W01 / Decentralization, state capacities and public policies: what is new to discover?

Topic : Public Administration, Governance, Networks

Chair : Eduardo Grin (Fundaçao Getulio Vargas- Brazil)

Second Chair : Johanna Schnabel (Freie Universität Berlin)

Third Chair : Ady Patricia Carrera-Hernandez

CALL FOR PAPERS

In decentralized countries the subnational governments have become the central units for implementing and providing public policies, which has increased their responsibilities and powers. In this sense, the requirements to qualify the subnational administration and governance were expanded to respond to its new roles both at the local level and in intergovernmental relations. Considering that, the research question of the workshop is: how does decentralization affect subnational state capacities and the implementation and provision of public policies? This workshop invites research scholars to submit papers focused on this question.

The demands imposed by the new responsibilities to the subnational level as a result of decentralized public policies has induced the creation, building and/or strengthening of their state capacities. In this sense, capabilities have become a key element to build and consolidate the autonomy attributed to subnational governments within the framework of decentralizing models. Therefore, the decentralization process requires more capacities in subnational governments. However, the comparative literature on decentralization lacks a more systematic approach linking this process and its effects on subnational state capacities and public policies. This is theoretical and empirical problem still asks more research.

This analytical gap of the decentralization takes on greater relevance after the COVID-19 because subnational governments were the main sphere responsible for implementing many public policies to face the pandemic. This scenario is even more challenging when the problems require high levels of multilevel governance as was the case with the COVID-19 pandemic. The complexity and novelty of this problem, considering its spillover effects, challenged countries to develop new intergovernmental policy capacities, especially the subnational units. It is also important to highlight the importance of subnational governments in the 2030 Agenda. The contributions expected from workshop participants are focused on connecting these three topics – decentralization, state capacity, and public policies. Among others, the workshop seeks to explore the following topics: (1) if he development and variance of subnational state capabilities in decentralization contexts affects the territorial equality and the performance of public policies; (2) if the design and quality of democratic governance in territories are affected by the level of development of subnational state capacities; (3) the development of subnational state capabilities in decentralization contexts is related to the quality of public administration in combating corruption, increasing own revenues and the performance of bureaucracies; (4) the development of subnational state capacities affects their role in the multilevel governance.

This workshop is open to receive papers focused on and developing theoretical, methodological and analytical models that address decentralization, state capacities, and public policies, empirical works both discussing national cases or in a comparative way. We welcome both quantitative or qualitative papers that explore different dimensions of the decentralization (administrative, financial, and political), and different dimensions of state capacity (administrative, technical, institutional, and political). The papers could address sectoral policies or even analyze decentralization in a more general way. The workshop is open to a variety of different types of papers in order to contribute to improve the knowledge on this research topic.

ABSTRACT

In decentralized countries the subnational governments have become the central units for implementing and providing public policies. The requirements to qualify the subnational administration and governance were expanded to respond to its new roles both at the local level and in intergovernmental relations. This workshop discusses how does decentralization affect subnational state capacities and the implementation and provision of public policies. The comparative literature on decentralization lacks a more systematic approach linking this process and its effects on subnational state capacities and public policies. This is

theoretical and empirical problem still asks more research.

This analytical gap of the decentralization takes on greater relevance after the COVID-19 pandemic because subnational governments were the main sphere responsible for implementing public policies. Furthermore, the complexity and novelty of this problem challenged countries to develop new intergovernmental policy capacities, especially the subnational units. It is also important to highlight the importance of subnational governments in the 2030 Agenda.

The workshop addresses these three topics – decentralization, state capacity, and public policies. There are many works that analyze decentralization and public policies, as well as a literature that analyzes state capacities and public policies. To advance scientific knowledge of the decentralization and public policies is also relevant to consider state capacity as a theoretical support. The workshop explores four hypotheses: (i) the development and variance of subnational state capacities in decentralization contexts affects the territorial equality and the performance of public policies; (ii) the design of democratic governance in territories are affected by the level of development of subnational state capacities; (iii) the development of subnational state capabilities in decentralization contexts is related to the quality of public administration in combating corruption, increasing own revenues and the performance of bureaucracies; (iv) the development of subnational state capacities affects their role in the multilevel arrangements.

W01 / Decentralization, state capacities and public policies: what is new to discover?

