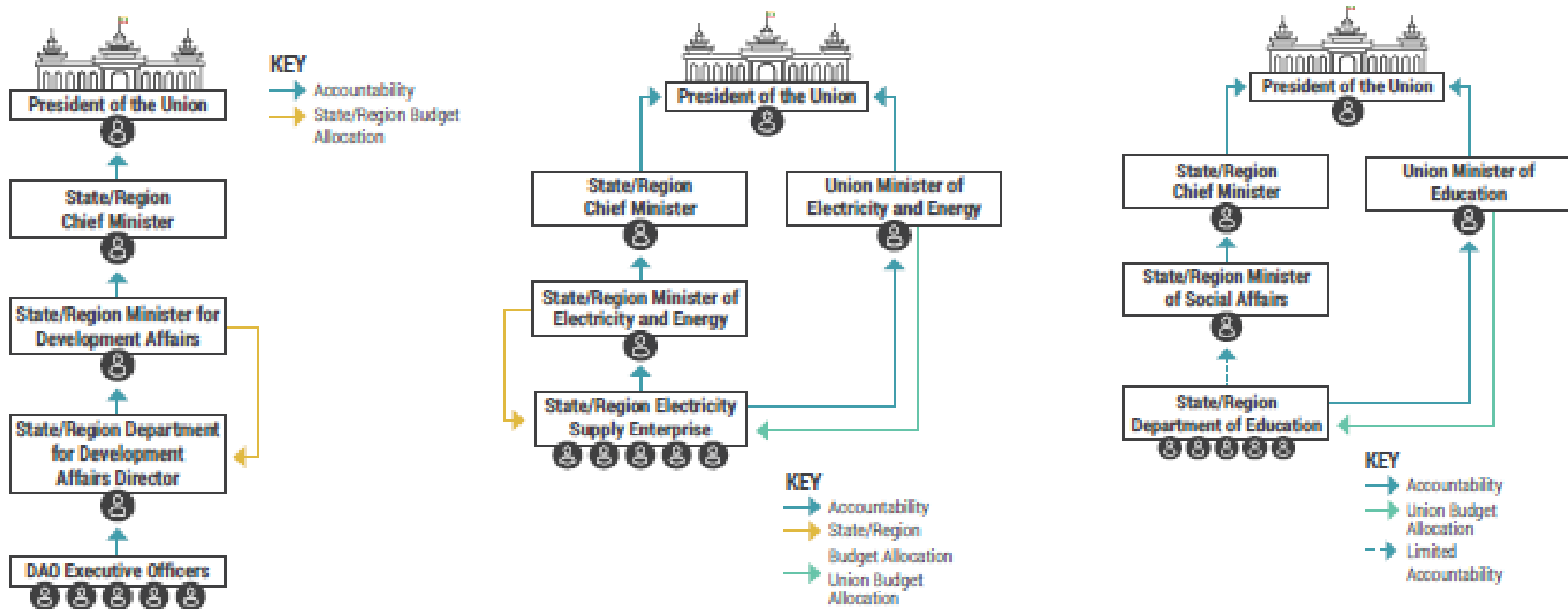
KEY
→ Accountability

Administrative Dimension- Accountability (Bago)
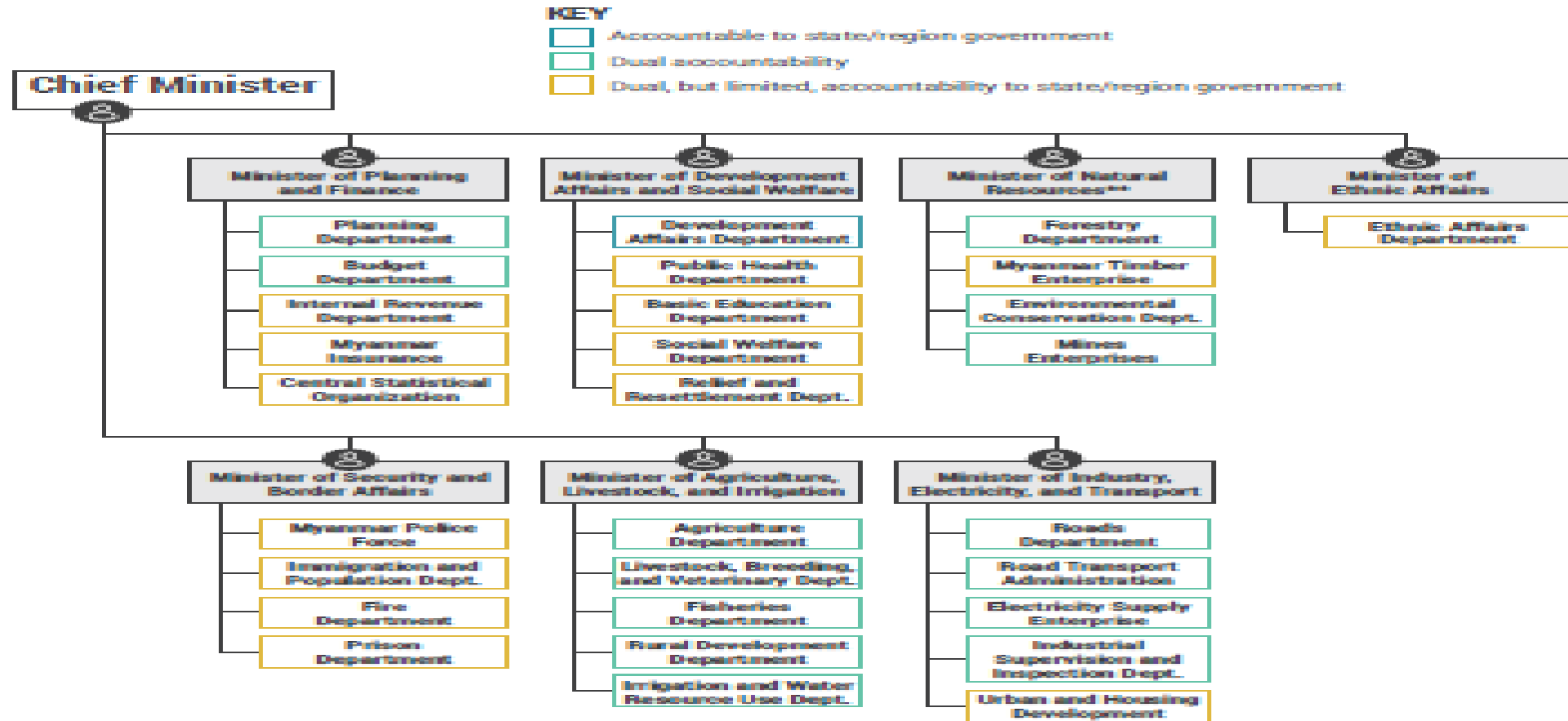
Accountability (sole; dual; dual but limited)

Emerging trends in administrative decentralization

(1) Three different accountability structures between state/region ministers and departments

