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How Close Is Your Government to Its People? Worldwide Indicators on Localization and Decentralization

Maksym Ivanyna and Anwar Shah

Abstract

This paper provides a unique data set on local governance. This dataset measures government decisionmaking at the local level, i.e. the level of government closest to the people. By contrast, the existing literature has focused on decisionmaking at the "sub-national" level. The data set covers 182 countries, and it captures institutional dimensions of political, fiscal and administrative autonomy enjoyed by local governments. These dimensions are then aggregated to develop a "decentralization index" and are then adjusted for heterogeneity to develop a "government closeness index".

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Keywords localization; decentralization; fiscal autonomy; political autonomy; administrative autonomy; government accountability; trust and mistrust in governments; responsive; accountable and fair governance

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1 Introduction

A silent revolution (the so-called "decentralization" reforms) has been sweeping the globe since the 1980s. Hugely complex factors such as political transition in Eastern Europe, the end of colonialism, the globalization and information revolution, assertion of basic rights of citizens by courts, divisive politics and citizens' dissatisfaction with governance and their quest for responsive and accountable governance have been some of the contributing factors in gathering this storm. The main thrust of this revolution has been to move decision making closer to people to establish fair, accountable, incorruptible and responsive (F.A.I.R.) governance. The revolution has achieved varying degrees of success in government transformation across the globe due to inhibiting factors such as path dependency accentuated by powerful political, military and bureaucratic elites. While there has been monumental literature dealing with various aspects of this revolution, there has not been any systemic study providing a time capsule of the changed world as a result of this revolution. Such an assessment is critical to providing a comparative world perspective on government responsiveness and accountability and to have an informed debate on the impact of these reforms. This paper takes an important first step in this direction by providing a framework for measuring closeness of the government to its people, developing a unique data base on local governance and providing a worldwide ranking of countries using this framework. It must be noted at the outset that the paper is only concerned with formal institutions of government and governance and informal institutions of governance that exist in many countries around the globe are not within the scope of this paper and also not relevant for the specific objectives of this paper. The importance of informal institutions to deal with government failures is, nevertheless, acknowledged by the authors and also well recognized by a large body of the literature.

The paper is organized in four sections as follows. Section 2 is concerned with highlighting the conceptual underpinnings and developing a framework to measure closeness of the government to people. It presents a brief overview of conceptual underpinnings of moving governments closer to people. This is followed by a discussion of basic concepts in measuring government closeness to its people. It calls into question the methodologies followed by the existing literature and argues for a focus on the role and responsibilities of local governments as opposed to sub-

national governments where intermediate order governments typically dominate. It is the first paper that advocates and treats various tiers of local governments (below the intermediate order of government) as the unit of comparative analysis for multi-order governance reforms.

Section 3 presents highlights of the unique dataset compiled for this study. It presents summary statistics on structure, size, tiers of local governments and security of their existence. It also presents summary statistics on the various sub-components of political, fiscal and administrative decentralization.

Section 4 is concerned with empirical implementation of the framework presented in Section 2. It begins by highlighting the relative importance and significance of local governments. This is followed by providing country rankings on various aspects of political, fiscal and administrative decentralization. By combining these measurements, an aggregate indicator of decentralization/localization is developed for each country. This index is then adjusted for population size, area and heterogeneity to arrive at the government closeness index. For comparative purposes, we also provide correlations of these indexes with the corruption perceptions index, human development index, GDP growth, size of the government and the ease or difficulty of doing business in the country.

Section 5 provides concluding observations highlighting the strength and limitations of the constructed indexes.

2 Moving Governments Closer to People: Conceptual Underpinning of the Rationale and an Empirical Framework for Comparative Analysis

2.1 Why Closeness of Government to Its People Matters: Conceptual Underpinnings

Several accepted theories provide a strong rationale for moving decision making closer to people on the grounds of efficiency, accountability, manageability and autonomy. Stigler (1957) argued that that the closer a representative government is to its people, the better it works. According to the decentralization theorem advanced by Oates (1972), "each public service should be provided by the jurisdiction having

control over the minimum geographic area that would internalize benefits and costs of such provision", because:

- local governments understand the concerns of local residents;
- local decision making is responsive to the people for whom the services are intended, thus encouraging fiscal responsibility and efficiency, especially if financing of services is also decentralized;
- unnecessary layers of jurisdictions are eliminated;
- inter-jurisdictional competition and innovation are enhanced.

An ideal decentralized system ensures a level and combination of public services consistent with voters' preferences while providing incentives for the efficient provision of such services. The subsidiarity principle originating from the social teaching of the Roman Catholic Church and later adopted by the European Union has argued for assignment of taxing, spending and regulatory functions to the government closest to the people unless a convincing case can be made for higher level assignment. Recent literature have further argued that such local jurisdictions exercising such responsibilities should be organized along functional lines while overlapping geographically so that individuals are free to choose among competing service providers (see the concept of functional, overlapping and competing jurisdictions (FOCJ) by Frey and Eichenberger, 1999).

Moving government closer to people has also been advanced on the grounds of creating public value. This is because local governments have the stronger potential to tap some of the resources that come as free goods – namely, resources of consent, goodwill, good Samaritan values, community spirit (see Moore, 1996).

Moving government closer to people also matters in reducing transactions costs of individuals to hold the government to account for incompetence or malfeasance – a neo-institutional economics perspective advanced by Shah and Shah (2006). Finally, a network form of governance is needed to forge partnership of various stakeholders such as interest based network, hope based network, private for profit or for non-profit providers and government providers to improve economic and social outcomes. Such network form of governance is facilitated by having an

empowered government closer to people that plays a catalytic role in facilitating such partnerships (see Dollery and Wallis, 2001).

The case for moving public decision making closer to people, however, has invited much controversy and debate. A number of influential scholars (Prud'homme, 1994; Tanzi, 1996) have questioned the merits of decentralization reforms. They have highlighted a multitude of potential "dangers of decentralization". They have argued that a decentralized fiscal and political system will result in macro instability and in a race towards bottom in public service provision as a consequence of wasteful competition for local investment promotion. According to them such a system will undermine regional equity and will result in a fragmentation of internal common market. They are also concerned that such a system will breed corruption due to personalism, weak monitoring and vertical controls, overgrazing by politicians and bureaucrats (Treisman, 2007), lack of fiscal discipline and interest group capture.

The debate over the net impact of moving decision making closer to the government on government performance, however, remains unsettled due to the non-availability of basic data that provides pertinent information on the closeness of public decision making to people in various countries. To inform this debate and to have empirical testing of various alternative hypotheses, the development of a methodology for a comparative global assessment of a government's closeness to its people is critically needed. This is precisely the focus of research in the next section.

2.2 Measuring a Government's Closeness to Its People: An Empirical Framework

A government is closer to its people if it encompasses a small geographical area and population, and it enjoys home rule and cannot be arbitrarily dismissed by higher level governments. This requires an understanding of the structure, size and significance of local governments including legal and constitutional foundation of their existence. An empirical framework for a comparative assessment of local governments must incorporate these factors. The following paragraphs elaborate on the methodology adopted in this paper to capture these elements.

Unit of analysis. The literature to-date without exception takes sub-national governments as a unit of analysis for measuring closeness to people. This viewpoint is hard to defend. Intermediate orders of government in large federal countries may be farther removed from people than the central governments in smaller unitary states. Therefore it would be inappropriate to compare provinces in Canada or states in Brazil, India, or the USA with municipalities, say, in Greece. This approach also vitiates against small countries such as Liechtenstein and Singapore as these countries would be mistakenly rated as having decision making far removed from people. In view of these considerations, local governments are the appropriate unit for measuring closeness to people as implemented here.

Local government tiers. Local government administrative structure varies across countries and the number of administrative tiers varies from 1 to 5. This has also a bearing on the closeness of the government and must be taken into consideration.

Local government size. Average size of local government in terms of population and area also varies across countries and it has a bearing on potential participation of citizens in decision making.

Significance of local government. Whether or not local governments command a significant share of national expenditures indicates their respective role in multi-order public governance. This is important in terms of their roles and responsibilities. For example, a local government may have autonomy but only a limited and highly constrained role as in India. This needs to be taken into consideration while making judgment on closeness of government decision making to people.

