

ASSESSMENT OF IMPACT OF DECENTRALIZATION: INDICATORS

INTRODUCTION

THE NATIONAL CROSS-CUTTING Strategy for Decentralization and Local Governance (NCSDLG) 2015-2020 highlights the Government of Albania's vision: "Empowerment of the local government and the decentralization process thereof, in order to ensure a heightened efficiency of local government itself" (p. 16). This vision is indeed embraced by mayors of local government units. A study conducted recently by the Institute for Democracy and Mediation (IDM) revealed that about 92% local officials (n=55) agree with the vision stipulated in the Decentralization Strategy.¹

The decentralization and local governance reform has four objectives: (1) Enhance the overall efficiency of local government structures; (2) Strengthen Local Finances and Increase Fiscal Autonomy; (3) Strengthen Good Governance at the Local Level; and, (4) Promote sustainable local development (p. 16). The NCSDLG has introduced several documents that seek to accomplish these objectives. Yet, what impact will the reform of decentralization and local governance have in reality? Will there be greater fiscal autonomy? Will local government units have more opportunities for development? Will they deliver services of better quality? Will local democracy be strengthened? It is necessary to evaluate the impact of decentralization so as to answer these questions and examine the extent to which the new decentralization and local governance reform will bring changes to Albania's LGUs. The purpose of evaluating the impact of decentralization is to improve the quality of life in the communities of Albania. The evidence to be collected during the monitoring and evaluation will be used to inform policymakers, policy implementers, and other stakeholders involved in the decentralization process.

In this context, this fifth policy paper of the

¹ Institute for Democracy and Mediation. (2015). 2014 – 2020 Decentralization Strategy: Perceptions of Local and Central Stakeholder. Policy Brief No. 7, Tirana, Albania: IDM

"Monitoring and Evaluation of the Decentralization Process in Albania" Project presents a methodological approach and the indicators that can be employed to evaluate the impact of decentralization in Albania. In addition, the document brings to light a variety of methodological difficulties that need to be overcome. The indicators have been designed on three core dimensions: financial, administrative, and political. IDM has employed these dimensions to monitor the process of drafting the Decentralization Strategy during 2014-2015. These dimensions are widely used to evaluate the impact of decentralization in other countries.²

METHODOLOGICAL DIFFICULTIES

WHEN DETERMINING the impact of decentralization a series of methodological difficulties arise. Initially, the base unit of analysis –the local government unit– will change due to the administrative-territorial reform. This change brings about two effects to the evaluation of the impact of decentralization. Firstly, the existing data on municipalities and communes, such as population, level of revenues, level of expenditure, etc., will have to be rearranged in accordance with the new administrative-territorial division. Secondly, the evaluation of the decentralization impact will be conditioned by the progress of the administrative-territorial reform. The reorganization of the local government units will take time just like the establishment of the data collection system in each local government unit. This problem cannot be avoided. Yet, to address it to a certain extent, the evaluation of the impact of decentralization will have to focus initially in LGUs where the administrative-

² See, for example, Frank, R. (2004). Assessment of the impact of decentralization: The case of Colombia (1991-2001). Accessed on 2 May, 2015 from http://www.jposc.org/documents/workshop_Dakar_Assessment_of_the_impact_of_Decentralization_Colombia.pdf; Schneider, A. (2003). Decentralization: Conceptualization and Measurement. Accessed on 10 May, 2015 from http://www.hks.harvard.edu/fs/pnorris/Acrobat/stm103%2oarticles/Schneider_Decentralization.pdf

territorial reform has been piloted or in a sample of LGUs. Once the transitory period is over – with the completion of the process of LGUs’ reorganization– work can proceed with all LGUs.

Another challenge encountered in the course of evaluating the impact of decentralization relates to the identification of causal relationship and the mechanisms that have led to these types of relationship. It is not easy, for instance, to establish a cause-effect relationship between the decentralization and the quality of the public services. Does the quality of public services improve as a result of decentralization or other forces, such as quality of leaders? Or, do both decentralization and quality of leaders, interact? An evaluation of the impact requires not only measuring the change brought in by the decentralization but also the identification of mechanisms that led to the change.

