The Politics of Decentralized Service Provision

– A Conceptual Framework –

Working Paper – 05/08/2014

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In Cooperation with

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Acknowledgements

This document constitutes one of the outcomes of a two semester capstone project in cooperation with the Urban Institute (Washington, D.C.) as part of the completion of the M.A. International Development Studies Program at the George Washington University's Elliott School of International Affairs. The authors wish to thank Dr. Sean Roberts for his guidance in the process of developing this project as well as Charles Cadwell and Ben Edwards for the invaluable opportunity for cooperation, and their continuous guidance, feedback and support.
1. Introduction

Advocates for decentralized service delivery argue that devolving responsibility to local government (LG) can improve public welfare and allows for greater efficiency and effectiveness by tailoring service delivery to the preferences of smaller, more homogenous groups of people.\(^1\) Political scientists have long stressed the idea of decentralized service delivery as an inherently political undertaking based on a social contract between government and citizens.\(^2\) Despite this fact, donor practices around state building has tended to focus on technical and financial explanations for the way services are delivered, often dismissing the role of actors, institutions and political incentives. Even when such factors are discussed, they have often been portrayed as a hindrance to effective service delivery and rarely talked about as an opportunity.\(^3\)

Against this background, this paper establishes a framework from which one can build a diagnostic tool to assess the state of decentralized service provision by systematically identifying the strengths and weaknesses in the accountability relationships between all actors involved in the provision of local public services. The premise of this paper is that variations in the performance of service delivery can be explained in part by the incentives that actors have within their larger socio-economic context to execute decisions in a manner that prioritizes the common good over personal interests and in a way that maximizes the welfare of local residents.\(^4\) In this context a strong system of local accountability is the means by which actors involved in the decentralized provision of public services, including public officials, service providers as well as citizens, are incentivized to carry out their duties and seek out their rights, ultimately ensuring that devolved financial and political control does not lead to a waste or misuse of public funds.\(^5\) It is through this lens of accountability that this paper will assess decentralized service provision.

The paper begins, in Section 2, by providing a brief discussion into the two elements of accountability that allow actors to not only identify and challenge transgressions, but also to ultimately punish improper behavior. The section continues on to discuss the nature of devolved public service provision. Section 3 links both concepts discussed in Section 2, and introduces a conceptual framework illustrating the pivotal role of accountability relations in the provision of decentralized services. The framework maps citizens, local governments (LG), service providers, and the central government (CG) as key actors in the process of decentralized public service delivery and analyzes the respective accountability relationships that they share. Based on the literature on the subject, this section also identifies the various factors within each of the accountability relationships that influence their meaningfulness. Referring frequently to examples taken from a two-week pilot study of the framework to assess the state of decentralized service provision in Kosovo, this framework illustrates how any breakdown in accountability relationships may result in inefficiencies in the delivery of decentralized public services. Ultimately, this paper presents the conceptual framework as a diagnostic tool to provide sharper insights into the state of decentralized services by systematically identifying strengths and weaknesses in accountability relationships.

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\(^1\) Kimr 2008, 3
\(^2\) Mcloughlin & Batley 2012, 6
\(^3\) Hickey 2007, 7
\(^4\) Mcloughlin & Batley 2012, 6
\(^5\) Schroeder 2007, 7
2. Defining Key Concepts

**Accountability**

Accountability is a broad concept that is widely used and high on the agenda of international donors. Generally speaking, accountability refers to a relationship between a principal and an agent. The principal, in our consideration of delivery of public services, has the role of delegating tasks, financing the provision of these tasks, and enforcing sanctions if these tasks are not completed at an acceptable standard. The agent has the role of performing delegated tasks and informing the principal on progress. From this perspective, accountability can be understood as a relational process describing a specific relationship between two actors (institutions or individuals) characterized by the dimensions of (i) answerability and (ii) enforcement. Figure 1 provides an illustration of the conceptualization of accountability.

![Figure 1: Conceptualization of Accountability](source: Own Illustration)

(i) **Answerability** refers to the informational aspects of accountability and to the obligation of the agent to provide access to information, justifications or explanations to the principal as well as to reveal future plans. For example, a municipal officer issuing a local building permit would be required to justify the decision to his/her supervisor by providing an explanation why he/she issued the permit (*justification*). Supervisors or, more broadly, elected officials in turn are required to justify decisions made under their leadership to the electorate that acts as the ultimate principal. Meaningful answerability not only includes an explanation, but also an informational component. The municipal officer would not only be required to explain the decision, but also to disclose all relevant information upon which the decision was based (*information*). Similarly, the elected official is required to disclose information related to local decisions to the electorate allowing citizens to examine their actions. As such, transparency and access to information constitutes a key element to fostering answerability. Answerability constitutes a necessary, but not sufficient condition for the establishment of accountability. (ii) **Enforcement** relates to the notion that the principal not only has the right to receive information but also to reward or sanction the behavior of the agent. In case of the municipal officer issuing a building permit, enforcement would mean sanctioning the officer in case a permit is issued even though the requirements were not fulfilled or the performance of the officer is below acceptable standards. Similarly, the electorate can sanction or reward elected officials by, for example, reelecting or removing them from public office. Using this conceptual lens, accountability does not only refer to technical relationships between actors, but rather inherently relates to way power and resources are allocated and used.⁶

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⁶ World Bank 2003, 47; Schedler 1999, 14f., Ackermann 2005, 2
⁷ DFID 2008, 6f.


**Decentralized or Devolved Public Service Provision**

Local public services may be decentralized to different degrees, varying with respect to the level of autonomy of the municipal governments and the role of the CG in delivering the service. Rondinelli, Cheema, & Nellis (1983) identify deconcentration, delegation and devolution as distinct types of decentralization. *Deconcentration*, or administrative decentralization, is defined as the assignment of responsibilities or authority—essentially workload—to local agencies or field offices of the CG. *Delegation* refers to the assignment of authorities and responsibilities to semi-autonomous agencies, parastatals or local government branches which are located outside the CG bureaucratic structure. However, *devolved public services*, the focus of this paper, constitute the most comprehensive form of decentralization. Exclusive authority and responsibility for specific functions, including all administrative, political and financial attributes that these entail, are assigned to autonomous, independent and democratically elected local units of government characterized by clear geographic boundaries and a legally recognized status. Though in practice, even in a de jure devolved system, CGs tend to retain substantial decision-making power and continue to interfere in local decisions, in an ideal devolved system, the CG only exercises indirect and supervisory influence. The unique features of devolved public services are (i) the establishment of a domain of local autonomy in priority setting and decision-making with regard to local fiscal, administrative and political affairs; and (ii) the establishment of downwardly accountable democratic units of local governance (while delegation and deconcentration imply predominantly upwardly accountable local units). In a downwardly accountable system of local governance, citizens act as the ultimate principle holding local units of government to account, while upward accountability relates to a situation in which the central government acts as the main principle to which LGs are accountable. In this paper, “devolved public service” is used synonymously with “decentralized public services.”

