
Decentralisation, Recentralisation and Performance Accountability: Building an Operationally Useful Framework for Analysis

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Introduction: Key goals and concepts

Despite the great attention paid to decentralisation in the past two decades, we still know too little about the impact various decentralising reforms have had on service outcomes in the social and urban sectors. Guiding reformers and policy analysts concerned with filling this void is the main objective of this study. The concept of decentralisation, however, is a slippery one. We have grown to believe it to be a term — like ‘empowerment’ and ‘sustainability’ — empty enough on its own that one can fill it with almost anything. A primary purpose of this study is therefore to unravel the way in which it is used by government officials, development practitioners, and research analysts.¹

The study develops an analytical and informational framework of the important aspects of decentralised reform in order to provide operationally useful guidelines applicable to policies and projects. It also briefly presents results of the application of the framework in case studies in two sectors (education and health) in Mexico and Nicaragua. These shed light on the usefulness of the framework, as well as on how one should discuss and analyse decentralisation. (The four cases are explored more fully in Gershberg, 1996a, b and Birn, 1996a,b.) In addition, while the case studies relate to the social and urban sectors, the usefulness of the framework as an analytic tool and our discussion of it can be extended to other sectors as well.

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1. To be operationally useful, this unravelling must go further than the four-part dissection by Rondinelli (1989) (see also Rondinelli et al., 1989). Other analysts (such as Lauglo, 1995) have attempted to disaggregate decentralisation. But, again, the results have not been clearly useful to reformers charged with designing and implementing policies, on the one hand, and analysts seeking to support them with sound, practical advice, on the other.

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A major focus of the study is intergovernmental relations. Many reforms that decentralise some aspect of service provision necessitate the strengthening of specific functions at the level of the government initiating the reforms. This holds equally true for national governments ‘decentralising’ functions to sub-national governments and for state or regional governments ‘decentralising’ functions to municipal or other levels of local government.² The design, administration, and accountability of intergovernmental fiscal flows and administrative responsibilities have crucial implications for both efficiency and equity issues (see Bird, 1990; Bahl and Linn, 1992). This suggests the real goal of reform efforts called ‘decentralisation’: namely, *performance accountability* leading to *improved outcomes* in service provision. It turns out that, for accountability to improve from a transfer of authority to sub-national units, some central functions will always need strengthening. We call this imperative strengthening of central functions ‘recentralisation’. The use of this term does not necessarily refer to transferring functions and/or responsibilities *from* sub-national government *to* the centre, nor to functions that had previously been transferred from the centre to sub-national governments (see, for example, Bailey, 1992). *Recentralisation* refers to those aspects of service provision and accountability that central governments must maintain, develop, and reinforce in order to enhance the effectiveness of decentralised reform. Its use often implies a restructuring (not simply a maintenance) of central functions; thus, we find it a better term than simply *centralisation*.

We emphasise that ‘decentralisation’ reforms are historical processes with complex webs of interaction. For instance, Mexico is a ‘long-armed’ state with a traditionally centralised bureaucracy and little history of grassroots movements. Nicaragua, on the other hand, while also centralised to some degree historically, has also exhibited a tradition of grassroots and voluntary movements. Analysts and reformers must therefore attempt to disentangle these historical webs and understand the historical processes. This study thus provides a kind of ‘first step’, or list of priorities, for researchers and administrators working with and in countries undergoing any of the myriad reforms labelled ‘decentralisation’.³

2. Unless otherwise specified, the term *sub-national governments* will be used here for regional/state government and municipal and other forms of local government together as a group. The term *local government* will refer specifically to sub-regional/state (e.g., municipal) levels of government. Mexico is a federal country with 31 states and one Federal District. Within the states, there are over 2,500 municipalities. Nicaragua has 17 regional governmental units called departments. These are weak forms of government in that they have hardly any own-source revenues, no elected head, and are essentially regional administrative extensions of the central government. Within the 17 departments, there are 143 municipalities which have more autonomy: municipal presidents are elected and a significant number are from opposition parties including Sandinistas.

3. This study does not examine the rationale or goals for decentralisation. It states that there

We are aware that development institutions, research analysts, and practitioners enter into reform processes at many different stages as well as with very different roles vis-à-vis the guidance they must give and the policies they must develop and implement. In some cases, they may play an integral role from the outset in the formation of policy. Often, however, countries choose to implement a reform process and then ask the analyst or institution for either financial support or guidance. In either case, the framework developed here is a productive starting point.

The following section develops the practical analytical framework and methodology we developed to study social sector decentralisation reforms. We then present several applications of this framework to show its operational usefulness, and we conclude with lessons and directions for future research. An appendix provides some methodological guidelines.

Framework for analysing accountability in ‘decentralising’ social service systems

As already noted, decentralisation is a slippery concept rendered meaningless if we are not careful in its use. Moreover, many reforms gain the label ‘decentralisation’ when it is not entirely clear that the term is appropriate. For example, in the United States, School-Based Management (SBM) is often considered a ‘decentralisation’ process in the education sector (Hannaway, 1993). But, while it is true that school districts implementing SBM do often decentralise important parts of the budgeting and key decision-making processes to the school level, SBM often takes place in an environment in which the state government takes greater control (from the local school districts) in the financing of education and in establishing standards, testing procedures, and curricula.⁴

is a widespread perception that excessively centralised systems of both financing and providing government services have led to inefficiencies and poor service delivery, as well as inequalities in resource distribution. These undesirable outcomes arise largely through the mismanagement of resources and an inability to match service provision with demand. It is important to emphasise that the study does not attempt to present the pros and cons of decentralisation and centralisation. In fact, we try to remain agnostic on such issues, even in the presentation of case material. There is an extensive literature on this subject including: Bahl and Linn (1992); Bahl and Nath (1986); Campbell (1991); Davey (1983); Dillinger (1995); Fuhr et al. (1995a, 1995b); Gershberg (1995); Grossman (1989a, 1989b); IDB (1994, 1996, 1997); Mills (1990); Oates (1972); Prud’homme (1994); Rondinelli (1989); Shah (1994); and Werlin (1992).