RESEARCH APPROACH

A RIGOROUS EVALUATION of the impact of decentralization will have the following characteristics:

1. The changes introduced by decentralization must be evaluated periodically. This will allow for continuous information of policies and programs.
 2. The changes among local government units must be assessed constantly. This will help to identify differences existing among LGUs and to examine whether the gap among them is increasing, decreasing or unchanged.
 3. The changes in each LGU must be measured regularly. This approach will allow for understanding the pace of change for each and every LGU and will help to assess whether this pace is fast, slow or inexistent.
 4. The evaluation of changes must rely on secondary data from institution, such as the Institute of Statistics, Ministry of Finance, Bank of Albania, and Central Election Commission, and on primary data collected in the ground through surveys, interviews and focus groups. In this way, the attention will be paid to macro and micro indicators concurrently. Oftentimes, when measuring the impact of decentralization, the focus is placed on macro-level data, such as local revenues from taxes in proportion to central government revenues from taxes or collection rate of service fees. While this data is very important, we should not ignore the perspective of local actors, such as local officials, representatives of villages
- and towns, and residents. For example, a survey may be designed to solicit input from residents. The survey can include a range of questions on aspects of administrative and political decentralization, such as level of satisfaction with the quality of greenery and cleaning service, and quality of interaction with the local officials and leaders. Interviews can be conducted with local officials and leaders in villages and towns to take their perspective on the impact of decentralization.
5. When evaluating the changes, focus should not only be in municipal centers, but also in villages and towns. The administrative-territorial reform will lead to the increase of heterogeneity within a local government unit. It is important to assess the impact of decentralization on this heterogeneity. Will differences between the municipal center and town/villages be narrowed? What policies will be pursued to allocate investments? Will they target town only or villages as well? Will, for instance, villages in remote areas benefit? Measuring the impact of decentralization in towns and villages must particularly focus in the quality of public services and local democracy. Will the service of greenery, cleaning, public lighting, and road maintenance improve? Will opportunities for participation in decision-making increase?
 6. The assessment of the impact of decentralization should also consider the changes to be triggered by the administrative-territorial reform, such as the increase of the physical distance between villages/towns and the municipal center. For example, when evaluating the quality of public services and their change over time, the role of the distance from the municipal center should also be examined. This will help to understand whether the changes of the service quality vary by distance from the municipal center.
 7. Attention must be paid to qualitative and quantitative indicators when evaluating the changes. For example, it is insufficient to only focus in the number of the newly-established public service offices, but also in the quality of services delivered in these offices as well as in the level of access to them by residents of remote areas.
- The assessment of the impact of decentralization must serve at least two purposes: firstly, inform central government and local governance actors on the progress of decentralization, and highlight positive and negative developments that accompany decentralization; and, secondly, dis-

cuss finding and identify options to address identified problems.

RESEARCH APPROACH

TABLES 1, 2, AND 3 present indicators that can be used to assess the impact of decentralization by each core dimension: financial, administrative, and political. The political decentralization includes two sub-dimensions: vertical and horizontal accountability.³ For each form of decentralization,

³ The idea of vertical and horizontal accountability builds on Velgel, K. Constructing indicators to evaluate and monitor decentralization in Sub-Saharan Africa. Accessed on 18 July, 2014 from <http://capacity4dev.ec.europa.eu/public-pub.sector-reform-decentralisation/>

consideration may be given to four areas: authority, capacities, accountabilities, and access to information.⁴ In addition, attention must also be paid to spatial differences among and within LGUs. The last two columns of the table provide the source of information and type of research instrument to be employed for the data collection and type of (primary vs secondary) data.

document/6th-annual-delog-meeting-may-2011-kfw-constructing-indicators-evaluate-and-monitor-decentral

⁴ Shih Hutchinson P. L. & LaFond, A. K. (2004). Monitoring and evaluation of decentralization reforms in developing country health sectors. Accessed on 18 July, 2014 from <http://www.cpc.unc.edu/evaluate/publications/tr-04-29>

Table 1. Fiscal Decentralization Indicators⁵

Indicators	Source	Research Instrument
<p>Local revenues</p> <ul style="list-style-type: none"> Local revenues in ratio to central government revenues Local revenues from taxes in ratio to central government revenues from taxes Share of local revenues in the GDP <p>Local expenditures</p> <ul style="list-style-type: none"> Local expenditures in ratio to central government expenditures Local expenditures for salaries in ratio to central government expenditures for salaries Share of local expenditures in the GDP <p>Functional local expenditures</p> <ul style="list-style-type: none"> Local expenditures in the healthcare sector with LGU's own resources Local expenditures per inhabitant in the healthcare sector – building, upgrading or extending of infrastructure Spatial differences in the allocation of investments in the healthcare sector (Include other sectors like education and public services.) <p>Vertical equalization</p> <ul style="list-style-type: none"> Local revenues in ratio to local expenditures Local revenues from taxes in ratio to local expenditures Revenues from transfers in ratio to local revenues Local borrowing in ratio to central government borrowing <p>Others</p> <ul style="list-style-type: none"> Capacities of local government units to collect service taxes Management capacities of LGUs Transparence of formula of inter-governmental transfers Sources of local revenues and their relative ratios Number of Public-Private Partnerships 	<p>Ministry of Finance;</p> <p>Local government units</p>	<p>Questionnaires, interviews, secondary data</p>