Security of existence of local governments. If local governments do not have any security of existence then their autonomy can be a hollow promise. Thus safeguards against arbitrary dismissal of local governments must be examined. This is to be assessed both by de-jure, the legal and or constitutional foundations of local government creation, and also de-facto working of such provisions.

Empowerment of local government. This is to be assessed on three dimensions – political, fiscal and administrative (see Boadway and Shah, 2009; Shah et al., 2004).

Political or democratic decentralization implies directly elected local governments thereby making elected officials accountable to local residents. Political

decentralization is to be assessed using the following criteria: direct popular elections of council members and the executive head; recall provisions for elected officials; popular participation in local elections and the contestability and competition in local elections.

Fiscal decentralization ensures that all elected officials weigh carefully the joys of spending someone else's money as well as the pain associated with raising revenues from the electorate and facing the possibility of being voted out. Fiscal decentralization is to be evaluated using the following criteria: range of local functions; local government autonomy in rate and base setting for local revenues; transparency and predictability and unconditionality of higher level transfers; whether finance follows function or whether revenue means match local responsibility; degree of self-financing of local expenditures; responsibility and control over municipal and social services; autonomy in local planning, autonomy in local procurement; ability to borrow domestically and from foreign sources; ability to issue domestic and foreign bonds; and higher level government assistance for capital finance.

Administrative decentralization empowers local governments to hire, fire and set terms of reference for local employment without making any reference to higher level governments, thereby making local officials accountable to elected officials. This is to be assessed using indicators for: freedom to hire, fire and set terms of reference for local government employment; freedom to contract out own responsibilities and forge public-private partnerships; and regulation of local activities by passing bye-laws.

3 Description of the Data

To implement the above framework, we have developed a unique and comprehensive dataset for 182 countries using data for mid 2000s (mostly 2005) on the relative importance of local governments, their security of existence and various dimensions of their empowerment. The following sections introduce and analyze various dimensions of these data.

3.1 Local Government – Basic Definitions

General government (GG) consists of 3 parts: Central Government (CG), State or Provincial Government (SG), and Local Government (LG). Each part consists of governmental units (in case of CG – only 1 unit), which are united into one or more tiers (in case of CG – 1 tier). As far as data permits, Social Security Funds are consolidated with an appropriate part of GG. We use commonly accepted definitions of LG and SG as provided by the IMF Government Finance Statistics (GFS). These definitions are quite vague which results into countries deciding for themselves and reporting corresponding data. This sometimes leads to inconsistencies. For example, France with three sub-national tiers of government reports all of them as LG, whereas Spain – which in many ways has the same administrative structure as France – reports one tier of SG, and two tiers of LG. Giving more precise definitions for LG and SG, which could be applied to all countries, and especially collecting data according to these definitions are difficult tasks. In constructing a comparative data set, we nevertheless attempted to correct for these self-reporting biases by using country specific research studies where available to make a distinction between SG and LG tiers.

3.2 Administrative Structure and Size of Local Government

Our dataset contains detailed information about administrative structure of every country. In particular, we report which tiers of GG are ascribed to a local government, and number of governmental units at each tier. Tiers are needed to calculate the average population of LG administrative unit as follows:

$$LG_pop = \frac{T * P}{\sum_{i=1}^T X_i}, \quad (1)$$

where LG_pop is the average population of an LG unit, T is the number of tiers in the country, P is its population, and X_i is the number of LG units at the i 'th tier. Equation (1) means that countries with additional tiers of LG, everything else equal, have higher average population of LG.

Of the sample of 182 countries only 20 have state governments (SG), while the rest of the countries have only local and central governments. 26 percent of the

Table 1: Local Government Administrative Structure and Size by Region and Income Class of Countries

	# tiers		av. pop., th		av. area, tsk	
	mean	sd	mean	sd	mean	sd
Total	2.03	0.8	101.06	175.47	2.13	6.95
By region:						
Southern Asia	2.43	0.98	79.76	75.5	0.32	0.58
Europe and Central Asia	2	0.74	29.49	56.28	0.29	0.4
Middle East and North Africa	2	0.86	111.79	116.41	5.14	15.68
Sub-Saharan Africa	2.02	0.76	171.64	178.56	4.09	8
Latin America and Caribbean	1.74	0.63	63.16	51.88	1.12	1.73
East Asia and Pacific	2.5	1	171.4	379.83	1.22	2.53
North America	2	0	11.6	6.79	1.32	1.72
By income:						
high income	1.69	0.67	72.51	119.35	1.13	2.71
middle upper income	1.76	0.72	67.3	78.76	4.09	13.25
middle lower income	2.35	0.76	93.92	246.42	1.12	2.32
low income	2.26	0.82	162.25	178.02	2.58	5.45

Source: Authors' calculations based upon data sources reported in Annex Table A1.

Note: The classification of the countries is according to the World Bank. *th* – thousand people, *tsk* – thousand square kilometers.

countries have one tier of local government, 46 percent have two tiers, while 23 percent and 6 percent have three and four tiers respectively.

Table 1 reports the summary statistics of number of LG tiers in countries by geographic region and by per capita income. On average a country has two LG tiers. Countries in South Asia and East Asia are above this average. High income countries tend to have lower number of LG tiers as compared to lower income countries.

The average tiers-adjusted population of a local government unit ranges from about several thousand people (Equatorial Guinea, Switzerland, Czech Republic, Austria) to several hundred thousand people (Somalia, DR Congo, Indonesia, Korea), with the country-average population of 101,000 people. As shown in Table 1 local governments in European and North American countries are significantly smaller in population size than the ones in the rest of the world, while the LG in Sub-Saharan Africa and East Asia are on average more than five times larger. Lower income countries have significantly larger population size governments.

Table 2: Local Government Administrative Structure and Size : Summary Statistics

Name	N	Min	Max	Mean	S.d.	Countries, min.value	Countries, max.value
LG # of tiers	177	1	4	2	.8	1 tier – 47 countries	Timor-Leste(4) Iran(4) Bangladesh(4) China(4) Madagascar(4)
LG average population	177	1.1 th	0.9 mln	93 th	128	East-Timor (1.1 th) Laos (1.5 th) Switzerland (2.7 th)	Eq. Guinea (1.4 mln) UAE (0.5 mln) Burundi (0.5 mln) Indonesia (0.5 mln)
LG average area	177	0.01 tsk	70.4 tsk	2.1 tsk	6.9	Czech Rep (0.01 tsk) Lebanon (0.01 tsk) India (0.01 tsk) Phillipines (0.01 tsk)	France (0.01 tsk) Somalia (35.4 tsk) Namibia (13.7 tsk) Congo DR (11.6 tsk)

Source: Authors’ calculations based upon data sources reported in Annex Table A1.

Note: Units of measurement: *th* – thousand people, *mln* – million people, *tsk* – thousand square kilometers.

The average area of a local government unit ranges from 0.01 thousand square kilometers (TSK) in Czech Republic to 70 TSK in Libya, with the cross-country average of 2.1 TSK (see Table 2). European and South Asian countries have relatively much smaller area size local government units, while Africa and Middle East have average LG areas of up to 14 times larger. LG in higher income countries are generally smaller in average area than the ones in lower income countries (see Table 1).

The overall pattern observed here is that higher income countries on average tend to have smaller size (both in terms of population and area) local governments with fewer tiers than lower income countries. This result reflects the fact that local governments in both Europe and North America have lower than average number of local government tiers, smaller jurisdictional area and smaller population size. Annex Figures A4, A5, and A6 depict the corresponding world maps.

3.3 The Significance of Local Government: Relative Importance and Secularity of Their Existence

Measurement of relative importance of local government and constitutional safeguards regarding arbitrary disbandment are critical to reaching a judgment about closeness of the government to its people. The following paragraphs highlight the variables used in this measurement.

Relative Importance of Local Governments

The relative importance of local governments is measured by share of LG expenditures (*lg_expdec*) in consolidated general government expenditures for all orders of government (GG) (see Table 3). This is obviously an imperfect measure of relative importance of local governments as a significant part of local government expenditures may simply be in response to higher level government mandates with little local discretion. However, data on autonomous local government expenditures are simply not available.

LG share of GG expenditures varies greatly over our sample – from virtually zero percent in a number of countries (Guyana, Mozambique, Haiti, etc.) to 59 percent in Denmark, and have near chi-square distribution with one degree of freedom. A large majority of countries (63 percent) have local government expenditure shares less than the sample average of 13 percent, and only 11 percent of the countries have LG expenditures shares higher than 30 percent (see Table 4, also Annex Figure A7). Only in Europe, East Asia and North America, local governments are important players in the public sector.