4. Thus, studies that use traditional measures of decentralisation, such as the proportion of finance with a sub-national source, may be misleading, since they focus on only one part of one aspect of reform. See, for example, Reid and Winkler (1991). For a further critique of

Viewed as a whole, therefore, this reform environment contains elements of decentralisation *and* recentralisation. This SBM example reaffirms the usefulness of *performance accountability* as the focus of this study. This concept emphasises the need, during reform processes labelled ‘decentralisation’, to determine (i) who is responsible for what aspects of service provision?; (ii) how well do the incentives inherent in these arrangements bode for effective service provision?; and (iii) given these first two determinations, how well does the actual service provision arrangement function?

Table 1
Detail on framework for analysing performance accountability in
‘decentralising’ social service delivery systems

Seven important aspects for consideration

I	Finance Revenue authority, central and sub-national Expenditure authority, central and sub-national Grants-in-aid and intergovernmental fiscal transfers
II	Auditing and evaluation (by central and all other relevant levels of government) Financial Performance Operational Programme
III	Regulation and policy development Developing/designing regulations Implementing/enforcing regulations
IV	Demand-driven mechanisms (expression of demand) Cost recovery Citizen participation Others
V	Democratic mechanisms (national, regional and local) Voting Citizen participation/local and grassroots organisations Conflict resolution
VI	Service provider choice/mix Public, private and non-profit (NGO) provision Civic society and civil associations
VII	Civil service and (personnel and information) management systems

such measures, see Prud’homme (1994).

Table 1 provides the framework that encompasses the important aspects for review. The term ‘decentralisation’ is in quotes to suggest that one might accept the system as fitting our criteria for analysis if it (i) has been labelled as ‘decentralisation’ by the government or relevant project co-ordinators and (ii) exhibits decentralisation in one or more of these important aspects. But analysts must pay equal attention to those aspects that do (or should) employ strengthened roles for central governments.

We argue that analysts need to begin by gathering enough information to describe the history and present state of distribution of powers and responsibilities across different levels of government for each of the seven categories. Any given study will necessarily focus analytically on one or a few of these aspects, but we argue that it is necessary to understand each aspect sufficiently to provide guidance regarding *any* given aspect of ‘decentralisation’ reforms and also to thoroughly understand the generalisability of the lessons learned. We pay more attention to aspects I and VII because reform of these aspects is most common and also, we argue, most critical.

I. Finance

Regarding finance, the expenditure side, much more than the revenue side, has been the focus of ‘decentralising’ reform policies (Bird, 1990). Analysts and reformers often have to take the revenue structure as given, with the possible exception of user charges and other means of cost recovery.⁵ Still, it is always necessary to describe the structure of the flow of funds as it relates to the reforms being analysed. Since most revenue systems rely, perhaps correctly, on relatively centralised systems, this heightens the importance of grants-in-aid and intergovernmental fiscal transfers in ‘decentralising’ systems. Here, we suggest concentrating on two questions: (i) what are the incentives implicit in the way intergovernmental transfers are set up? In other words, how do the fiscal transfers promote (or fail to promote) sound practices of aspects II-VII in this framework? And (ii) can one find any evidence of the impact the grant system has had on outcomes?

Subsidiarity and inter-governmental principles from public finance.⁶ While it is not the aim of this study to discuss the goals, or optimal levels, of centralisation and decentralisation, a few basic principles of fiscal policy help

5. Even local taxes such as the property tax are often subject to centralised regulation with respect to rate-setting and assessment.

6. The discussion of subsidiarity owes a debt to Prof. Robert Inman’s work in public finance: Lecture, ‘Designing Fiscal Policy and US Applications’, University of Pennsylvania, March 1996, and personal conversations.

to fill out the finance aspect of the framework. The concept of *subsidiarity* derives from combining the economic and political goals of (i) internalising externalities (or assigning responsibility for service provision to a level of government capable of accounting for externalities associated with the service) and (ii) the commonly made connection between decentralisation, democratisation, and demand-driven mechanisms (e.g., Bahl and Linn, 1992; Souza, 1996; Torres, 1986). It is important to discuss subsidiarity in this context since it yields implications regarding how research on decentralising reforms should be performed.

Following the concept of subsidiarity, the overarching goal in determining intergovernmental relations should be to push responsibility for service provision to the lowest level possible (to promote participatory democracy and achieve the efficiency gains from matching services to citizen preferences) without sacrificing (i) efficiency through failing to account for externalities, spillovers, or economies of scale associated with those services or (ii) equity/redistributional concerns. From this concept has sprung much of the impetus for giving sub-national government more direct responsibility for service provision, most recently in Europe.

However, efficient taxation often necessitates a dominant central role in regulating and/or collecting much of the revenue base, because of the mobility of capital, labour, and consumption. Regional and local governments can only expect to rely on labour and consumption taxes to a limited degree, and they must remain sensitive to the mobility of the wealthier portions of their labour income-tax base. In addition, it may prove difficult to have rates vary widely across jurisdictions without sacrificing efficiency or adequacy. In other words, the revenue side of finance is likely to remain relatively centralised (see IDB, 1997: Part 3, Chapter 3 for a more complete exposition of these concepts).

With respect to expenditure responsibility, on the other hand, the concept of subsidiarity will dictate that regional and local governments be assigned far more service responsibilities (expenditures) than revenues. This is true for both the efficiency and equity dimensions of fiscal policy, and this phenomenon is called *fiscal mismatch* or *vertical imbalance*. Most urban services — sewerage, roads, housing — have benefits that primarily accrue locally. In the health and education sectors, large portions of the benefits accrue locally, while important aspects like preventative health care and basic literacy are certainly national concerns. Clearly, then, intergovernmental transfers, largely in the form of grants-in-aid, play a critical role in the proper financing of, and service provision by, the social sectors.⁷

7. For an excellent review of the range of and goals for intergovernmental transfers, see Winkler (1994), which includes a practical check-list for analysts regarding the information they must gather to understand any given system of grants-in-aid.

This does not imply that the call for increased sub-national, own-source revenues (see IDB, 1994) is misguided, especially in the case of large urban areas or countries with particularly dysfunctional tax systems. Many developing countries remain highly centralised on the revenue side, despite the implications of the above discussion. However, analysts must remain aware that most 'decentralisation' reforms in the health, education, and urban sectors will decentralise the expenditure side more than the revenue side. As Bird (1990: 284) warns:

Whatever is done to improve the quality and quantity of local own-source resources, the reality is that most sub-national governments in most countries will continue to be heavily dependent for their sustenance on fiscal transfers from above. Unfortunately, in practice, such transfers often seem ill-designed to achieve their principal objectives.