(a) sole accountability to state/region government- Department of Development Affairs

(b) Dual accountability- Roads and Agriculture Departments, Electricity Supply Enterprise and GAD

(c) Dual, but limited accountability- Health, Education and Rural Departments
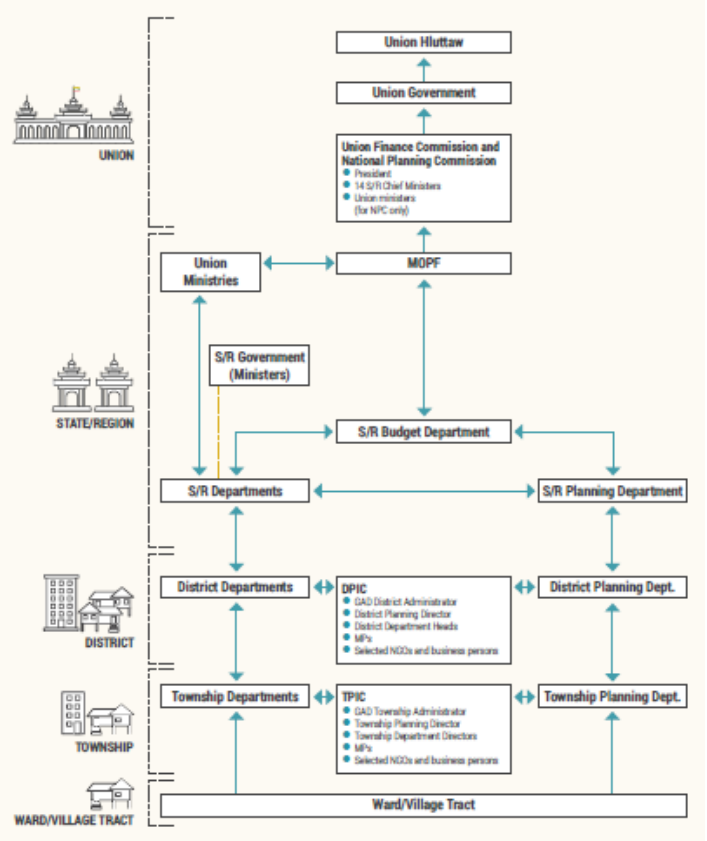
(2) Within the system of dual accountability, departments are increasingly accountable to state/ region ministries