Chair : Eduardo Grin (Fundaçao Getulio Vargas- Brazil)

Second Chair : Johanna Schnabel (Freie Universität Berlin)

Third Chair : Ady Patricia Carrera-Hernandez

Session 1State capacity and environmental public policies

Wednesday, June 26th 10:15 to 12:00 (AULA 14)

Discussants

Alfonso Langle (University of Guadalajara)

(Virtual) State Capacity for Integrated Water Resources Management (IWRM)

Luiz Paulo de Morais (Universidade Federal de Viçosa)

Suely de Fátima Silveira (Universidade Federal de Viçosa)

Josué Costa (Universidade Federal de Viçosa)

Layana Silva (University of Viçosa (Brazil))

Objective: This theoretical essay aims to analyze the concept of State Capacity as applied to Integrated Water Resources Management (IWRM), addressing a gap in the literature that lacks a robust theoretical definition for this perspective.

The integrated management of water, based on collaborative and multi-level governance among actors, institutions, and entities, aligns with the UN's directives in the 2030 Agenda. The agenda advocates for nations to adopt the IWRM model, considering river basins as units for water management planning.

In decentralized contexts, where competencies and responsibilities are distributed among states and municipalities, water policy often faces challenges related to the distribution and overlapping of roles among federative entities within the same river basin.

Given the well-known impact of State Capacities of states and municipalities on public policy outcomes, it becomes essential to understand how the distribution of competencies at the river basin level affects both the development of State Capacities focused on IWRM and the outcomes of water policies in nations adopting this model. This is crucial as it involves not only states and municipalities but also other authorities at the river basin level, as observed in the context of Brazil.

Methodology: The implementation of IWRM is monitored through indicators of Sustainable Development Goal 6, evaluating (i) conducive normative and legal environment, (ii) institutions and social participation, (iii) management instruments, and (iv) financing.

Building upon the UN's evaluation categories for IWRM and the monitoring of indicator SDG 6.5.1, the essay seeks to understand how these practical dimensions translate into essential theoretical conditions for the integrated management of river basins by the State. This involves analyzing the competencies and skills required at different government levels (municipal, state, river basin, and national) in pursuit of sustainable development aligned with the objectives outlined in the Agenda 2030.

After theoretically understanding the necessary conditions for successful IWRM implementation, the proposal suggests utilizing dimensions of the State Capacity concept to provide a robust theoretical definition guiding researchers and policymakers on State Capacities for integrated water resources management (IWRM).

Alignment with the Theme: This essay addresses relevant issues for the workshop, providing a solid conceptual foundation for understanding the State Capacities required for IWRM in decentralized contexts. It discusses whether the development and variation of subnational capacities within the same river basin affect the performance of IWRM, equality, territorial development, social participation, and the effectiveness

of water policy across different river basins (state and federal). Likewise, it reflects on how collaborative and multi-level governance may influence meeting the demands of the population and the demands of subnational entities.

The effective decentralization of climate policies : what local GHG inventories tell us of policy capacity, coordination and instrumentation

Alvaro Artigas (Institut d'Etudes Politiques de Paris (Sciences Po))

Decentralization is often regarded as a potent vehicle for improving effective implementation of increasingly contested or complex policies. Prior studies have argued that decentralization can make bureaucracies more efficient, promote government accountability, empower communities, and facilitate responsiveness (Hood, 1991; Pollitt, 2007). This points to the many fronts that policy problems, in particular wicked and super-wicked face today(Cashore 2021). First and second waves of decentralization with formal allocation of competences have increasingly been complemented by more instrument-specific based ones at the city level, intended at specifically address sectoral problems like the environment or security (Artigas 2019) .

The adoption of local climate action plans (LCAPs) is the expression of these dynamics at work, and constitutes an innovation in policy-making processes in both developing and industrialized nations across the board. By setting up timelines and potentially actionable commitments in a much narrower perimeter (metro instead of national or sectoral), they point to tangible goals and policy outputs. In this sense, they bear an incredible potential for environmental problems streamlining, as they are a tool for narrowing down the complexity of environmental issues. By bringing a new “operational” framing of issues stemming from the local level, they have, by the increasing operational take on these issues, often revived dormant environmental policies that would have otherwise lingered and remained stagnant (air quality, mobility transitions, to metion a few). The specific commitment of national GHG -greenhouse gases- reduction targets, central to any LCAP is even the more significant to local policy capacity, since major cities and urban centers bear the greatest concentration of emissions per territory and suffer the direct consequences of particulate matter on human health and worsening living standards (like the Urban Heat Island effect).