An alternate variable that could serve as a proxy for the relative importance of LG is LG employment (*lg_empl*): share of LG employment in GG employment. The available data on this variable are however much less reliable and shows a great deal of year to year volatility for most developing nations. In view of this, we are left with no alternative but the use of expenditure shares as the only variable to measure the relative importance of local governments. LG employment is used in calculation of administrative decentralization index.

Security of Existence of Local Governments

Local government security of existence is measured by LG independence (*lg_indep*). This measure attempts to capture the constitutional and legal restraints on arbitrary dismissal of local governments (see Table 3).

Only in 6 out of 182 countries, local governments have significant safeguards against arbitrary dismissal. LG in 48 percent of the countries have limited independence and for the remaining 49 percent of countries in our sample, local governments can be arbitrarily dismissed by higher order governments. Europe,

Table 3: Definitions of Variables for Measuring Relative Importance and Security of Existence of Local Government

Name	Type	Definition
LG expenditures (Importance of LG)	Continuous: 0-100	LG expenditures as % of GG expenditures
LG independence (Security of LG existence)	Discrete: 0, 0.25, 0.5, 0.75, 1	1 – legislative safeguards against dismissal of LG council by CG; 0.5 – LG can be dismissed under certain circumstances (prescribed by law or constitution); 0 – LG can be dismissed in an arbitrary situation. 0.25 or 0.75 – if LG are treated asymmetrically

Note: By asymmetric treatment of LG we mean a situation when LGs in one country are subject to differing regulations with respect to a given decentralization variable.

Table 4: LG Independence and Their Relative Significance: Summary Statistics

Name	N	Min	Max	Mean	S.d.	Countries, min.value	Countries, max.value
LG independence (Security of existence)	182	0	1	.25	.28	0 – 89 countries	1 – Denmark, Brazil, Austria, Norway, Sweden, Switzerland 0.75 – Poland, Iceland, Canada, Ethiopia, Germany, Belgium, Estonia, USA, Finland, Japan, Korea Denmark(59.4) Uzbekistan(55) China(51.4) Sweden(44.2) Japan(41.4)
LG expenditures	158	0	59.4	15	14	<0.02 – 39 countries	

Source: Authors’ calculations based upon data sources reported in Annex Table A1.

Note: City states are excluded from the rankings

North America and Brazil receive relatively higher scores on this indicator whereas local governments in Africa and the Middle East have almost no security of existence.

3.4 Local Government Empowerment

Local government empowerment is measured on fiscal, political, and administrative dimensions as discussed below.

Fiscal Decentralization

The following variables are used to assess local government fiscal autonomy.

- *LG vertical fiscal gap* (*lg_vergap*). Vertical fiscal gap refers to the fiscal deficiency arising from differences in expenditure needs and revenue means of local government. These deficiencies are partially or fully overcome by higher level financing. Therefore, vertical fiscal gap is a measure of fiscal dependence of local government on higher level financing. The design and nature of higher level financing has implications for fiscal autonomy of local governments. It must therefore be recognized that vertical fiscal gap while being a useful concept cannot be looked in isolation of a number of related indicators to have a better judgment on local fiscal autonomy as done here. The average vertical gap in the world is 52 percent. It is somewhat higher in African and Latin American countries. However, in all regions there are local governments with high share of expenditures and high reliance on financing from above (e.g. Brazil), as well as almost non-existent LG governments that rely solely on their own financing (Togo, Niger).
- *LG taxation autonomy* (*lg_taxaut*). This measure reflects upon a local government's empowerment and access to tools to finance own expenditures without recourse to higher level governments. It measures its ability to determine policy on local taxation (determining bases and setting rates) and as well as autonomy in tax collection and administration. Only 16 percent of the countries in our sample grant significant taxation autonomy to their LGs, while the rest grant limited or no tax autonomy to their local governments.

- *LG unconditional transfers (lg_transf)*. Unconditional, formula based grants preserve local autonomy. Such grants are now commonplace yet conditional grants still dominate. Europe and North America, Latin America and Southern Asia regions have high percentage of countries with high scores on this indicator.
- *LG Expenditure Autonomy (lg_expaut)*. As pointed out above, our main variable – Relative Importance of LG, measured by share of LG expenditures in total GG expenditures, – does not fully reflect the actual expenditure discretion that local governments have. First, LG may be simple distributors of the funding transferred to them from an upper-tier government, and have little choice over how the money in their budget should be spent. If the LG vertical gap (difference between LG expenditures and LG non-transfer revenues) is wide, and if the transfers from upper-tier governments are earmarked and discretionary, the actual spending power of LG may be much lower than it would be indicated by lg_expdec . Second, even the own revenues of LG (tax revenues or borrowed funds) may strongly depend on CG policy. If LG are not allowed to regulate taxes without CG interference (usually in such cases they receive a revenue-share of a tax, which is regulated by CG), then they cannot fully rely on the revenues from these taxes, and their policy would still be partly dependent on CG.

We adjust for the first argument – that the real LG expenditure autonomy depends on the vertical gap and the structure of intergovernmental grants – by defining LG expenditure autonomy variable (lg_expaut):

$$lg_expaut = 1 - lg_vergap * ((1 - \gamma) - (1 - 2\gamma) * lg_transf), \quad (2)$$

where γ is a smoothing parameter. From (2), even if a country has the widest possible vertical gap ($lg_vergap = 1$), and the smallest possible share of unconditional formula-based transfers ($lg_transf = 0$) it still keeps γ share of its original expenditure autonomy. This is to reflect the fact that discretionary conditional grant from CG still gives more autonomy to the LG than the direct spending of CG. At the same time, a country with a positive vertical gap and the best possible set of transfers still gets lg_expaut smaller

Table 5: Fiscal Decentralization Variables

Name	Type	Definition
LG vertical gap	Continuous: 0–100	Grants from other govt's (same- or upper-tier, also from other countries) as % of LG revenues
LG taxation autonomy	Discrete: 0, 0.25, 0.5, 0.75, 1	1 – LG regulates fully (sets base and rate) at least one major tax (property, income, or sales tax); 0.5 – LG partly regulates (sets rate or base in CG defined boundaries, or only after CG approval) at least one major tax, or fully regulates some fees and minor taxes; 0 – no administration of major taxes, partial administration of minor taxes; 0.25 or 0.75 – LG are treated asymmetrically
LG unconditional transfers	Discrete: 0, 0.25, 0.5, 0.75, 1	1 – at least half of transfers (to LG budgets from same- or upper-tier governments) are unconditional and formula-based; 0.5 – quarter to half of transfers are unconditional and formula-based; 0 – all transfers are either conditional or discretionary; 0.25 or 0.75 – LG are treated asymmetrically
LG expenditure autonomy	Continuous: 0 – 1	Derivative of <i>LG unconditional transfers</i> and <i>LG vertical gap</i> . See formula (2)
LG borrowing freedom	Discrete: 0, 0.25, 0.5, 0.75, 1	1 – borrowing is not regulated by CG; 0.5 – borrowing only from CG or under CG approval or regulation; 0 – borrowing is not allowed; 0.25 or 0.75 – LG are treated asymmetrically

Note: By asymmetric treatment of LG we mean a situation when LGs in one country are subject to differing regulations with respect to a given decentralization variable.

than 1 ($lg_expaut = 1 - \gamma * lg_vergap$). This is to reflect the fact that even the best set of transfers does not give LG as much fiscal independence as its own revenues.

- *LG borrowing freedom (lg_borrow)*. Can LG borrow money to satisfy their capital finance needs? Can the borrowing be done without consent or regulation of CG? 89 of 160 countries in our sample forbid any kind of borrowing by LGs, while only in 22 countries LGs are allowed to borrow without any restrictions. Local borrowing rules are more accommodating in Europe and Latin America.

The descriptions, definitions and sample statistics of fiscal decentralization variables are reported in Tables 5 and 6. Frequency distributions are reported in Annex Figures A1, A2, and A3. Figure A8 depicts the corresponding world maps.

