DECENTRALIZATION MECHANISMS[1]

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Abstract

This paper argues that there is no simple (or complex) model for decentralization in Africa. Each country has to devise its own strategy. The paper proposes an analytic framework to help countries do that. It presents briefly the main decentralization instruments available. It then examines the various objectives that will be served or impacted by these instruments, and some of the main impact mechanisms at work. An understanding of such issues is a prerequisite for the design of decentralization strategies.

Introduction

"Decentralization" is an ambiguous word because it refers both to a system and to a process. As a system, "decentralization" means a "decentralized system of government", that is a system of government in which a substantial share of power is granted to local, provincial or regional governments. As a process, "decentralization" means the process by which one moves from a centralized to a decentralized system of government. To avoid confusion, we shall try in this paper to use the word decentralization in its first meaning, as a system.

In the past two decades many countries, indeed most countries, have become more decentralized. This is true of most OECD countries –with the notable exception of the United Kingdom. This is also true of former communist countries; under communism, there were no genuine local governments, with a minimal degree of political

[1] This is a revised and much shortened version of a paper epared for the UNCDF Workshop on Decentralization and Local Governance in Africa, Cape Town, March 2001

independence; there was just one center of power, and no lower levels of government with whom to share power. Practically all former communist countries have created (or resurrected) local governments, and have given them a certain amount of independence, of responsibilities, of resources. This is equally true of many developing countries. The movement is particularly striking in Latin America. In this part of the world, local governments have existed for long; but they were poor and weak, and in many cases led by mayors who were not elected by their inhabitants but appointed by the center; this is no longer the case; in all Latin American countries (with the exception of Cuba) mayors are now elected, and local governments, usually called municipalities, have been strengthened. Asia is very diverse. Many Asian countries, such as Korea, Indonesia, Thailand, that used to be highly centralized, have begun to decentralize. The same could be said of India. There has always been a fair degree of decentralization to the 25 Indian States. But within each State –and many States in India are like large countries in the rest of the world– the system of government was very centralized. Things have begun to change, and many Indian States are presently decentralizing. In North Africa (particularly in Tunisia and Morocco) and in the Middle East (e.g. in Jordan) too, decentralization has progressed substantially in the past decade.

Sub-Saharan African countries remain rather centralized. This is in part explained by history.

First, colonialism, by nature, was against decentralization. Colonial powers wanted to control their colonies, and were not ready to let local governments become locus of independence and power. Sub-national governments, when they existed, were usually mere administrative sub-divisions of the central government, without truly elected mayors. The extent of this deconcentration varied. It was greater in the British colonies than in the French and Portuguese colonies, simply because the UK was then more decentralized than France or Portugal. African nations with a British tradition are therefore better equipped in terms of deconcentrated administrative capabilities; they have, for instance better trained "town clerks". Each colonial power also brought with it its national characteristics. In the area of local taxation, for instance, the French imposed French local taxes[1] (such as the *patente* –a tax on business

[1] In many cases, French local taxes, that have been abandonned or transformed in France, have been maintaind and are still in use in former French colonies.

activities), whereas the British introduced British local taxes (the *rates* –a property tax).

Second, most post-colonial regimes did not favor decentralization. In some cases, there was tribalism and centrifugal forces at work, and giving more powers to decentralized units could have jeopardized national unity. In other cases, the limited resources available were allocated to the construction of a strong (or not so strong) national administration. In yet other cases, undemocratic regimes did not want to create or strengthen independent local governments. In many countries, mayors were appointed by the center and not locally elected.

From the viewpoint of decentralization, South Africa is in category of its own. It combined a genuine decentralization for the white minority with complete centralization for the black majority. The White Local Authorities had locally elected mayors, substantial taxing powers –and the bulk of tax bases– a number of responsibilities, and technically trained local administrators. Black Local Authorities had little resources of their own, and were completely dependent upon the central government.

In recent years, however, many African countries have introduced a dose of decentralization. Local governments have been created where they did not exist. Locally elected mayors have replaced centrally appointed mayors. Intergovernmental transfers schemes have been introduced. Local taxation is being developed. Responsibilities are being allocated to local governments. Yet, much remains to be done. A century of centralization cannot (and probably should not) be overruled overnight. Decentralization in Africa will remain on the agenda for many years –it is still on the agenda in most developed countries.

This paper does not propose a decentralization model for Africa. There is no such a ready-made model, and each country has to find the model that best fits its tradition, its geography, its economy, its income level, its social structure, and its political choices. What this paper attempts to do is to bring to bear the lessons of theory and of international experience to help each country define its own decentralization strategy.