(3) There is a system of local governance without a local government. (eg. Farmland Management Committee)

Fiscal Dimension- budgeting preparation process for state/ region
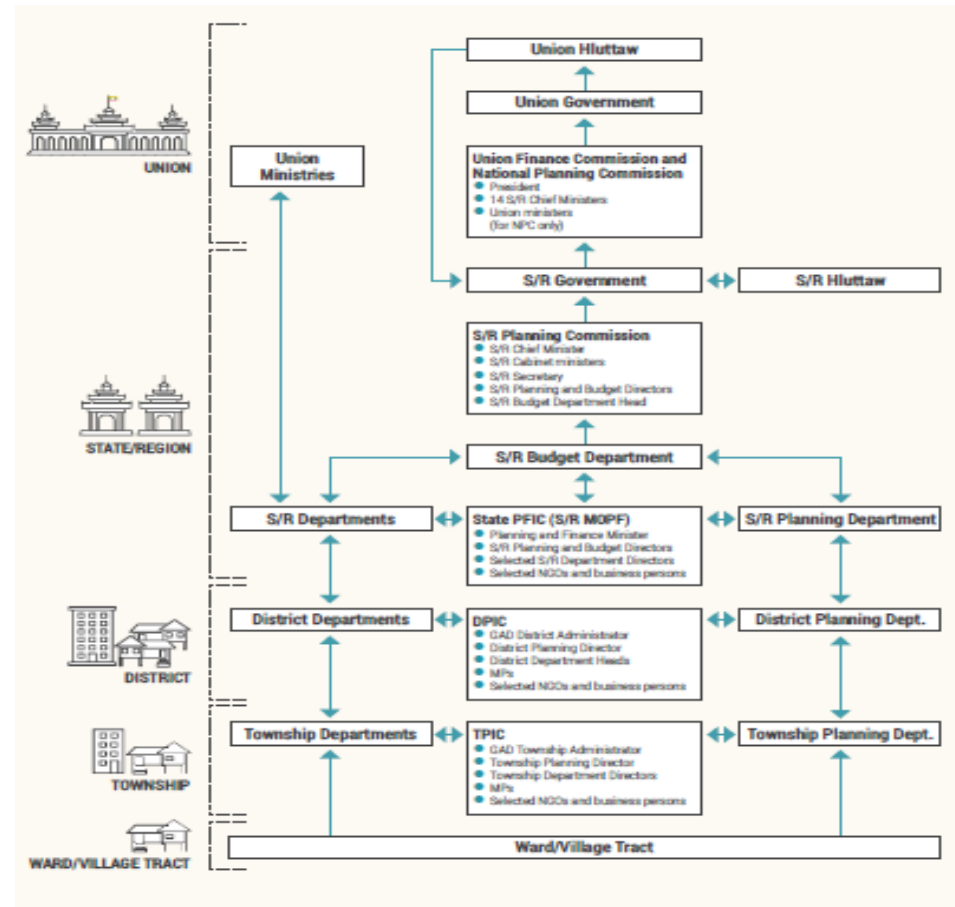
Fiscal Dimension- budgeting preparation process for union budget

