

Annex 1	Level of government empowered by decentralization, and other admin. Divisions	Landmark decentralization events; decentralization policy framework?	Decentralization characteristics (subnational expenditures, revenues, administrative capacity)	Obstacles to decentralization implementation	Local democracy; civil society participation
Cambodia	<p><i>Commune (third tier)</i></p> <hr/> <p>20 provinces, 4 municipalities, 1600+ communes</p>	<p>No formal decentralization framework</p> <p>Law of Commune Administrative Management – broadly defines nature, functions, power of commune council and defines modest decentralization of responsibilities and resource to elected commune councils.</p> <p>Commune Election Law regulates commune elections.</p>	<p>Limited fiscal deconcentration and devolution of responsibilities. Provincial budgets are financed primarily from central government transfers. Communes are allowed to collect their own revenues; they are not allowed to borrow.</p> <p>Increasing provincial expenditures have been due mostly to two functions: general administration and public works. In critical service delivery sectors, such as health, education, and agriculture, there is a marked trend since 1996 toward the further concentration of resources in the hands of the central agency. Responsibility for formulation and execution of sector budgets is divided between central ministries and their provincial departments.</p> <p>Ministry of Interior (MOI) responsible for determining monitoring and control of general commune activities; Department of Local Administration established for these functions.</p> <p>Three pilot decentralization programs:</p> <ul style="list-style-type: none"> <li>• Accelerated District Development system – funds allocated to district level</li> <li>• Priority Action Programs in Education and Health – funds at provincial level</li> <li>• Seila Program – to promote rural development through decentralized planning, financing and management of investments in basic services and infrastructure. Funds available at provincial level.</li> </ul>	<p>Across the board reform challenges and severe public sector administrative and institutional capacity limitations.</p> <p>Many communes have little or no service delivery capacity.</p> <p>Task of establishing appropriate legal, administrative, fiscal, and supervision mechanisms is immense.</p> <p>Developing commune own-source revenues will be essential for ensuring financial sustainability over the long term. The decentralization law assigns land, real estate, and rental taxes to the communes, but does not provide details.</p>	<p>Elected local government entities in February 2002.</p>

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China	<p>Province (second tier)</p> <p>22 provinces, 5 autonomous regions, 4 municipalities</p> <p>331 prefectural governments</p> <p>2109 country level governments</p> <p>44,741 townships</p>	<p>No formal decentralization framework</p> <p>1979 market-oriented reforms</p> <p>1994 comprehensive fiscal reform</p> <p>Budget Law 1995</p>	<p>Economic decentralization, a key component of modernization reforms, has been pushing a parallel decentralization in government structures, authority, and fiscal management. This devolution occurred incrementally through the transition process.</p> <p>Fiscal system became increasingly decentralized beginning in 1979 – local governments acquired authority over local expenditures within a broad set of guidelines. Highly decentralized by expenditure shares: central expenditures account for only 30 percent of total; the rest is distributed among the other tiers. Counties are the most important level of local government in terms of expenditure shares.</p> <p>Revenue divided between central and local governments in "fiscal contracting system", complex set of negotiated bargains between central and local governments – dramatic departure from previous unified system.</p>	<p>Weakening in center's control over fiscal policy, as local governments have gained increasing influence over fiscal revenues.</p> <p>Decentralized revenue assignment not matched by expenditure reassignment.</p> <p>Growth of extrabudgetary funds.</p>	<p>The changing economic context of decentralization has perhaps shifted societal incentives back in favor of recentralization.</p> <p>Local officials now often appointed from provincial ranks rather than central bureaucracy.</p>
Indonesia	<p>District (third tier)</p> <p>27 provinces, 2 special regions, 1 special capital city district</p>	<p>No white paper equivalent, with broad goals and steps of decentralization reform.</p> <p>Law 22/1999 on Regional Government – eliminates hierarchical relationship between central and district governments.</p> <p>Law 25/1999 on the Fiscal Balance – alters the transfers received by local governments from the central governments.</p> <p>Law 34/2000 – introduces new regional taxes and levies.</p>	<p>The laws provide mainly for expenditure responsibility devolution without comparable action on revenues. Despite the enactment of revenue sharing for natural resource revenues, the laws do not give local governments any new, meaningful, and locally controlled tax instruments.</p> <p>The majority of regions have drafted regulations concerning authority, organization, and personnel.</p> <p>Mismatches between fiscal capacities and expenditure needs are problematic in many individual provincial and district governments, and horizontal imbalances exist.</p> <p>Monitoring and evaluation is difficult in the absence of clearly stated priorities and objectives.</p>	<p>Mismatches between fiscal capacities and expenditure needs are problematic in many individual provincial and district governments.</p> <p>Transfer of large numbers of civil servants to the regions has resulted in large expenditures on salaries, squeezing funds for service delivery and capacity building.</p>	