To design a system of governance involving two or more levels of governments, social and political decision makers can play with several instruments, several policy variables. They are like a composer writing a symphony for a number of instruments; the quality of the symphony will depend upon the melody written for each instrument and also upon the combination of the many melodic lines. Just as a composer must know reasonably well each of the instruments playing in his/her symphony, a policy maker must know the decentralization instruments at his/her disposal. There are five such instruments:

- the allocation of responsibilities (for the provision of public goods and services) between the various levels of governments, and more generally between the various actors;

- the allocation of the various taxes between the different levels of government;

- the transfer systems between the different levels of government;

- the Central government controls, guidelines, constraints, upon local governments behaviour;

- the local government election rules.

The many forms that can be taken by each of these decentralization instruments will not be discussed here[1]. We will, instead, focuss on the implications and consequences of decentralization. Decisions taken about these five instruments will have profound impacts in a number of socio-economic domains. We identify four such domains, or objectives, that constitute the criteria by which a decentralization system or reform must be gauged. We then examine some of the mechanisms that govern these impacts.

Four Impacts Areas

Four major policy areas are impacted by decentralization policies: economic efficiency, macro-economic stability, interregional or interpersonal equity, and political efficiency. Only a few words need be said about each of these objectives.

Economic Efficiency

Decentralization is generally defended primarily in terms of economic efficiency. In other words,

[1] For a fuller treatment, see the paper prepared for the Cape Town conference.

decentralization is said to increase welfare. This can have two distinct meanings.

One is allocative efficiency. The structure of output/consumption has a direct impact upon welfare or utility. If people get a service A for which they do not care much, at the expense of a service B for which they would care more, but which is not provided, their welfare or utility will be small. A shift in the allocation of resources from the production of A towards the production of B will increase welfare.

The other is productive efficiency. Productive efficiency relates outputs, that is quantities of goods produced, to inputs, that is the amount of scarce labor and capital and management used to in the production process. It is basically the same thing as factor or total productivity. If more output is produced with a given amount on inputs, or if more output is produced with a given set of inputs, then productive efficiency will be increased.

Macro-econcomic Stability

A second policy area likely to be affected by decentralization is macro-economic stability. A given national economy is always threatened by economic recession, monetary inflation, public finance crisis, and balance of payments difficulties. Macro-economic management policies aim precisely at avoiding these four pitfalls.

Income Redistribution

Income distribution is a major concern in all countries. It is nowhere fully equalitarian, and policies usually aim at reducing market-produced income inequalities, that is at taking away income from the richer to redistribute it to the poorer Redistribution has two dimensions, which are linked, but which it is important to distinguish.

One is inter-personal disparities. It relates to the distribution of income between individuals or households. Improving the lot of the poorer, or "fighting poverty", has become a major policy concern.

The other, which is even more important from the viewpoint of decentralization, is inter-regional disparities. Some areas are poorer than other. This implies that, on average, people in these areas are poorer than people in other areas. But there is more to it, particularly from a political viewpoint. The people from each jurisdiction, be it local or regional, often have a feeling of identification to their jurisdiction. Irrespective of their own income, they are interested in the average income of their community. There is a strong demand for more inter-regional equity, and redistribution.

Political Efficiency

The three policy objectives just mentioned (economic efficiency, macro-economic stability, income redistribution) are the three standard public finance concerns, as identified by Richard Musgrave, and they certainly offer criteria by which one can appraise a set of decentralization measures. But a decentralization system also has important political consequences and implications. First, increased decentralization facilitates and increases local participation in political decision-making. Even if the purely economic outcome was not modified, this increased local participation would bring, by itself, social benefits. People prefer decisions they take to decisions that are imposed upon them. Second, active local governments are a school of democracy, for both the electorate at large and for politicians. People get used to discuss social issue, to understand the nature of choices offered, to realize the need for trade-offs, and become better-informed citizens in general. Local governments are also an effective training ground for politicians. Finally, stronger sub-national governments are a useful counterpower to the central government. They provide an additional protection against the temptation of authoritarianism at the center. All other things equal, it is more difficult to become a dictator in a decentralized country than in centralized one. These political objectives cannot be ignored in a discussion of decentralization. Indeed, in many cases, such considerations have been the main motive of decentralization reforms.

Analytic Framework

What is to be considered?

