

Seminar

„Decentralisation in Latin America“

Dr. Christian von Haldenwang
- Syllabus -

Since the 1980s, most Latin American governments have transferred political responsibilities and financial resources from the central to subnational levels. Constitutions have been reformed to reflect the key role of municipalities and intermediate levels (provinces, departments, federal states) in politics and public service delivery. All over the region, subnational authorities are elected today and in some countries they enjoy substantial autonomy with regard to the management of local affairs.

These processes, though far from uniform, have typically been driven by high expectations on the outcomes of decentralisation in terms of democracy, economic development and the quality of public services. The seminar will explore whether the observed reforms and changes are in line with these expectations. Does decentralisation in Latin America lead to higher growth, more democracy, better services and a more equitable distribution of societal resources? To discuss this question we will look at recent contributions to empirical research and analyse specific cases from all over the region.

The seminar language is English. Credits are obtained through

- (i) active participation in seminar sessions, including the (co-) organisation of one of the sessions, *plus*
- (ii) a paper of up to 6000 words on a topic related to the seminar.

Required readings and additional literature for individual sessions may change. Students will be notified at least one week in advance. Course material will be managed through Ilias.

1. Session, Friday 23.10., 10.00-11.30

Introduction I: Decentralisation: clarifying the concepts

Required reading:

Boex, J. / S. Yilmaz (2010): An Analytical Framework for Assessing Decentralized Local Governance and the Local Public Sector, IDG Working Paper No. 2010-06, Washington, DC: Urban Institute Center on International Development and Governance (IDG)

Further reading:

Brinkerhoff, D. W. / O. Azfar (2006): Decentralization and Community Empowerment: Does community empowerment deepen democracy and improve service delivery? Paper prepared for: U.S. Agency for International Development, Office of Democracy and Governance, Washington, DC: RTI International

Rodden, J. (2004): Comparative Federalism and Decentralization. On Meaning and Measurement, in: *Comparative Politics* 36 (4), 481-500

Rondinelli, D. A. (1989): Decentralizing public services in developing countries: Issues and opportunities, in: *Journal of Social, Political and Economic Studies* 14 (1), 77-98

2. Session, Friday 06.11., 10.00-11.30

Introduction II: Theoretical approaches: local fiscal choice, (second generation) fiscal federalism

Required reading:

Oates, W. E. (2005): Toward a second-generation theory of fiscal federalism, in: *International Tax and Public Finance* 12 (4), 349-373

Olson, M. (1969): The principle of 'fiscal equivalence': The division of responsibilities among different levels of government, in: *American Economic Review* 59 (2), 479-487

Further reading:

Boadway, R. / A. Shah (eds.) (2009): *Fiscal Federalism. Principles and Practice of Multiorder Governance*, New York, NY: Cambridge University Press, pp. 4-60

Weingast, B. R. (2014): Second Generation Fiscal Federalism: Political Aspects of Decentralization and Economic Development, in: *World Development* 53, 14-25

3. Session, Friday 06.11., 14.00-15.30

Introduction III: Theoretical approaches: democracy theory, New Public Management

Required reading:

Ivanyna, M. / A. Shah (2012): How Close Is Your Government to Its People? Worldwide Indicators on Localization and Decentralization, Policy Research Working Paper 6138, Washington, DC: World Bank

Further reading:

Campbell, T. / G. Peterson / J. Brakarz (1991): Decentralization to Local Government in LAC: National Strategies and Local Response in Planning, Spending and Management, Regional Studies Program, Report No. 5, Washington, DC: World Bank

Faust, J. / I. Habers (2011): On the Local Politics of Administrative Decentralization: Applying for Policy Responsibilities in Ecuador, in: *Publius: The Journal of Federalism* 52 (1), 52-77

Mansuri, G. / V. Rao (2013): *Localizing Development. Does Participation Work?*, Washington, DC: World Bank

4. Session, Friday 20.11., 10.00-11.30

Political economy of decentralisation: actors and drivers

Required reading:

Nieto-Parra, S. / M. Olivera (2012): Making Reform Happen in Colombia: The Process of Regional Transfer Reform, Paris: OECD (Development Centre Working Paper No. 309)

Further reading:

Frank, J. (2007): *Decentralization in Ecuador: Actors, Institutions and Incentives*, Baden-Baden: Nomos

5. Session, Friday 20.11., 14.00-15.30

Decentralisation and public management: employment, public investment, procurement, etc.