Table 6: Fiscal Decentralization: Summary Statistics

Name	N	Min	Max	Mean	S.d.	Countries, min.value	Countries, max.value
LG vert. gap	123	0	100	66	32	Niger(0) Togo(0) Iran (5.9) Iceland(9.2) Romania(9.5)	Syria(100) Uganda(90) Burundi(90) India(90) Burkina Faso(90)
LG tax. autonomy	158	0	1	.34	.35	0 – 71 country	1 – 25 countries
LG uncond. transfers	159	0	1	.43	.4	0 – 56 countries	1 – 45 countries
LG exp. autonomy	182	0.25	1	.63	.26	0.25 – 39 countries	Togo(1), Niger(1), Hong Kong SAR, China(1), Singapore(1), Iceland(0.98)
LG borrow. freedom	160	0	1	.27	.36	0 – 89 countries	1 – 22 countries

Source: Authors’ calculations based upon data sources reported in Annex Table A1.

Political Decentralization

Political decentralization refers to home rule for local self-governance. This is examined using the following criteria.

- *LG legislative election(lg_legal)*. Are legislative bodies at the local level elected or appointed? Is the truth somewhere in between? (For example, a part of council is appointed, another part is elected, or members of councils are elected from a list pre-approved by CG.)

Elected local councils are now commonplace around the world with only 34 percent of the countries in the sample having any restraints on popular elections of legislative councils at the local level, and only 14 countries appoint local councils . Middle East and Sub-Saharan Africa are lagging behind the rest of the world in permitting directly elected local councils.

- *LG executive election(lg_exel)*. Are executive heads (mayors) at the local level elected – directly or indirectly – or appointed? Direct elections of mayors are not yet commonplace with some restrictions on direct elections in 79 percent of the countries. Thirty-six countries have no restrictions, while in 36 countries mayors are appointed at all LG tiers. While Africa and Middle East are traditionally lagging behind, European countries also receive relatively low scores on this indicator as most of the countries have some tiers of local government with appointed or indirectly elected mayors.

Table 7: Political Decentralization Variables

Name	Type	Definition
LG legislative election	App. continuous: 0–1	Final value: average over all tiers considered; for each tier: 1 – whole council is directly elected; 0.5 – council is partly elected, partly appointed, council is elected indirectly, LG are treated asymmetrically; 0 – council is appointed, or does not exist
LG executive election	App. continuous: 0–1	Final value: average over all tiers considered; for each tier: 1 – mayor is directly elected; 0.5 – mayor is indirectly elected, does not exist, coexist with an appointed executive, LG are treated asymmetrically; 0 – mayor is appointed
Direct democracy	Discrete: 0, 0.25, 0.5, 1	1 – obligatory referendum in case of certain gov’t decisions (prescribed by law or constitution); 0.5 – obligatory public approval in case of certain gov’t decisions (public hearings, citizen assemblies); 0.25 – leg. provisions for other forms of citizen participation (civil councils, open LG sessions, possibility to submit petition or initiate referendum); 0 – no leg. provisions for direct democracy

Note: By asymmetric treatment of LG we mean a situation when LGs in one country are subject to differing regulations with respect to a given decentralization variable.

- *Direct democracy provisions (lg_dirdem).* Are there legislative provisions for obligatory local referenda for major spending, taxing and regulatory decisions, recall of public officials, and requirement for direct citizen participation in local decision making processes?

Only three countries in our sample (Switzerland, Japan and USA) have direct democracy provisions (as defined in Table 7) prescribed in their national or state constitutions. About 40 percent of countries in the sample do not allow any kind of direct citizen participation in decision making at the local level. North American, European and Latin American countries have in recent years introduced isolated provisions for direct democracy, while in Africa and Middle East such people empowerment is virtually non-existent.

The descriptions, definitions and sample statistics of political decentralization variables are reported in Tables 7 and 8. Frequency distributions are reported in Annex Figures A1, A2, and A3. Figure A9 depicts the corresponding world maps.

Table 8: Political Decentralization: Summary Statistics

Name	N	Min	Max	Mean	S.d.	Countries, min.value	Countries, max.value
LG leg. election	173	0	1	.79	.33	0 – 14 countries (incl. Haiti, Malaysia, Lesotho, Liberia, Oman)	1 – 113 countries
LG exec. election	169	0	1	.48	.36	0 – 36 countries	1 – 36 countries
Direct democracy	147	0	1	.16	.2	0 – 60 countries	Switzerland(1) USA(1) Japan(1)

Source: Authors' calculations based upon data sources reported in Annex Table A1.

Administrative Decentralization

Our concern here is to measure the ability of local governments to hire and fire and set terms of employment of local employees as well as having regulatory control over own functions. As the latter data are not available, we are constrained to measure administrative decentralization simply by the first set of variables as follows.

- *LG HR policies (lg_hrpol)*. Are LG able to conduct their own policies regarding hiring, firing and setting terms of local employment? Only 43 of 158 countries allow their LGs full discretion regarding whom and at what terms to hire or fire. Europe, North America, Australia, and Latin America are leaders on this indicator. Many more countries (77) make this kind of decisions only at the central level even for local employees.
- *LG employment (lg_empl)*: share of LG employment in GG employment. Country average for LG employment is estimated to be 26 percent. However, about 34 percent of the countries in our sample report more than 30 percent of public workforce to be employed at the local level.

The descriptions, definitions and sample statistics of administrative decentralization variables are reported in Tables 9 and 10. Frequency distributions are reported in Annex Figures A1, A2, and A3. Figure A10 depicts the corresponding world maps.

Table 9: Administrative Decentralization Variables

Name	Type	Definition
LG employment	Continuous: 0–100	LG employment as % of GG employment (excluding health, education and police sectors) 1 – full LG discretion over local employment (subject to general CG laws); 0.5 – partly LG discretion (hiring but terms for public employment are set by CG, hiring only to the minor posts, hiring from selected by CG candidates, hiring after CG examination); 0 – no LG discretion in hiring; 0.25 or 0.75 – LG are treated asymmetrically
LG HR policies	Discrete: 0, 0.25, 0.5, 0.75, 1	

Note: By asymmetric treatment of LG we mean a situation when LGs in one country are subject to differing regulations with respect to a given decentralization variable.

Table 10: Administrative Decentralization: Summary Statistics

Name	N	Min	Max	Mean	S.d.	Countries, min.value	Countries, max.value		
LG employment	144	0	92	23	23	close to 0 – 7 countries	China(90)	Albania(80)	Norway(80)
LG HR policies	158	0	1	.37	.41	0 – 77 countries	Finland(80)	Sweden(80)	

Source: Authors' calculations based upon data sources reported in Annex Table A1.

4 Worldwide Ranking of Countries on Various Dimensions of Closeness of Their Governments to the People

Our main assumption is that decentralization of local governments matters only when local governments are important players in the public sector as measured by their share of general government expenditures, and have security of existence. Indeed, it is hard to believe that local governments – however politically or administratively independent they are from the center – have any ability to serve their residents if they do not command significant budgetary resources and if they can be dissolved at will by a higher order government. These two variables adjusted by the degree of political, fiscal and administrative decentralization form the basis of our aggregate country rankings on "closeness" or "decentralization" nexus.

In the following, political, fiscal and administrative decentralization sub-indexes are first constructed for sample countries. These indexes are then aggregated to develop a composite decentralization index (DI). Finally this index is adjusted for heterogeneity, area and population of LGs to develop an index of government closeness to its people – the so-called Government Closeness Index (CGI).

4.1 Fiscal Decentralization Index

The formula for our fiscal decentralization index (*fdi*) is the following:

$$fdi = lg_expaut * (\gamma + (1 - \gamma)/2 * (lg_taxaut + lg_borrow)), \quad (3)$$

where *lg_expaut* is local expenditure autonomy, *lg_taxaut* is tax autonomy and *lg_borrow* represents legal empowerment for local borrowing. Again, γ is a smoothing parameter. This index penalizes those countries, where LG do not have taxation autonomy nor borrowing freedom, however, it may still be positive for these countries (equal to γ share of *lg_expaut*) reflecting the fact that own revenues do grant some degree of discretion to LG. At the same time, countries with full taxation autonomy and borrowing freedom get an index, which is equal to *lg_expaut*.

If there is no data on *lg_taxaut* or *lg_borrow* then the worst possible values are assumed: $lg_taxaut = lg_borrow = 0$.