Resorting to a small-n comparison, this paper will focus on the case of three Latin American metropolis, Sao Paulo, Santiago and Montevideo, building on empirical research carried in recent years over different research projects (CAPinGHG etc). It particularly addresses how the creation of climate action plans led to an implicit de facto creation of a metropolitan perimeter when there was none, or sought to further coordinate disjointed metropolitan city areas. Building on these preliminary results, the potential for deepening of centralization born out of climate policy action plans is interrogated by looking into policy capacity and two specific connected variables: financial transfers for monitoring of emissions, and then the co-production of evaluation vehicles partaking of the integration of feedback loops into the national environmental goals.

At a more fundamental level, this paper will explore how devolution (to subnational governments) affects policy agendas in this critically important issue in time and in a paradoxical way. The results intend to show that the devolution has a potentially contradictory consequence of reinforcing local capacities and refining policy instrumentation while at the same time potentially exacerbating coordination shortcomings of national environmental policies at the local level.

Negotiating Power and Resources: How Decentralization Shapes Collaboration and Conflict in Marine Protected Areas

Alfonso Langle (University of Guadalajara)

Mariela Dueñas Rossell (University of Guadalajara)

Laura Ramírez Barragán (University of Guadalajara)

Rosa Chávez Dagostino (University of Guadalajara)

Decentralization's impact on marine protected area (MPA) governance in Mexico offers unique insights into the complex interplay between subnational state capacity and public policy effectiveness. Coastal zone governance is characterized by multiple actors, institutions, and collective action problems. A complex adaptive systems approach is useful to understand the multiple levels and scales nested in these decision-making arenas on environmental public forums, management projects and financing. In these polycentric governance systems, simultaneous processes of conflict, cooperation and negotiation occur. Resources and regulations are the main issues at stake. Governance also encompasses formal and informal rules and norms that shape individual and collective action. Including laws, regulations, and discursive debates. ¿How does decentralization affect subnational state capacities and the implementation

of public policies in the management of marine protected areas in Mexico? We compared the processes of collaboration, conflict, and negotiation in three marine protected areas: Cabo Pulmo National Park (PNCP), Islas Marietas National Park (PNIM), Los Arcos Flora and Fauna Protection Zone (ZPFFLA). Between October 2013 and August 2023, multiplex social networks were mapped, semi-structured interviews were applied, and relational data were extracted from documents from historical archives. R was used to compare the global and nodal properties of the networks. Simultaneous processes of collaboration and conflict were detected in both Islas Marietas and Cabo Pulmo National Park. However, in Cabo Pulmo we found a disconnection between the public sector and the rest of the multiplex network, mainly due differences on land planning adjacent to the marine park. In contrast the National Park officials in Islas Marietas occupied a central positions in the network that allowed brokerage opportunities such as negotiator between environmental ministry officials and local tourism operators. In this case we found evidence of the negotiation process of both the rules of authority and the management of autogenerated financial resources. Islas Marietas descentralization shows how formalized public private colaboration can increased revenue generation through tourism fees led to enhanced capacity for MPA management and law enforcement. In the case of Los Arcos, the use of informal rules was detected as a mechanism to avoid conflict between tourism operators who use the area. In Los Arcos the law enforcement was partial and funded by NGOs. The lessons learned about these decentralization processes are fundamental to facilitate the intersectoral collaboration on which compliance with formal and informal agreements for the protection and good governance of these common marine resources depends.

W01 / Decentralization, state capacities and public policies: what is new to discover?

Chair : Eduardo Grin (Fundaçao Getulio Vargas- Brazil)

Second Chair : Johanna Schnabel (Freie Universität Berlin)

Third Chair : Ady Patricia Carrera-Hernandez

Session 2Decentralized public policies and state capacity in subnational governments (I)

Wednesday, June 26th 14:00 to 17:15 (AULA 14)

Discussants

Tainá Cotrim (Universidade Federal do ABC)

THE PROMOTION OF THE RIGHT TO PUBLIC HEALTH IN BRAZIL: AN ANALYSIS BASED ON COOPERATIVE FEDERALISM AND INTERMUNICIPAL PROTAGONISM

Thaís Peixoto (Faculdade de Direito de São Bernardo do Campo, Brazil)

The purpose of this research is to analyze the role of cooperative federalism in promoting the right to health, focused on intermunicipal action. The structure of the Brazilian Unified Health System (SUS) requires an effective cooperative federative structure, allowing municipalities to take the lead in the provision of health services, ensuring that services are provided in a regionalized and decentralized way. The problem associated with this subject is the limitation of the financial, political, and administrative autonomy of municipal entities to centralize the implementation of health policies and services, brought by the discrepancy between the demand involved and municipal capacities. Thus, the performance of intermunicipal consortiums will be evaluated to optimize municipal autonomy in the execution of healthcare policies and services, using the case study of the State of Minas Gerais and the Consórcio Intermunicipal de Saúde Entre os Vales Mucuri e Jequitinhonha. The research methodology adopted was a qualitative analysis of a literature review and a quantitative analysis of data published by the government and research organizations. Therefore, at the conclusion of the research, it was possible to confirm the argument that intermunicipal consortia can improve the execution of healthcare policies and services by municipalities.