Again, it is beyond the scope of this study to explore further how to design such transfers properly, but it is clear that analysts need to paint a clear and accurate picture of intergovernmental fiscal relations. This is particularly true for compensatory financing and other equity-enhancing practices, which are likely to remain the responsibility of the central government.

II. Auditing and evaluation

The most common notion of accountability, which is much narrower than the one put forward here, revolves around issues of auditing: How do governments make sure that funds are well spent, or even spent at all, towards the ends for which they are intended? This is the realm of public auditing and budgeting, which has the primary aims of (i) keeping track of public resources as they flow in from taxpayers, through relevant segments of the government via budgeting procedures, and out to pay for expenses involved with service provision, and (ii) overseeing and evaluating the performance of agencies and institutions involved with that service provision. Mikesell (1991: 39–40) usefully delineates four kinds of audits within these two categories: (i) financial, which keep track of financial records and focus on legal compliance of expenditures (theft prevention); (ii) operational, which check the efficiency of management practices and the concomitant use of public resources; (iii) programme, which determine if programmes (and the mix of programmes) under a government agency achieve their goal in a cost-effective manner; and (iv) performance, which investigate the outcomes from specific programmes in detail to verify that the promised results are being achieved. Thus, performance accountability encompasses traditional means of evaluating outcomes.

It is critical that analysts explore the various auditing functions in place at each level of government and examine the role that fiscal transfers play in

promoting sound auditing policies. In the context of most 'decentralisation' programmes, auditing and evaluation functions at the central level must be strengthened, or *recentralised*, to use our terminology. There are several reasons for this. First, as implied by the above discussion on finance and subsidiarity, in most 'decentralisation' reforms the centre will continue to pay for services provided by sub-national jurisdictions. Sub-national governments spending money sent to them from above is a recipe for disaster without proper auditing and evaluation at the central level, and fiscal auditing practices at the central level must often be reinforced during such reforms. In fact, Nicaragua added an entirely new central department in the Ministry of Education, in large part to audit the finance and handle the fiscal administration of its new 'decentralised' system. On the other hand, Mexico failed to improve central auditing practices, and fiscal accountability suffered (Gershberg, 1996a).

Secondly, recentralisation of evaluations is critical. Particularly if sub-national administrative capacity is weak, then the central government must either take steps to improve it or continue to use its expertise to provide evaluation directly. National governments generally have more expertise, particularly for evaluation and institution-building in weak sub-national jurisdictions, and greater capacity for disseminating good practice. In addition, evaluation mechanisms must be comparable across jurisdictions and the national government must rely on comprehensive evaluation measures both for national planning and to hold sub-national jurisdictions accountable for the use of national funds. On the other hand, different forms of evaluation, monitoring, and dissemination of information should be encouraged at all levels, not just central.

III. Regulation and policy development

Regarding regulation, analysts must pay attention to which level of government and which agencies have responsibility for developing, designing, implementing and maintaining regulations and enforcing them. In this category, common pitfalls for governments include: (i) constricting levels of over-control, particularly by central governments over sub-national entities; (ii) *laissez-faire* regulation, in which sub-national jurisdictions are given so much leeway that their actions may actually threaten macro stability; and (iii) perverse regulation, in which *ad hoc* central interference and transfers are employed to compensate indirectly for deficiencies in the system (Dillinger, 1995). National governments must of course provide the regulatory framework within which the social sectors operate, at least setting minimum standards for service levels and outcome goals. On the other hand, as Dillinger says (1995:6), 'the counterpart to central regulation is local accountability'. This begins with the transfer of some facets of regulation and policy development to sub-national jurisdictions, and is also closely coupled with the remaining aspects we explore below.

In addition, the case studies show that *de jure* transfer of responsibilities for regulation and policy development may not be the same as *de facto* transfer. Particularly in Mexico, sub-national officials took 'decentralisation' reform as a signal to do more in developing their own policies, even if the reform legislation did not authorise it. Analysts must remain keenly aware of the *de jure* and *de facto* responsibilities for regulation and policy development, and the differences between the two.

IV. Demand-driven mechanisms (expression of demand)

Regarding demand-driven service provision, analysts must determine the extent to which mechanisms exist for beneficiaries to express demand. Touted as an important aspect of economic efficiency, demand-driven mechanisms associated with decentralisation include cost recovery and citizen participation. In examining these elements of demand-driven mechanisms, analysts must investigate the following important facets: (i) What is the legal framework establishing the relevant demand-driven elements, and what level of government establishes it? What is the extent of stakeholder participation in the process of establishing and/or reforming the legal framework? (ii) What training and information (e.g., teamwork skills, budgeting, or organisational knowledge) are made available to beneficiaries? (iii) What arrangements are made for providing technical assistance, and by which level of government and which agencies? (iv) What are the actual powers transferred to stakeholders and what are the mechanisms by which they exercise them? (v) How do stakeholders perceive the powers they have been given: what are their reactions and how have traditional power relationships and roles been altered? And (vi) What evidence exists that the demand-driven mechanisms have fostered or supported effectiveness gains? Our case studies suggest that such demand-driven mechanisms can play a key role in the success of 'decentralisation' reform processes.

V. Democratic mechanisms

Closely related to demand-driven mechanisms, democratic mechanisms are considered a particularly important aspect of promoting accountability in 'decentralising' systems of social service provision in developing countries. In fact, the terms 'democracy' and 'decentralisation' are often used together by both developing country governments and scholars (for example, see Souza, 1996; Torres, 1986). Dillinger (1995:16) goes even further in suggesting that 'in some Latin American and African countries, the most significant aspect of decentralization is the central government's tolerance of local victories by opposition parties'. Democratic mechanisms include voting rights; citizen

participation; local/grassroots organisations; and conflict resolution procedures, which relate to both the ability of constituents to by-pass local elites and the capacity of all levels of government to co-opt popular movements. Two particular facets of these mechanisms should be of interest to analysts. First, does a sufficiently democratic institutional framework exist that allows for the expression of citizen preferences? Secondly, does the 'decentralisation' reform increase the reliance on these mechanisms for actual decision-making? Following Putnam (1993), the IDB (1997: 160) states that 'decentralization performs better when local communities have active civic and political participation, which in turn is associated with the tradition of self-government'.

