

Helpdesk Research Report: Political Economy of Sub-National Government

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Query: Please provide recent literature on the political economy of sub-national (state and provincial level) governance, with a particular focus on the roles and responsibilities of the relevant authorities at this level, the powers and resources at their command, their relationship with national and local governments, and the politics of their relationships with the centre.

Enquirers: DFID

Contents

1. Case studies
2. Additional resources

Overview

The vast majority of studies on the political economy of sub-national governance are either focused on the lower (district) levels of government as the unit of analysis, or else do not distinguish between different levels of sub-national government at all. It is difficult to find any literature on the political economy of the intermediate (state, provincial or regional) level of government. Even within the burgeoning literature on decentralization, there appears to be little discussion of the roles, responsibilities and political dynamics of authorities at this level. Similarly, the literature on intergovernmental relations often overlooks the fact that many countries have three, rather than two, interacting levels of government (Dickovick, 2007).

The findings of this brief survey into the political economy of sub-national (state and provincial) governance are therefore slim, since a strict interpretation of the question has been adopted, and furthermore only recent (post-2006) literature has been included, the majority of which is in case study form. There do not appear to be any comparative analytical studies of the political economy of state or provincial-level governance, or consolidated reports within the development community on experience of support to this level of government.

Of the recent literature that does consider the political economy of sub-national (state and provincial) government, the case of Afghanistan is prominent. International support to sub-national governance in Afghanistan has been relatively well documented, with much of the literature emphasising that reform efforts have often neglected to account for the political economy of centre-province relationships, and in particular failed to understand the duality of governance – that is, how patronage operates through formal bureaucratic rules. In particular, the system of relationships between the state and provincial governors (sometimes described as ‘gatekeepers’) has played an important role in determining their influence and power. In spite of the prevalence of patronage systems, Bijlert (2009) argues that the dynamics of centre-province relationships in Afghanistan, and in particular the system of provincial appointments, are more a question political strategy than deep seated culture. Provincial appointments in Afghanistan have historically been used to control and co-opt the disparate and often armed ethnic and factional groups in the country and to tie or subordinate them to the centre.

In other cases, the literature similarly describes the evolution of sub-national government as a means for central government to accommodate or subordinate local power centers. Another recurring theme is the contradictions between formally assigned roles and the actual power that sub-national actors are able to wield. This situation appears to be exacerbated where there are ambiguities surrounding formal roles. Some of the literature considers the incentives of sub-national authorities in engaging with central government, particularly in relation to accessing central government resources. Aiyede (2009) argues, in reference to Nigeria, that in the context of prevailing incentives to obtain more resources from the centre, public accountability and state effectiveness carry little importance with state-level authorities. Others similarly stress that central-local relations play an important role in influencing whether decentralization achieves service delivery and democratic outcomes (Brinkerhoff, 2008).

Evidence from Peru, South Africa, and Brazil suggests that central governments can make strategic and tactical decisions in intergovernmental relations to favor one level of sub-national government to the detriment of another. In these cases, central government has transferred revenues and expenditure responsibilities to municipalities in order to bypass and reduce the authority of regional and provincial government (Dickovick, 2007).

In terms of recommendations for donors, there may be a need for a coherent sub-national policy which clarifies roles and responsibilities, and for reforms to be taken in light of relationships between all levels of government. The development of intergovernmental relationships is key, particularly in light of the fact that in many countries no single level of government is likely to be able to deliver improvements in service delivery (Freinkman, 2007), and that co-ordination between levels of government is therefore seen as vital to the achievement of the MDGs (UNECA, 2008).

Case studies

Lister, S., 2009, 'Changing the Rules? State-Building and Local Government in Afghanistan', *Journal of Development Studies*, Volume 45, Issue 6 July 2009, pp. 990 – 1009

<http://www.informaworld.com/smpp/content~db=all?content=10.1080/00220380902802222>

This paper examines power structures at the sub-national level in Afghanistan and illustrates why state-building initiatives at this level have failed. It argues resistance to attempts to impose 'bureaucratic rules', coupled with the international community's failure to understand the role of states in mediating power, has contributed to the failure to date of interventions to reform sub-national government.