### 3. A Conceptual Framework: Linking Accountability and Decentralized Service Provision

Building on the above developed understanding of accountability and devolved public services, the conceptual framework identifies citizens, LGs, service providers and the CG as actors that play a crucial role in the provision of devolved public services, and maps the respective accountability relations (see Figure 2). The framework rests on the assumption that any failure in these accountability relationships can produce inefficiencies in public service delivery. From this perspective, citizens are the main principal, delegating the power for collective decision-making to the LG and holding the LG to account through mechanisms of *voice* (see Section 3.2.1). In the literature, this relationship is discussed as political or downward accountability of LGs. The LG, in turn, takes on the role of principal with regard to its *compact* relationship to service providers as the implementing agent responsible for service provision according to the preferences of the population (see Section 3.2.2). As such citizens play a dual role as both client and citizen, and seek to ensure direct accountability of service providers through client power (see Section 3.2.3). Finally, the CG plays a role in holding LGs to account through its *stewardship* function (see Section 3.2.4).

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8 Agrawal & Ribot 1999, 475; Ribot 2002, 48; OSCE 2008, 26; Faguet 2011, 2
9 Gauthier & Reinikka 2007, 5; World Bank, 2003, 49
Accountability relationships can take two routes. The *short route of accountability* refers to a constellation in which the provider of a service is “directly accountable to clients (as in market transactions).”¹⁰ The *long route of accountability* involves the LG, who acts as a mediator in the accountability relationship between the citizenry and the service provider, by being accountable to citizens while holding providers to account.¹¹ Both routes have their merits and weaknesses and the decision to use one versus the other is dependent on several factors such as sector characteristics, presence of externalities, and market strength. Client power may be very effective if the client has all necessary information to assess the performance of a provider. A key argument suggests that the long route of accountability is particularly relevant for public services that are vulnerable to market failures (i.e. in the presence of externalities) and those for which equity considerations play a pivotal role.¹² For example, the literature widely agrees that client power may be an inadequate mechanism to ensure a collectively efficient level of provision of

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¹⁰ World Bank, 2003, 49
¹¹ Ibid.
¹² World Bank 2003, 15; See also Beasley & Maitreesh 2003, 236 for a detailed discussion about the unique characteristics of public goods
primary education. As the education sector yields high positive externalities for a society, individual clients tend to underestimate the benefits of education from a societal perspective and the service tends to be underprovided.\textsuperscript{13}

\section*{3.1 Key Actors in the Provision of Decentralized Services}

This section discusses the characteristics and role of each actor in the provision of decentralized services in detail. As discussed above, the provision of decentralized public services depends on at least four distinct groups of actors that are linked through interdependent relationships of accountability and power. The main actors include (i) citizens/users (ii) LG (iii) providers of local public services, and (iv) CG. The relevance and role of each of these actors will be discussed in the following.

\textit{(i) Citizens/Clients} – Individuals can take on a dual role simultaneously, as citizens holding the LG and CG to account through voice, and as clients exercising power over public service providers. It must be noted that citizens are not always clients as they do not all need or have access to all public services. As citizens, individuals both independently and through collective action (e.g. political parties, labor unions, business associations) participate when possible in political processes and seek to determine public action and the allocation of public resources. As clients, individuals (and households) are costumers of a public service provider (e.g. solid waste, water, or education) and contribute to the finance of the services, at least in part, through local and national taxes or charges. Citizens/clients as a group should not be regarded as a monolithic actor but rather, individuals might have a diversity of preferences and characteristics, and may disagree on collective objectives, instead seeking to promote their preferences through individual action or coalitions, potentially at the expense of others.\textsuperscript{14}

\textit{(ii) Local governments} – LGs differ from other actors mapped here by their legitimacy to use physical force and make decisions on the allocation of public resources within their jurisdictions. Like citizens, the LG should not be regarded as a monolithic actor, but rather as an institution made up by numerous actors including politicians elected by the citizens (usually a mayor and municipal councilors) and the staff of the municipal administration. With respect to the provision of public services, LG regulates “entry [and] enforcing standards, and determine[s] the conditions under which providers receive public funds.”\textsuperscript{15} LGs may be characterized by a great heterogeneity with respect to size, capacity and the structure of municipal finances. Municipal finances, which serve to finance public services usually consist of a smaller share of own source revenues (OSR) (including user charges, fees and often excise and property tax) and a larger share of intergovernmental transfers in the form of earmarked or non-earmarked grants.\textsuperscript{16}

\textit{(iii) Provider of public services} – This group encompasses a wide variety of different actors employing various modes of provision. Each mode of provision implies different accountability relationships, incentives and organizational structures. The provision of a public service through an organizational unit of a LG implied that the provider is inherently embedded

\begin{thebibliography}{9}
\bibitem{Reschovsky1995} Reschovsky 1995, 185
\bibitem{WorldBank2003} World Bank 2003, 49; Schroeder 2004, 5
\bibitem{WorldBank20031} World Bank 2003, 49
\bibitem{Kimr2008} Kimr 2008, 20; Schroeder 2004, 27; Fitzbein & Matsuda 2012, 7
\end{thebibliography}
within the accountability structures of the LG and the responsibility for the production of the service remains within the institution. The provision of public services through external actors however implies different structures. Such external actors might be a company owned by one or a number of municipalities and tasked to deliver a certain service (e.g. a regional waste company). Services may also be contracted out to a private non- or for-profit company. In such a constellation, the municipality retains the responsibility to guarantee service provision and may continue using public funds to finance the service. However the responsibility for the actual production of the service is transferred to the private actor.\(^\text{17}\)

(iv) Central government – This group encompasses a broad range of government actors in the CG arena including national level politicians, ministries, and regulatory institutions such as the auditor general. In a multi-level governance system underlying the decentralized provision of public services, the CG determines the legal and fiscal framework under which local units of government operate. As such, the CG has a dual role of both facilitating and regulating the decentralized provision of services across political, administrative, and fiscal dimensions.\(^\text{18}\)

3.2 Relationships of Accountability and Power

The actors identified above are connected through complex accountability relationships, and shape the incentive structure through which they interact in the process of decentralized service provision. The following sections discuss the relevant relationships between the actors involved as well as pivotal factors that influence them. Table 1 provides an overview of the factors undermining the accountability relationships discussed below. Table 2 provides an illustrative overview on the accountability mechanisms between the various actors.