Fiscal Dimensions- Expenditures by State/ region governments

STATE AND REGION GOVERNMENT EXPENDITURES (IN MILLION KYAT)

EXPENDITURE AS PROPORTION OF TOTAL GOVERNMENT SPENDING (IN %)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
864,122	1,240,589	2,702,451	2,484,398	2,587,741	2,474,942

6.4%

11.8%
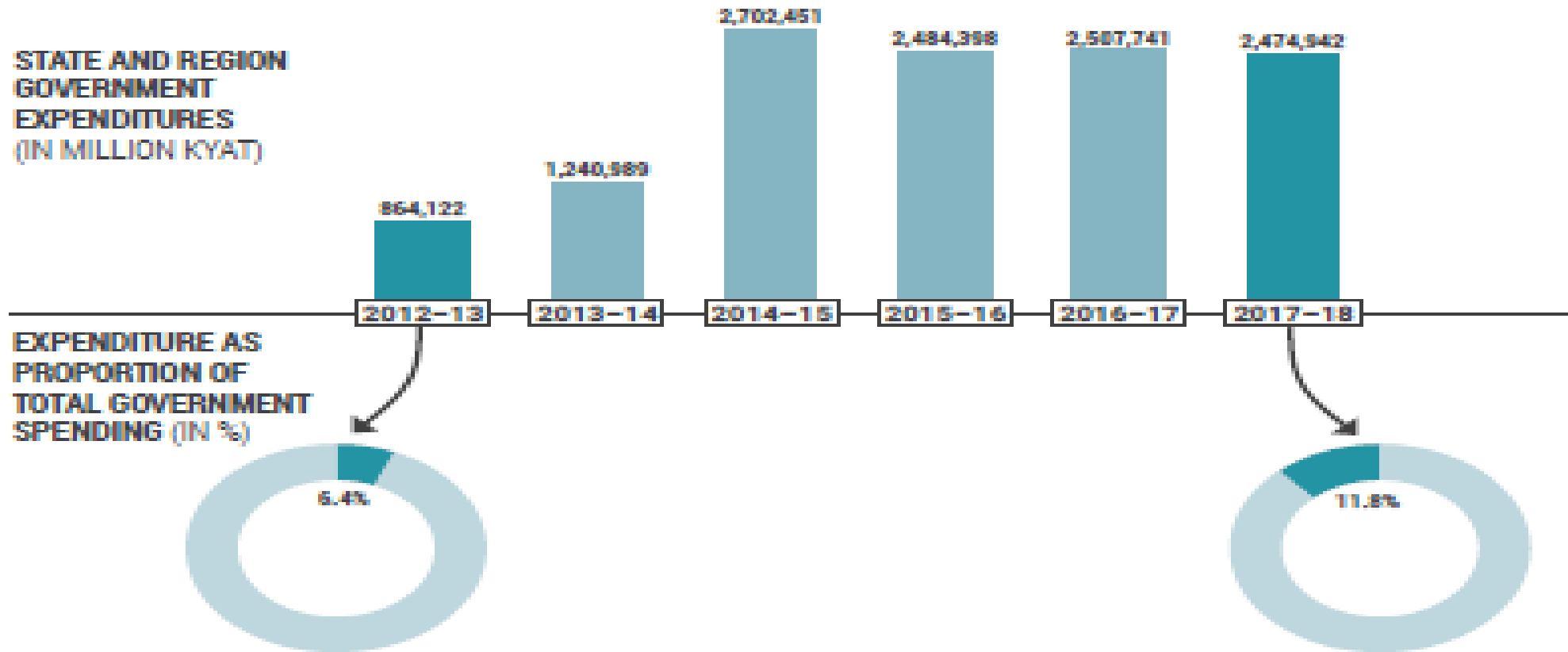
Municipal Expenditures across states & regions
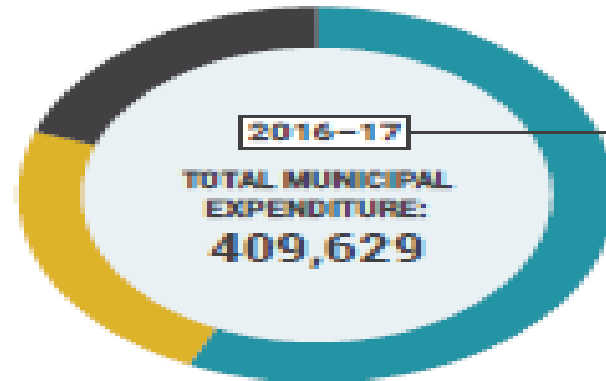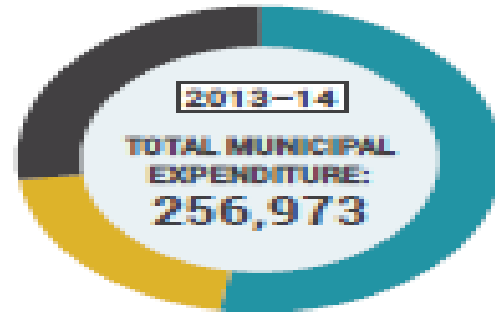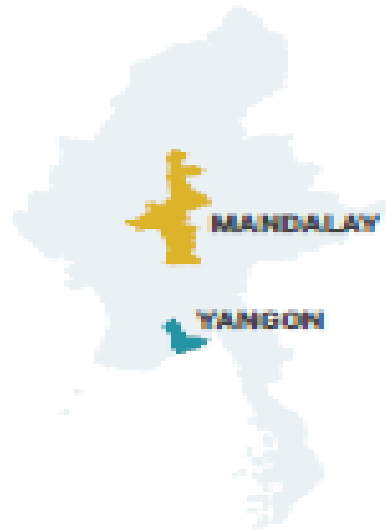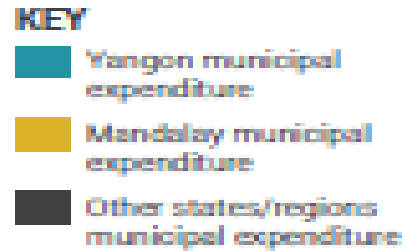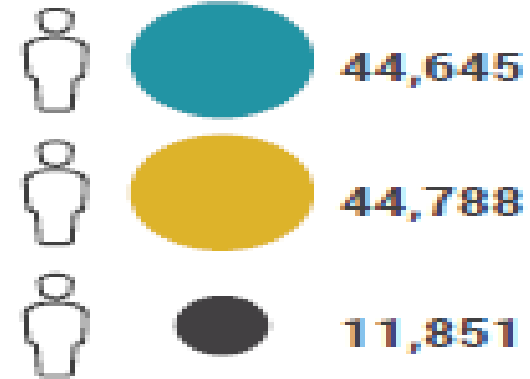
Fiscal transfers (versus) own source revenues