Each of our five policy instruments has impacts upon each of our four policy areas. Such impacts must be studied and understood. Table 1 presents a broad picture of what is to be examined. The signs in each of the cells are a gross and crude description of the nature of the impact (with ++ for very positive, + for positive, 0 for neutral, - for negative, and -- for very negative).

Table 1 - Analytical Framework for Impact Mechanisms

	Economic efficiency	Macro-economic stability	Redistribution	Political efficiency
Allocation of responsibilities	+	-	-	++
Allocation of taxes	-	--	--	++
Transfers system	+	+	++	-
Central govt. controls	+	+	0	0
Election rules	+	--	-	++
All	+	-	-	++

The main virtue of table 1 is to provide a structured checking list of the questions that should be asked about a particular (actual or proposed) decentralization system. It is not in the tentative answers that are given. These tentative answers, however, which are given for an "average" decentralization system (with an average set of election rules, an average allocation of responsibilities, etc.) suggest that decentralization is rather good for political efficiency, probably good for economic efficiency, and rather bad for macro-economic stability and redistribution.

How Should it be Considered ?

The description of impacts given in table 1 is bound to be very crude, and perhaps even misleading, for two reasons. One is that these impacts are very much country-dependent. The other is that they are also very much instrument-dependent.

Country-dependent Impacts — The impacts of decentralization instruments upon policy goals are very much country-dependent. They are a function of the income level, the administrative capacity or tradition, the geography, etc. of each country. What is true in a country with a French tradition is not necessarily true in a country with a British tradition. What is true in a small, densely populated, country like Burundi is not necessarily true in a large, sparsely populated country like Niger. What is true in a US$ 3,000 per capita country like South Africa is not necessarily true in a US$ 300 per capita country like Madagascar. Generalizations must therefore be taken with great prudence.

Instrument-dependent impacts - As mentioned earlier, each of the five instruments is multi-faceted, qualitative, undefined. There is not just one type of transfer system, but many different types, and the problem is precisely to choose the most appropriate as a function of its impacts upon the four policy objectives identified.

Table 1, therefore should be filled for each country and each set of policy instrument chosen. The message here is that there is no standard or ready-made impacts analysis that could easily be applied to any country. Such a task must be done on a case by case basis. But it might be facilitated by an understanding of some of the mechanisms that are at work. Seven such mechanisms have been selected for discussion.

Selected Impacts Mechanisms

Impacts of Decentralization upon Economic Efficiency

It is generally argued that fiscal decentralization increases allocative efficiency. The argument is that the demand for public goods and services varies from place to place, that this demand cannot be known and therefore satisfied by the central government, that it is known by the various local governments, and that these local governments will provide their constituents with what they want, for fear of not being reelected. With decentralization, then, different bundles of public services will be provided in each jurisdiction, and they will better match the various tastes of each jurisdiction, and therefore increase allocative efficiency.

This standard, textbook, argument must be taken with prudence, if not skepticism. It assumes that there are significant differences in the demand for public services in the various jurisdictions. This is not necessarily so in countries where most basic public services are lacking, and where priorities are easy to establish: they concern education, health and transportation. The argument also assumes that local governments are responsive to local demand. Local governments responsiveness is a key element here. It cannot be assumed to be always systematically present. There is always a danger that locally elected officials will spend the money in their own interest rather than in the interest of their constituents. Much will depend upon the local social and political environment. But also upon the election rules that have been selected. The fear of not being reelected is the beginning of local official's wisdom. Rules that subject them rather frequently to honest reelections are desirable from that point of view.

Production efficiency is also generally thought to be enhanced by expenditure decentralization. Money spent by local governments on local projects is likely to be better handled than money spent by the central government on local projects. This is generally, but not always, true. What is gained in time saved and in better information may be lost in lower technical competence and in lack of economies of scale. The magnitude of the gains —or losses— in productive efficiency produced by decentralization will vary from country to country, with the respective quality of central and local administrations, with geography (there is less to be gained at decentralizing in a small country than in a large country), with the structure of local government revenues (money raised locally in taxes is usually better spent than money handed out in transfers), the type of service decentralized.

Disparity Enhancing Mechanisms

It is important to realize that, contrary to what is often stated, fiscal decentralization tends to perpetuate and even increase disparities. This is particularly clear for inter-regional disparities. Whatever the tax bases given to subnational governments, the richer local governments (in terms of income) will have higher tax bases. What can the poorer local governments do? They can impose average tax rates, and average tax bases multiplied by low tax bases will produce low tax yields; these local governments will have limited tax revenues and will offer low —lower than average— levels of services. This will be unfair to their citizens. Worst, it will start a vicious circle. These low levels of services will induce some of the inhabitants, often the better off, to move out of the jurisdiction. This in turn will further lower the tax base in these jurisdictions. The other option open to these local governments, namely impose higher than average tax rates, is hardly better. These high tax rates applied to low tax bases will produce average tax yields, and therefore average levels of services. But the high tax rates will also induce people and enterprises to move out of these jurisdictions, thereby further lowering the tax bases. In both cases, the result is the same: poor local jurisdictions get poorer.