### Table 1: Summary of Identified Factors Undermining Accountability Relationships

<table>
<thead>
<tr>
<th>Citizens - Local Government</th>
<th>Local Government - Service Provider</th>
<th>Clients - Service Provider</th>
<th>Central Government - Local Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>➢ Lack of information</td>
<td>➢ Sector characteristics</td>
<td>➢ Market failures</td>
<td>➢ Nature of local electoral systems and party structures</td>
</tr>
<tr>
<td>➢ Sector characteristics</td>
<td>➢ Policy incoherence</td>
<td>➢ Information asymmetry</td>
<td>➢ Soft budget constraint</td>
</tr>
<tr>
<td>➢ Social fragmentation</td>
<td>➢ Lack of capacity</td>
<td>➢ Sector characteristics</td>
<td>➢ Reliance on local own-source revenues</td>
</tr>
<tr>
<td>➢ Lack of credibility</td>
<td>➢ Finance modalities</td>
<td>➢ Policy incoherence</td>
<td>➢ Reliance on earmarked grants</td>
</tr>
<tr>
<td>➢ Quality of electoral systems</td>
<td></td>
<td>➢ Finance modalities</td>
<td>➢ Policy incoherence</td>
</tr>
<tr>
<td>➢ Nature of party systems</td>
<td></td>
<td></td>
<td>➢ Collective action problems</td>
</tr>
<tr>
<td>➢ Nature of civil society</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Own Compilation*

\(^\text{17}\) Ballard & Mildred 2000, 1  
\(^\text{18}\) World Bank 2003, 191; Schroeder 2004, 6; Kimr 2008, 8
### Table 2: Illustrative Overview of Accountability Mechanisms

<table>
<thead>
<tr>
<th>Answerability (Information and Justification)</th>
<th>Enforceability (Reward and Sanction)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citizens – Local Government</td>
<td></td>
</tr>
<tr>
<td>➢ Interest Group Lobbying</td>
<td>➢ Elections</td>
</tr>
<tr>
<td>➢ Private Media Activities</td>
<td>➢ Petitions/protests/strikes</td>
</tr>
<tr>
<td>➢ Access to Information</td>
<td>➢ Advocacy</td>
</tr>
<tr>
<td>➢ CSO/NGO Public Meetings/Forums</td>
<td>➢ Legal actions</td>
</tr>
<tr>
<td>➢ Naming and Shaming Campaigns</td>
<td>➢ Non payment/withholding of fees to LG</td>
</tr>
<tr>
<td>Local Government – Service Provider</td>
<td></td>
</tr>
<tr>
<td>Internal</td>
<td>Internal</td>
</tr>
<tr>
<td>➢ Performance monitoring procedures</td>
<td>➢ Disciplinary action based on internal employment codes</td>
</tr>
<tr>
<td>➢ Reporting obligations</td>
<td>➢ Success-based incentives</td>
</tr>
<tr>
<td>➢ 3rd-party monitoring</td>
<td></td>
</tr>
<tr>
<td>External</td>
<td></td>
</tr>
<tr>
<td>➢ Performance monitoring procedures</td>
<td>➢ Exit option/terminate contract</td>
</tr>
<tr>
<td>➢ 3rd party monitoring (central government, or CSO)</td>
<td>➢ Legal action</td>
</tr>
<tr>
<td>➢ Reporting obligations</td>
<td></td>
</tr>
<tr>
<td>Clients – Service Provider</td>
<td></td>
</tr>
<tr>
<td>➢ Availability of information on performance/responsibilities of providers</td>
<td>➢ Complaints box/customer hotlines</td>
</tr>
<tr>
<td>➢ Clearly specified contrast</td>
<td>➢ Legal action</td>
</tr>
<tr>
<td>➢ Observation by clients themselves</td>
<td>➢ Exit option/cancel service</td>
</tr>
<tr>
<td>➢ Complaints box/customer hotlines</td>
<td>➢ Withhold fees/payments</td>
</tr>
<tr>
<td>Central Government – Local Government</td>
<td></td>
</tr>
<tr>
<td>➢ Right of central authorities to supervise the activities &amp; performance of municipalities with respect to its accordance with laws, rules and relevant procedures</td>
<td>➢ Right to suspend, revoke or set aside the municipal decision or action in question if the municipality has violated the law, or the act is not in compliance with competencies</td>
</tr>
<tr>
<td>➢ Reporting procedures (e.g. performance management systems)</td>
<td>➢ Incentives grants based on performance</td>
</tr>
<tr>
<td>➢ Fiscal audits</td>
<td>➢ Publication of comparative performance</td>
</tr>
<tr>
<td>➢ Legal sanctions through judiciary</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own Compilation

### 3.2.1 Accountability Relationship between Citizens and Local Government

From a theoretical perspective, citizens, acting as principals, delegate authority to LG to make collectively binding decisions on the allocation of public resources and the LG is assumed to represent the interests and desires of citizens. Under the authority of these democratically elected representatives, municipal administrations are expected to direct mechanisms which dispense public goods and services to respond to citizen demands. The vehicle within this phase of long route accountability is referred to as voice, i.e. the expression of the level of satisfaction felt by users through the communication channels, which exist between citizens and
representatives. Although the electoral process is a necessary vehicle for citizen expression in a devolved system, it is not a sufficient accountability mechanism due to its periodical nature. Other mechanisms of voice such as political parties with distinct political position, CSOs and lobbying groups representing the interests of citizens as well as media outlets reporting on activities taking place within the local government can complement the electoral mechanism. Some voice mechanisms contribute more effectively to the answerability aspect of the accountability relationship while others emphasize the enforcement aspect. It is important to note that the absence of one mechanism could disable the other. Multiple mechanisms therefore need to work together to ensure a strong accountability relationship. For example, if the electoral process is well legislated and orderly but there is no media channel fairly reporting on all candidates, or there is no platform for candidates to air their positions, voting will not be based on performance or position, but rather on some other variable. It should be noted that a robust private media, which can bring information to the public, is still capable of contributing to the enforcement dimension through naming and shaming.

In this model of downwardly accountable governance, it is assumed that both actors behave rationally to fulfill their own self-interest. In the case of the public, that self-interest is to meet local demand for services. In the case of politicians, the interest is to serve constituents in the hope that they remain in elected office. However in practice there exist numerous incentive misalignments which arise between representatives, LG bureaucrats and the citizenry. The accountability relationship, in which these incentive misalignments arise, is colored by several different factors. These factors impact the accountability relationship assumed in the theoretical approach and are highlighted below.

(i) Information Asymmetry – Imperfect information or lack of transparency in the decision-making process of politicians and the outcomes of those decisions undermines citizens’ ability to assess their performance. When information is unavailable, citizens are incapable of knowing the availability or quality of services and as a result are unable to make informed political decisions based on service performance. Information channels could take the form of municipal meetings for which citizen attendance is mandatory or the broadcast of municipal decision-making sessions on local media channels. These missing channels directly contribute to a lack of transparency on how decisions are made at the LG level, obfuscating citizens understanding of how and why resources are provided.

