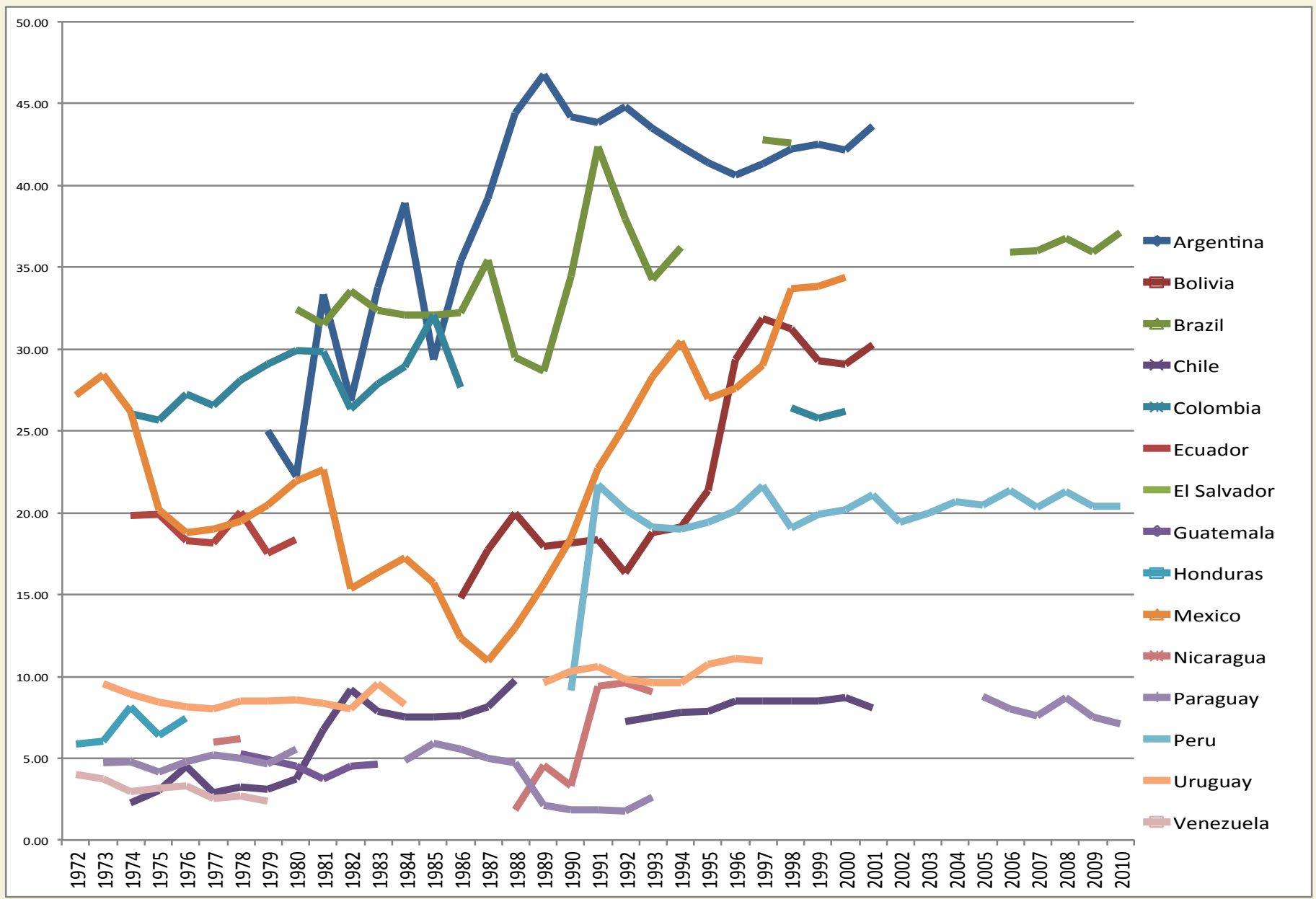


The political economy of decentralisation processes

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Subnational Share of Expenditures in Latin America, 1972-2010