THE NEW FUNDEB AND INCENTIVES TO STRENGTHEN LOCAL STATE CAPACITIES IN EDUCATION

Fabiana Bento (FGV - EPPG School of Public Policy and Government)

Fernando Abrucio (Fundação Getulio Vargas)

Brazilian public education is historically marked by inequality in access and quality of provision (UNICEF, 2021). After the 1988 constitution, the country underwent profound transformations, one of which was universalizing the right to education. This resulted in enormous and rapid progress in access, professionalization, educational assessment, and, most importantly, an unprecedented combination of decentralization with national policies, with a cooperative model that sought to balance autonomy and interdependence (GRIN, 2016). The 1988 Constitution sought to guarantee the political, administrative, and financial autonomy of municipalities, based on the assumption that this model would generate more democracy and fiscal efficiency (GRIN et. al, 2018) and, to this end, distributed the powers for implementing the policy among union, states, federal district and municipalities (OLIVEIRA & SOUZA, 2010). However, the asymmetry of economic, institutional, and technical conditions in the territories (ABRUCIO, 2005; SOUZA, 2005; GRIN and ABRUCIO, 2018) generated a scenario that required coordination efforts to ensure that territorial inequalities were not worsening. In recent years, Brazilian public policies have sought in different ways and with varying degrees of success to create strategies to reduce local asymmetries. In the case of education, the creation of a federative financing model was essential, based on FUNDEB (Fund

for the Maintenance and Development of Basic Education and Valorization of Teaching). However, these ingenious mechanisms for transferring resources in a territorially very heterogeneous country were not able to address all types of inequalities, especially those of local state capabilities. Dealing with demands for a more decentralized and shared provision model requires greater management capacity from territories (GRIN, DEMARCO & ABRUCIO, 2021), making it necessary to understand which mechanisms can stimulate the creation of local state capabilities, strengthening cooperative relations and the functioning effectiveness of public policies. Although in its creation FUNDEB was restricted to the issue of budget transfers, not interfering in the operational parameters of education networks, in 2020 the Fund was changed by constitutional amendment 108 to promote greater equity between networks. The measures adopted by the new legislation sought to create indicators that would allow calculating the transfer of resources based not only on the number of enrollments but also looking at some conditionalities: 1. Filling the position or role of school manager by technical merit criteria and performance; 2. Participation of at least eighty percent of students from each school year in the national exams of the basic education assessment system; 3. Reduction of socioeconomic and racial inequalities measured in national education assessment exams; 4. Formalization of the collaboration regime between states and municipalities in state legislation; 5. Curricular references aligned with the common national curricular base. This article aims to analyze how the most recent constitutional change, called the new FUNDEB, creates new ways of combating inequality and establishes incentives to strengthen local state capacities in Education.

(Virtual) Policy Capacity: An Analysis of Health and Climate Policies in Brazil

Tainá Cotrim (Universidade Federal do ABC)

The Policy Capacity Framework proposed by Wu et al. (2015) is defined as a set of skills and resources - or competencies and capabilities - necessary for state action. These skills or competencies can be categorized into three types: analytical, operational, and political. Each of these competencies involves resources or capabilities at three different levels: individual, organizational, and systemic. This multidimensional model allows for understanding the obstacles and opportunities of policies. Therefore, the study aims to answer: how do the analytical, operational, and political capacities of the health and environment sector produce public action? For this, two policies that represent the Brazilian federal complexity were selected: the National Immunization Program (PNI) and the National Policy on Climate Change (PNMC). The main objective is to understand the policy capacities present at both the federal and local levels, structuring health and climate policies in Brazil. The specific objectives include mapping and comprehending the policy capacities present at both the federal and local levels. The methodology covers a multifaceted approach that begins with an analysis of Brazilian public policies in the areas of health and climate. The focus specifically lies on the implementation of the National Immunization Program and the National Policy on Climate Change, the independent variable of the research. This analysis involves investigating government documents and reviewing existing literature, aiming to understand the guidelines and objectives outlined in these policies. In this regard, a case study will be developed, where the PNI will represent one case and the PNMC another, to provide a deeper insight into the implementation and impacts of these policies. Additionally, the methodology includes the application of Qualitative Comparative Analysis (QCA). This technique will be used to analyze the collected information, identify patterns and causal relationships between the cases studied, enabling a systematized understanding of the factors that influence implementation. From the comparative analysis between the policy capacities of health and the environment, there is a lack of capacities in the PNMC. Once the PNI has capillarity and can achieve local action, and the PNMC does not. The results may suggest that the PNMC has analytical capacity and some operational capacity, however, it lacks political capacity. This is partly due to the fact that political capacity has been largely replaced by a management that cannot prioritize issues involving climate change.