State and Region Government revenues under schedule 5

FINANCIAL AND BUSINESS
- Excise revenue and custom duties *
- Profits from state/region investment
- Income taxes *
- Tax on investment and insurance *
- Commercial taxes and tax on industrial activities *

MUNICIPAL
- Revenue from Development Affairs Organizations

TRANSPORT
- Toll fees from using roads and bridges managed by state/region
- Taxes collected in vehicles on road transport and vessels on inland waterway transport
- Tax on shipbuilding, repair, and maintenance*
- Tax on air transport *

FISHERIES AND FORESTS
- Tax on all woods except teak and other restricted hardwoods
- Tax on fresh water fisheries
- Tax on coastal fisheries*

LAND AND WATER
- Land revenue
- Water tax and embankment tax

MINING AND EXTRACTIVE INDUSTRIES
- Tax on minerals and mining*
- Tax on oil and gas*
- Salt tax

STATE AND REGION REVENUES UNDER SCHEDULE FIVE

HOTELS AND TOURISM
- Tax on hotels and lodging houses *
- Tax on tourism *

SOCIAL
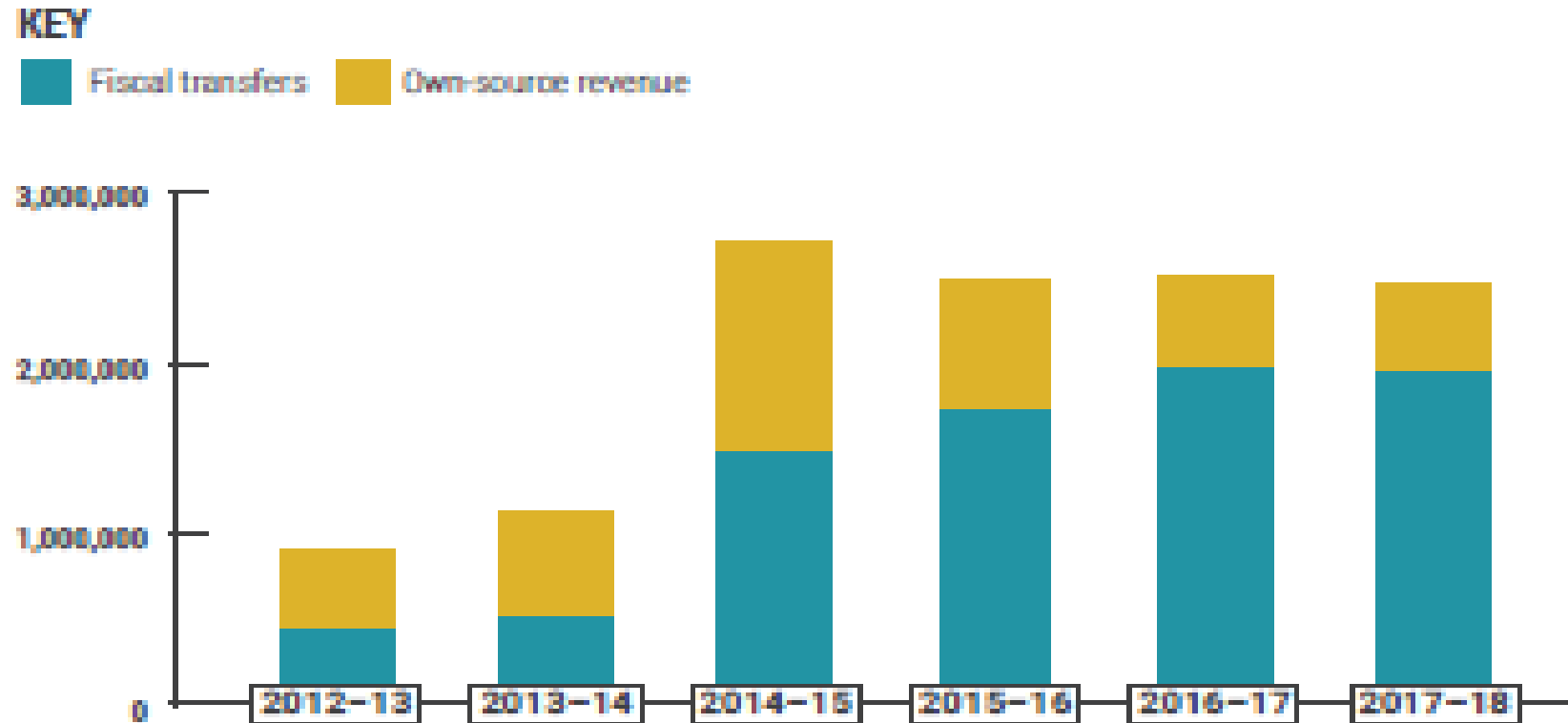- Tax on private schools and training *
- Tax on private hospitals and clinics *
- Tax on housing and buildings *
- Tax on arts, music, cinema *

COURTS
- Fines imposed by courts
- Taxes collected on service provision

UNION GOVERNMENT
- Revenue received from the Union Fund account

OTHER
- Treasure trove
- Unclaimed cash and property

Emerging trends in Fiscal Decentralization

➢ Significant increases in state/ region government expenditures

➢ State/ region government largely prioritize spending on road infrastructure

➢ Significant increases in revenues, funded largely by increases in fiscal transfers

➢ Limited growth in own source revenue

➢ Transition governments have attempted budgeting process to be more responsive and accountable

Recommendations: Conditions of successful Decentralization

(i) a capable State that enjoys sufficient legitimacy and trust from the people

(ii) political, bureaucratic and social will to plan and implement shared exercise of power,