4.2 Political Decentralization Index

This index is constructed by simply taking the average variables described in the earlier section:

$$pdi = \frac{1}{3}(lg_legel + lg_exel + lg_dirdem) \quad (4)$$

Every variable discussed above is an essential and independent part of political decentralization. Therefore, taking the average of all variables seems to be a reasonable measure.

The index is calculated for 182 countries.

4.3 Administrative Decentralization Index

Administrative decentralization index (*adi*) is constructed as follows:

$$adi = \frac{1}{2}(lg_hrpol + lg_empl). \quad (5)$$

The index is built for 182 countries.

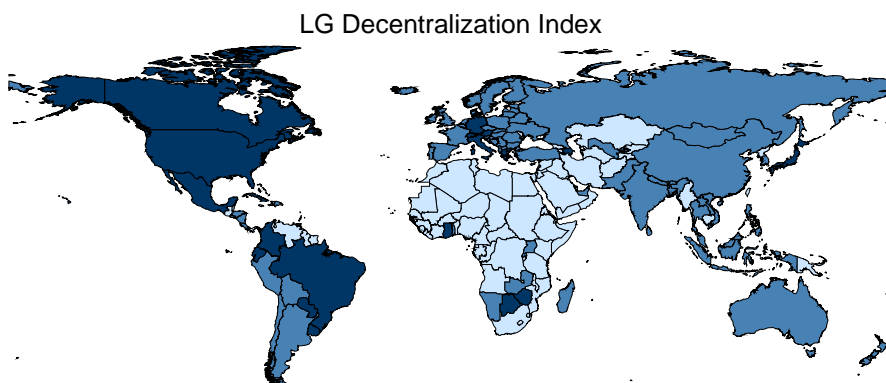
4.4 The Aggregate Decentralization Index

The aggregate index (*di*) incorporates the relative importance of LG (measured by *lg_expdec*), the security of existence of LG (measured by *lg_indep*), and fiscal, political and administrative indexes. It is constructed as follows:

$$di = lg_expdec * (\gamma + (1 - \gamma) * lg_indep) * fdi * (\gamma + (1 - \gamma) * pdi) * (\gamma + (1 - \gamma) * adi). \quad (6)$$

The index penalizes countries with low political and administrative decentralization, but even if $pdi=adi=0$ the index is still positive if LG have some fiscal autonomy and security of existence. It reflects the fact that even fully subordinated LG without any considerable administrative responsibilities still makes fiscal decisions in more decentralized way than the CG. Note that *fdi* from (6) is also effectively smoothed using γ , see (3).

Figure 1: Index of Decentralization – World Map



Source: Authors' calculations based upon data sources reported in Annex Table A1.

Note: Each country is colored according to its index of decentralization, given by the formula (6). The lighter is the shade of color the smaller is the decentralization index. Shades of the color correspond to 0-25th, 25-50th, 50-75th, 75-100th percentiles of the corresponding world's distribution.

This index is constructed for 158 countries worldwide, using smoothing parameter γ equal to 0.25. Together these countries comprise 98% of the world's GDP, and 99% of the world's population. The Figure 1 depicts distribution of the decentralization index on the World map. The darker the color of a country, the more decentralized it is. European countries, North America, Brazil, and China receive high scores on this index. Countries from Latin America, former Soviet Union, and East Asia receive average decentralization index, while Middle East and African countries are the least decentralized.

The summary statistics for each index are presented in Table 11. Table 12 reports top ten countries in each index. The complete rankings of countries are presented in Annex Tables A3 to A9.

Table 11: Indexes of Decentralization: Summary Statistics

Name	N	Min	Max	Mean	S.d.	Countries, min.value
Fisc. dec	158	.06	1	.33	.25	0-0.01 - 69 countries
Pol. dec.	182	0	1	.47	.24	0 - 18 countries
Adm. dec.	182	0	.9	.3	.28	0 - 32 countries
Dec. index	158	0	34	2	4.5	0-0.01 - 56 countries

Source: Authors' calculations based upon data sources reported in Annex Table A1.

Table 12: Indexes of Decentralization: Top Ten Leading Countries

N	fiscal	political	administrative	overall
1	Hong Kong SAR, China (1)	Switzerland (1)	Finland(0.9)	Denmark(34)
2	Singapore (1)	Japan(1)	Norway(0.9)	Sweden(21)
3	Switzerland (0.96)	USA (1)	Denmark(0.9)	Switzerland (20)
4	USA (0.9)	Greece (0.83)	Sweden(0.9)	Hong Kong SAR, China (17)
5	Denmark(0.9)	Uruguay (0.83)	Albania (0.9)	Singapore (17)
6	Canada (0.9)	Brazil(0.83)	Switzerland (0.9)	Finland(16)
7	Luxembourg (0.89)	Canada(0.83)	Armenia (0.88)	Japan (15)
8	Iceland (0.79)	Mexico (0.83)	Moldova(0.84)	Norway (15)
9	New Zealand (0.78)	Italy (0.83)	Hungary (0.82)	USA (14)
10	Australia (0.78)	0.75 - 23 countries	Canada (0.75)	Korea (12)

Source: Authors' calculations based upon data sources reported in Annex Table A1.

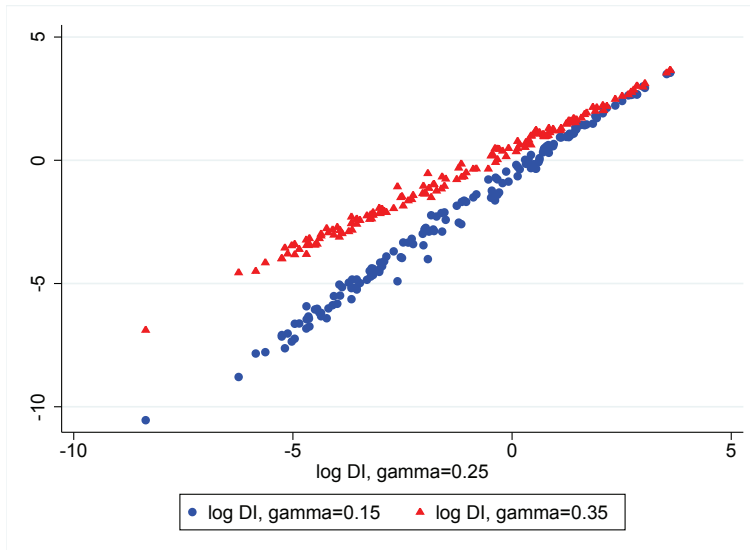
4.5 Choice of Smoothing Parameter γ

There are two reasons for why we decided to smooth our sub-indexes in the calculation of di . First, as was noted earlier, $\gamma = 0$ (no smoothing) is not an acceptable assumption. For example, under such assumption a country, where share of LG expenditures is 50 percent, but the only source of LG revenue are earmarked transfers, would be equally decentralized with the country where there are no local governments at all. The second reason is that for many decentralization variables, which enter the calculation of di , we assign discrete values instead of what is ideally supposed to be a continuous measurement. For instance, LG taxation autonomy would ideally be measured by the share of LG tax revenue that comes from locally regulated taxes. Since we do not have such data for most of the countries, the best we can do is to characterize the LG taxation autonomy of each country by a discrete score. It does not mean, however, that any country with the score 0 has no taxation autonomy at all. Smoothing the score effectively means assigning a higher score – an average in a corresponding group (e.g. a group of countries with the score 0).

The choice of $\gamma = 0.25$ for our calculation of di , although somewhat arbitrary, is driven by several considerations. First, we assume each decentralization variable X , which we measure discretely (usually, on a 3-score scale – 0, 0.5, 1), is in fact continuous and can be characterized by a latent unobservable variable $u \in [0, 1]$. The score X is then assigned the following way: $X=0$, if $u < 0.25$; $X=0.5$ if $0.25 < u < 0.75$; and $X=1$ if $u > 0.75$. Ideally, we would like our index to be adjusted by u , and not by X . While we do not observe u we can calculate its expected value given X . In the absence of any country-specific information and assuming that u is distributed uniformly the expected value of u is equal to 0.125 in case $X=0$; $u=0.5$ when $X=0.5$, and $u=0.875$ when $X=1$. Shifting u forward by 0.125 in order to set maximal adjustment equal to 1, we get the result that di adjustment by X , smoothed by $\gamma = 0.25$, is equivalent to the adjustment of di by expected value of u (with the shift).