W01 / Decentralization, state capacities and public policies: what is new to discover?

Chair : Eduardo Grin (Fundaçao Getulio Vargas- Brazil)

Second Chair : Johanna Schnabel (Freie Universität Berlin)

Third Chair : Ady Patricia Carrera-Hernandez

Session 3Decentralized public policies and state capacity in subnational governments (II)

Thursday, June 27th 09:00 to 12:15 (AULA 14)

Discussants

Özge Yüksekkaya (University of Amsterdam)

The Politics of (De-)Centralization: Public Land Policies as a Practice of State Capacity in Mexico and Turkey

Özge Yüksekkaya (University of Amsterdam)

In this research, my main goal is to understand the relationship between (de-)centralization and state capacity in the field of public land policy-making in two cases: Mexico and Turkey. The main research question I seek to answer is how have the public land policy-making in these two middle-income countries evolved over the past 30 years, and how was this process affected by their respective (de-)centralized administrative systems and state capacities. In Mexico, the state has been trying to de-centralize since the 1990s (Harbers 2014; Jones and Ward 1998) whereas in Turkey, the subnational administrative system has been quite centralized. Even though there have been attempts to de-centralize in the first years of the 2000s (Kayasü and Yeti?kul 2014; Kuyucu 2018), the municipal system has come to be increasingly centralized since the 2010s (Eraydin and Ta?an?Kok 2014). The main goal of this research is to shed light on the conundrum between centralization and de-centralization with a focus on public land policy-making in its use for the provision of housing. In other words, I aim to understand how public lands are used in providing housing to citizens in these two countries, and what kinds of roles and capacities local and central governments hold in this process. Public lands and housing, by the nature of land value, asset and speculation, is a significant public policy area. Therefore, it is possible to observe the conflicts and power struggles as well as capacity differences between and across the central and local governments in terms of autonomous policy implementation, possession of administrative power, collection and analysis of data and financial resources. In Mexico, while the federal government retains power to make and implement public land policies, the local governments and states have a lot of power and authority to decide on land use in their specific territories. In Turkey, the public land policy-making has been very centralized and the local governments have been stripped of their power to make policies regarding the land use. This research relies on a comparative case study of Mexico and Turkey. The principal source of data is spatial data and semi-structured interview data collected during respective fieldworks in Mexico City Metropolitan Area (MCMA), Istanbul and Ankara, and it will be supported by the secondary litarture on the subject. The spatial data will be analyzed via GIS (Geographical Information Systems) to present an overview of the location and use of public lands for housing in MCMA and Istanbul. Qualitative data includes meetings with academics, policy-makers and implementers at various government bodies in these cities to understand the politics of public land policy-making and the respective powers of the central and local governments and the implications on citizens The present study is very much in line with the workshop’s theme because it aims to understand the patterns of (de-)centralization in a comparative perspective, and tries to establish a relationship with state capacity. It increases the variation of (de-)centralization patterns by conducting a

comparative analysis, and looks at one of the most important arenas of public policy-making, i.e. public land, where it is possible to understand the variation in local and central state capacity in terms of administrative, political and fiscal powers.

The Supreme Court in decentralization in Mexico

Vicente Ugalde Saldaña (El Colegio de México)