A centralized system, by contrast, can and in practice does redistribute income from richer areas to poorer areas. The central government tax system need not even be progressive. Assume it is simply proportional. If region A is 3 times richer than region B (in per capita terms, but we can assume that the population of A and B are equal), it will contribute in taxes 3 times as much as region B. If central government expenditures are equally distributed between A and B, and even if A, the richer region, is favored and gets twice as much as B, the central government budget will transfer income from A to B. The poorer region B will gain at the budget game, and the richer region will lose. Empirical studies have been conducted on this matter in many countries, and they have all led to this conclusion; national budgets are redistributive over space.

In particular, rural areas tend to benefit from central government budgets. Not that they get, on a per capita basis, as much as urban areas: they don't. But rural areas, precisely because they are very poor, usually contribute very little in taxes to central budgets. They may not get much, but they contribute even less, which means that they are net beneficiaries. A study on Côte d'Ivoire, for 1984 (this is old, but still meaningful) showed that Abidjan, was getting 25% or 34% of central government expenditures (according to different ways of estimating it). This was much more than its share of the total population (18%), and one can say that the people from the capital city were much better treated than people from the rest of the country. But Abidjan also contributed 54% of total taxes. Because 54% is much greater than 25% or even 34%, Abidjan was substantially subsidizing the rest of the country. A similar pattern, which is justified and desirable, is observed everywhere. Big cities subsidize the rest of the country.

Fiscal decentralization necessarily reduces the magnitude of this automatic income redistribution. This is illustrated in table 2, that shows, for an hypothetical and simplified country consisting of only two regions (region Rich and region Poor, which are assumed to have the same population) what changes are introduced by decentralization. It is assumed that the tax system is proportional, and that central government expenditures are equalitarian. Total tax burden is left unchanged by decentralization. Under a centralized regime, all taxes are levied by the central government, at a rate of 30% of income. Under the decentralized regime, one third of taxes is levied by the central government, and two-thirds by the local governments. Consider the last column, that offers a simple indicator of inequality. Before public taxes and expenditures, this indicator equals 4; the country is very unequalitarian. After the introduction of central government taxes and expenditures, the value of this indicator is reduced to 2.5; this is still a rather unequalitarian country, but much less so than before. The introduction of decentralization brings the value of this ratio to 3.3; this is a significant increase in inequality.

Table 2 - Decentralization and Redistribution

	Region Rich	Region Poor	Country Total	Rich/ Poor
Income	400	100	500	4.0
With centralization				
National taxes (30%)	-120	-30	-150	
National expend.	+75	+75	+150	
Resulting income	355	145	500	2.5
With decentralization				
National taxes (10%)	-40	-10	-50	
National expend.	+25	+25	+50	
Local taxes	-80	-20	-100	
Local expend	+80	+20	+100	
Resulting income	386	115	500	3.3

This does not condemn decentralization. Income redistribution, as we have seen, is but one of the criteria by which a decentralization system must be appraised. More importantly, the disparities-enhancing impact of decentralization can be mitigated and limited. This is in particular one of the main functions of intergovernmental transfers.

Decentralization and Income Levels

The poorer a country, the less attractive decentralization. This is because of the overhead costs (also called indirect expenditures) associated with the creation and operation of a government, of any government. When looking at government expenditures, it is useful to distinguish between (i) expenditures which contribute directly to the provision of specific services to people or enterprises, such as expenditures for the construction of a school building, or for road maintenance, or for the salary of a rural midwife, and (ii) expenditures which contribute indirectly to this provision. Examples of indirect expenditures include the salaries of tax collectors or public accountants, and expenditures on administrative buildings. One can therefore define an "overhead ratio", which is the ratio of indirect expenditures to total expenditures.

This distinction is not meant to suggest that indirect expenditures are a waste of money. They are, on the contrary, absolutely necessary. No government could operate without tax collectors, accountants and public buildings. Similarly, no private enterprise could operate without non-revenue producing departments and expenditures, that is without overheads. Overheads contribute to the productivity of an institution. But they do so only up to a certain point. Beyond this point, the efficiency of an institution, or of a government, be it national or local, declines. At the extreme, if the overhead ratio were to be 100%, the output of the institution would be zero. An analogy could be made with the relative importance of government in an economy; a complete lack of government would be associated with a low output, but so would too much government.