A second consideration behind the somewhat arbitrary choice of γ is that the choice itself does not significantly affect country rankings as long as γ stays close to 0.25. Figure 2 shows decentralization index with $\gamma = 0.25$ against the ones with $\gamma = 0.15$ and $\gamma = 0.35$. As one can see from the figure all three indexes are very

Figure 2: Decentralization Index under Different Gammas



closely aligned, with the index with higher smoothing parameter assigning higher decentralization scores to countries on the lower end of distribution.

4.6 Developing the Government "Closeness" Index by Adjusting the Decentralization Index for Heterogeneity of Size and Preferences

Our main premise is that the decentralization brings government decision making closer to the people. The decentralization indexes reported earlier indicate how significant local governments are in policymaking and public service delivery responsibilities in any country. These indexes, however, do not fully capture the actual closeness of local governments to people. This is because local governments vary widely in population, area and diversity of preferences of residents. For example, Indonesia has average LG unit population size of 0.5 mln people, while in Switzerland, for instance, the average local government population size is only 3 thousands. Population of such countries as Malta, Iceland, Belize, Maldives, etc. is lower than 0.5 mln people. It is obvious that in most aspects, e.g. accounting

for heterogeneous preferences, being accountable and responsive to people, etc., even central governments in these countries are closer to people than the LGs in Indonesia. Therefore, the decentralization indexes need to be adjusted for LG population and area and other measures of a country's heterogeneity.

Our procedure of the adjustment is the following. Suppose we have a country with decentralization index β , average population of LG unit N , and heterogeneity index α . Heterogeneity index is based on average area of LG unit, ethno-linguistic, age, income, urbanization composition of the country's population, as well as its geographical features (relief, versatility of climatic zones, etc.) Each resident of the country has different preferences regarding the level of governmental services provided. If an average LG provides x units of the service then the disutility of a resident i is $f(|x - i|, \alpha)$, where f is some function of two arguments. Disutility increases with the distance between the decision of the government and the preference of the resident, and all things equal, disutility increases with heterogeneity of the country, i.e. residents are more distant in their preferences in more heterogeneous countries. Governments are assumed to be benevolent, and minimize the aggregate disutility of all residents in a region they are in charge of. Since we assume symmetric distribution of preferences in the region, benevolent government would provide $N/2$ units of the service – a level preferred by the median resident.

Given the assumptions above, the question we ask is what decentralization index β' should (β, N, α) -country have in order to produce a disutility of an average resident equal to the one in $(\beta, \bar{N}, \bar{\alpha})$ -country – a country with the same decentralization index β , but some benchmark levels of average LG unit population \bar{N} and heterogeneity index $\bar{\alpha}$? The answer to this question follows from the identity below:

$$\beta'AD(N, \alpha) = \beta AD(\bar{N}, \bar{\alpha}) \Rightarrow \beta' = \beta \frac{AD(\bar{N}, \bar{\alpha})}{AD(N, \alpha)}, \quad (7)$$

where $AD(N, \alpha)$ is the disutility of an average resident in LG with population N and heterogeneity index α , given that the government sets its service to satisfy the median resident. AD can be found from the following expression:

$$AD(N, \alpha) = \frac{1}{N} \sum_{i=1}^N f\left(\left|\frac{N}{2} - i\right|, \alpha\right) \approx \frac{2}{N} \int_0^{N/2} f\left(\frac{N}{2} - i, \alpha\right) di, \quad (8)$$

where in last equality we use approximation of a sum with the integral (to simplify calculations), and our assumption about symmetric around median preferences.

For our calculation of decentralization index adjustment we take the following f :

$$f\left(\frac{N}{2} - i, \alpha\right) = \ln\left(1 + \frac{A}{1 - \alpha} \left(\frac{N}{2} - i\right)\right), \quad (9)$$

where parameter A allows us to control the sensitivity of our results to large differences in average LG unit population. According to (9), disutility of an individual i is increasing with population of LG unit, as well as with heterogeneity index α and sensitivity parameter A . At the same time, f expresses diminishing returns to scale – the further the individuals are from the median resident the smaller is the difference between their disutilities. The median resident’s disutility is zero.

Given f , the AD from (8) becomes:

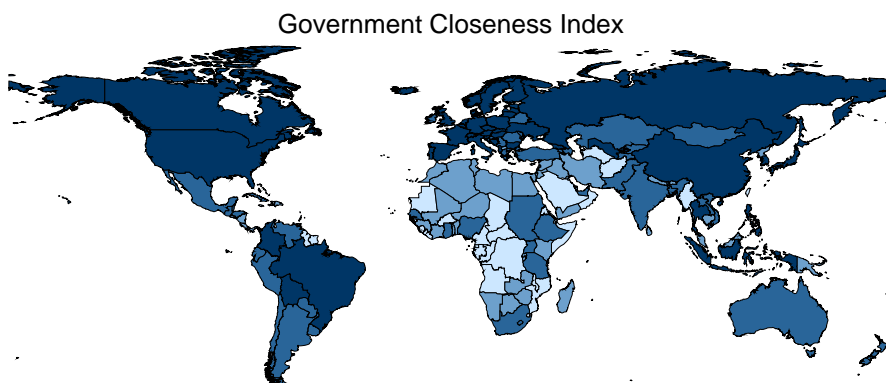
$$\frac{2}{N} \int_0^{N/2} \ln\left(1 + \frac{A}{1 - \alpha} \left(\frac{N}{2} - i\right)\right) di = \left(\frac{1 - \alpha}{A} \frac{2}{N} + 1\right) \ln\left(1 + \frac{A}{1 - \alpha} \frac{N}{2}\right) - 1. \quad (10)$$

First, we assume there is no heterogeneity, i.e. $\alpha = 0$. By choosing different A ’s we consider three scenarios: sensitive ($A = 0.01$), moderate ($A = 0.1$), and conservative ($A = 1$).¹ Then we introduce heterogeneity in the moderate scenario. At first, we base our α only on the average LG unit area. Then the heterogeneity index is extended to account for additional variables. These are age, residency, income, ethnic, religious, linguistic structure of population, country’s area, relief heterogeneity (difference between highest and lowest points), and climate heterogeneity (difference between highest and lowest latitude). The reference parameters \bar{N} , $\bar{\alpha}$ are taken to be corresponding medians from the sample.

Figure 3 maps all countries using the indicators for the Government Closeness Index in the world. Countries in dark blue color represent the quartile where

¹ One must note that sensitivity here concerns only average disutility – the higher A the greater is average disutility, everything else equal. The adjustment of decentralization index, however, may go either way, because it depends on the ratio of disutility in a given country and disutility in a reference country.

Figure 3: Government Closeness Index – World Map



Source: Authors' calculations based upon data sources reported in Annex Table A1.

Note: Each country is colored according to its Government Closeness Index, given by the equation (10) with $A=0.1$, and accounting for heterogeneity. The lighter is the shade of color the smaller is the index. Shades of the color correspond to 0–25th, 25–50th, 50–75th, 75–100th percentiles of the corresponding world's distribution.

the government is closer to its people whereas at the other extreme, countries colored light blue indicates that the public decision making is highly centralized. A closer look at the world map using these indexes points to potential hot spots for internal strife. This is borne out by recent political events. For example almost all Middle East and North African countries are shaded light blue indicating that the governments are distant from people and people are not empowered to hold these government to account. This leaves people with no voice and exit options other than extra-constitutional steps for overthrow of their governments. That is why popular movements in these countries, commonly termed as the Arab Spring, have sought revolutionary changes to empower voiceless people.