There are several government records to document public policies in Mexico: laws, programs, Operating Rules, Reports and even the so-called Public Account. However, there are other records from which it is possible to identify how the implementation of policies in the subnational space faces difficulties: these are the records of the intervention of the Supreme Court in the resolution of controversies regarding the action of the subnationals. governments.
The intervention of the judiciary in political activity gained academic interest at the end of the last century (Vallinder, 1994; Hirschl, 2008). Interest in electoral issues, in the invasion of powers between powers, or in conflicts between levels of government also spread among academics in Mexico (Berruecos, 2003; Magaloni and Zepeda, 2004; Ugalde, 2011). The record of the activity of the Supreme Court to resolve conflicts about the federal system is a source, not only to know how that power intervenes in the arbitration of conflicts, it is also a source of the concrete applications that subnational governments make of constitutional provisions and laws by which decentralization is carried out.
This work presents results of a review of resolutions of the Mexican Supreme Court in which subnational governments are involved. This work sees in these resolutions a valuable record of the governmental action of local governments and allows us to take stock of the role of the Supreme Court in the full realization of decentralization towards subnational governments.
Berruecos, Susana (2003), Electoral Justice in Mexico: The Role of the Electoral Tribunal under New Federalism, Journal of Latin American Studies, 35, pp. 801–825.
Hirschl, Ran (2008), “The judicialization of Politics” in Keith E. Whittington, Daniel Kelemen y Gregory A. Caldera (eds.), The Oxford Handbook of Law and Politics, Oxford: Oxford University Press, pp. 119-141.
Magaloni, Beatriz y Zepeda, Guillermo (2004), Democratization, Judicial and Law Enforcement Institutions, and the Rule of Law in Mexico, in Kevin J. Middlebrook (ed.), Dilemmas of political change in Mexico, Londres, Insitute of Latin American Studies, University of London, pp. 168-197.
Ugalde, Vicente (2011) La judiciarisation des relations intergouvernementales au Mexique depuis 1994, Politique et sociétés, vol. 30, pp. 9-41 .
Vallinder, Torbjörn (1994), The Judicialization of Politics - A World-wide Phenomenon: Introduction, International Political Science Review, Vol. 15, No. 2, pp. 91-99.

(Virtual) Multiple Principals, Multiple Layers, Multiple Problems: China's National Integrated Circuit Industry Investment Fund through the Lens of Principal-Agent Theory

Baosi Meng (The Hong Kong University of Science and Technology (Guangzhou), China)

Xun Wu (Hong Kong University of Science and Technology)

Yao Jinxin (Hong Kong University of Science and Technology, Guangzhou)

The rise of global semiconductor competition has brought national industrial funding initiatives to prominence, yet the governance challenges entangled with such initiatives remain underexplored. This study offers an in-depth case study of China's National Integrated Circuit Industry Investment Fund (NICIIF), initiated in 2014 to advance the domestic semiconductor sector. Applying principal-agent theory, we examine NICIIF’s decentralized four-layered governance structure which involves multi-level government and market principals alongside industry agents. Our findings reveal that national industrial funding initiatives with a decentralized governance structure such as the NICIIF face trade-offs between the expertise of rapid-changing industrial knowledge enabled by the wide participation of subnational governments and industry entities that aid large fund allocation, and the associated challenges such as misaligned incentives and unintended consequences. We examined NICIIF's historical investment incidents and showed how heterogeneous constraints associated with different tasks imposed by different principals led to moral hazard issues, with agents prioritizing financial returns over strategic technology goals that involve less oversight. Our study highlights the nuanced trade-offs between national technology objectives and financial return imperatives, advocating for an enhanced policy evaluation capacity such as the recalibration of performance metrics to better reflect national-level strategic technology goals in the design and operation of national industrial funding initiatives. This paper broadens both theoretical and practical understanding of governance innovations in national industrial funding initiatives with decentralized governance structures that capitalize on industry expertise while safeguarding strategic ambitions amid global technology rivalry.

W01 / Decentralization, state capacities and public policies: what is new to discover?

Chair : Eduardo Grin (Fundaçao Getulio Vargas- Brazil)

Second Chair : Johanna Schnabel (Freie Universität Berlin)

Third Chair : Ady Patricia Carrera-Hernandez

Session 4State capacity in local governments

Thursday, June 27th 14:00 to 17:15 (AULA 14)

Discussants

ROCÍO HUERTA (Instituto Politécnico Nacional)

Collaborative Governance and Policy Implementation in Subnational Governments

Rasine Ravelo M (Universidad del Magdalena (Colombia))

Identifying the role of collaborative governance in policy implementation is one of the challenges faced by empirical analysis in local spaces, especially knowing how it enables better performance in the action of subnational governments. The issue presents a lack of analysis, especially when it refers to countries transitioning from a conflict or territorial spaces with institutional fragility, such as Colombia. One of the challenges is associated with overcoming the technical and administrative weaknesses of territorial entities, which are obstacles to developing mechanisms that allow the implementation of local public policies more effectively. The above suggests that territories plagued by conflict and violence not only suffer the rigor of war. Still, it must also double its efforts to overcome the implementation of a distant government apparatus and not at all close to local problems.

