



# DECENTRALIZATION

Policy Analysis Laboratory

**Gordana Matković, Center for Social Policy**

# Decentralization means...



Depending on the degree of transfer of responsibility there are three levels of decentralization

- Delegation - transfer of certain executive functions from the central to local level government (municipality, city or region)
- Deconcentration - a dispersion of central level responsibility and the transfer to local sectoral departments (centers for social work, local employment offices, regional insurance funds, etc.)
- Devolution - the highest level of decentralization, decisions are made at local level, including policy decisions in specific areas

# Motives for decentralization



- Slow changes, lack of efficiency, flexibility and innovation at central level
- Local specificities and needs can be better identified and resolved at local level
- Decentralization facilitates citizens' participation in decision-making which induces better quality services

There could also be other motives

---

- Resolving political crises due to ethnic and religious conflicts
- EU integration process
- Shifting responsibility to lower level government to avoid:
  - ▣ Unpopular reform measures and
  - ▣ Fiscal crises and deficit at central level

## Limitations and Preconditions

---

- Adequate level of democratization
- Adequate capacity at local level
- Differences in the level of development between LSG
- Control mechanisms on a central level
- Clear division of mandates, responsibilities and funds
- In transition countries reform “mind-set” more present at central than at local level

## Limitations arising from the specificity of social protection

---

- Local governments do not see their (political) interest in allocating funds for social protection
- There are other big problems that affect a larger number of citizens / voters
- There is a greater chance that prejudice towards some groups is manifested

## What should be decentralized

---

- Cash benefits
  - ▣ There is no convincing argument of the benefits of decentralization
  - ▣ In the majority of developed countries minimum rules and financing are at national level
  - ▣ In most cases experience in decentralizing cash benefits in transition countries is not positive

## What should be decentralized

### □ **Services**

Why should then the system be decentralized in the area of services?

- Dividing the roles of service purchaser and service provider corresponds to a decentralized government
- Local needs for services can be very specific due to demographic, economic and social specificities
- Inter-sectoral cooperation is easier to achieve at the local level



# What can we do?

---

Do not opt for quick decentralization to lower level government, especially if:

- Regional level government does not exist
- There are no control mechanisms
- If there are large differences in LSG level of development
- If LSG do not have adequate capacity

# What can we do?



- In some segments / under certain conditions - reforms should precede decentralization
- Examine the option of “asymmetric decentralization”
- When implementing decentralization, financial resources must follow the shift of mandates

# What can we do?

---

- Securing funds at national level for sustainable financing, particularly for:
  - Services in small and undercapacitated municipalities
  - Services that are considered especially important by the national level and are not sufficiently recognized as important at local level
  - Covering transition costs in establishing services