Source: IMF *Government Finance Statistics* and World Bank *Fiscal Decentralization* 2

Drivers of Change: The bargaining Actors

☪ National government:

- President and Cabinet
- National Legislators

☪ Subnational governments:

- Governors
- Provincial ministers
- Mayors
- City Councilors

☪ In all cases: partisan interests and territorial interests

Types of Decentralization and their effects on Subnational power

Effects

Type of Dec	Hypoth. Effect on IBOP	Dependent on
Administrative	+ / -	Institutional design
Fiscal	+ / -	Institutional design and characteristics of subnational units
Political	+	

Ref: IBOP = Intergovernmental Balance of Power

Territorial Interests of Bargaining Actors

Induced Preferences

Level of.

Gov. Type of Dec Recipient

Central A > F > P L > SL > S

State P > F > A S > SL > L

Local P > F > A L > SL > S

Notes: A: administrative decentralization; F: fiscal decentralization; P: political decentralization; L: local level; S: state level; SL: state and local levels jointly.

Political actors

Classification of Actors

Territorial Interests	Partisan Interests	
	Ruling Party	Opposition Parties
National	National-ruling	National-opposition
Subnational	Subnational-ruling	Subnational-opposition

Political actors

Territorial Interests	Partisan Interests	
	Ruling Party	Opposition Parties
National	National-ruling (President; his cabinet; ruling legislators and const. conv. elected in a national district; officialist national unions)	National-opposition (Opposition legislators and const. conv. elected in a national district; opposition national unions)
Subnational	Subnational-ruling (Ruling governors and mayors and their cabinets; ruling state legislators and city councilors; ruling associations of governors and mayors; ruling regional unions; ruling pro-decentralization civic movements; ruling national legislators and const. conv. elected in provincial-level districts)	Subnational-opposition (Opposition governors and mayors and their cabinets; opposition state legislators and city councilors; opposition associations of governors and mayors; opposition regional unions; opposition pro-decentralization civic movements; opposition national legislators and const. conv. elected in provincial-level districts)