Required reading:

Manning, N. et al. (2008): *Public Management Reform: Should Latin America Learn from the OECD? "XIII Congreso Internacional Del CLAD sobre Reforma del Estado y de la Administración Pública"*, Brasilia

Further reading:

Faguet, J.-P. (2008): Decentralisation's Effects on Public Investment: Evidence and Policy Lessons from Bolivia and Colombia, in: *Journal of Development Studies* 44 (8), 1100-1121
BID / OECD (2014): Panorama de las Administraciones Públicas: América Latina y el Caribe 2014: innovación en la gestión financiera pública: OECD

6. Session, Friday 04.12., 10.00-11.30

The impact of decentralisation I: Problems of measurement

Required reading:

Martinez-Vazquez, J. / S. Lago-Penas / A. Sacchi (2015): The impact of fiscal decentralization: a survey, GEN Working Paper A 2015 - 5, Vigo: Universidad de Vigo Governance and Economics research Network

Further reading:

Ahmad, E. / G. Brosio (2009): Decentralization and local service provision: what do we know?, London: Asia Research Centre (ARC) (Asia Research Centre Working Paper 27/)

Blöchliger, H. (2013): Decentralisation and Economic Growth - Part 1: How Fiscal Federalism Affects Long-Term Development, OECD Working Papers on Fiscal Federalism, No. 14, Paris: OECD

Connerley, E. / K. Eaton / P. Smoke (eds.) (2010): Making Decentralization Work: Democracy, Development, and Security, Boulder, CO: Lynne Rienner, Chapter 7

Schneider, A. (2003): Decentralization: Conceptualization and Measurement, in: *Studies in Comparative International Development* 38 (3), 32-56

Treisman, D. (2002): Defining and Measuring Decentralization: A Global Perspective, Los Angeles, CA: University of California, Department of Political Science

7. Session, Friday 04.12., 14.00-15.30

The impact of decentralisation II: democracy

Required reading:

Mansuri, G. / V. Rao (2013): Localizing Development. Does Participation Work?, Washington, DC: World Bank

Further reading:

Connerley, E. / K. Eaton / P. Smoke (eds.) (2010): Making Decentralization Work: Democracy, Development, and Security, Boulder, CO: Lynne Rienner, Chapters 2,3

Gerring, J. / S. C. Thacker / C. Moreno (2005): Centripetal democratic governance: a theory and global inquiry, in: *American Political Science Review* 99 (4), 567-581

8. Session, Friday 18.12., 10.00-11.30

The impact of decentralisation III: social development

Required reading:

Sepulveda, C. F. / J. Martinez-Vazquez (2011): The consequences of fiscal decentralization on poverty and income equality, in: *Environment and Planning C: Government and Policy* 29 (2), 321-343

Further reading:

Arnson, C. J. / M. Bergman / T. Fairfield (eds.) (2012): Taxation and Equality in Latin America, Washington, DC: Woodrow Wilson International Center for Scholars, Latin American Program (Woodrow Wilson Center Update on the Americas/)

- Fredriksen, K.* (2013): Decentralisation and Economic Growth - Part 3: Decentralisation, Infrastructure Investment and Educational Performance, OECD Working Papers on Fiscal Federalism, No. 16, Paris: OECD
- Sow, M. / I. F. Razafimahefa* (2015): Fiscal Decentralization and the Efficiency of Public Service Delivery, IMF Working Paper 15/59, Washington, DC: International Monetary Fund
- UN-HABITAT* (2012): Estado de las ciudades de América Latina y el Caribe 2012. Rumbo a una nueva transición urbana, Nairobi: UN-HABITAT