(ii) Sector characteristics – The nature of each sector affects how politicians allocate resources as they have a greater incentive to invest in those services that are more visible to citizens. These services generate greater awareness, yielding higher political gains, and allow for representatives to take credit for positive visible changes in service delivery performance. Services that have the most visible outcomes are also those of which citizens are most likely to be critical. For example education requires personal attendance over a large period of time with great frequency or health services where usage is unpredictable, highly variable over time and

19 OSCE 2008, 17
20 Farrington 2002, 2; Schroeder 2009, 9
21 World Bank 2004, 48
22 Batley 2004, 38; Gauthier & Reinikka 2007, 3
23 Harris, McLoughlin & Wild 2013, 3
24 McLoughlin & Batley 2012, 3ff.; For a detailed discussion of the role of information campaigns see for example Khemani 2007; For an evaluation of transparency initiatives in service delivery see Joshi 2013.
25 Republic of Kosovo, Law on Local Self Government
dependent on the citizen. As a result, the discretionary nature of such services makes it difficult for a meaningful consensus to be reached regarding service quality. Additionally the technical nature of these services makes it so that input from the non-expert general public can lead to inefficiencies since they lack the capacity to grasp the ramifications of requests they make. For example, in Kosovo the usage of road sector investment data as a political tool is carried out with ease as a result of it being persistently used by constituents and the improvement projects being highly visible during implementation. Dissemination of data on sectors and projects which are easily collected and quick to complete are far simpler to use as political tools than sectors with greatly external outcomes or those which are sporadic in citizens’ usage. This is especially true in clientelistic, political relationships where representatives focus only on providing services to smaller elite interest groups within constituencies.26

(iii) Social fragmentation – Societal cleavages can result in unequal distribution of services if governments cater to certain segments of the population for electoral gain.27 This also indicates that citizens do not necessarily vote on the basis of performance and may have ideological reasons to support one politician over another such as religious beliefs, ethnicity or political affiliation.28 Voting on ideological grounds further impacts service delivery outcomes as it removes pressure from politicians to perform and to cater citizen’s needs, but instead need only to appeal to ideological sentiments to gain votes. In Kosovo, politicization of resource provision has resulted in occurrences of social fragmentation and voting practices which are highly dependent on identity versus performance. In some cases fragmentation occurs to the point where incumbent candidates who have performed their duties are discounted not based on their service to the public but instead on the fact that they do not belong to the majority ethnic group which makes up their constituency.

(iv) Lack of credibility – Both a culture of clientelism and the prioritization of CG interests over those of citizens can lead to disillusionment with decentralization. This fosters apathy amongst citizens as they recognize the disinterest of LG in responding to their needs.29 This apathy has a detrimental effect on alternative forms of accountability enforcement as well. Clientelism is often a product of elite capture, i.e. the monopolization of local government by elite groups within society.30 It leads to resources being diverted away from the poor who need them the most, and increases opportunities for patronage.31 Political elites in Kosovo, for example, have a perceived stranglehold on public office and resource allocation as a result of the ineffectual nature of checks on power over mayors and their involvement in the hierarchical structure of Kosovar political parties. The result is a population which believes their voice can only be heard through clientelistic behavior, thus pushing aside the concerns of minority voices and concentrating power within exclusive groups which creates a self-reinforcing cycle of weak accountability and enforcement relationships amongst the broader constituency. Community mobilization through private media reporting, petitioning and information dissemination on government negligence through civil society organizations, which are meant to supplement the political process, are also abandoned.32 The disengagement of citizens allows for the continuation

26 McLoughlin & Batley 2012, 3-7
27 Harris & Wild 2013, 2
28 Ahmed et al. 2005, 12
29 Dutta 2009, 10
30 Ibid., 3
31 Wild, Chambers, King, & Harris 2012, 17f.; Keefer & Khemani 2004, 935
32 Farrington 2002, 2
of poor service delivery as it leads to an abandonment of both answerability and enforcement mechanisms so that LG faces little pressure to perform.

A second factor contributing to the apathy of citizens is that LG is encouraged to meet the standards put forward by the CG, which do not always align with the interest of the constituency. This results in an imbalance between upward and downward accountability as citizens are left with a LG that is unresponsive to their needs. Therefore there is a tendency for priorities of the CG to override the demands of citizens rendering the accountability relationship ineffectual. Although this should not be a factor in devolved local government, CG retaining inordinate amounts of influence on LG activities and mimics the process of a deconcentrated rather than devolved system (see Section 2.4.4).

The apathy caused by these failures in accountability has a detrimental effect on alternative forms of enforcement as well. Community mobilizations through private media reporting, petitioning and information dissemination on government negligence through civil society organizations, which are meant to supplement the political process, are also abandoned. The apathy citizens feel towards public life therefore is a reflection of the lack of faith that citizens have in the decentralization process, and is a consequence of political party dominance on local affairs. It has been noted that Kosovo suffers from low membership in socially and politically based initiatives, indicating high levels of indifference and apathy towards the decisions of those in public office. This is due to citizens playing little to no role in the decision-making process, despite public consultation instituted into LG laws. The disengagement of citizens allows for the continuation of poor service delivery as it leads to an abandonment of both answerability and enforcement mechanisms so that LG faces little pressure to perform.

(vi) Nature of local electoral systems – Literature on decentralization recognizes the importance for standardized elections through which citizens vote and bring to power representatives with a stake in their communities. Competitive, multi-party elections not only allow for a greater diversity of voices to be represented, but also increase levels of uncertainty among local political elites, putting pressure on them to respond to the needs of citizens. Various factors shape the effectiveness of elections as an instrument of local citizens’ voice, an important one being the type of electoral system of a state. In systems of proportional representation (PR), citizens vote for a party and the share of votes received by a party translates into the number of seats they will be allocated. This allows for multiple voices to be represented even if one party may have a plurality of votes. By representing diverse voices, the PR system allows multiple groups to keep LG accountable and increases pressure to provide for all groups. Conversely, in a majoritarian system, citizens vote for a specific candidate and the one receiving the greatest number of votes wins all seats. Although this allows for greater clarity regarding who is directly responsible for addressing citizens’ concerns, it also dismisses minority voices and increases the likelihood that their needs and interests will be overlooked.

Majoritarian systems where candidate nominations are sourced from political parties can result in the furthering of elites goals over the interest of the common good. When nominations are reserved for select party groups it makes it difficult for local independent candidates to compete. It has also been observed that this system of party nomination can result in a hegemonic

33 Ahmad et al. 2005, 19
34 Farrington 2002, 2
35 Yilmaz, Beris, and Serrano-Berthet 2008, 8
36 Hiskey 2006, 12
37 Yilmaz, et al. 2008, 8
domination of territories, which is both a cause and symptom of weak LG. This results in entrenched political party interests taking primacy over the interests of constituents and can lead to poor service delivery to the masses. In Kosovo for example, mayors have great incentives to serve the interest of their political party as opposed to executing the decisions in collaboration with the proportionally represented Municipal Assembly (MA), the body that mayors are legally mandated to report to, since their re-election relies heavily on the political party that nominates them. As a result, the interests of the central political party take precedence over the MA, and consequently, the citizens which the MA represents, ultimately undermining the accountability relationship.