⁵ Network of Associations of Local Authorities of South East Europe. (2014). Fiscal decentralization: Indicators for South-East Europe, 2006 – 2012 (3rd edition).; World Bank. (2013). Decentralization indicators

Table 2. Administrative Decentralization Indicators

Indicators	Source	Research Instrument
<ul style="list-style-type: none"> • Extent of clarity of the role and responsibilities for public service delivery • Level of delegation of responsibilities to various tiers of governance (such as region) • Number and type of LGU function to provide public services (such as: has the number of functions increased? Which functions (own, shared, delegated)? Have functions passed over time? • Establishment of standard of public services; implementation in practice; • Quality of public services (such as cleaning and greenery, public lighting, road maintenance) • Spatial differences in the quality of public services – differences between villages and cities • Number of projects funded by national and international sources with the aim of improving delivery of public services • Number of curricula designed and implemented by international organizations • Capacity of local officials for drafting and implementing local plans • Number of training programs designed to enhance capacities of local officials; number of trained people • Emphasis of scientific evidence to inform programs and interventions in the LGUs 	Local government units, villages and towns	Questionnaires, interviews, secondary data

Table 3. Political Decentralization Indicators

Indicators	Source	Research Instrument
<ul style="list-style-type: none"> • Level of autonomy of local authorities • Level of assignment of responsibilities from the central government to local government units • Quality of local elections • Level of transparency of central government's acts affecting LGUs • Scale to which central government represents local interests • Quality of interaction between residents and local officials • Percentage of female councilors • Percentage of women working in public institutions <p>Horizontal Accountability</p> <ul style="list-style-type: none"> • Number of initiatives undertaken by local government units intended to improve local governance and transparency • Preparation of participatory budgeting; number of consulted groups during participatory budgeting • Expansion of local forms of organization • Level of knowledge of citizens on the work of local officials • Number of citizens that express satisfaction with the local governance in ratio to the total population of the local government unit • Number of local government units implementing programs of e-governance; residents' access to programs of local governance • Level of functioning of local structures, like community liaisons <p>Vertical Accountability</p> <ul style="list-style-type: none"> • Mechanisms to address complaints of LGUs and their implementation in practice • Provision of sufficient information to LGUs to address their demands; • Promotion of a culture of cooperation between central government and LGUs • Existence of a transparent system on allocation of investments and grants and its implementation in practice • Extent of political tensions between central government and local governance 	Local government units, villages and towns	Questionnaires, interviews, secondary data

CONCLUSION

THIS POLICY BRIEF presented a potential methodological approach and some of the indicators that can be used to evaluate the impact of decentralization in Albania. In broad consultation with the civil society, the methodology and the indicators will serve to guide the assessment of the impact of decentralization. They are not exhaustive. Indeed, they are dynamic and the consultation with the civil society and other stakeholders will continue.

The next steps need to focus in determining the indicators (such as definition, period, and frequency of data collection), development of methodology to be employed for collecting the data on indicators, creation of data system, establishment of cooperation with organizations and institutions to serve as sources of information, identification of initial values of each indicator, and identification of the manner and frequency of information dissemination.

INSTITUTE FOR DEMOCRACY AND MEDIATION

The **Institute for Democracy and Mediation (IDM)** is an independent non-governmental organization founded in November 1999 in Tirana, Albania. It works to strengthen the Albanian civil society, to monitor, analyze, and facilitate the Euro-Atlantic integration processes of the country and to help consolidate the good governance and inclusive policymaking. IDM carries on its objectives through expertise, innovative policy research, analysis, and assessment-based policy options.

IDM's choice of activities to achieve its strategic objectives is an effort to go beyond simple one-time delivery projects. They form part of a continuing struggle to strengthen shared values and efficient interactions across the broad spectrum of political and non-political actors in Albania. IDM is dedicated to developing a profound understanding of contemporary challenges so as to shape sustainable reforming strategies and public policies in key socio-economic and political development pillars and to advance regional cost-effective approaches in support of crosscutting cooperation initiatives of key actors based on comprehensive research, policy assessment and multifaceted analysis.

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