VI. Service provider choice or mix

Another aspect of accountability of keen interest to analysts is the choice (or combination of choices) of service provider. The most common choice is generally between public, private and non-profit (NGO) provision.⁸ Within public provision there is also the choice of which level of government holds the ultimate responsibility for the service and which actually provides it. But governments may maintain the responsibility for service provision while not remaining the actual provider. In this case, they may choose either private or NGO provision. Commonly referred to as privatisation, this practice in the social sectors usually includes either contracting-out for services or the use of vouchers rather than privatisation in the pure sense of selling off government-owned enterprises.

The important and growing trend of non-profit service providers, along with the aspects of democratic and demand-driven mechanisms, suggests the inclusion of civic society and civil associations within this aspect of the framework. Building on works such as Putnam's (1993) *Making Democracy Work*, analysts should consider (i) the interactions between NGOs and grassroots organisations and (ii) decentralised aspects of service provision (such as programmes incorporating community participation) by central, regional and local government. The three primary objectives should be understanding: the level of civic engagement (see Putnam, 1993 for definitions of these terms); the nature of partnership between the non-profit sector and government; and the extent to which government activities have crowded out civic activity. The goal would be first to catalogue activities associated with civic engagement, and secondly to test if high levels of civic engagement actually lead to better, more effective, more equitable, and more representative provision of services. In this

8. Dillinger (1995: 34–6) provides a more detailed survey of the options for private sector participation in service delivery.

way, the choice of service provider is related to democratic mechanisms, as discussed above.

VII. Civil service and management systems

Finally, analysts must describe and examine the civil service and management systems (both centralised and decentralised) that finance, administer, and regulate services. This aspect may also include management information systems and other technological aspects of administration. It is clearly connected to all the other aspects described above and is often associated with the concept of 'capacity-building'. It is also often the linchpin of decentralisation reforms.⁹ Important considerations include the proper assignment of functions and responsibilities across different levels of government, the proper sequencing of 'decentralisation' reforms, training needs, and the flow of information. Institutional strengthening and civil service reform are important along two dimensions: internal (within) institutions at each level of government, and intergovernmental/inter-institutional relations/interactions.

Peterson (1994: 19) asserts that the focus of development organisations on training has encountered problems because of the rapid turnover of many municipal administrations, a problem that can be overcome by (i) strengthening civil service systems; (ii) lengthening terms of governors and/or mayors, or permitting re-election; and/or (iii) restructuring 'the entire management apparatus of local government, by training mayors and council members to focus on policy formation, while hiring a professional city administrator to oversee the municipality's day-to-day operations and manage personnel'. Katz and Campbell (1995) echoes the call for professional city managers who may be better protected from perverse incentives in the political environment. While Peterson's and Katz and Campbell's discussions focus on the local level, one could easily extend most features to include the state or regional level.

Peterson also highlights the need for the staging of transfers of service responsibilities to sub-national governments. He suggests (1994: 21–2):

In a first stage, municipalities can be allowed to volunteer for local service assumption, providing municipal administration meets a satisfactory standard of efficiency. Lessons will be learned from the adjustment problems encountered by these lead authorities. In a second stage, the remainder of the universe of large municipalities can be given service responsibilities. In a third

9. 'Personnel is typically the largest single item of local government expenditure, and the ability of local government to recruit, retain, and motivate staff is critical to its ability to provide [local] services efficiently. In many developing countries, control over local personnel management decisions rests with central government' (Dillinger, 1995: 39).

and final stage, the transfer of service functions can be extended to all municipalities.

The major question for analysts is: who is responsible for what, at each level of government? In many cases, the question of who actually works for whom is important. For example, in the Mexican education case, teachers were transferred from being federal to state employees (see also Dillinger (1995) for an excellent discussion of the sequencing of reform).

An additional category of actors to be included are unions (e.g., teachers' unions); professional associations (e.g., physicians' associations); and other claimants within the civil service system.¹⁰ Analysts should broaden the civil service and management aspect of the framework to include them, and consider the degree to which centralisation and decentralisation seem to make civil service and management systems beholden to, or vulnerable to capture by, direct service providers.

Summary of aspects in the framework

This comprehensive framework should make one point clear: thinking about performance accountability means thinking about the entire system of service provision. In this light, 'decentralisation' loses some of its centrality, or rather it is forced to share the spotlight with (re)centralisation. After all, decentralisation is a means, not an end. The framework is intended to provide systematic guidance to policy formation and the implementation of evaluations such as case studies. Most analysts will not be able to delve deeply into all seven aspects for each study, but they must strive to gain at least descriptive knowledge of each in order to make their analytical work meaningful. The framework provides a holistic picture of what may be decentralised and/or (re)centralised, and thus a picture of what analysts must study. Next, we present results from the application of this framework via four case studies. The appendix provides greater detail on how such case studies should be conceived methodologically.

10. It is important to draw some distinctions between unions and professional associations, particularly with respect to the right to organise, strike, and enter into collective bargaining. Both, however, may have some influence over standards and self-regulation. There are usually no universal rules about whether standards are self-enforced or state-regulated in professional associations. On the other hand, in many countries government professionals are also unionised, which may tend to blur distinctions. Of course, these arrangements are always context-specific. Thanks are due to Anne-Emanuelle Birn and a referee for the clarification of this issue.

Brief examples of applications of the framework

By choosing cases in Mexico and Nicaragua, we aim to show an application of the framework in both a large federal country and a small unitary one. We recognise that vast differences in the size of the two countries make comparing even definitions of ‘decentralisation’ difficult, if not inappropriate. Rather than a drawback, however, we regard this as an important opportunity to draw distinctions between large and small countries in terms of opportunities to implement such reforms and the generalisability of the framework. In Mexico, the reforms explored primarily involve the transfer of some responsibilities in both the health and education sectors from the federal level to the states. In Nicaragua, some of the reforms are similar, emphasising the transfer of service responsibility and administration from the central government to an entity at either department or municipal level.