Decentralization coalitions

Partisan Interests

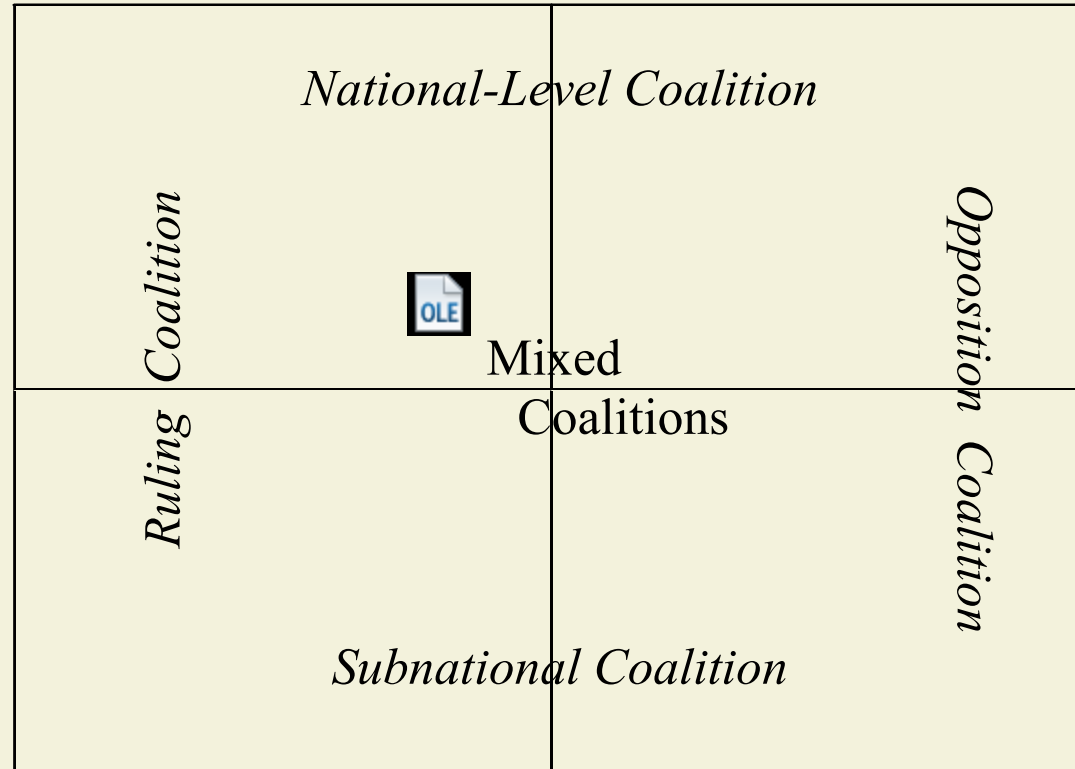
Ruling Party

Opposition Parties

**Territorial
Interests**

National

Subnational

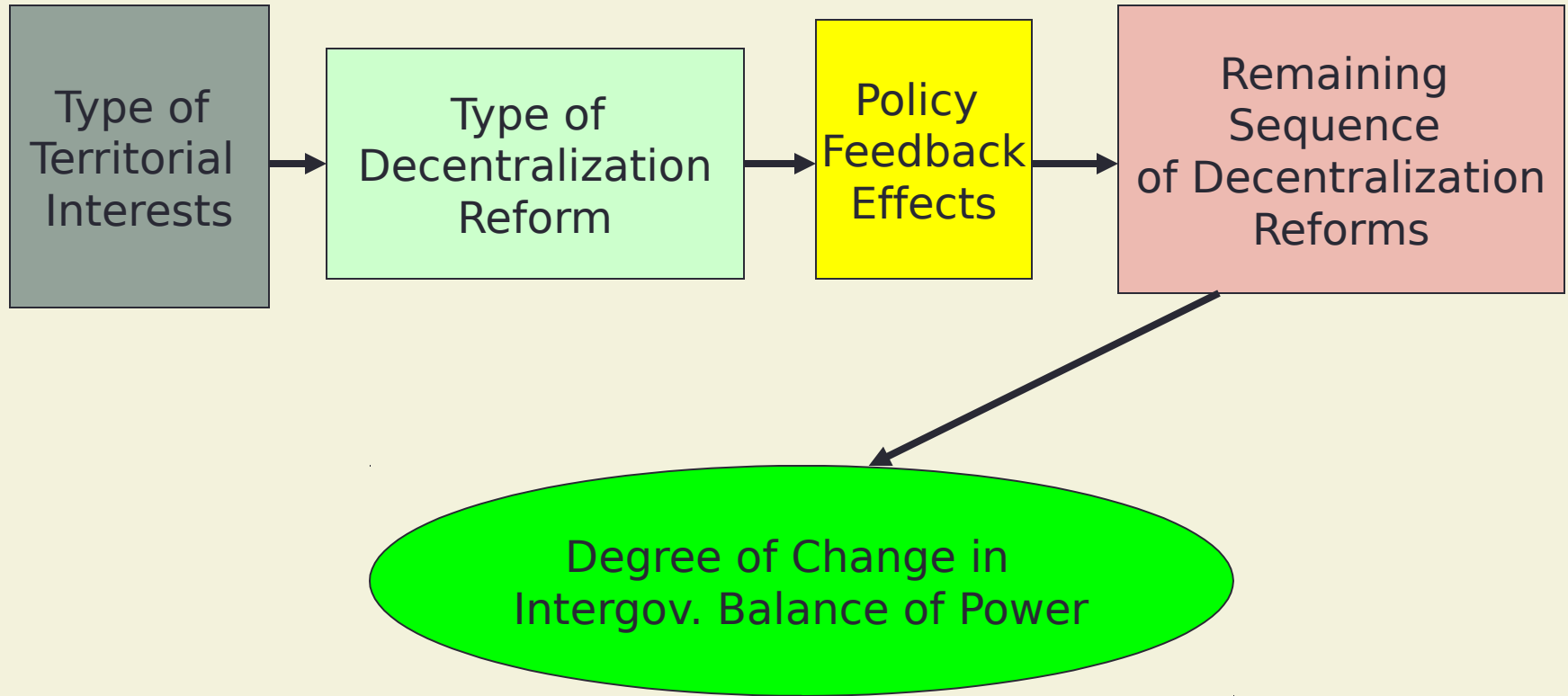


Hypotheses Regarding types of drivers and types of change

Type of Coalition	Expected Prevailing Territorial Interests	Expected Type of Decentralization
National-level Coalition	National	A
Subnational Coalition	Subnational	P or F
Ruling Coalition	National	A
Opposition Coalition	Subnational	P or F