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<b>Japan</b>	47 prefectures, 3,236 municipalities	1993 House and Diet resolutions on decentralization, based on the premise that the centralized administrative system had been unable to cope with newly emerging issues and concerns. 1995 Law for Promotion of Decentralization. 1998 Decentralization Promotion Plan.	Central government has maintained firm authority over service delivery, personnel affairs, and the financial management schemes of prefectures and municipalities. The administrative principle of agency delegation has continued to dominate inter-governmental relations, so that local executives continue to execute national programs as agents of the national government – an estimated 80% of prefectural government services and 40% of municipal government services are classified as agency delegation and therefore come under national government supervision. 70% of national government income is being spent in local governments. LGUs have been generating roughly 30% of their revenues from local sources.	Prefectures and local governments continue operating as mere organs or agents of the national government, a “controlled decentralization”.	
<b>Korea</b>	9 provinces, 7 metropolitan cities	1980 constitution provided for some administrative authority to local units. 1986 Local Autonomy Law (revised 1990) implemented local autonomy and established local assemblies.	Local governments have more autonomy and discretionary power and are less dependent on national government. Increase in proportion of budget allocated for local governments in relation to the national government, from about 30% in 1989 to 37% in 1991. Improvements in service delivery quality.	Local politics are still mayor-led, or “executive-dominated”.	Avenues for participation have been put in place, including citizen consultative committees, civil monitoring system.  Increase in number of civic organizations.

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Laos	District (third tier)  16 provinces, 1 municipality, 1 special zone	1991 Constitution gave local executives powers to administer their localities without having to obtain support from national bodies. 2001 Prime Ministerial Decree 01 and SPC Instruction Note 128 had the objective of “making the province the strategic unit, the district the budget planning unit and the village the implementation unit.”	Until 1991, expenditures were under the control of the provincial governor. Taxes were collected by the provincial branches of the Ministry of Finance and not regarded as national revenues. Few resources were transferred to the central government from the provinces, and government employees were managed provincially rather than centrally. This devolution resulted in large service delivery disparities among provinces. In order to achieve greater uniformity in service provision, a law was passed centralizing revenues, requiring all revenues to pass to the MOF as part of a unified national budget. In 1997, however, provincial governors were given responsibility for a wide ranges of government services, and since then budget allocations for those services have been made directly to the provinces rather than through line ministries. The current decentralization policy introduced new administrative and financial arrangements in 2000/01, extending financial management responsibilities to provinces and districts in the formulation and execution of budgets. The current decentralization initiative is a government priority, but is facing many difficulties in fiscal management. Provincial authorities are now responsible for transmitting central government policy measures to the district level. The district level administration is more directly involved with the implementation of new legislation and plays the key role in local resource management and decision making. Principle of focal site approach to sustain natural resource management.	Central government has backtracked on decentralization on occasion, for example, re-centralizing all finances just after the Constitution was passed. Extreme lack of human resource and institutional capacity in subnational government. Poor institutional linkages and communication between different levels of government. Poor monitoring allows corruption at local level to continue. Decentralization still being implemented on the principle of transfer of function but not the transfer of power.	Immense power wielded by governors and other local chief executives, combined with lack of formal participatory avenues, impede full realization of local autonomy and participation.  Laos held (?) municipal elections in 2002 for the first time.

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<b>Malaysia</b>	Federal country: 13 states and 2 federal territories	Constitution governs division of revenue between federal and state governments. Constitution limits state revenue sources, including borrowing.	Local governments are directly under state governments. Chief executives are appointed by state governments. Most powers and responsibilities are lodged with the federal government, as are sources of revenue. Federal government gets about 86% of total government revenues, the states about 10%. Local governments derive revenues from fees for service, local taxation, and intergovernmental transfers ( the latter are relatively insignificant – about 2.5% of total local government expenditure).	Local governments are under-financed for their assigned functions. Federal Constitution perpetuates centralization through the division of powers, functions, and resources between the federal government and the states.	
<b>Mongolia</b>	21 provinces, 2 self-governing cities, 324 districts, 1,590 brigades	1992 constitution declared a decentralized inter-governmental system. But the constitution sets the local governments as agents of the center rather than independent entities. Decentralization policy outlined in Management Development Program (MDP) of December 1993.	Local authorities have been granted substantial functions and responsibilities to take greater control over local affairs. But authority has not been devolved in line with fiscal responsibility – most local expenditures are administrated in a deconcentrated rather than devolved manner. Local government expenditures rose from 10.3 percent of GDP in 1996 to over 13.1percent in 2000. Local government expenditures as a share of total expenditures fell from 31 percent to about 26 percent. Over 80 percent of the provinces depend on the center for fiscal resources – local governments have little to no revenue raising capacity. Local government revenues have not kept up with expenditures: local revenues as a percent of GDP increased from 5.9 to 6.4 percent of GDP from 1996 to 2000; but as a share of total revenues fell from 23.5 percent to 17.5 percent.	Neither the legal framework nor the policies implemented yet sustain decentralization. Local governments have not been provided adequate financial resources to carry out their functions, and have limited authority to mobilize fiscal resources. New Public Management system of public sector management has been enacted by the parliament. Some of the public financial reforms associated with this are in direct contradiction to decentralization principles.	