Each of the four programmes was labelled as ‘decentralisation’ by the government, yet only the Autonomous Schools Programme in Nicaragua was found to involve a significant transfer of budget, planning and administrative power to sub-national units at the site level (schools in this case). The health reforms in Mexico exhibit the other extreme: we could hardly call the reform a decentralisation at all. Unfortunately, we cannot document significant examples of recentralisation with these cases, although there are a few minor examples. Below, we briefly describe the four studies and present brief applications of the framework for each in Tables 2–6. Each table serves also to provide a concise summary of the most important aspects of the respective reforms. This also indicates the usefulness of the framework.

Summary of cases

Case 1. Mexican Primary and Secondary School Decentralisation, 1992–6: Federal-to-state transfer of administration

In 1978, the Federal Government created state-level, federal ‘delegations’ but kept the financing centralised (80% federal). Resources were transferred to the delegations via discretionary grants from the Federal Ministry. To varying degrees, states developed their own, independent public school systems (see Gershberg, 1995 for more detail). In 1992, the federal delegations and all personnel, property, and expenditure responsibilities were officially transferred to the states, but the substantive meaning of this reform, according to the different aspects of the framework, is unclear. Financing remains approximately 80% federal, and transfers are done through almost identical, annually negotiated grants. Municipal and school-level councils were part of the decentralisation legislation, but they do not appear to function (i.e., they do not

even exist) and there is little indication that this will change in the near future. Table 2, a summary of the application of the framework to the recent Mexican educational reforms, shows the ways in which we determined that the system had changed since the 1992 legislation. The framework proves useful in highlighting how difficult it is to call the Mexican educational reforms ‘decentralisation’. However, in some aspects there has been a transfer of power.

Table 2
Brief application of framework for analysing accountability: Mexican education reforms, 1992–6

Framework aspect *Comment/summary judgement*

I. Finance	Relatively unchanged authority for central and sub-national governments. No change at all on revenue side. Very little change on expenditure side: federal government continues to determine transfers to states based on yearly budget negotiations, although states do literally spend the money, which they did not do before. States have only slightly more control over <i>how</i> to spend than before 1992, such as which level of education to prioritise. Some recentralisation in the Federal role negotiating salaries for all teachers, not just those in the formerly separate Federal system. States given no ability via grants-in-aid (such as matching mechanism) to alter the size of the transfer, other than non-transparent yearly budget negotiations.
II. Auditing and Evaluation (Financial, Performance, Operational and Programme)	Central government transferred only financial auditing responsibility. The Ministry no longer does extensive financial audits because of state autonomy. Little change in quantitative evaluation systems. States developing some evaluation geared towards creating qualitative complements to Ministry evaluation. States have same responsibility to provide basic data as before, but the Ministry may have less ability to verify, because of state autonomy.
III. Regulation and Policy Development	Officially, central authority is unchanged. States, however, finding more room and confidence to manoeuvre developing programmes officially against Ministry norms.
IV. Demand-driven Mechanisms (Expression of Demand)	No change. No vouchers or other traditional demand-driven reforms. Some increased state interest in polling stakeholder priorities through qualitative evaluations and survey.
V. Democratic Mechanisms (Voting, Citizen Participation, and Conflict Resolution)	Officially, no change. Perhaps some democratic impact. State governors are (arguably) closer to the electorate than central officials and now have more control over the sector: they now appoint the state’s education secretary who has the few increased powers described in aspects III and VII. Official support of citizen participation, but not many successful examples of its taking root.

VI. Service Provider Choice/Mix (Public, Private, and NGO Provision)	No change. No inclusion of private sector. Very little parental choice to pick schools. Little change in the differentiation between formerly separate Federal and state school systems. Little or no involvement of NGOs and other civil associations compared to other countries in the region.
VII. Civil Service and Management Systems	Significant transfer of central authority. Teachers and most administrators are now state employees. States have increased control of bureaucratic shape and functions, as well as allocation of teachers across geographic areas and sub-sectors of basic education (pre-school, primary school and secondary school). However, states still face significant resistance from both union and Federal influence over hiring and placement.

Case 2. Nicaraguan Educational Decentralisation, 1993–6: Municipalisation and Autonomous Schools Programmes

Autonomous Schools Programme (ASP): A radical move to school-based management in which school councils are established, the school budget is transferred from the Ministry to the school, and additional fees are charged to parents. School councils have a voting majority of parents and have considerable authority over how to use the fees collected. Thus far, most fees go towards increasing teachers' salaries. The programme grew out of ministerial mandates, not changes in the general legislation, and has so far yielded uneven results, particularly with respect to equity issues. The reform did spread quickly, however. Within four years, one quarter of all primary and secondary school teachers were teaching in autonomous schools. Non-autonomous schools are referred to as 'state schools'.

Municipalisation: In a limited number of places (10 out of 143 municipalities), schools are now the immediate responsibility of municipalities. Municipal Education Councils, led by the mayor and the local representative of the central Ministry of Education, have been established in a larger number of places. This is a more traditional 'decentralisation' scheme, which involves transferring some responsibilities for administration from the central to sub-national governments.

Tables 3 and 4 show the application of the framework to these two programmes. The ASP exhibits a relatively high level of change and transfer of central authority along most of the seven aspects for consideration and a strong recentralisation of evaluation. Municipalisation, on the other hand, has effected fewer changes. Both programmes, though very recent, show initial promise for improving accountability and educational outcomes in Nicaragua.