It can be argued that the overhead ratio is a function of income levels. More precisely, it is a function of (i) the per capita amount of public expenditure, which is itself a function of (ii) income levels, and also of (iii) the number of levels of government.

It is easy to see the logic of the first relationship. Overheads consist of fixed costs and variable costs. The costs of a tax collector, for instance, are largely independent of the amount of taxes he/she collects. If the per capita public expenditures (and taxes) are very low, they will mostly cover the fixed costs, and the overhead ratio will be close to 1. As per capita expenditures and taxes increase, the overhead ratio will decline. Beyond a certain level of per capita expenditures, this ratio will tend to be constant.

This rule is neatly illustrated by the data collected on overhead ratios by type of government in Madagascar, and shown in table 3. The lower total resources of a government, the higher the overhead ratio. In rural areas, indirect costs make up most, if not all, of local government expenditures.

Table 3 - Overhead Ratios and Per Capita Expenditures, by Type of Government, Madagascar, 1990-93

	Expenditures/capita		Overhead ratio[a]
	(FMG)	(US$)	(%)
Central government	74,900	41.60	43[b]
Urban communes	8,200	4.55	64[c]
Fartany (regions)	1,700	0.95	90[d]
Rural firaisams (districts)	200	0.11	98[e]
Rural fivondrom (	160	0.09	na

Sources & notes: [a]Indirect expenditures divided by total expenditures; [b]Counted as direct expenditures: all investment expenditures included in the public investment program, salaries and current expenditures outside the Antatanirivo fartany (province) plus what this fartan would get if it got as much as the rest of the country on a per capita basis; all other expenditures, including debt associated expenditures, were classified as indirect expenditures; [c]Average based on a detailed analysis of three urban communes; [d]Fragile estimate; [e]Estimate based on an examination of the accounts of seven rural firaisam.

The second relationship, between per capita public expenditures (and taxes) on the one hand, and income levels, or output per capita, on the other hand, is well know. The income elasticity of public expenditures and taxes is higher than 1. As income levels increase, the share of taxes to GDP increases (this is the Wagner law), at least up to a certain level of income. In low income countries, per capita taxes are therefore a lower share of a lower income: in dollars, and even in purchasing power parity dollars, they are *much lower*. If per capita income in country A is 10 times higher than in country B, per capita taxes in country A will be 25 times higher than in country B. This obvious relationship is also illustrated by the figures given in table 2. In a very low-income country like Madagascar, total per capita public expenditures are below 50 US$ —including about 20 US$ provided by foreign assistance in the form of loans and grants.

The combination of these two relationships means that overhead ratios are a declining function of income levels.

This analysis is useful to understand the impact of decentralization in low or very low-income countries. Introducing more than one level of government will decrease the amount of public expenditures undertaken by each level of government. In a high-income country, this will not affect overhead ratios. Per capita expenditures are high, and remain high even when divided by 2 or 3. In a low-income country, on the contrary, decentralization will increase overhead ratios. The higher the number of government levels, the greater the average overhead ratio, and therefore the lower the share of directly useful public expenditures.

The standard economic arguments in favor of decentralization cannot therefore be readily applied to low-income countries. In terms of productive efficiency, one has to weight the traditional potential gains associated with decentralization against the certain loss resulting from increased overhead ratios. In terms of allocative efficiency, the picture is not much brighter. The allocation that is supposed to be improved by decentralization is the allocation of direct expenditures only. If the relative and absolute importance of direct expenditures is significantly reduced by decentralization, as argued above, the scope for improvement will be seriously curtailed.

In practice, the choice is rarely between a one-tier type of government and a multiple-tier type of government. There are usually, in most countries, several levels of government in place, with the central government much more important than lower levels of government. The issue is whether some taxes and expenditures should be transferred from the central government to lower levels of governments. The overhead ratio of these lower levels of government is usually much higher than the overhead ratio of the central government. As shown in table 3, this is exactly what happens in Madagascar.

Transferring taxes and expenditures from the central government —decentralizing— to lower level governments, in a country like Madagascar, means transferring resources from a (relatively) low overhead ratio government to high overhead ratios governments, and will increase total overhead expenditures at the expense of direct useful expenditures.