Affirmative action, or reservations of council seats is another factor that shapes the effectiveness of elections. Reservations restrict a certain number of seats in any given district such that only women and minority groups can compete for them. Because minority ethnic groups and women are vulnerable to limited political voice and disproportionately low levels of public services, these reserved seats are adopted as forms of compensation. Reservations in council seats therefore strengthen the voices of the marginalized, and provide greater incentive for LG to provide services to all.

(v) Nature of the party system – Increased electoral competition allows for uncertain outcomes and is regarded as one critical prerequisite for local accountability. As long as citizens are capable of creating this uncertainty through competition, via the multi-party system, political domination by one political party can be mitigated. Voting based on party allegiance (often based on ethnicity, race or religion) rather than performance can undermine the benefits of competitive electoral systems. Such voting behavior can often lead to the mobilization of fringe groups, hardliners and low income sections of society and undermines enforcement as there is little reason to sanction or reward government based on performance.

In Kosovo, political parties are predominantly organized around ethnic cleavages and are characterized by strong internal hierarchies that influence the local decision-making process. The accountability relationship is undermined by the fact that citizens tend to vote based on ethnic identities rather than on the performance of local government officials. This situation is exacerbated by the fact that mayoral candidates must first be nominated by their political party, a hierarchical process that gives central level party branches the final say over local nominations. This comes at the expense of a competitive process that would have otherwise allowed for more electoral uncertainty and a nomination process based on LG officials’ performances rather than personal connections. Both identity based voting as well as a strong central level hold over mayoral candidacy tends to undermine the meaningfulness of the voice mechanism.

(vii) Nature of interest and civil society groups – Civil society groups and NGOs play an essential role in creating meaningful accountability relations. They are not only actors providing information to citizens but may also provide the services themselves. The key role of NGOs and civil society organizations is to advocate and demand accountability and, in some cases, to provide goods and services. While there are advantages that come from NGO provision of public

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38 Packel 2008, 7
39 Tahiri 2011, 10
40 Packel 2008, 12
41 Schroeder 2004, 10
42 Hiskey 2006, 12
43 Personal Interview with Besnik Tahiri, Kosovo Local Government Institute, Pristina, Kosovo, 03/06/2014; Personal Interview with Bajrush Ymeri, Former Mayor Novo, Municipality of Novo Brdo, Kosovo, 03/05/2014
service delivery due to their proximity to those in need of services, this provision of services may undermine the accountability relationship between citizen and LG as service provision is no longer affected by the electoral mechanism. While this may have no immediate service impact it should be noted that this can result in a misaligned allocation of resources as there is no obvious link between CG policies and the allocation of goods by NGOs.  

3.2.2 Accountability Relationships between Local Government and Service Providers

Building on the assumption of a meaningful accountability relationship between citizens and LG, the provider “compact” refers to the broader accountability relationship between LG and the service provider, ensuring that citizens’ preferences are taken into account in the process of public service provision (i.e. the long route of accountability). The LG must be able to specify outputs, collect information concerning the level of satisfaction with a service, assess the performance of public service providers and then, implement either sanctions or rewards. Whether a public service is provided by the LG itself, or the service is contracted out to a non-state actor, the LG is responsible for ensuring satisfactory provision and acts as the principal in this accountability relationship. While conceptually the distinction between LG and service provider can be clearly drawn, in practice this line is blurred since, in many instances, a branch of the LG itself is the service provider, which has implications on the accountability and transparency of service provision.

In terms of answerability and enforcement mechanisms associated with accountability, procedures depend on the mode of provision of a service whether via an organizational unit of the local government or through a contracted company. Some sectors have characteristics that make it feasible to contract a third-party, or privatize, at least partially, the provision of a public service on behalf of the LG. One of the main merits of using a private company is the fact that companies may be able to produce services at lower costs due to economies of scale, lower production and labor costs, better management, and more innovation in terms of the processes involved in service provision. However, using a private contractor involves a lengthy procurement process which can be marred with insufficient monitoring and contract enforcement, resulting in poor accountability and transparency. Answerability, in both internal and external service provision, can be exercised by making information accessible. This can be done via performance monitoring, whereby the service provider is transparent about the progress of a project or the process of service provision, their adherence to budgetary constraints, and their level of observance to details specified in contracts. Ensuring that this performance monitoring is reported frequently (as ideally specified in the contract) and is accurate is also important to keep abreast of progress, further allowing a principal to hold a service provider accountable to deadlines and specifics of contracts. Finally, having a third-party auditing system to ensure that information reported matches the services claimed to be provided is yet another method by which to ensure that information is transparent, communication is consistent and the answerability dimension of the accountability mechanism is maintained between the service provider and the policymaker.

44 Schroeder 2004, 14ff; See also Devaraja & Widlund 2007, 8ff.
45 McLoughlin & Batley 2012a, 9
46 World Bank 2013, 51
47 Fisher 2007, 160
Mechanisms that strengthen the enforcement dimension of accountability differ depending on whether the service provider is internal or external. Internally, high quality work can be rewarded through success-based incentives like a promotion or award for the department head or committee in charge of providing a service. On the other hand, poor quality work can be punished via disciplinary action based on internal conduct and quality codes. These actions can take the form of demotions, demerits, or termination of department heads from their position in the LG. Externally, superior service provision can be rewarded through renewed or continued partnership, while inferior service can be punished by the LG pursuing exit strategies and terminating their contract with the service provider.\(^{49}\)

Weak accountability mechanisms between LG and service providers result in misaligned incentives that manifest themselves as poor service provision, especially in the most impoverished areas.\(^{50}\) Identified below are pivotal factors that influence the accountability relationship between the LG and public service providers.

**(i) Sector characteristics** – Sector characteristics may influence power and accountability relations between LG and providers.\(^{51}\) The ability of LG to hold service providers to account is determined by the monitorability and measurability of the public service. Difficulty in monitoring and measuring the quality of service provision can depend on the visibility of a service, its level of discretion and transaction intensity, and its attributability to a specific provider when there are multiple agents. While the provision of some services is immediately visible, such as the collection of waste or the construction of a road, other longer term results are not as easily monitored or attributed, such as the negative health and environmental externalities of inadequate solid waste collection, or the cause of poor and unmaintained road networks. One way to increase attributability can be to split larger projects into phases, such as in the road construction sector in Kosovo, making it easier to determine which parties are responsible for each section of long-term projects.\(^{52}\) However this mechanism does little to improve attributability if monitoring within these phases is poor. These characteristics create information asymmetries and affect the level of accountability that service providers have to the LG.\(^{53}\)