Despite strong power influences exercised at the local level, Afghanistan in theory is one of the most politically, fiscally and administratively centralised countries in the world. All budgetary and most staffing decisions are made in Kabul, and provincial departments of line ministries, as well as the governor's office, have virtually no discretionary spending power and limited input into planning. The governor has only a loose coordinating role, and formally does not have authority over representatives of other ministries. However, power continues to be exercised in a personal and patronage-based manner within the overall framework of these bureaucratic rules. 'Structures of power are dynamic and the complex ways that powerholders interact with the institutions of 'the state' continue to be modified'. (12) This point is illustrated through an analysis of two initiatives to reform local government in Afghanistan: the Public Administration Reform Program, and the establishment of Provincial Development Committees:

- Public Administration Reform at the sub-national level has proven very hard and progress has been slow or non-existent in restructuring departments. Both national

- and sub-national powerholders continue to control appointments, and exercise patronage in a variety of ways by acting as 'gatekeepers' to the state and its resources. The flow of international funds to the sub-national level has increased the rewards for those able to manipulate the formal rules in a way that continues to allow them to operate according to the informal ones, while maintaining the appearance of 'reform'. (9)
- Attempts to establish coordination between different government bodies at the provincial level have been fruitless. Ambiguities surrounding the formal role of the governor have strengthened his position and allowed bureaucratic structures and informal rules to co-exist. For example, in theory ministry officials report to their ministries in Kabul, but in practice they are reporting to governors who are establishing the rules of engagement through co-coordinating forums. Tensions have arisen between ministries and governors over 'ownership' of provincial-level coordination. Hence, 'while 'coordination' can appear to be a rational activity, conducted according to bureaucratic rules, it is actually a highly political activity which involves both the control of resources and activities, and the possibility of enhancing status and legitimacy by appearing to be both in control and active on behalf of one's clients'. (12)

Bijlert, M., 2009, 'Between Discipline and Discretion: Policies Surrounding Senior Subnational Appointments', Afghanistan Research and Evaluation Unit
http://www.areu.org.af/index.php?option=com_content&task=view&id=39&Itemid=73

This paper analyses the policies and processes surrounding governor and district appointments in Afghanistan. It argues the current difficulties are not a clash between external values and imposed structures, on the one hand, and a patronage-based culture resistant to reforms on the other. Rather, the government—in particular the President and his entourage—have consistently sought to use senior subnational appointments and patronage based politics in ways that have undermined a more formalised form of institution building, while paying lip service to the policies their practices are undermining. It is thus more a matter of political strategy than of deep-seated culture.

Subnational appointments in Afghanistan have been made on the basis of affiliation to a certain faction, clan or ethnic group and the ability and willingness to accommodate (or undermine) the dominant political, tribal or economic interests in the area. Senior posts are generally used as political capital in negotiations and patronage relations, and appointees are not necessarily selected for their eligibility. Appointments have historically been used to control and co-opt the disparate and often armed ethnic and factional groups in the country and to tie or subordinate them to the centre.

The paper discusses a number of key dilemmas associated with trying to introduce some degree of formalisation in this highly informal and personalised political setting, including:

- The tension between relationship politics and agreed formal procedures, which is essentially a contest between discretion and discipline: There is reluctance to subject the selection of provincial governors to any form of agreed process, and agreed procedures in the selection of other officials are regularly overruled or ignored.
- The problem of appropriately defining "merit": The current merit-based selection procedures are criticized as too rigid and formalistic and lack any form of effective performance-based evaluation. Many communities have found that, although outsiders may be less violent or predatory than some of the most feared local strongmen, they tend to be equally indifferent to their needs or unable to represent them. They are also often, fairly or unfairly, perceived as being equally corrupt.
- The limitations of policymaking when faced with a highly fragmented and highly centralized government: The oscillating policies surrounding senior sub-national

appointments result from the fact that the Afghan government is simultaneously highly fragmented and highly centralised, with different government bodies and interest groups seeking to strengthen their positions and to further their separate agendas through presidential approval.

The paper recommends the international community should maintain the principle of merit, but pursue simplified, locally relevant and more discretionary versions of merit-based selection procedures. It should place far greater emphasis on performance and on addressing unacceptable behavior. It should also seek the adoption of agreed “minimum governing standards” and ensure that these supersede other agendas.

Nixon, H., 2008, ‘Subnational State-Building in Afghanistan’, Afghanistan Research and Evaluation Unit, Kabul

http://www.areu.org.af/index.php?option=com_docman&task=doc_details&gid=573&Itemid=26

This article examines the multiple components of sub-national governance in Afghanistan, analyzing both the formal state institutions and a range of less formal actors, structures and processes. It argues that sub-national governance initiatives have been disparate and introduced in response to pressures related to the political transition without sufficient reference to their relation to the whole.

There is a fundamental duality to the system of sub-national government in Afghanistan: on the one hand, intergovernmental relationships operate through provincial and district governors (‘gatekeepers’), who are conferred formal and informal powers over expenditures, coordination, appointments and control of access to state bodies and functions. This system of relationships has played an important role in managing the influence of local power-holders, in extending the reach of the Presidency, and in meeting various short-term counter-insurgency, counterterrorism, and counter-narcotics needs. On the other hand, the primary formal mechanism for the delivery of services other than security to the population is through a system of vertically independent and highly centralised ministries.