Mixed Coalition Type I (national-ruling and subnational-opposition actors)	Subnational	P or F
Mixed Coalition Type II (national-opposition and subnational-ruling actors)	N/A	N/A

Notes: A: administrative decentralization; F: fiscal decentralization; P: political decentralization; N/A: not applicable.

A Sequential Theory of Decentralization



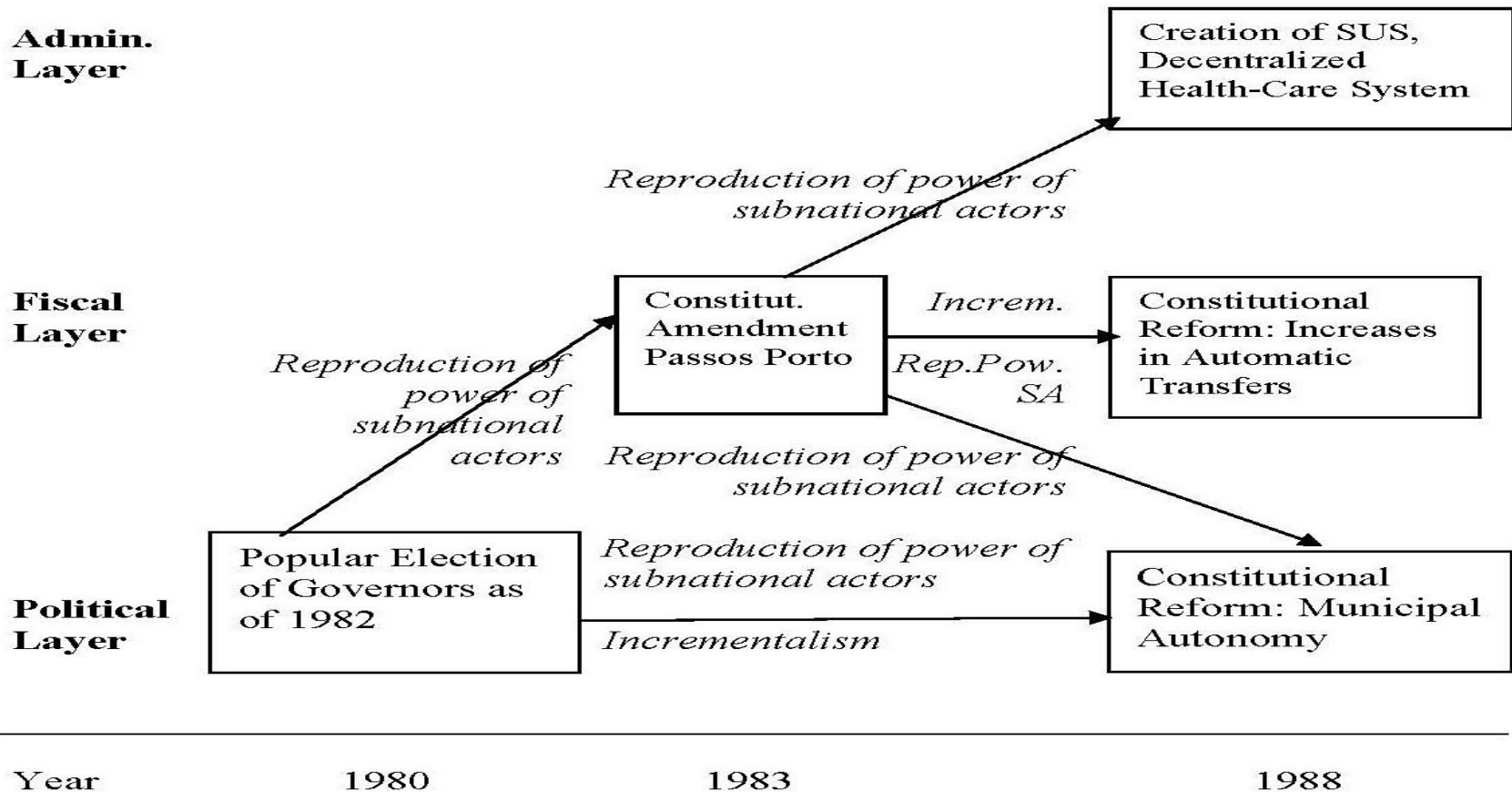
Dynamic Account of Institutional Evolution: Hypotheses on Consequences of Decentralization