Table 3
Brief application of framework for analysing accountability:
Autonomous Schools Programme, Nicaragua

<i>Framework aspect</i>	<i>Comment/summary judgement</i>
I. Finance	Significant transfer of central authority to schools. Though the Ministry continues to finance the system centrally, contributions from parents now play a growing role in resources available to schools. Schools have greater control on the expenditure side: principals and school councils have increased discretion over spending patterns. Councils can alter centrally suggested fee levels; however, there is a strong, if non-transparent, central role in financially supporting poor autonomous rather than poor state schools. Regarding grants-in-aid, the Ministry uses newly-developed grants to autonomous schools to transfer resources for salaries, benefits, maintenance, and utilities based on capitation principles and average costs at the school before autonomy. But transfers are not truly formula driven.
II. Auditing and Evaluation (Financial, Performance, Operational, and Programme)	Moderate transfer of central authority. Very little change in central functions regarding financial audits, which rely on a small number of random audits and analysis of departmental performance reviews. Some increased vigilance on the part of parents and teachers due to interest in school fees. School and Municipal councils perform programme evaluations, which may be ineffective due to lack of sufficient training. Strong recentralisation of evaluation as the central government began a new and much more comprehensive method of quantitative and qualitative evaluations concomitantly with the ASP.
III. Regulation and Policy Development	Little change in central authority. Norms, standards, text books and basic curriculum still developed centrally. Local councils have some leeway in i) developing curriculum, though they have done little in practice and ii) textbook selection, though the Ministry only pays for their own. Little or no attention by local actors to improving teaching methods.
IV. Demand-driven Mechanisms (Expression of Demand)	Significant change in some schools. Required, voluntary, and (in some cases) extorted fees reflect and influence parental demand for schooling, especially at the secondary level. Participation of parents in local councils provides community input to provision of services.
V. Democratic Mechanisms (Voting, Citizen Participation, and Conflict Resolution)	Significant transfer of central authority de jure; varied results de facto. Where school councils function according to norms, parents, through elected representatives, are given significant voice in school policy including budget, personnel, and curriculum. Principals are elected by the school councils.

VI. Service Provider Choice/Mix (Public, Private, and NGO Provision)	Little change. Though autonomous schools represent a significant change in school administration, the public sector is still responsible for service provision. Parents do not have increased capacity to choose schools via vouchers or other mechanisms. NGOs and private organisations do not run autonomous schools. While NGOs and other civic organisations play a significant role in education, their role has not necessarily <i>changed</i> as a result of the ASP. School administrative structure may, however, facilitate future civic involvement.
VII. Civil Service and Management Systems	Very significant change in central authority. Principals and school councils have gained considerable control over management of personnel and budget. Municipal-level Ministry delegates are the front line, having gained primary responsibility for recruiting and overseeing autonomous schools, training participants, and resolving disputes.

Table 4
Brief application of framework for analysing accountability:
Municipalisation Programme, Nicaragua

<i>Framework aspect</i>	<i>Comment/summary judgement</i>
I. Finance	Moderate/low-level transfer of central authority. The Ministry controls school revenues and transfers funds for school personnel to municipal governments, which provide no substantial funding. As a result of increased involvement in education, they do, however, i) support municipal-level Ministry delegates more through provision of small but useful contributions, such as the use of municipal vehicles; ii) sometimes allocate resources for school rehabilitation; and iii) prioritise school construction in project proposals to the central government's social and infrastructure development fund (FISE). Regarding grants-in-aid, the Ministry transfers resources for school personnel to municipalities, whose primary responsibility is to administer the payroll system. Transfers are not sizeable enough to provide municipal governments with any discretion over the allocation of funds.
II. Auditing and Evaluation (Financial, Performance, Operational, and Programme)	Little transfer of central authority. Very little change in official central functions regarding financial audits, which rely on a small number of random audits and analysis of departmental performance reviews. Some recentralisation since central government created new budgeting agency to administer the programme. Some increased vigilance on the part of local governments, parents and teachers, due to participation in municipal councils. Municipal councils perform programme evaluations, which may be ineffective due to lack of sufficient training.

III. Regulation and Policy Development	Very little change in central authority. Norms, standards, text books and basic curriculum still developed centrally. Local councils have some leeway in i) developing curriculum, though they have done little in practice and ii) textbook selection, though the Ministry only pays for their own. Little or no attention by local actors to improving teaching methods.
IV. Demand-driven Mechanisms (Expression of Demand)	Low/moderate-level transfer of central authority. To the extent that mayors are more accessible to citizenry than central government officials and have some increased control over the system (see II and III above), parents may have more ability to lobby and express priorities. Participation of parents in local councils provides community input to provision of services.
V. Democratic Mechanisms (Voting, Citizen Participation, and Conflict Resolution)	Moderate transfer of central authority de jure; varied results de facto. Where municipal councils function according to norms, parents, through elected representatives, are given some voice in school policy including personnel and curriculum. System is administered locally by elected officials, not simply Ministry-selected delegates.
VI. Service Provider Choice/Mix (Public, Private, and NGO Provision)	Little change. Public sector still provides and regulates schools. No vouchers or significant school choice. While NGOs and other civic organisations play a significant role in education, their role has not necessarily <i>changed</i> as a result of Municipalization. Municipal involvement may, however, facilitate future civic involvement.
VII. Civil Service and Management Systems	Moderate transfer of central authority. Municipal governments administer payroll and other personnel transactions. Municipal councils may hire and fire principals and teachers. Municipal-level Ministry delegates have gained primary responsibility for co-ordinating Ministry-municipal relations.

Case 3. Mexican Health Care for the Uninsured 1985–95.

By most accounts (e.g., Gonzalez-Block et al., 1989) decentralised health reform in Mexico has not proved successful, beneficial, or real. Fourteen states signed an agreement in 1985 and received responsibility for a limited set of programmes. (We call these ‘Accord states’.) Little changed in the remaining 17 states (‘Non-accord states’). Control remains heavily centralised and has perhaps affected equity negatively, and the proposed reforms have not taken hold in any universal way throughout the states. In fact, the very limited powers initially transferred to the states in the mid-1980s were eroded and taken over again by the Federal Government in the late 1980s and early 1990s. At the same time, several aspects of the health care system were integrated and a few partnerships with the private sector have been initiated. Summarising the reforms with respect to the accountability framework (Table 5) reveals that it

is hard to call the Mexican health reforms a process of ‘decentralisation’, or even to say that much has changed. States did not gain a significant level of control over even a single aspect of the system, and most of the few new powers they did gain have slowly been taken away from them.