Using Qualitative Comparative Analysis (QCA), collaborative governance is assumed to be a variable dependent on the indicated areas and contexts. In this sense, we answer: What factors determine whether a subnational government adopts a Collaborative governance model in the implementation of a policy area? The results show important implications for institutional design consistency and policy outcomes effectiveness in subnational territories. An important challenge for future work lies in investigating, based on empirical case studies, whether collaborative governance can generate better policy performance when it constitutes the framework of action of a subnational government.

Municipal institutional capabilities index: instrument to measure local development processes.

ROCÍO HUERTA (Instituto Politécnico Nacional)

The objective of the presentation is to show the results that quantify the municipal institutional capabilities index (ICIM) in the State of Mexico. This index was obtained by applying the methodology developed by Huerta and Vanegas (2021), based on the works of North (2006), Romer (1994) and Sen (2000). The ICIM integrates economic, social and government performance variables to identify strengths and weaknesses in local development processes. Databases were built from the information provided by the Mexican government in the economic censuses (INEGI, 2019), municipal public finances (INEGI, 2019), the population census (INEGI, 2020), the social backwardness index (CONEVAL,2020), the municipal functional capabilities index (2016) and the human development index (UNDP, 2020). The data were normalized to make them comparable and, subsequently, through the principal components method and with the use of the INFOSTAT statistical software, the general index was obtained for the State of Mexico and each of its 125 municipalities. The results show that economic variables explain 79% of local development and social variables 13%. Likewise, 71% of the municipalities have a low or very low level in the ICIM. The content of this document is as follows: after the introduction, the theoretical bases of the ICIM are presented, in section 3 the results and main findings, in section four the discussion and at the end the conclusions.

(Virtual) Facing wicked problems from the local level. Innovative public policies in municipalities in Chile

Antoine Maillet (Universidad de Chile)

Cecilia Osorio Gonnet (Universidad de Chile)

For some years now, public policy innovations have emerged in Chile at local level looking to deal with wicked problems. Despite the recognised centralism of the Chilean political system, municipalities have become a decision-making scenario to tackle public problems, in some cases 'wicked issues' (Rittel and Webber, 1973). These local initiatives have also circulated horizontally - to other municipalities - or influenced policy guidelines at the national level. Therefore we are observing, a substantive change in the multi-level dynamics of policy-making in this country.

Our team has documented this process in two papers (under review) dealing with specific cases: popular pharmacies and water offices. For the workshop “Decentralization, state capacities and public policies: what is new to discover?”, we intend to present a paper that will build on these case studies and add a third one (inclusion offices), in order to elaborate a more general reflection about the dynamics and determinants of the Chilean policy process seen from the municipal perspective.

In all three cases, these innovations face issues that go beyond the local level and strain the capacities and resources of municipalities. Moreover, the innovations have been replicated in other municipalities and have mobilized multi-level governance dynamics and instances involving various actors and levels (local, regional and national). Given the above, our research question is: what dynamics and actors make municipal innovations possible in a context as unfavourable for the local level as the Chilean one?

Our answer to this question is in direct connection with the issues raised in the call, especially “(4) the development of subnational state capacities affects their role in the multilevel governance”, as our main goal is to understand how municipalities in Chile have gone from being an irrelevant player in policy process to a key actor in the multilevel governance of issues that seem at first sight out of their jurisdiction. We also deal with state (and policy) capacities (mostly administrative and political), as we pay particular attention to the rising importance of middle management to foster these innovations and make them sustainable, in a varying relation with the political leadership of the mayors.

Our research is based on qualitative data, such as policy documents and in-depth interviews with key actors, carried out between 2021 and 2022. Our particular focus on understanding public policy innovations at the local level in adverse contexts has the potential to contribute to the advancement of the agenda on “decentralization, state capacities and public policies”, and we also hope to refine our analysis thanks to the insights of the workshop chairs and participants and the knowledge we will acquire on more theoretical approaches and cases.

W01 / Decentralization, state capacities and public policies: what is new to discover?