This contradiction has hampered state-building at the provincial level (see pp. 14-23). For example, formally the provincial governor’s role is a co-ordinating one - governors are the subnational locus of a “government of relationships”, representing the President and receiving relatively unaccountable funds to reinforce that relationship. They are significant power holders and often intervene in planning, expenditure and procurement, disputes, municipal affairs, and other issues affecting the province. Whilst Provincial Councils have been elected to fulfil constitutional requirements for local representation and the formation of the National Assembly, there is no solid definition of the crucial relationships that normally link such representative bodies with legislative functions, access to resources, and representative accountability. Their roles and functions vary according across provinces.

The report concludes the reform of different sub-national governance structures in Afghanistan must be considered together, based on a sub-national governance policy that clarifies the number and nature of elected bodies, their access to resources, and the system by which they are elected. Such a policy should consider specifically the relationship between those elected bodies and the governors at provincial and district levels; the eventual nature of provincial and national budgeting, and its relation to both elected bodies; the status of municipalities, and the system of accountability for their important revenue-raising and service delivery functions; and planning at sub-national levels, which must correspond to the resources available.

See also:

Mukhopadhyay, D., 2009, 'Warlords As Bureaucrats: The Afghan Experience', Carnegie Endowment for International Peace, Middle East Program

http://www.carnegieendowment.org/files/warlords_as_bureaucrats.pdf

Aiyede, E, 2009, 'The Political Economy of Fiscal Federalism and the Dilemma of Constructing a Developmental State in Nigeria', International Political Science Review, Vol. 30, No. 3, 249-269 <http://ips.sagepub.com/cgi/content/abstract/30/3/249>

This article explores the institutional and political foundations of federalism in Nigeria and the relationship between federalism and development in view of political economy factors. It argues that a fragmented citizenship sustains predatory rule, which undermines the developmental content of federalism.

The evolution and politics of the federal structure is discussed pp. 10-13. States and local governments are not accountable to the federal government in respect of how they spend their revenue. It is argued an emphasis on interstate/local area equity in the distribution of allocations from centrally collected revenue among sub-national units provides an incentive to sub-national governments to invest efforts in getting more funds, encourages financial irresponsibility and creates strong forces for the creation of new states. Local elites mobilize the support of their communities to put pressure on military governments to give them their own state and localities because this is a sure way to increase avenues for political and material advancement. Historically, military rulers have adopted state and local government creation as an instrument for mobilizing support, or for deflating opposition. Currently, the chief means of increasing access to federation funds is to gain as many places as possible in high political and directorate level appointments. Debates about the origin of those who occupy particular positions and how this affects the states and regions are usually central to political and public service appointments or elections. In the context of prevailing incentives to obtain more resources from the center, public accountability and state effectiveness carry little importance among the general population. Two principles have been the chief means of ensuring balanced representation and therefore political accommodation and stability: the federal character principle (which ensures no predominance of persons from a few states in public office); and the rotational principle, which ensures high level positions are rotated among the various zones and regions of the country.

Freinkman, L., 2007, 'Intergovernmental relations in Nigeria: Improving service delivery in core sectors', Munich Personal RePEc Archive

http://mpra.ub.uni-muenchen.de/10032/1/MPRA_paper_10032.pdf

This paper argues that long term perspectives on economic policy reform in Nigeria are critically dependent upon improvements in the organization of inter-governmental arrangements. Such arrangements have direct implications for achieving national growth and poverty reduction targets. According to the Nigerian constitution, main public sector responsibilities are split across various government levels. Thus, no sole government could deliver radical improvements in service delivery on its own, which means that coordination and cooperation are pre-requisites. The paper makes suggestions for how donors can strengthen the incentives of government agencies at all levels of authority to improve cooperation in designing of their policies and delivery of services.

Brinkerhoff, D., and Johnson, R., 2008, 'Good Enough Governance in Fragile States: The Role of Center-Periphery Relations and Local Government', presented at the 4th International Conference on International Aid and Public Administration, Ankara, June 23-27 <http://www.gsdr.org/go/display&type=Document&id=3366>

This article argues it is important to consider decentralization and center-periphery issues in deciding what might be 'good enough governance', drawing lessons from the development of sub-national government in post-conflict Iraq. It concludes center-periphery relations are important for conflict resolution, and the societal pacts that are central to achieving stability in post-conflict contexts. Sub-national governments may also help to build or rebuild political legitimacy in the system.

Iraq has seen some success in terms of provincial governments being able to work across factional divides to address common issues. Provincial governments have adopted a variety of mechanisms to enable more widespread citizen input into decision-making, offering a degree of accountability for performance. The provincial development strategy process was widely inclusive of civil society organizations, business and professional representatives, and religious and tribal leaders.