Table 5
Brief application of framework for analysing accountability: Mexican health reforms, 1985–95

<i>Framework aspect</i>	<i>Comment/summary judgement</i>
I. Finance	Little transfer of central authority. Virtually no new financing arrangements on the revenue side with the exception of user fees, now under state control in Accord states. On the expenditure side, Accord states gained some new control over the budget (e.g. materials and supplies) but little control over personnel spending, the lion’s share of the budget. In Non-accord states little changed. Regarding grants-in-aid, states were given no ability (such as matching mechanism) to alter the size of the transfer, other than non-transparent yearly budget negotiations.
II. Auditing and Evaluation (Financial, Performance, Operational, and Programme)	Virtually no change. Performance, operational, and programme auditing continues to be federal, largely through the budget-programming process. Financial auditors are now located in decentralised states, but power of enforcement remains at the Federal level.
III. Regulation and Policy Development	Moderate transfer of central authority. Although norms continue to be developed vertically, some states have developed and implemented innovative programmes and policies within those norms.
IV. Demand-driven Mechanisms (Expression of Demand)	Moderate transfer of central authority. User fees have doubled as a proportion of total spending in decentralised states to 9.3%.
V. Democratic Mechanisms (Voting, Citizen Participation, and Conflict Resolution)	No change.
VI. Service Provider Choice/Mix (Public, Private, and NGO Provision)	No change.

VII. Civil Service and Management Systems

Little transfer of central authority. States gained only two new powers over personnel matters, both of which are important but limited in scope: i) Accord state health systems absorbed new groups of workers through the merger of a moderately effective state-controlled system with a popular and effective Federal one (IMSS-SOLIDARIDAD), and ii) states could devise a system of integrating salary structures. Because the Federal Government has been slow to fill needed new health posts, some Accord states have increased their pool of state workers, largely financed via state-controlled user fees.

Case 4. Nicaraguan Health Decentralisation: Local Integrated Health Care Systems (SILAIS)

This case amounts to ‘arms-length decentralisation’ in the sense that the jurisdictions receiving control over regional health care provision (departments) are central entities. (This is what Rondinelli (1989) would call ‘deconcentration’.) Regional-level health units are established and given some control over the supplies budget and local policy development. The centre retains control over much of the regulation, financing and planning of the system. As of 1995 all SILAIS were governed by unpaid Boards of Directors, made up of local officials, church officers, people working within the health sector, and ‘distinguished’ community members. Each SILAIS includes a network of primary health care units and a secondary-level hospital (which offers specialty services in internal medicine, surgery, paediatrics, and obstetrics/gynaecology). As of February 1996, SILAIS were authorised to sell services to the social security system or other private purchasers.

In the case of the Nicaraguan health sector, decentralisation may be characterised as inchoate, with problem definition and allocative responsibility partially located at 17 department-level SILAIS but with some transfer of fiscal control— limited to goods and services, approximately 20% of the budget (Table 6). While the fiscal control transferred for this portion of the budget is extensive, permitting the flexibility to move expenditures from one budget area to another, the management turnover in the Ministry of Health and, more importantly, the absence of any binding legislation have considerably weakened the decentralisation effort.

Table 6
Brief application of framework for analysing accountability: Nicaraguan health reforms, 1992–6 (SILAIS)

Framework aspect	Comment/summary judgement
I. Finance	Low/moderate transfer of central authority. No new financing arrangements on the revenue side for Ministry services, but new in-patient contracts for Social Security and private patients give hospitals greater revenue-raising and spending powers (albeit tightly controlled by national guidelines). Donor agencies now contribute almost 50% of the health budget, with some allocation and management by the SILAIS. On the expenditure side, the mix has changed moderately--with goods and services, roughly 20% of spending, SILAIS-controlled. Regarding grants-in-aid, SILAIS were given little ability (such as matching mechanism) to alter the size of the transfer from the centre, but formula transfers have begun to replace historical budgeting which i) improves transparency; and ii) in principle rewards SILAIS if they demonstrate need and responsible spending of annual budgets.
II. Auditing and Evaluation	No change.
III. Regulation and Policy Development	Moderate transfer of central authority. Although norms continue to be developed centrally, formulas for establishing policy priorities place more responsibility on the SILAIS. Municipalities also given some role in the policy formulation process. Some increased policy-making capacity for private hospital services.
IV. Demand-driven Mechanisms (Expression of Demand)	Little transfer of central authority and little central development of such practices. User fees have been established at both primary and secondary care levels. Most monies remain at the unit or SILAIS, but their use and level are circumscribed by national guidelines. While user fees almost fully fund laboratory, dental, and other services, they have generated barriers to care; recently user fee exemptions have been instituted for priority populations.
V. Democratic Mechanisms (Voting, Citizen Participation and Conflict Resolution)	Little transfer of central authority and little central development of such practices. More interaction between the municipalities and their communities. Participatory groups identify problems but do not have a governance role.

VI. Service Provider Choice/Mix (Public, Private, and NGO Provision)	<p>Moderate transfer of central authority. The Ministry uses public service providers only. However, there is a growing presence of fee-for-service NGO providers, particularly for women's health services. A development with significant implications for the Ministry — particularly its hospitals — is the Social Security Institute's and private sector's new managed care companies, which contract with public hospitals on a risk or fee-for-service basis for differentiated (read superior) services and wards. Regarding civil associations, volunteer boards officially govern the SILAIS, but how much power they actually have is questionable, in part because board members are named by the Ministry, and in part due to lack of experience. At a national level, a volunteer advisory board for health policy development has been formed with significant NGO representation, but it has virtually no power.</p>
VII. Civil Service and Management Systems	<p>Little transfer of central authority. Centre (largely the Ministry of Finance) controls the personnel portion of the budget. SILAIS have gained some ability to shift personnel within jurisdictions, but no real ability to hire and fire.</p>

Conclusions: How should we analyse 'decentralisation' reforms?

The framework for analysing accountability presented above is a useful way of examining institutional reform. It encourages analysis of specific functions and discourages general (and not particularly useful) questions regarding the degree of decentralisation and centralisation of the entire reform. Rather, it helps us to observe how well the specific functions of government are organised to achieve overall accountability and effectiveness. The framework uses the concept of 'accountability' to link the broad goals of reform to the key dimensions of organisational arrangements. Thus, we advocate using the word *decentralisation* as little as possible and instead advocate focusing on the important dimensions of the reform.

In further developing this emerging research agenda, it will be necessary to foster several kinds of studies:

- (i) Analysts must attempt to fill the gaps in our understanding regarding the impacts of various kinds of decentralisation reforms. We believe that both the framework and the methodological guidelines presented in this study will prove useful in this research.
- (ii) Analysts must continue to develop and test theories regarding which individual aspects of the framework should be decentralised and which recentralised in order to best improve the effectiveness of government service.