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<b>Philippines</b>	Municipalities (third tier)  77 provinces, 72 cities, 1,548 municipalities, 42,000+ villages (barangays)	1991 Local Government Code (implemented beginning 1992) Devolution Master Plan (1993-1998) Rapid Field Assessments – monitoring and evaluation	Comprehensive process of devolution initiated by LGC, transferring significant responsibilities and functions to local governments. Devolved responsibilities included delivery of basic services, such as health, agriculture, social services, and aspects of environmental management and infrastructure. While the Internal Revenue Allotment (IRA) remains the primary source of LGU revenue, the Code granted to LGUs more power to generate their own financial resources. Service delivery has improved, generally (with some sectoral differences).	Demoralization of devolved workers (particularly health sector). Devolved financial resources did not match cost of devolved services – LGUs have turned to alternative financing sources. Some national government agencies reluctant to embrace locally-driven development; holding onto nationally-driven programs and resources.	LGC laid the foundation for cooperation between civil society and local government. Striking proliferation of NGOs, involved in local governance. Increase in local government – private sector partnerships.

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Thailand	76 provinces, 811 districts, 7,409 sub-districts, 67,000+ villages	New constitution of 1997 paves the way to new era of decentralization. National Decentralization Act (1999) defines role of National Decentralization Committee, responsible for preparing the decentralization framework. Decentralized Plan and Process Act of 1999 prescribes a number of milestones for decentralization.	<p>Policy functions remain centralized in Bangkok, but some responsibilities are decentralized to local governments, with some functions the joint responsibility of central and local government. NDC supports mandates for assigning more direct responsibility to local governments for specific, well-defined expenditures, which should result in minimal overlap of responsibility among central and local governments.</p> <p>Transfer of revenues to local governments (as mandated under the Decentralization Act) has not been matched with more local responsibilities. While in mid-2003 local government revenues were about 22 percent of national government revenues, only an estimated 4 percent of expenditures have been decentralized. This is an unbalanced approach to fiscal decentralization, where local governments are guaranteed revenues from transfers by the central government but need not assume increased responsibility for providing public services.</p> <p>Local governments' own-collected revenues in mid-2003 account for only 10 percent of their revenues. They are allowed to obtain revenues from a limited number of sources; they are constrained by the laws allowing them to collect taxes. The allocation of grants is administered by the Department of Local Government Organization Promotion (DLGP) in the Ministry of Interior. There is no defined <i>ex ante</i> formula for intergovernmental fiscal transfers.</p> <p>Central government function are to be devolved in 10 years; but, to date, relatively few functions have been devolved to local government organizations. Decentralization of functions such as health and education decentralization have been delayed as the Ministry of Public Health and Ministry of Education insist that local government organizations pass readiness criteria before most of the functions can be decentralized to local government organizations.</p> <p>In terms of personnel decentralization, in mid-2003 only 3,158 positions from the Public Works Department and the Office of Accelerated Rural Development have been transferred to local government organizations, out of 1.2 million civil servants in total.</p>	Constitution embraces decentralization, but it vague about specifics, to be addressed through separate legislation and administrative actions. Since most local expenditures are not linked with a specific revenue source, municipalities tend to finance a large portion of their capital projects from recurrent revenues. Central and local governments have overlapping expenditure functions and responsibilities, usually resulting in central government dominated administration. NDC secretariat has limited budget and staff. Analysts are concerned about the suboptimal size of local governments in Thailand for scaled service delivery.	Constitution seeks to end the practice of guided democracy at local levels by specifying that local government bodies will be elected.

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<b>Vietnam</b>	58 provinces, 3 municipalities, 600 districts, 10,330 communes	1994 Law on Organization and 1996 Ordinance on Concrete Tasks provide basic legal framework for local government organization. 1996 and 1998 Budget Laws formalize the fiscal arrangements between different levels and assign important budget responsibilities to local authorities particularly at the provincial level.	Decentralization measures intended to build and upgrade local government capacity, and also strengthen the capacity of local communities and the civil society in general. Local authorities have no inherent power to carry out any public administration functions unless explicitly assigned such responsibilities by national legislation. Local authorities, instead of the central administration, have the power to issue decentralization measures, which empower local governments and also local civic organizations. Decentralization also forms an important part of the Public Administration Reform program, launched in 1995. In the Vietnamese context, there is no entity referred to as "local government" which consists of both legislative and executive arms. Localities have a Peoples Committee (PCOM) as an executive body at local levels and a Peoples Council (PC), a representative body at local levels. The norms regulating the relationship between these two bodies as well as between the central and local levels are complex.	Variations in yearly fiscal transfers make local government long term planning unfeasible. National officials continue to impose restrictions on local autonomy, particularly on investment. Local authorities have weak managerial capacity and experience, as well as a shortage of well-qualified personnel. People's committees (executive) and people's councils (representative bodies) often have overlapping membership, compromising accountability.	Participation in local governance is introduced through formal mechanisms and procedures, creating an enabling environment for the emergence of an active civil society.