The paper argues central-local relations play an important role in influencing whether decentralization achieves service delivery and democratic outcomes, particularly the configuration of power relationships between central and regional/local elites. It briefly refers to Migdal's (1988) sub-national 'triangles of accommodation' which link local officials, politicians and strongmen in tight networks, limiting citizen access through the formal mechanisms of government. It is observed that: 'in some cases, the local penetration of the central state is so weak that strongmen can predominate with little outside interference. In others, political elites at the center who maintain their power through hierarchical connections with local officials act as a check on local discretion to respond to the demands of other interests, such as the poor (Crook 2003). In still other situations, for example, Mexican municipalities (Grindle 2007) and rural towns in Madagascar (Brinkerhoff 2004), citizens petition for services from power-holders at the center when local government officials prove unresponsive. Hence, clientelist relationships and patronage persist despite de jure democratic decentralization (Brinkerhoff and Goldsmith 2004).'

(25). The Iraq case is unique because although it exhibits sectarian-based patronage politics and competition over the distribution of oil revenues, it is a relatively rich country and substantially more resources are being made available to sub-national governments than in other poor countries.

Dickovick, J., 2007, 'Municipalization as Central Government Strategy: Central-Regional-Local Politics in Peru, Brazil, and South Africa', *The Journal of Federalism* 2007 37(1):1-25 <http://publius.oxfordjournals.org/cgi/content/abstract/37/1/1>

This article analyses how central governments can use municipal decentralization to weaken intermediate levels of government using evidence from Peru, Brazil, and South Africa in the 1990s. It argues these cases show that central governments can make strategic and tactical decisions in intergovernmental relations to favor one level of sub-national government to the detriment of another. Municipalization occurs when central governments have incentives to undercut regional actors, but (re)centralization is not possible.

In all three cases, the first stage of regional decentralization formed the backdrop for subsequent second-stage decisions by national executives to empower localities at the expense of the regions. Municipalization involved transferring revenues and expenditure responsibilities to municipalities, and empowering localities juridically through legal modifications. National governments in all three countries shared political incentives to counter the power of centrifugal forces at the meso-level.

The report also notes that the literature on intergovernmental relations often overlooks the fact that many countries (both federal and unitary) have not two, but three interacting levels of government: central, local, and an intermediate tier alternately called state, provincial, or regional government. Most studies of federalism and decentralization focus on dynamics between just two of these layers.

Additional resources

UNECA, 2008, 'The Role of Sub-national Jurisdictions in Achieving the Millennium Development Goals (MDGs)', UNECA

<http://www.uneca.org/prsp/PortLouis/documents/Concept%20note%20subnational%20jurisdictions-08-07-08.pdf>

This concept note argues sub-national jurisdictions are becoming increasingly important actors in Africa's efforts to promote growth and development, and their role may be critically vital to progress towards the MDGs. Sub-national governments are more likely to have a positive impact on the MDGs where there is:

- *Prudent management of scarce resources;* sub-national governments are controlling a sizable proportion of resources. For example in Tanzania, local government authorities collect roughly 5% of all public revenues and are responsible for about 20% of public spending. In Nigeria, sub-national governments collectively receive about 48% of federally collected revenues. Sub-national governments need to strike a judicious balance between responding local needs and minimizing the risk of adverse macroeconomic outcomes that could arise from their raising spending limits.
- *Strong administrative, management and other capacities;* Limited managerial, technical and financial capacities reduce the ability of sub-national government institutions to effectively commit and administer MDG-related expenditure. There is a need to improve capacities of sub-national governments to formulate, execute and report public expenditure programs.
- *Inter-governmental transfers:* Transfer mechanisms need to address issues of vertical and horizontal imbalances. Fiscal practices in many countries - whereby taxes primarily collected by the central government and spending mostly initiated by sub-national jurisdictions - give rise to vertical imbalances at local government levels. Differences in revenue-collection capacity among these governments give rise to horizontal imbalances.
- *Effective coordination between the tiers of government.* Vertical regulation mechanisms are essential for monitoring and ensuring that different levels of government fulfil their responsibilities and authority. They bring some clarity between different tiers of government and contribute to aligning local policies and interventions to the national ones. Coordination problems among various tiers of government pose a serious constraint to policy coherence.

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Selection of websites visited

Institute of Intergovernmental Relations (Queens University), The International Association of Centers for Federal Studies (IACFS), Reliefweb, Crisis states Research Centre, Wilson Centre, Centre on International Cooperation (NYU), Africa Power and Politics, RTI International, Wiley Interscience, Informaworld, ScienceDirect, Google, Google Scholar, Urban Institute Centre on International Development, IDEAS.

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