Table 13 presents top ten leaders in each of the five new indexes (columns 3–7), each corresponding to adjustments presented above. The decentralization index without adjustments is presented in column 2. The scenario with population adjustment ($A=1$) results in the smallest changes. Yet, even under this scenario, Finland, Switzerland, USA, and Iceland move up the ladder as the countries with

Table 13: Government Closeness Index: Adjusting decentralization index for population and heterogeneity

N	no adj.	$A = 0.01$	$A = 0.1$	$A = 1$	adj. area ($A = 0.1$)	heterogeneity ($A = 0.1$)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Denmark (34)	Switzerland (46)	Switzerland (34)	Denmark (31)	Switzerland (34)	Switzerland (32)
2	Sweden (21)	Denmark (28)	Denmark (30)	Switzerland (29)	Denmark (30)	Denmark (31)
3	Switzerland (20)	USA (24)	Sweden (20)	Sweden (20)	USA (20)	Sweden (20)
4	Hong Kong SAR, China (17)	Finland (22)	Finland (20)	Finland (19)	Sweden (20)	Finland (20)
5	Singapore (17)	Iceland (22)	USA (19)	USA (20)	Finland (19)	USA (18)
6	Finland (16)	Sweden (19)	Norway (17)	Norway (17)	Norway (17)	Norway (17)
7	Japan (15)	Norway (18)	Iceland (16)	Iceland (17)	Iceland (16)	Iceland (17)
8	Norway (15)	Austria (12)	Japan (13)	Japan (13)	Japan (13)	Japan (13)
9	USA (14)	Japan (13)	Hong Kong SAR, China (13)	Hong Kong SAR, China (12)	Hong Kong SAR, China (13)	Hong Kong SAR, China (13)
10	Korea (12)	Hungary (12)	Austria (11)	Singapore (12)	Austria(11)	Singapore (11)

Source: Authors' calculations based upon data sources reported in Annex Table A1.

Note: In each column top ten most decentralized countries are presented. Indexes are adjusted for: columns 3-5 – only for average LG unit population, column 6 – for average LG unit population and area, 7 – for average LG unit population and heterogeneity index. The corresponding sensitivities (defined by parameter A) are in the brackets of column titles. The benchmark country is a hypothetical country with median parameters from the sample: $\bar{N} = 43253$, $\bar{area} = 0.076$, $\bar{\alpha} = 0.359$. The original decentralization index is presented in column 1.

traditionally small local governments. On the other hand, countries with large average LG population e.g. China, Japan, and Republic of Korea have their rankings lowered. Moving from conservative to sensitive scenario, countries with small LG continue to get relatively higher indexes. Switzerland is the most decentralized country with this kind of adjustment, Iceland is the second. More European countries (Hungary, Georgia, Czech Republic) enter the list of leaders instead of Asian countries. Adjustment for area and heterogeneity do not change the ranking much, which may suggest that the adjustment procedure is too conservative. The only notable difference is that Switzerland gets lower index (moves down from 1st to 2nd place) because of its linguistic and ethnic heterogeneity.

Figures 4 and 5 compare the Government Closeness Index (last column of Table 13) with our Decentralization Index and LG expenditures, which is commonly used in the literature to measure decentralization. The difference between the latter and GCI is rather large for many countries. For example, in Uzbekistan more than 55 percent of government expenditures are local, but the country fares relatively poor on other aspects of fiscal decentralization – in particular, taxation autonomy, borrowing freedom. The LG vertical gap in Uzbekistan is 60 percent. China also has high share of local government expenditure, but fares relatively poor on political decentralization.

Government Closeness Index and Decentralization Index are much more aligned. Nevertheless, countries with small local governments – Austria, Israel, USA, Canada, and especially Switzerland – significantly improve their ranking.

4.7 Relationship of the Government Closeness Index and Decentralization Index with Government Size, Incidence of Corruption, Ease of Doing Business, Human Development, and Growth

We check the association of our government closeness (GCI) and decentralization indexes (DI) (and *lg_expdec* – a standard measure of decentralization in the literature) and a number of economic indicators: general level of human development (as measured by UN's Human Development Index), incidence of corruption, GDP per capita growth. We also check whether the decentralization is associated with higher government size and higher regulation burden (as measured by the number of procedures to start a business or enforce contract in a country). Corresponding

Figure 4: Government Closeness Index vs. LG Expenditures

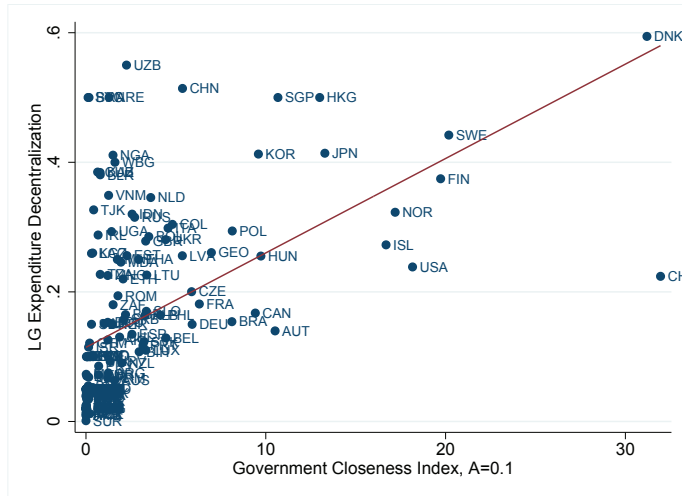


Figure 5: Government Closeness Index vs. Decentralization Index

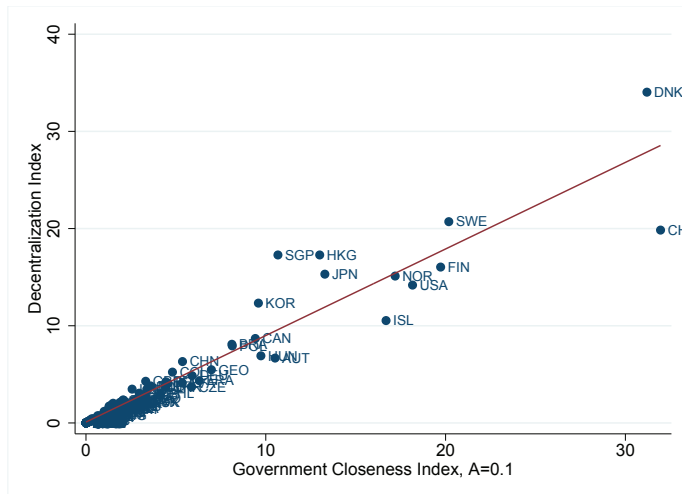


Table 14: Decentralization Indexes and Human Development, Corruption and Growth

All vars as of 2005	Human Development Index			Corruption Perception Index			Real GDP per Capita Growth, 2000-10		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
log GCI	0.00475** (0.00217)			0.230*** (0.0532)			0.122 (0.129)		
log DI		0.00453** (0.00217)			0.241*** (0.0528)			0.104 (0.129)	
log LG expenditures			0.00511 (0.00371)			0.198** (0.0960)			0.117 (0.218)
log population	- 0.00379 (0.00260)	- 0.00393 (0.00267)	- 0.00205 (0.00242)	- 0.269*** (0.0648)	- 0.290*** (0.0658)	- 0.181*** (0.0637)	0.0546 (0.155)	0.0592 (0.158)	0.102 (0.143)
log GDP per capita	0.0550*** (0.00380)	0.0549*** (0.00382)	0.0558*** (0.00381)	0.804*** (0.0951)	0.794*** (0.0946)	0.856*** (0.0990)	-0.0784 (0.226)	-0.0759 (0.227)	-0.0557 (0.225)
openness	-8.87e-05 (7.23e-05)	-9.05e-05 (7.25e-05)	-8.06e-05 (7.29e-05)	0.00123 (0.00180)	0.00107 (0.00178)	0.00153 (0.00189)	0.000320 (0.00430)	0.000307 (0.00431)	0.000535 (0.00430)
literacy rate	0.00263*** (0.000271)	0.00264*** (0.000271)	0.00270*** (0.000272)	-0.00699 (0.00666)	- (0.00702)	- (0.00345)	-0.0172 (0.0161)	-0.0166 (0.0161)	-0.0154 (0.0160)
1 if in OECD	0.00272 (0.0135)	0.00312 (0.0135)	0.00674 (0.0136)	1.821*** (0.337)	1.826*** (0.334)	1.983*** (0.353)	- (0.805)	- (0.805)	- (0.804)
constant	0.118** (0.0465)	0.120** (0.0469)	0.111** (0.0480)	-1.075 (1.136)	-0.861 (1.137)	-1.644 (1.223)	7.140** (2.764)	7.077** (2.790)	6.890** (2.830)
R-squared	0.960	0.960	0.959	0.834	0.836	0.816	0.256	0.255	0.253
observations	143	143	143	141	141	141	143	143	143

Note: * – significant at 10% level, ** – significant at 5% level, *** – significant at 1% level. Standard errors in parentheses. All regressions include regional dummies. Abbreviation: *GCI* – Government Closeness Index, *DI* – Decentralization Index.