(iii) empowered local people (civil society) that can receive and utilize the powers, functions, resources transferred to them, and

(iv) a commitment from development partners and stakeholders to re-aligning their capacities and resources towards the implementation of substantive decentralization measures

Recommendations: Scope

➤ Review scope of state/ region governments' responsibilities

➤ Broaden the scope

➤ Fully operationalize schedule 2 and schedule 5

Recommendations: Responsiveness

➢ Strengthen responsiveness of the departments

➢ Review dual accountability system

➢ Separate Civil Services recruitment in state/ regions

➢ Capacity Needs Assessment

Recommendations: Public Participation

➢ enhance public participation through consultations and involvement

➢ establish public oversight mechanisms

Recommendations- System Outcomes oriented

(i) Political Decentralization

Choices - Civil liberties, Political rights, Democratic pluralistic systems

System Outcomes - Political accountability, Political transparency, Political representation

(ii) Fiscal Decentralization

Choices- Fiscal resources, Fiscal autonomy, Fiscal decision-making, Sub-national borrowing

System Outcomes - Resource mobilization, Resource allocation, Fiscal capacity, Sub-national indebtedness

Recommendations- System Outcomes oriented

(iii) Administrative Decentralization

Choices - Administrative structures and systems, Participation

System Outcomes - Administrative capacity, Administrative accountability, Administrative transparency

Recommendations: Political Decentralization Framework

Two primary components of political decentralization system:

a) political discretion allowed to the local elected officials to perform fundamental functions that permits them to represent the preferences of the citizens in decision making process and

b) Mechanisms that hold the local government accountable for appropriate use of this discretion.

Political Decentralization Framework (Figure)
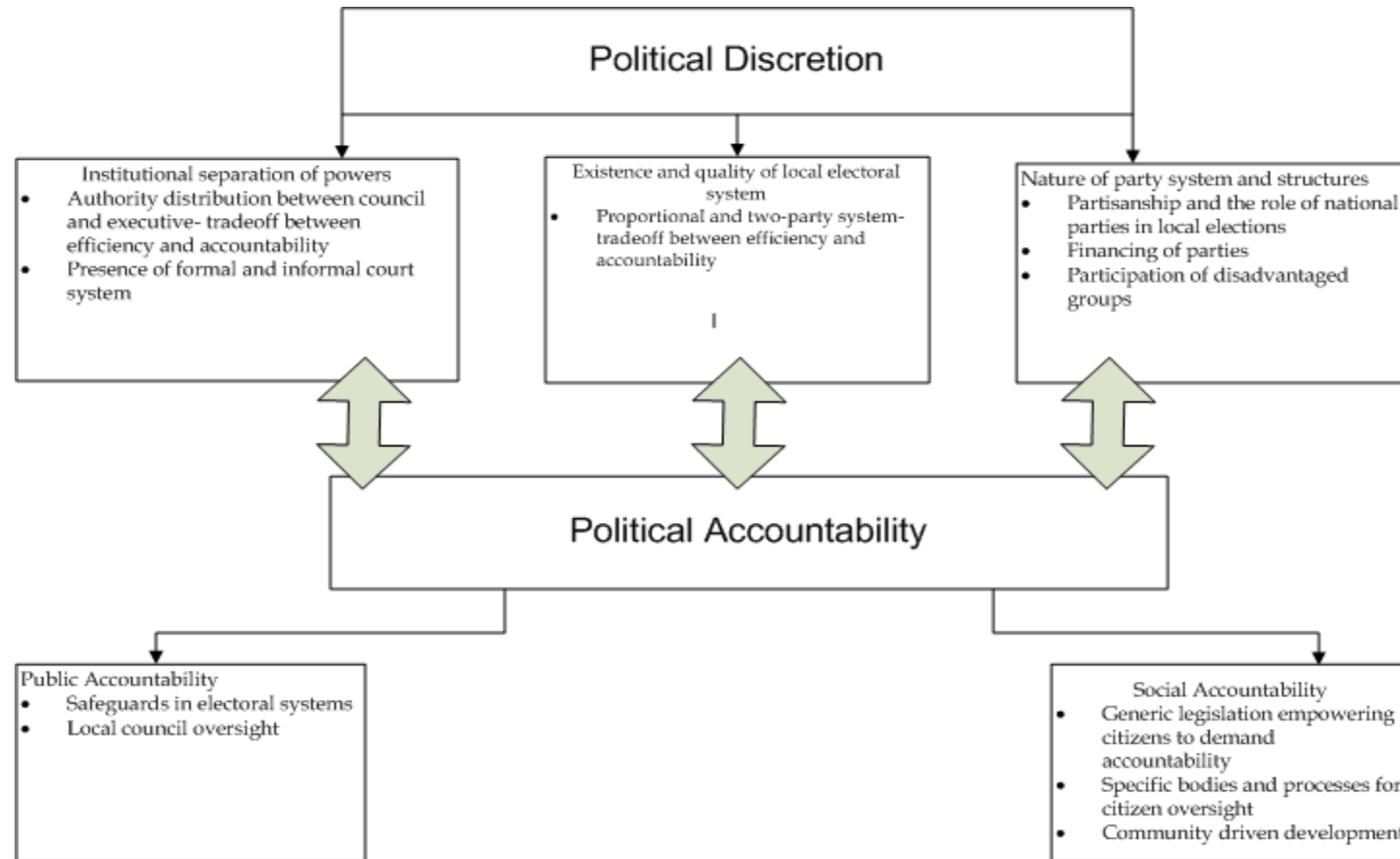
Political Discretion