Sector characteristics also determine the mode of provision of a service. LGs can, for instance, contract third party suppliers to conduct the provision of a public service. For the most part, these sectors are those where a service requires specific technical capacity, or where costs are expected to be lower via an outside source. Depending on the status of the provider, information asymmetry can vary wildly, which affects accountability relationships.\(^{54}\) In addition, a high level of organization of employees working in a sector might disincentivize the LG to enforce sanctions by increasing political costs. This, along with widespread corruption, directly undermines accountability mechanisms and is discussed in more detail below.\(^{55}\)

In some sectors, however, the LG decides to provide public services themselves, and this comes with its own consequences for accountability mechanisms. When LG decides to provide a service, this can result in decisions being made based on political affiliation as opposed to best practices. The politicization of public service provision can affect both the answerability and enforcement dimensions of accountability. This can be seen in the waste sector in Kosovo, for

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\(^{49}\) World Bank 2003, 106

\(^{50}\) Mcloughlin & Batley 2012b, 11; World Bank 2003, 96

\(^{51}\) Mcloughlin & Batley 2012a, 13

\(^{52}\) Personal Interview with Procurement Officer, Municipality of Novo Brdo, 03/2014

\(^{53}\) Mcloughlin & Batley 2012a, 9; Batley, et al. 2012, 43; Gauthier & Reinikka 2007, 4

\(^{54}\) Wild, et al. 2012, 11

\(^{55}\) Mcloughlin & Batley 2012a, 11
example, where regional waste companies are created to collect solid waste. While supervision of the waste companies should be conducted by the MA and the mayor, the latter tends to control decision-making, often basing choices on political interests, undermining answerability and the reporting of accurate and useful information which can help LGs determine overall performance. In terms of enforcement, municipalities have the option to hire another waste collection company via a tendering process. However, there are political incentives to keep jobs within the municipalities being served, as well as a lack of private competition within the sector. These characteristics create a situation where both answerability and enforcement are compromised, hindering strong accountability.

(ii) Financial Modalities – While a LG is responsible for providing devolved public services, the fact that it can hire an external actor to conduct these services allows for different financing mechanisms. However different modes of financing result in different outcomes on accountability relationships. Literature suggests that when a contracted company collects user fees directly from citizens, they are less likely to ensure customer satisfaction with the services provided as they do not see citizens as clients who they need to satisfy in order to keep the company afloat. This situation is further exacerbated by soft budget constraints between the LG and the contracted service provider. If a company knows that it will be bailed out in the event that it does not collect enough fees to cover its cost of operations, it is further disincentivized from enforcing fee collection from citizens. This can be seen in the solid waste collection sector in Kosovo, where some municipalities have to cover remaining costs of waste collection companies if fee collection is inadequate, essentially shifting liability from the service provider to the LG. This situation allows service providers to comfortably work without contracts between the company and citizens, allowing companies to focus less on fee collection, undermining accountability mechanisms. Soft budget constraints, coupled with the lack of a formal and explicit contract and the mode of payment collection can therefore undermine accountability mechanisms and increase costs to LGs. While customer satisfaction is usually key to the growth and profitability of a private company in a market system, when there is some level of assurance that the LG will cover costs if fees collection rates are low, it creates a moral hazard where the service providers rely on the LG to cover finances, and do not find it necessary to be accountable to citizens, especially if there is no contract between citizens and the company as a way to ensure accountability.

(iii) Lack of Capacity of LG – LG has the responsibility to enforce contracts with service providers to ensure high quality services in all areas of the LG’s jurisdiction. A lack of organizational capacity of the LG to monitor performance of service providers creates an environment in which service providers are not working under any pressure of expected outcomes or measurable benchmarks, which undermines the accountability relationship. If, for example, a LG decides to hire a third party to provide a service, monitoring is essential to ensuring an acceptable quality of work as specified in the contract. However, in many instances, especially in developing countries with weak rule of law and inadequate capacity, contracts sometimes do not contain measurable benchmarks, and this creates weaknesses in monitoring,

56 OAG 2013, 21
57 Gauthier & Reinikka 2007, 7
58 Ibid.
59 Personal Interview with Official of the Waste Company Eco-Higjiena, Novo Brdo, 03/13/2014
60 Fisher 2007, 161
meaning that sanctions cannot be properly enforced, since standards were not specified before work began, as seen in the case of Kosovo and the procurement process across the country.\textsuperscript{61}

When decisions are made without the input of the citizens, supply side political and self-interested considerations, coupled with public apathy, create a situation where answerability and enforcement are not a priority, undermining accountability and transparency, and perpetuating corruption in the procurement process. LGs need to be equipped with the technical tools and human resources so as to ensure that rules are clear, instructions are followed and services are provided at a high standard of quality.\textsuperscript{62}

\textit{(iv) Policy incoherence} – Contradictions within policy framework can occur, either horizontally where mandates and responsibilities overlap, or vertically, where implementation and funding mechanisms are not clearly defined. Incoherence results in confused responsibilities for service provision, which leads to ill-defined monitoring and oversight and consequently undermines accountability.\textsuperscript{63} In the solid waste collection sector in Kosovo for example, while the legal framework on the central level appears to be clear, many municipalities fail to develop sub-legal acts to determine the terms and conditions for waste collection in their jurisdictions. This results in the absence of legal standards against which actors in the waste sector can be held accountable.\textsuperscript{64} Without a thorough understanding of responsibilities and roles within sectors and across branches of government, monitoring can be overlooked and as a result, can undermine accountability as well as reduce the quality of services provided.

3.2.3 Accountability Relationships between Client and Service Provider

The relationship between the client and the service provider represents the short route of accountability. By this route, “providers can be made directly accountable to clients (...) by passing decisions and powers directly to citizens or communities.”\textsuperscript{65} Often through some form of market transaction, the short route of accountability can possess various advantages over the long route.\textsuperscript{66} One of these includes the ability of clients to monitor providers more effectively than LGs. As beneficiaries who regularly interact with providers, clients have a better sense of how providers are performing than LG supervisors.\textsuperscript{67} Additionally, when citizens act as decision makers, they are better able to tailor services to their preferences and providers are able to accommodate diverse choices. Client choice and power also generate a competitive market and pressures providers to improve their performance in order to attract more clients.\textsuperscript{68}

The key enforcement mechanism in this accountability relationship is usually the market transaction, or other forms of compensation that service providers receive based on their performance. Compensation not only improves provider behavior and increases the supply and sustainability of services, but also provides users with a greater incentive to remain vigilant and make better choices about which services to demand.\textsuperscript{69} The literature suggests that various factors influence the meaningfulness of the accountability relationships between clients and service providers, as discussed below.

