



Impact of Decentralization on Infrastructure Provision

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Outline

- Decentralization in the East Asian Countries
- Impact of decentralization on infrastructure provision
- The way forward

Decentralization in the East Asian Countries

□ Framework

- Deconcentration
- Delegation
- Devolution

□ Functions

- Political
- Administrative
- Financial

□ Drastic reform

- Indonesia
- Philippines

□ Delay

- Thailand

□ Administrative

- China
- Vietnam

□ Initiated

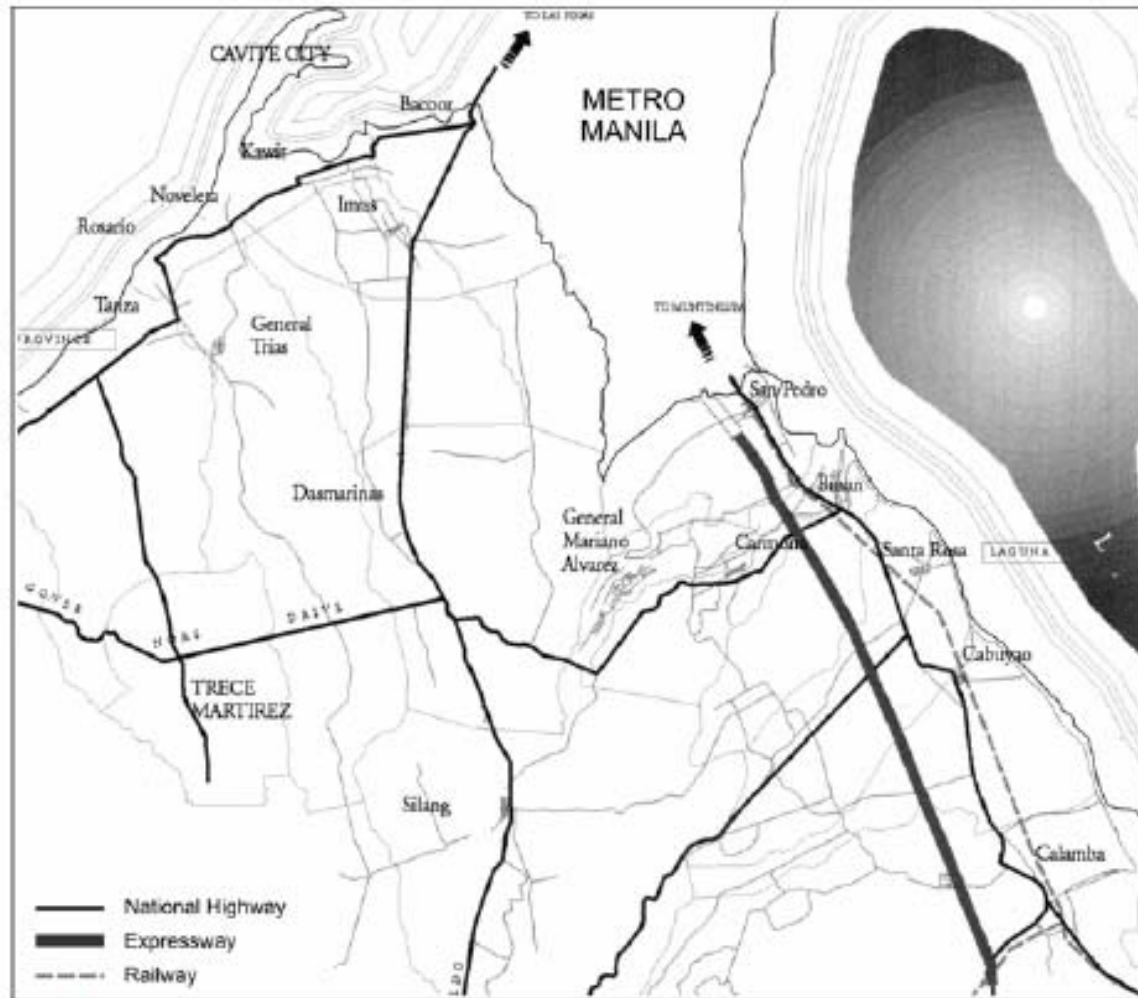
- Cambodia
- Laos

Impact of decentralization on infrastructure provision (1)

1. Diminished economies of scale and externality

- ❑ Limited scope within its jurisdiction
- ❑ Small size and large number of local government
- ❑ Coordination by middle tier government

Example of diminished economies of scale and externalities



Source: WB. 2000a.

Impact of decentralization on infrastructure provision (2)

2. Expansion of regional inequality

- Depend on own financial resources
- Current central government transfer: adverse effect

3. Weak Human Capacity

- Tasks conducted by central government ministries
- Failure to displace central government officials

Impact of decentralization on infrastructure provision (3)

4. Financial shortfall of local governments

- Capacity to raise money constrained by law
- Local government reluctant to raise tax
- Priority on recurrent expenditure

5. Rent seeking

- Weak capacity allows intervention of local elite and bosses

The way forward (1)

- **Make functions of governments technically appropriate and practically workable**
 - Dimension of infrastructure and corresponding level of government
- **Enhance local government capacity**
 - Financial and administrative autonomy for hiring highly skilled labour force

The way forward (2)

□ **Overcome financial constraints**

- Use of direct contribution by the beneficiaries and of local materials
- Support of central government

□ **Reinforce local accountability**

- Transparency and participation