(iii) Finally, and perhaps most importantly, further research is needed to analyse the inter-relations *between* different aspects of performance accountability and, therefore, between different functions and responsibilities distributed across different levels of government. In other words, which combinations of decentralisation and recentralisation of which aspects of the framework foster more improvement in the efficiency and equity of service provision?

The lessons derived from these experiences are likely to, and perhaps should, emphasise contingent, rather than absolute, recommendations: if *this* is the policy adopted, then *that* is likely to be a problem requiring attention, rather than blanket evaluations (e.g., X is better than Y). Dillinger (1995) says there is no map for decentralisation, and this is true. But the framework laid out in this study should pave a route or two.

Appendix: Methodological guidelines for studies of decentralisation

Interviews, data gathering, and direct observation should be used to provide information on the seven key aspects of the descriptive framework, and analysts should attempt to develop the broadest possible level of descriptive detail across each of them. Following Fuhr et al. (1995a: 2–3), analysts should be concerned with their various characteristics: the context and history of the reform; the sequencing of reform processes; the trends in key outcomes; the apparent sustainability of key reform aspects.

Interviews should be conducted with (or information otherwise gathered regarding) current and former key central and sub-national officials. These officials are likely to be engaged in the functions of budgeting, personnel management, policy and planning, and evaluation. In addition, interviews should be conducted with (or information otherwise gathered regarding) important stakeholders: parents, teachers, and school principals, for instance, for education cases; and clients, community members, and clinic and hospital staff for health cases.

In general, analysts should verify the information obtained at both the central and sub-national levels to obtain a fuller perspective of the dynamic relationship between the different levels of administrative control in each system.¹¹ The same holds true for information presented by sub-national officials and local stakeholders. This will involve an iterative process: gaining information, for example, at the state level, returning to central officials for their perspective, and then returning once again to state-level officials for additional information

11. Souza (1996: 529) provides an example of the importance of including both national and sub-national levels of government in the 'framework of analysis of decentralisation'.

based on the central perspective — while also attempting to canvas local stakeholders for added insight.

In the end, analysts should aim, through the use of the above framework, to address at least the following important practical aspects of the mechanics of reform:

- (i) What are the functions of central government in setting standards, resource allocation, and accountability and other regulatory functions?
- (ii) What are the relationships between central programmes and sub-national execution units? This is particularly important, for example, in compensatory programmes. In the case of larger countries, what is the proper role of regional governments?
- (iii) What is the potential or apparent impact of the reforms on equity?
- (iv) What is the role of knowledge, information, institutional capacity, and evaluation at each level of government, as well as for service providers and citizens/clients?
- (v) How does decentralisation and/or recentralisation fit into more general reforms in service provision?
- (vi) How should proper jurisdictions be defined for each functional aspect of reform?
- (vii) What is the necessary capacity development at both the decentralised and central levels?
- (viii) How are fiscal transfers created and ultimately structured? And finally,
- (ix) What has been the impact of the range and mix of reforms on important outcome measures?

King (1994) provides a good, concise summary of the three main empirical methods of impact evaluation:

(i) Reflexive Comparison or Longitudinal Evaluation: evaluations of participants prior to and after programme implementation using econometric modelling to compensate for the lack of a control group. It is unusual to be able to perform this kind of evaluation because rarely has a baseline been established prior to programme implementation.

(ii) Experimental Design or Randomised Control: creation of a treatment group and a control group. Though the reliability of the results is very high for this kind of empirical evaluation, the conditions that must be met are even rarer than for (i) above.

(iii) Matched Comparison or Constructed Comparison or Case Control: comparing groups that receive programme intervention with those that do not. Since the matched comparisons may be made *ex-post*, analysts are more likely to be able to pursue this strategy. Naturally, the most powerful results will come from cases where analysts have individual-level data, but evaluations can often

be made where, say, one jurisdiction (or set of jurisdictions) implemented a reform while another similar jurisdiction (or set of jurisdictions) did not (e.g., Gonzalez-Block et al., 1989). Or, for instance, Gershberg (1995) used the fact that prior to 1992 state and federal systems of education in Mexico were administered separately to create a 'natural experiment', allowing the separation of the effects of the two systems. Most often, analysts will have to pursue some form of case-study method, which should be guided by both the guidelines above and/or those set out excellently by Yin (1989).

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Decentralization may affect poverty directly and indirectly: Direct effects of decentralization for poverty reduction relate, for instance, to regional targeting of transfers. Indirectly, e.g. in-efficiency in local public services and related hampered economic growth effects of sub-optimal decentralization adversely impinge on poverty reduction. Decentralization is an instrument, not a goal in itself, for efficient and participatory governance. It certainly is not an instrument for a narrowly definable single goal and it therefore runs the risk of being over-extended and aimed at multiple goals. Our framework strives to establish interdisciplinarity as a default in audit and engineering processes while providing the much needed structure to support the conscious development of AI systems.

2 governance, accountability and audits. We use accountability to mean the state of being responsible or answerable for a system, its behavior and its potential impacts [38]. Build-ing from methods of external auditing in investigative journalism and research [17, 62, 65], algorithmic auditing has started to become similar in spirit to the well-established practice of bug bounties, where external hackers are paid for finding vulnerabilities and bugs in released software [46]. Performance accountability refers to demonstrating and accounting for performance in light of agreed-upon performance targets. Its focus is on services, outputs, and results.

Executive Summary. xi. Analytic Framework for Accountability and Health Systems. Applying the above classification to health services delivery develops a clearer picture of accountability issues.

Political/democratic accountability also relates to building trust among citizens that government acts in accordance with agreed-upon standards of probity, ethics, integrity, and professional responsibility.³ These standards reflect national values and culture, and bring ethical, moral, and on occasion religious issues into the accountability equation at both agency and individual levels. The analysis of the internal environment of the company is the analysis of strengths and weaknesses, as well as the assessment of the potential that the company can count on in the competitive struggle to achieve its goals.

After you finished the Environmental Analysis, it is time to go to the internal analysis of your company. The analysis of the internal environment of the company is the analysis of strengths and weaknesses, as well as the assessment of the potential that the company can count on in the competitive struggle to achieve its goals. The main objectives of the analysis are to determine the factors and causes of the strengths and weaknesses of the organization. One of the tools for internal analysis is ABC analysis.

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