\textsuperscript{61} Personal Interview with Official of the Kosovo Center for International Corporation, 13/03/2014; Fisher 2007, 161
\textsuperscript{62} Booth 2011, 14
\textsuperscript{63} Wild, et al. 2012, 7; McLaughlin & Batley 2012a, 10
\textsuperscript{64} See for example the municipality of Peja in OAG 2013, 26
\textsuperscript{65} World Bank 2003, 49
\textsuperscript{66} Ibid., 6
\textsuperscript{67} Ibid., 64
\textsuperscript{68} Ibid., 9
\textsuperscript{69} World Bank 2003, 66
(i) **Market failure** – There are three main weaknesses to a market approach to public service delivery; (a) Having providers respond to customer power increases the likelihood for unequal distribution of resources, where the poor in the community are marginalized since they have limited purchasing power. In Kosovo for example rural areas are disadvantaged and often excluded from municipal solid waste services (MSWS). While more urban municipalities tend to be able to offer MSWS at a relatively lower price, more rural municipalities with a more dispersed population, longer distance between clients and weaker public infrastructure (e.g. non-paved roads) are likely to face higher tariffs. (b) Catering to individual needs can result in a failure to meet collective objectives. For instance, the state and society could have a strong concern about the chlorine content in the urban water and may not want individuals to choose for themselves due to the collective health issues the lack of treated water could generate. (c) Imperfect information means that many customers do not know if they are being underserved or what options are available to them.  

(ii) **Information Asymmetry** – This is a market imperfection characteristic whereby resource and information flows are one-sided and do not make it to citizens’ ears. Where performance metrics are not defined or made public, citizens’ capacity to participate as informed users is decreased and they are not able to manage the performance of service providers or demand improvements. In many municipalities in Kosovo for example, regional waste companies provide MSWS to citizens and collect respective fees without a formal contractual relationship between both actors. The lack of contracts between citizens and waste companies specifying roles, rights, obligations, and performance metrics makes it difficult for citizens to know what to hold the service provider accountable for, undermining the client power relationship.

(iii) **Sector Characteristics** – The use of collective action, or the coming together of a multiplicity of actors to work towards the generation and improvement of services, is in part determined by the characteristics of the service being provided. Literature suggests that citizens are less likely to quit services that are area-based, used frequently, regularly provided and on which they are highly dependent. Instead, for these services, users tend to hold providers to account through collective action via petitions and campaigns to ensure a high quality of service provision. Additionally, sectors that are discretionary and transaction intensive, such as classroom instruction, are difficult not only for LG, but also for citizens to monitor and to attribute service outcomes to a specific provider. Without this information, citizens cannot hold providers accountable for their actions, and this undermines the answerability dimension of accountability.

(iv) **Policy incoherence** – When citizens do not know who is responsible for a public service, they cannot be sure who is to be held accountable for its provision. If their contract with a local service provider outlines that the provider is responsible, yet the LG or CG is still providing the service or heavily regulating it, citizens do not know whom they need to hold to account. This lack of information and confusion as to who takes responsibility for which service.

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70 Ibid., 57f.; Belsey & Ghatak 2007, 245  
71 Batley, et al. 2012, 46  
72 For example in the municipality of Peja, Prizren, Suhareka or Novo Brdo  
73 Batley, McCourt & McLoughlin 2012, 12  
74 Fiszbein & Matsuda 2012, 11f.; Gauthier & Reinikka 2007, 9; Batley, McCourt & Mcloughlin 2012, 46
provision undermines the answerability dimension of accountability and makes it difficult to enforce rewards or sanctions.\textsuperscript{75}

(v) Finance modalities – The means through which services are financed influences the performance of service providers and their relationship with clients. User fees possess certain benefits as compensation generates incentives for providers to improve quality of services as their survival depends on customer satisfaction. In the case of public services however, service providers face limited incentives to improve quality since their survival does not depend on customer satisfaction and they will remain functioning regardless albeit poorly.\textsuperscript{76} This is because, in the context of soft budget constraints mentioned earlier, companies know that they will be bailed out in the event that they do not collect enough fees, as waste collection is a service that government often faces a lot of pressure to provide.\textsuperscript{77} In Kosovo this manifests in a vicious cycle of low willingness to pay due to low quality of MSWS, which in turn causes an even lower quality of service.\textsuperscript{78} Charging fees may also mean that the poorest of the population may be excluded from services.

3.2.4 Accountability Relationship between Central Government and Local Government

Decentralized provision of public services does not only rest on the classic accountability triangle between citizens, LG, and providers. In reality, decentralized governance is embedded within a broader policy and fiscal framework shaped by the CG that links local and CG.\textsuperscript{79} The nature of the relationship between LGs and CGs forms the core of any decentralization reform process and has pivotal implications on the broader accountability relationship between citizens and LGs, as well as on the relationship between citizens and the CG.\textsuperscript{80}

The trade-off between autonomy and upward accountability – The literature points to the importance of a capable CG to establish an effective system of decentralized governance. The CG plays an important role in enhancing the accountability of LGs within the broader system of decentralized service provision by both ensuring that decentralized services are provided according to devolved powers and functions, as well as holding LG to account for the use of public resources (both locally raised as well as transfers from higher levels of government).\textsuperscript{81} On the one hand, this “stewardship” function of the CG, referring to the ability “to set clear and coherent policies including objectives and standards, to monitor LG performance, and [if necessary] to enforce the policy intent, including by use of positive incentives and sanctions”\textsuperscript{82} has the clear potential to enhance the accountability relationship between citizens and LGs. For example, the CG has the right to supervise the activities and performance of municipalities with respect to its accordance to the rules, laws and standards and in that way, enhance the answerability dimension of accountability. This function also includes auditing as well as municipal reporting requirements as key instruments of the CG to exercise control over spending.

\textsuperscript{75} Wild, et al. 2012, 8
\textsuperscript{76} Gauttier & Reinikka 2007, 7
\textsuperscript{77} Ibid.
\textsuperscript{78} Personal Interview with Official of Waste Company Regjioni, Municipality of Suhareka, 03/06/2014
\textsuperscript{79} Fitzbein & Matsuda 2012, 12
\textsuperscript{80} Schroeder 2004, 18; Ahmad 2005, 4
\textsuperscript{81} Schroeder 2004, 17
\textsuperscript{82} Fitzbein & Matsuda 2012, 14
patterns. The meaningfulness of these answerability instruments depends on the credibility of potential sanctions and can theoretically be an important mechanism to strengthen the accountability relationship between LG and CG. Potential sanction mechanisms may include the right of the CG to suspend municipal decisions or actions in question, and to withhold fiscal transfers.

On the other hand, the stewardship function constantly runs the risk of imposing regulations and inefficiently constraining the realm of LG’s autonomy. Along these lines, the ex-ante approval of the LG budget or the suspension of unlawful municipal legislation by the CG might improve the degree of accountability of LG towards CG. However, this comes at the expense of potentially overriding local priorities, in particular when local choices are overturned. Local autonomy forms a precondition for downwardly accountable LG (see Section 2.1.1), which is responsible for decentralized service provision. Rather than creating the conditions for decentralized governance, an overly intrusive pattern of intervention by CG tends to shift the accountability relations upwards. This underlying trade-off provides the background for the following paragraphs identifying pivotal variables that influence the meaningfulness of accountability relationships between LG and CG across several dimensions.