9. Session, Friday 18.12., 14.00-15.30

The impact of decentralisation IV: corruption

Required reading:

Ivanyna, M. / A. Shah (2011): Decentralization (localization) and corruption: New cross-country evidence, Policy Research Working Paper 5299, Washington, DC: World Bank

Further reading:

- Altunbas, Y. / J. Thornton* (2012): Fiscal Decentralization and Governance, in: *Public Finance Review* 40 (1), 66-85
- Treisman, D.* (2000): The causes of corruption: a cross-national study, in: *Journal of Public Economics* 76 (3), 399-457

10. Session, Friday 08.01., 10.00-11.30

The impact of decentralisation V: fragility and violent conflict

Required reading:

Brancati, D. (2006): Decentralization: Fueling the Fire or Dampening the Flames of Ethnic Conflict and Secessionism?, in: *International Organization*, 60, 651-685

Further reading:

- Bird, R. M. / F. Vaillancourt / É. Roy-César* (2010): Is Decentralization “Glue” or “Solvent” for National Unity?; online: <http://ssrn.com/abstract=1542702>
- Dreher, A. / J. A. V. Fischer* (2011): Does government decentralization reduce domestic terror? An empirical test, in: *Economics Letters* 111 (3), 223-225
- Grävingsholt, J. / C. von Haldenwang* (2015): Dezentralisierung und lokale Selbstverwaltung unter den Bedingungen fragiler Staatlichkeit, Bonn, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), mimeo
- Tranchant, J.-P.* (2008): Fiscal decentralisation, institutional quality and ethnic conflict: A panel data analysis, 1985–2001, in: *Conflict, Security & Development* 8 (4), 491-514

11. Session, Friday 08.01., 14.00-15.30

The impact of decentralisation VI: fiscal policy

Required reading:

Fretes Cibils, V. / T. Ter-Minassian (eds.) (2015): Decentralizing revenue in Latin America. Why and how, Washington, DC: Inter-American Development Bank (Chapter 1)

Further reading:

- Bird, R. M.* (2000): Intergovernmental fiscal relations in Latin America: policy design and policy outcomes, Washington, D.C.: Inter-American Development Bank
- Corbi, R. / E. Papaioannou / P. Surico* (2014): Federal transfer multipliers. Quasi-experimental evidence from Brazil, in: *National Bureau of Economic Research Working Paper Series* 20751

- Pöschl, C. (2015): Revenue Pressure on Mexican Municipalities: Does it Lead to Greater Accountability? ICTD Working Paper 29, Brighton: Institute of Development Studies
- Rodrigues Afonso, J. R. / E. Amorim Araujo / M. A. Rios da Nóbrega (2012): The Urban Property Tax (IPTU) in Brazil: An Analysis of the Use of the Property Tax as a Revenue Source by Brazilian Municipalities, Cambridge, MA: Lincoln Institute of Land Policy Working Paper
- Smoke, P. (2013): Why Theory and Practice are Different: The Gap Between Principles and Reality in Subnational Revenue Systems, International Center for Public Policy Working Paper 13-13, Atlanta, GA: Andrew Young School of Policy Studies, Georgia State University
- von Haldenwang, C. (2008): Taxation, Social Cohesion and Fiscal Decentralisation in Latin America, Discussion Paper 1/2008, Bonn: DIE
- von Haldenwang, C. (2010): Taxation, Fiscal Decentralisation and Legitimacy: The Role of Semi-Autonomous Tax Agencies in Peru, in: *Development Policy Review* 28 (6), 643-667
- Webb, S. B. (2004): Fiscal responsibility laws for subnational discipline: the Latin American experience, World Bank Policy Research Working Paper 3309, Washington, DC: World Bank

12. Session, Friday 22.01., 10.00-11.30

The impact of decentralisation VII: managing natural resources

Required reading:

Kauneckis, D. / K. Andersson (2009): Making Decentralization Work: A Cross-national Examination of Local Governments and Natural Resource Governance in Latin America, in: *Studies in Comparative International Development* 44 (1), 23-46

Further reading:

- Arellano-Yanguas, J. (2011): Aggravating the Resource Curse: Decentralisation, Mining and Conflict in Peru, in: *Journal of Development Studies* 47 (4), 617-638
- Arellano-Yanguas, J. / A. Mejia Acosta (2014): Extractive Industries, Revenue Allocation and Local Politics, Geneva: UNRISD (Working Paper/ 4)
- Farzanegan, M. R. / C. Lessmann / G. Markwardt (2012): Natural resource rents and internal conflicts: How decentralization lifts the curse, Dresden: Technische Universität Dresden; on-line: http://works.bepress.com/mr_farzanegan/17
- Gervasoni, C. (2010): A Rentier Theory of Subnational Regimes: Fiscal Federalism, Democracy, and Authoritarianism in the Argentine Provinces, in: *World Politics* 62 (02), 302 - 340
- Helwege, A. (2015): Challenges with resolving mining conflicts in Latin America, in: *The Extractive Industries and Society* 2 (1), 73-84
- Paler, L. (2013): Keeping the Public Purse: An Experiment in Windfalls, Taxes, and the Incentives to Restrain Government, in: *American Political Science Review* 107 (4), 706-725
- Vieyra, J. C. / M. Masson (eds.) (2014): Transparent Governance in an Age of Abundance: Experiences from the Extractive Industries in Latin America and the Caribbean, Washington, DC: IDB (Inter-American Development Bank)

13. Session, Friday 22.01., 14.00-15.30

The impact of decentralisation VIII: economic development

Required reading:

Voigt, S. / L. Blume (2012): The economic effects of federalism and decentralization—a cross-country assessment, in: *Public Choice* 151 (1), 229-254, online: <http://dx.doi.org/10.1007/s11127-010-9745-z>

Further reading:

- Ahmad, E. (2015): Governance and Institutions: The role of multilevel fiscal institutions in generating sustainable and inclusive growth, in: E. Ahmad / G. Brosio (eds.), Handbook of Multilevel Finance, Cheltenham: Edward Elgar Publishing (Handbook of Multilevel Finance/ E. Ahmad / G. Brosio), 200-230
- Blöchliger, H. / B. Égert (2013): Decentralisation and Economic Growth - Part 2: The Impact on Economic Activity, Productivity and Investment OECD Working Papers on Fiscal Federalism, No. 15, Paris: OECD
- Helling, L. / R. Serrano / D. Warren (2005): Linking Community Empowerment, Decentralized Governance, and Public Service Provision Through a Local Development Framework Social Protection Discussion Paper 0535, Washington, DC: World Bank
- Lozano-Espitia, I. / J. M. Julio-Román (2015): Fiscal Decentralization and Economic Growth: Evidence from Regional-Level Panel Data for Colombia, in: *Borradores de Economía* 865

14. Session, Friday 05.02., 10.00-11.30

The promotion of decentralisation I: sequencing

Required reading:

Falleti, T. G. (2005): A Sequential Theory of Decentralization: Latin American Cases in Comparative Perspective, in: *American Political Science Review* 99 (3), 327-346

Further reading:

Bahl, R. / J. Martinez-Vazquez (2006): Sequencing Fiscal Decentralization Policy Research Working Paper 3914, Washington, DC: World Bank

15. Session, Friday 05.02., 14.00-15.30

The promotion of decentralisation II: development cooperation

Required reading:

Eaton, K. / K. Kaiser / P. Smoke (2010): The Political Economy of Decentralization Reforms: Implications for Aid Effectiveness, Washington, DC: World Bank

Further reading:

von Haldenwang, C. / J. Faust (2012): GIZ Support to Decentralisation and Local Governance Reforms: Changing Markets, Core Strengths, Future Opportunities, Eschborn: GIZ