Dominant Territorial Interests in Dec. Coalition	Exp. First Type Of Dec.	Type of Causal Mechanisms	Exp. Second Type of Dec.	Third Type of Dec. (Residual)	Expected Degree of Change in IBOP	Exemplary Cases	
SN	⇒	P	Self-enforcing	⇒	F ⇒	A = High	Brazil Colombia
N	⇒	A	Self-enforcing	⇒	F ⇒	P = Low	Argentina
N	⇒	A	Reactive	⇒	P ⇒	F = Medium	Mexico
SN	⇒	P	Reactive	⇒	A ⇒	F = Low/Medium	
Tie	⇒	F	Reactive	⇒	A ⇒	P = Medium/Low	
Tie	⇒	F	Self-enforcing	⇒	P ⇒	A = High	

First Cycle of Post-developmental Decentralization Policies (N=20)

	Admin. Decentralization	Fiscal Decentralization	Political Decentralization
Argentina	1978: Primary schools transfer to provinces 1992: Secondary schools transfer to provinces	1988: New revenue-sharing law	1994-6: Pop. elect mayor of Buenos Aires; autonomy to the city of Buenos Aires
Brazil	1988: Creation of SUS (Health)	1983: Passos Porto Amendment 1988: Increase automatic transfers of revenues to states and municipalities	1980-2: Pop. elect of governors 1988: Municipal autonomy
Colombia	1993-1994: Decentralization of education to departments	1991: Increase automatic transfers of revenues to departments and municipalities	1986: Popular election of mayors 1991 Popular election of governors
Mexico	1983-86: Bilateral agreements for decentralization of education to states 1992: Decentralization of education (ANMEB)	1995: Reform of fiscal coordination law 1997: Creation of new budget line (<i>Ramo 33</i>)	1983: Article 115 on municipal autonomy 1986: Creation of Mexico City's legislative assembly 1996: Popular election of mayor of Mexico City

Brazil: Subnational Path to Decentralization



Brazil: Subnational Path to Decentralization

Territorial Interest

Partisan Interests

Ruling

Opposition

National

Subnational

<p>Subnational Coalition <i>Political Decentralization (T1)</i> Constitutional Amendment No. 15, 1980</p>
<p>Subnational Coalition <i>Fiscal Decentralization (T2)</i> Constitutional Amendment No 23 “Passos Porto”, 1983</p>
<p>Subnational Coalition <i>Political and Fiscal Decentralization (T3)</i> Constitutional Reform 1988 <i>Administrative Decentralization (T3)</i> Creation of SUS</p>

Argentina: National Path to Decentralization

Political Layer

Pol. Dec:
Const. Ref.

Fiscal Layer

Fiscal Dec:
Cop. Law

react

Fiscal Cent.
1992 Pact

*Reshaping the preferences of governors
Reproduction of power of the president*

Adm. Layer

Adm. Dec:
1ary Educ.

*incrementalism
demonstration effect*

Adm. Dec:
2ary Educ.