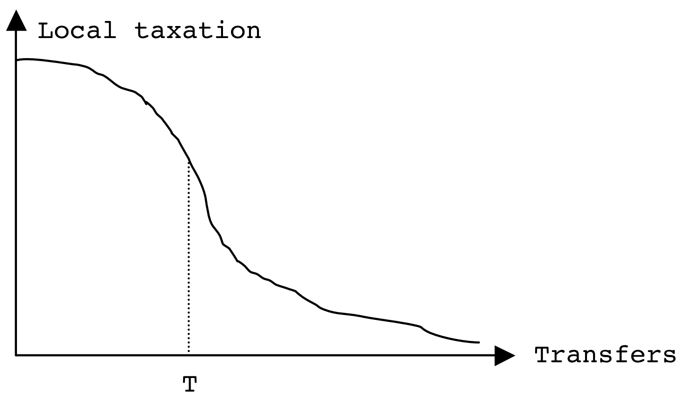
Such a transfer will cut the direct expenditures of the central government, because its indirect expenditures are unlikely to be affected. This will increase the overhead ratio of central government. Will it decrease the overhead ratio of lower governments? This is most unlikely to happen. In many cases, and in spite of their high overhead ratios, local governments in low income countries are so poorly equipped and administered that most of the additional income they will obtain is likely to be spend on indirect expenditures, rather than on direct expenditures. In other words, the marginal overhead ratio of local governments in a very low-income country like Madagascar is probably nearly as high as their average overhead ratio. The loss in direct expenditures at the center will not be compensated by a gain in direct expenditures at the periphery. As a result, direct expenditures, that is expenditures providing services to people and enterprises —which are already at a dramatically low level— will be curtailed.

Impacts of Transfers Upon Local Taxation

There are reasons to fear that transfers undermine local taxation. The reasons are political. When the share of transfers in the resources of a local government is not large, such as 10% for instance, increasing taxes by a given percentage, let us say by 20%, will make it possible to increase local expenditures by a percentage close to 20%, 18% in our example. This may be politically attractive. Voters might be please to see public expenditures increase by 18% even though it means paying 20% more in taxes. When the share of transfers in the resources of a local government becomes too large, let us say 90%, things are completely different. To increase total expenditures by a mere 10% would require an increase of local taxation by 100%. Voters would not follow, and taking such a decision would be political suicide.

This means that the motivation to increase local taxation decreases with the magnitude of transfers. At the beginning, when transfers are small, there are strong incentives to have significant local taxes. When transfers increase, such incentives tend to disappear, and the importance of local taxes decline. One can even hypothesize that there is a threshold level of transfers. Beyond this threshold, local taxation collapses. This is illustrated by figure 1, where T is this threshold level of transfers.

Figure 1 - Local Taxes as a Function of Transfers



An econometric analysis conducted on the 367 municipalities of the State of Parana (Brazil) fully supported this view[1]. Taxes per capita were estimated as a function of several variables, including transfers per capita. Transfers per capita appeared significant, particularly when introduced in logistical form (the form depicted in figure 1). This made it possible to estimate the threshold value. The main findings are summarized in table 7. Municipalities that receive transfers per capita lower than 112 reais per capita raise taxes that are on average 67 reais per capita. When transfers received were higher than this threshold, taxes per capita went down to about 15 reais per capita. As table 4 indicates, when transfers increased, taxes raised decreased. As table 4 also shows, this pattern cannot be explained by the income level of municipalities.

Table 4 - Tax Effort as a Function of Transfers per Capita, Parana Municipalities, 1996

Municipalities with transfers/cap	Number of municipalities	Average Transfers/cap (s)	Average GDP/cap (y)	Average Tax/cap (t1)	Average Tax/GDP (t2)
Below threshold	29	91	1,867	69.0	66.9
Above threshold	339	225	2,100	17.6	14.6
Between 112 and 159	72	138	2,172	24.0	22.4
Between 159 and 204	100	181	1,971	18,1	15.7
Above 204	166	289	2,147	14.6	10.6

Notes: The threshold is 112 Reais/cap

Conclusion

With an understanding of the instruments available, of the objectives or impacts areas that should considered, of the mechanisms linking objectives and instruments, it becomes possible to devise decentralization strategies. A decentralization strategy is a package of decisions about the various decentralization instruments offered, and the various policy goals that can be pursued. Objectives and instruments must be selected jointly. A country must have the instruments of its goals, and the goals of its instruments.

[1] To be fair, a similar study conducted on a sample of French municipalities failed to confirm this hypothesis.