(i) The nature of the local electoral system and party structures – Local electoral systems and party systems have an important influence on the quality of local representation and local checks and balances which in turn, shape accountability relations. If local electoral rules stipulate that only individuals nominated by political parties may run for office and local political parties have strong loyalty structures towards CG parties, upwards accountability of LG officials might be strengthened at the expense of establishing meaningful downward accountability to local citizens. This effect is exacerbated if central parties have de jure or de facto control over the preparation of party lists for elections. In turn, non-partisanship in local elections might open the window for establishing meaningful downward accountability. The effect of strong vertical party hierarchies can be observed in Kosovo, where political parties tend to monopolize access to public offices on the local level. Central party branches have a strong hold over local party lists for MA elections and tend to have the final decision-making power on mayoral candidates. These patterns of strong upward accountability within parties towards the central level branch effectively strengthen the degree of upwards accountability at the expense of the ability of elected officials to be accountable towards citizens.

(ii) Soft budget constraint – Key to the above described trade-off and inherent to the CG-LG accountability relationship are fiscal incentives derived from the system of public finance. The World Development Report clearly states that accountability may not improve if fiscal incentives are “misaligned so that checks and balances do not work.” Key components of the system of public finance form the assignment of revenue instruments and expenditure responsibilities between the central and subnational levels, the design of the intergovernmental transfers, and subnational borrowing. The accountability relationship between LG and CG will be undermined if LG can manipulate the core components (mostly borrowing or intergovernmental transfers) in such a way that liabilities are shifted to the CG. Such a soft budget constraint not
only weakens accountability to the CG, but also undermines incentives for cost-effective service delivery by creating a moral hazard.\textsuperscript{89}

On the other hand, accountability between LG and CG might be strengthened if the CG issues clear conditions for subnational borrowing and ensures meaningful enforcement of these rules. For example, municipal borrowing in Kosovo is only authorized under relatively strict conditions including the approval by the Ministry of Finance, and an unqualified external audit report of municipal financial accounts, and is limited to 40% of the OSR of the previous year, which limits the extent of a soft budget constraint and ensures accountability.\textsuperscript{90}

\textit{(iii) Reliance on local own-source revenues} – Local OSR play a key role in shaping accountability relationships in a decentralized system. Against the above described trade-off, LG accountability towards citizens, as well as incentives to provide local public services can be assumed to be enhanced if, at the margin, they have to raise their own revenues through taxes or fees. OSR in this instance refer ideally to taxes of which LG can determine the base as well as the rate.\textsuperscript{91} In practice, the CG tends to limit the revenues under control of the LG to a very small number of sources (usually including property tax and user fees) and mostly control over tax rate and base is retained by the central level. This in turn undermines the potential for downward accountability and increases the level of fiscal dependence of LGs.\textsuperscript{92}

\textit{(iv) Reliance on earmarked transfers} – As LGs generally do not possess sufficient OSR sources as well as vary in their ability to collect these revenues, the CG plays a pivotal role with regard to the nature of the system of intergovernmental transfers. Though it is difficult to determine the exact level, an overreliance on earmarked and special-purpose transfers undermines the above described local autonomy and creates hierarchical patterns in which the CG holds the LG accountable for the use of the funds at the expense of its ability to be responsive to local preferences. For example intergovernmental transfers in the health and education sector are often earmarked with detailed prescriptions on the amounts allocated to salaries, goods and services and capital expenses, which leaves LGs with no room to respond to local preferences that might be different from the specifications of the grant. From this perspective, centrally determined preferences potentially override local priorities and provide a disincentive for responsive local public service delivery. Critical to the mechanism is also the predictability as well as reliability of transfers as any violation of these tends to increase the soft budget constraint.\textsuperscript{93}

\textit{(v) Policy incoherence} – As discussed above, at the core of decentralized provision of public services lies a certain level of local autonomy that allows LGs to respond to local preferences. This not only requires fiscal competencies, but also administrative competencies such as the ability to regulate, the discretion to procure, and the capacity to decide on staffing

\textsuperscript{89} Ahmad 2005, 6; World Bank 2003, 188; Harris & Wild 2013, 3; Kimr 2008, 12. For a detailed discussion see of the challenges of sub-national borrowing see Ter-Minassian 1996. For an empirical approach to detect soft-budget constraints see Pettersson-Lidbom & Dahlberg 2003.
\textsuperscript{90} Republic of Kosovo, Law on Public Debts, Chapter X
\textsuperscript{91} Bird 2011, 144
\textsuperscript{93} Smart & Bird 2009, 3; Ahmad 2008, 10; World Bank 2003, 189; Ahmad 2005, 7; Schroeder 2004, 22; Yilmaz, et al. 2008, 22
The stewardship function of the CG to monitor these actions and sustain a meaningful level of accountability might be undermined by contradictions in the legal and policy framework that render policies un-implementable. Such vertical incoherence, but also horizontal incoherence (i.e. inconsistent cross-government policies) leads to difficulties in monitoring and potentially reduces the accountability of LG to CG. This pattern may be exacerbated by political market imperfections and may be the result of collective action problems.

(vi) Collective action problems – Closely related to the former factor is the challenge of incentivizing a multiplicity of actors to coordinate and work together productively in the generation of services. Such collective action problems, generated by contradictory distribution of benefits and costs of providing a service occur on multiple levels, but are particularly relevant for the relationship between LG and CG. As solutions to problems of multilevel governance, in particular with regard to service provision, are often perceived as a zero-sum game, a lack of incentive to cooperate also affects the accountability relationship between LG and CG. Though a cross-cutting issue for many identified factors, a lack of capacity of the CG and LG may exacerbate the situation, further undermining accountability mechanisms.

4. Conclusion

The literature on decentralized service provision suggests that an assessment of accountability structures in a decentralized state is crucial to understanding the successes and failures in the quality of public service delivery. This paper provides a framework for constructing a diagnostic tool to make such assessments, first by mapping the actors that play a pivotal role in public service delivery and second by identifying the mechanisms through which each actor establishes accountability relationships with others. This paper also identifies various factors that influence the meaningfulness of these mechanisms and explains variation in quality of service delivery, many of which are illustrated through examples from a pilot application of the diagnostic tool in the municipal waste and road infrastructure sectors in Kosovo. Accompanying this paper is an operationalization table that seeks to provide guidance on the practical application of the framework. It does this by outlining potential indicators as well interview questions to assess the nature of accountability relations and the influence of identified factors. While this framework and table are open to critical evaluation, it is the hope of this paper’s authors that they will allow for a thorough assessment of incentive and accountability structures in decentralized states and help overcome some of the obstacles in the provision of public services.

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95 Wild, et al. 2012, 10
96 Harris & Wild 2013, 3
97 Ibid., 3; Wild, et al. 2012, 10
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