Year

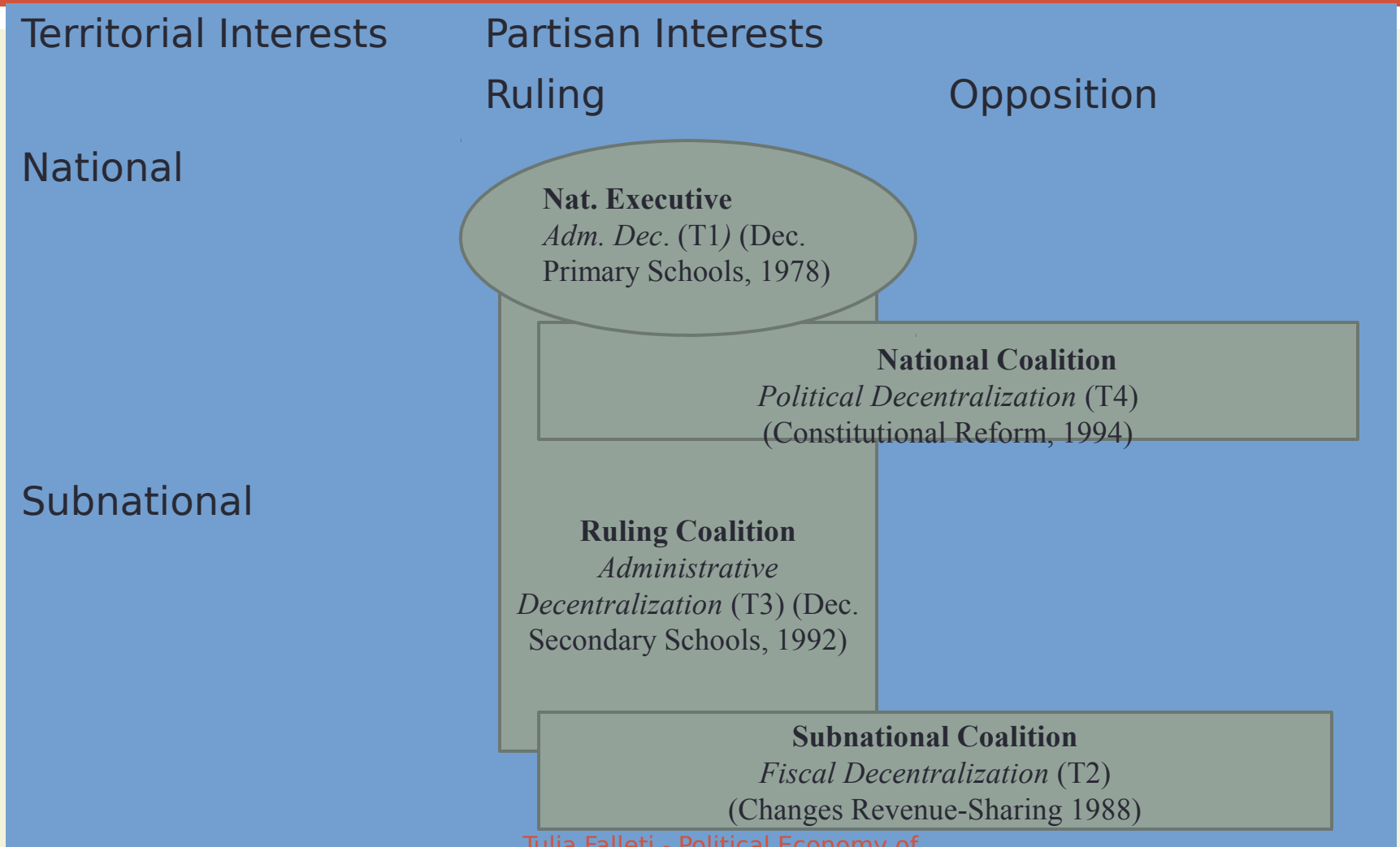
1978

1988

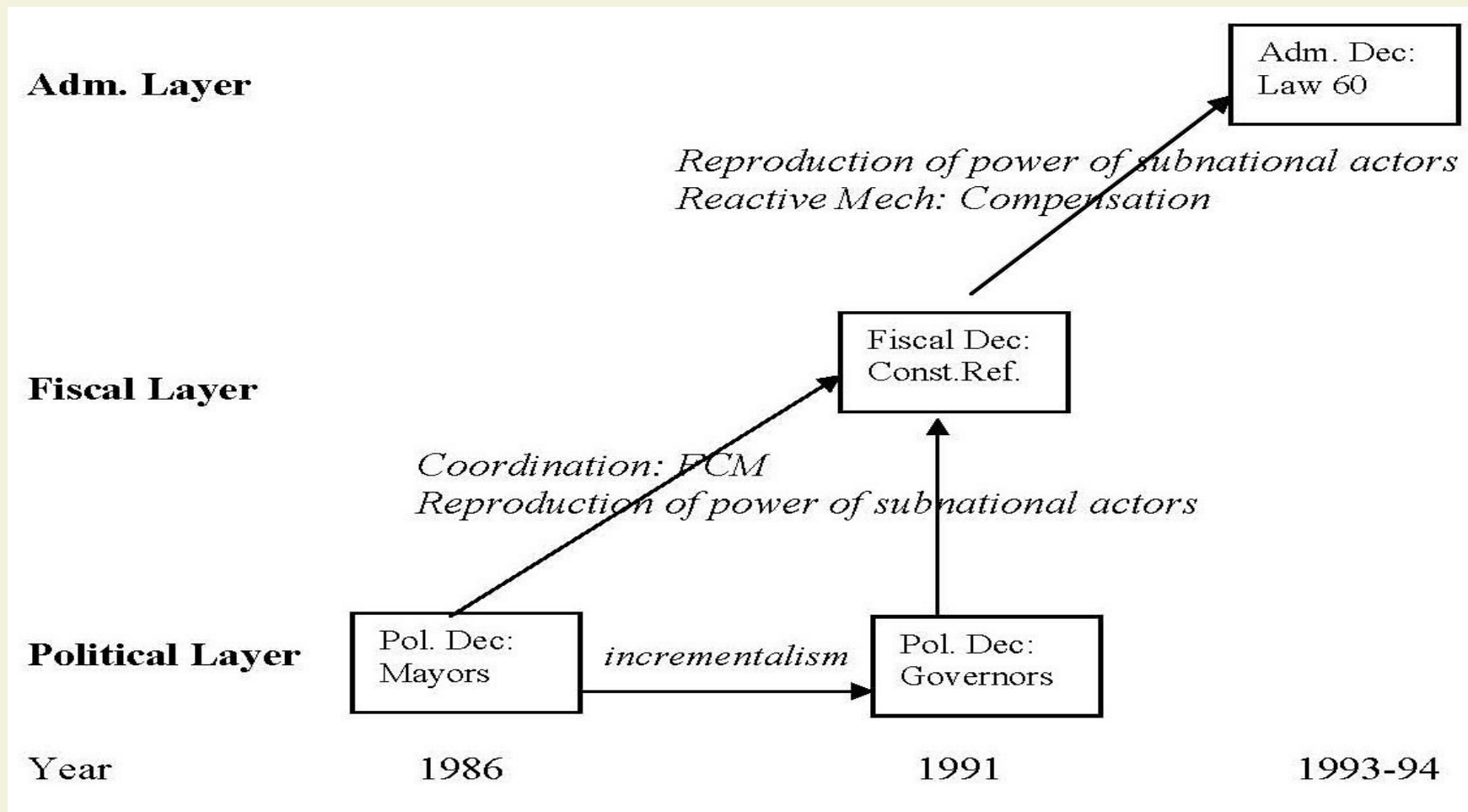
1992

1994

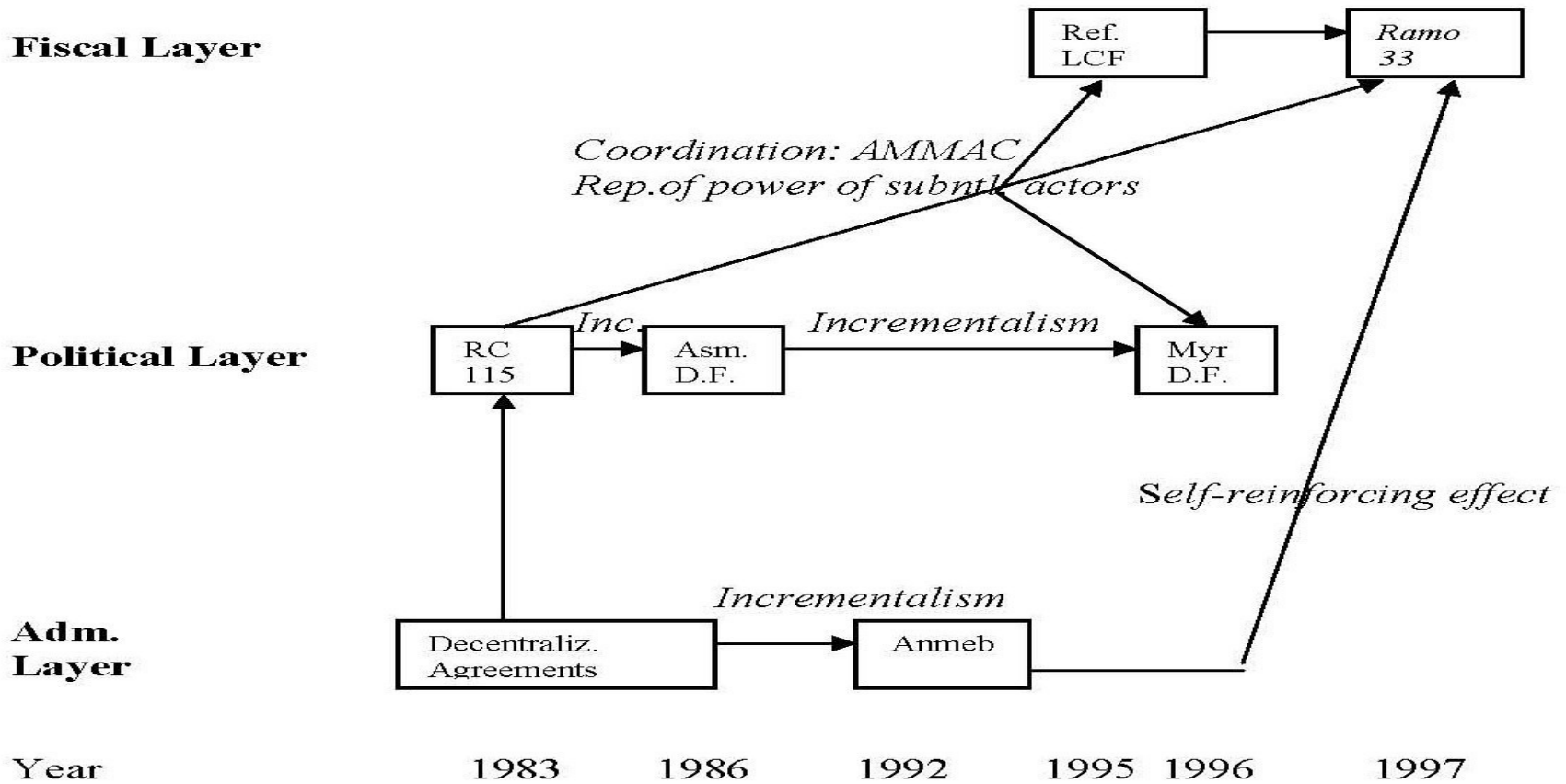
Argentina: National Path to Decentralization



Colombia: Subnational Path Dec. in Unitary Country



Mexico: Intermediate Path to Decentralization



Conclusions

- Decentralization policies do not necessarily transfer power to subnational authorities
- The extent to which they do is dependent on:
 - Prevailing territorial interests in coalition
 - Sequence of decentralization reforms