Three elements:

- 1) institutional arrangements for separation of powers among the executive,

   legislative, and judicial bodies,

- 2) election laws and the electoral systems, and

- 3) the existence and functioning of party system and political party laws.

Political Accountability

- The framework emphasizes that an authority can be held accountable for performing a specific function only if it has the discretion to perform that function.

- It also argues that accountability is not an automatic outcome of increased discretion and the governments need to make a conscious effort to create structures that would hold local governments accountable.

- Public accountability, where responsible individuals are held accountable by other elected or nonelected officials, as well as social accountability where, public officials are answerable directly to the citizens are essential dimensions of accountability.

Public Accountability

- An effective, public accountability system includes safeguard in electoral systems in the form of recall elections and term limits, and providing mechanism for local council oversight of the executive.

- (a) Safeguard in electoral systems

- (b) Improving local council oversight

Public Accountability: Safeguard in electoral systems

- The accountability function of the elections can be enhanced by introducing a number of electoral safeguards such as recall elections and term limits.

- Recall provides a swifter method of holding government officials accountable than the possibility of re-election.

- Term limits can prevent local politicians from becoming entrenched in their positions and locked into relationships of patronage.

- Kerala, Philippines, Rwanda and Uganda have term limits and the option of recall elections where recall can be initiated by the council as well as by the citizens.

Public Accountability: Improving local council oversight

- A local government where legislature has the authority to oversee the executive has a greater ability to be more responsive to the demands of the citizen.

- Indicators of authority of local council to oversee the legislature include the option of veto power available to the council, the degree of independence from the executive with which the council can make decisions, and the ability of the local council to establish committees to oversee the function of the executive.

Social Accountability

- A crucial requirement for any political social accountability mechanism is to enable the citizens to demand information from the government.

- This can be done through legislation, by creating specific bodies an processes for citizen oversight and by strengthening the community through various community driven development (CDD) initiatives.

Social Accountability: Generic legislation empowering citizens to demand accountability

- Legislation should give citizens access to mechanisms to

(i) redress grievances,

(ii) request explanation of municipal legislation,

(iii) demand public hearings and consultation on a specific issue, and

(iv) submit public petitions.

Social Accountability: Specific bodies and processes for citizen oversight

- Citizen-based committees that oversee the function of local council are one of the most common forms of social accountability.

- These committees can take the form of citizen juries, forums for various social groups, such as the young or the elderly, and neighbourhood assemblies, among others.

Social Accountability: Creating a political culture for citizen oversight through community-driven development operation

By introducing mechanisms for marginalized groups of citizens to participate in decision-making and accountability processes, community-driven development (CDD) programs or community development communities (CDC) can enable all citizens to participate in the decision making process.

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