Chair : Eduardo Grin (Fundaçao Getulio Vargas- Brazil)

Second Chair : Johanna Schnabel (Freie Universität Berlin)

Third Chair : Ady Patricia Carrera-Hernandez

Session 5Fiscal decentralization and state capacity

Friday, June 28th 09:00 to 12:15 (AULA 14)

Discussants

Anahí Gutiérrez Luna (Universidad Nacional Autónoma de México)

Fiscal decentralization and its effect on subnational corruption. A study of Mexico for the period 2015-2021

Anahí Gutiérrez Luna (Universidad Nacional Autónoma de México)

A political factor that influences the degrees of corruption (measured from perception and other types of indicators) is the structure of the states: it matters whether they are federal or unitary. The literature has shown that federalism is related to high levels of corruption and that a feature of federalism that influences this phenomenon is decentralization. In this regard, there is an academic debate between those who argue that decentralization can reduce corruption and others who claim that, although decentralization can reduce corruption by bringing government decisions closer to the electorate, in practice this does not seem to be the case since local leaders take advantage of their positions for private benefits.

To contribute to this discussion, this research seeks to answer what factors explain the variation in levels of corruption in the provision of public services in the Mexican states? The hypothesis is that this variation is explained by the degree and dynamics of fiscal decentralization that exist in each type of service. The objective of the research is to explain to what extent the dynamics of the distribution of financial resources and authority from the federal government to subnational governments influence the levels of corruption in the provision of three types of public services in Mexico: education, health, and public security.

The methodological strategy designed to test the hypothesis consists of two stages. In the first, quantitative techniques are used to know the relationship that exists between the degree of fiscal decentralization (independent variable) and the variation in corruption (dependent variable) in the 32 states. The data collected in the quantitative study corresponds to three years: 2015, 2019 and 2021. In the second stage, a case study will be carried out to find the explanatory mechanisms that connect the independent variable with the object of study.

Impact of Mexican poverty intergovernmental transfers (FISM) in inequality among municipalities' financial capacities

Jose Pablo Aretia Ruiz (Centro de Investigaciones Económicas, Administrativas y Sociales)

States' financial capacities are central to what public policies may be implemented, for the total budget is a critical restraint for the actions and projects that a government can pursue.

The decentralization process in Mexico began during the 1980s. However, it was not until 1997 that the “Fund of Contributions for Municipal Social Infrastructure” (FISM, due to its acronym in Spanish) was created to bolster the financial capacities of the municipalities where there is more poverty, so they could implement more projects and public policies to reduce it. So, a formula was established in the Fiscal Coordination Law that allocates resources towards the poorest jurisdictions. The importance of this Fund cannot be underpinned in the Mexican decentralization framework: this Fund is, on average, the main

source of the budget for the municipalities within the poorest (in severity) state Guerrero (36% vs 28% Participations) and is usually the second main budget source among the municipalities from half of the other states.

Hence, it can be stated that the purpose of the Fund is to reduce inequalities in the financial capacity of the municipalities so that the poor jurisdictions can access resources greater than if they were left alone with taxing and Participations, since these governments face a structural disadvantage that creates a vicious circle: poverty impedes taxing, and low budgets impede implementing actions to create conditions for economic activity due to the lack of infrastructure, public services, law enforcement, labor and capital availability, and in general high transactional costs.

The Fund is usually reckoned within the institutional framework as the most progressive Federalist Fund and is, consequently, considered the point of the spear in reducing poverty. Despite its recent 25th anniversary, still near to 40% of the population in Mexico remains in poverty or economically vulnerable.

There have been studies that address the impact of the Fund on well-being and poverty reduction, finding that it has been a useful tool mainly for improving housing and public services and therefore reducing poverty through its multidimensional component. Despite these results, the remainder of poverty among Mexicans strongly suggests inquiring about the potential of this Fund, particularly, whether the actual distribution procedure is optimal.

However, prior analysis among municipalities within states suggests that the Fund often goes towards entities that have not only strong economic activity and population but greater economic activity per capita, factors that imply a greater taxing potential, critical for financial capacity. Since the distribution of resources is highly revised, this is not due to allocation mistakes or discretionality but the results of the formula in the Law.

These findings raise a crucial question: since greater potential for financial capacity (understood as a potential budget) is related to economic activity and population, does the Fund reduce inequality in the financial capacity of municipalities, or enhance it? To find the answer, the distributions of local municipality budgets are examined with and without the FISM through concentration curves and indices, for available information in the period 2000-2020 with a national scope.

W01 / Decentralization, state capacities and public policies: what is new to discover?

Chair : Eduardo Grin (Fundaçao Getulio Vargas- Brazil)

Second Chair : Johanna Schnabel (Freie Universität Berlin)

Third Chair : Ady Patricia Carrera-Hernandez

Session 6

Friday, June 28th 14:00 to 16:00 (AULA 14)

Conclusions

Eduardo Grin (Fundaçao Getulio Vargas- Brazil)

Ady Patricia Carrera-Hernandez

Conclusions and prospective projects