OLS regressions are presented in the Tables 14 and 15. In each regression we control for income (GDP per capita), size of a country (by population and GDP), its openness to trade, state of human capital (literacy rate), and if the country is a member of OECD. Annex Table A2 presents the summary statistics for all variables used.

The regressions indicate that decentralized local governance as measured by GCI or DI is associated with higher human development, lower corruption, and higher growth, although in case of growth the coefficients on GCI and DI are not statistically significant. Table 15 also indicates that relatively more decentralized

Table 15: Decentralization Indexes and Size of Government, Ease of Doing Business

All vars as of 2005	General Government Employment			Procedurec to Start Business			Procedures to Enforce Contracts		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
log GCI	-0.0400 (0.234)			-0.0980 (0.184)			-0.296 (0.325)		
log DI		-0.0305 (0.233)			-0.112 (0.185)			-0.332 (0.326)	
log LG expenditures			0.317 (0.402)			-0.314 (0.332)			-0.145 (0.557)
log population	-0.283 (0.249)	-0.286 (0.253)	-0.346 (0.231)	0.829*** (0.230)	0.839*** (0.233)	0.842*** (0.220)	-0.551 (0.389)	-0.514 (0.397)	-0.686* (0.360)
log GDP per capita	0.254 (0.353)	0.254 (0.354)	0.250 (0.350)	-0.401 (0.324)	-0.392 (0.325)	-0.402 (0.320)	-0.0407 (0.584)	-0.0172 (0.586)	-0.122 (0.581)
openness	- (0.00617)	- (0.00619)	- (0.00611)	-0.00155 (0.00607)	- (0.00608)	- (0.00605)	- (0.0108)	- (0.0108)	- (0.0108)
literacy rate	0.0275 (0.0294)	0.0272 (0.0294)	0.0225 (0.0290)	-0.00681 (0.0215)	- (0.0215)	- (0.0212)	-0.0623 (0.0405)	-0.0618 (0.0404)	- (0.0403)
1 if in OECD	1.692 (1.181)	1.681 (1.177)	1.636 (1.162)	-2.559** (1.112)	- (1.111)	- (1.107)	- (2.058)	- (2.055)	- (2.068)
constant	2.134 (4.199)	2.159 (4.240)	3.448 (4.284)	7.999** (3.678)	7.837** (3.719)	7.174* (3.804)	50.13*** (6.930)	49.70*** (6.988)	51.41*** (7.114)
R-squared	0.328	0.328	0.334	0.399	0.399	0.402	0.371	0.372	0.367
observations	87	87	87	127	127	127	140	140	140

Note: * – significant at 10% level, ** – significant at 5% level, *** – significant at 1% level. Standard errors in parentheses. All regressions include regional dummies. Abbreviation: *GCI* – Government Closeness Index, *DI* – Decentralization Index.

countries have smaller size governments and business friendly regulatory regimes but these results are not statistically significant either.

When decentralization is measured only by *lg_expdec* the statistical associations between decentralization and our selected economic indicators have generally lower statistical and economic significance (i.e. have lower t-statistics and magnitudes of coefficients). In case of general government employment there is also a change in the sign of coefficient. At the same time, the Government Closeness Index performs better (in terms of statistical and economical significance) than DI for Human Development Index and GDP per capital growth. For the rest of dependent variables both indexes seem to perform equally well.

5 Concluding Remarks

The silent revolution (decentralization reforms) of the past two decades has attracted strong policy and research attention worldwide. The assessment of the impact of this revolution in moving decision making closer to the people, however, remains an unanswered question. This paper takes an important first step in this direction by providing a framework of comparative measurement and developing worldwide ranking of countries on people empowerment on various aspects of government decision making. While there is a crying need for systematic collection of quality data needed for the application of the comparative framework presented here, the integration of available diverse dataset as done here has yielded promising results. For example, the government closeness indexes presented here show that one could have predicted well in advance with a fair degree of accuracy, the countries that were ripe for popular people revolt such as the one experienced through the Arab Spring or similar movements across the globe that seek revolutionary changes in the political and economic system to empower voiceless people. The ranking developed here is also helpful in understanding occasional popular revolts even in decentralized countries such as recent protests against government priorities that favored sports complexes over social services in public spending in Brazil. In this latter group of countries, citizen empowerment stimulates greater citizen activism to hold the government to account for delivering services consistent with their preferences. The indexes also provide useful barometers of the enabling

environment for doing business or promoting growth and economic development and good governance. Overall they provide useful aggregate measures of government closeness to their people. We hope this paper will stimulate further research to improve upon the data and the methodology presented here as well as facilitate building common consensus in countries poorly ranked here for fundamental governance reforms. Further various indicators developed here offer scholars the opportunity for undertaking more rigorous research to further our understanding of the structure of multi-order governance and its relationship with social and economic outcomes that have a bearing on the quality of life of citizens.

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Table A1: Data sources

Variable	Source
Decentralization variables	
all variables	(in the order of frequency of use) United Cities and Local Governments (UCLG) (2008), IMF's Government Finance Statistics (GFS) (http://www2.imfstatistics.org/GFS/logon.aspx), Shah (2006), Commonwealth Local Government Initiative (CLGI) country profiles (http://www.clgf.org.uk), Eckardt and Shah (2008), Shah et al. (2004), UN Public Administration Program (UNPAN) public administration country profiles (http://www.unpan.org), Program on Governance in Arab Countries (POGAR) (http://www.pogar.org), White and Smoke (2005), official web-sites of ministries of local government, ministries of finance
Variables for heterogeneity index	
age 0-14, 15-65, >65, % population	WB World Development Indicators (http://data.worldbank.org)
% urban population	WB World Development Indicators (http://data.worldbank.org)
GINI index	United Nations Development Project (UNDP) Human Development Indexes (http://data.un.org)
ethnic, religious, linguistic fractionalization	Alesina et al. (2003)
country area	WB World Development Indicators (http://data.worldbank.org)
highest and lowest geographical points	CIA World Factbook (https://www.cia.gov/library/publications/the-world-factbook)
highest and lowest latitude	own observations on political map of the world
<i>Note:</i> Data sources for variables, which are used in the paper. Abbreviations used: <i>LG</i> – local government, <i>CG</i> – central government, <i>GG</i> – general government.	

Table A2: Variables used in regressions in Section 4.7: Summary statistics

	Short definition	N obs	Mean	St. dev	Min	Max	Source
Control variables							
Population		181	35.7	130	0.1	1303	WB WDI
GDP		171	210	955	0	10950	WB WDI
GDP per capita		174	9548	14645	101	81777	WB WDI
openness	(Exp+Imp)/GDP	179	96.5	53.7	2	446	WB WDI
literacy rate	% population	165	81.3	20.6	16.5	100	WB WDI
1 if in OECD		182	0.15	0.35	0	1	
Dependent variables							
Human Development Index		168	0.7	0.2	0.3	1	UN
Corruption Perception Index		169	4	2.1	1.4	9.4	TI
Real GDP per Capita Growth, 2000-10		176	4.4	2.7	-4.3	18.3	WB WDI
General government employment (% total)		96	2.9	2.9	0.1	15	WB WDI
Procedures to start business		136	10.2	3.4	2	19	WB DBI
Procedures to enforce contracts		167	38	6.8	20	58	WB DBI

Table A3: Country Rankings: Decentralization indexes (sorted by Government Closeness Index)

pos	country	LG RI	LG SE	FDI	PDI	ADI	DI	GCI
1	Switzerland	0.22	1	0.96	1	0.9	19.84	31.96
2	Denmark	0.59	1	0.9	0.58	0.9	34.03	31.2
3	Sweden	0.44	1	0.77	0.54	0.9	20.71	20.18
4	Finland	0.37	0.75	0.76	0.67	0.9	16.04	19.72
5	United States	0.24	0.75	0.9	1	0.75	14.19	18.16
6	Norway	0.32	1	0.74	0.58	0.9	15.11	17.2
7	Iceland	0.27	0.75	0.79	0.75	0.65	10.53	16.69
8	Japan	0.41	0.75	0.68	1	0.56	15.31	13.29
9	Hong Kong, China	0.5	0.5	1	0.67	0.65	17.29	13
10	Singapore	0.5	0.5	1	0.67	0.65	17.29	10.68
11	Austria	0.14	1	0.76	0.75	0.7	6.68	10.52
12	Hungary	0.26	0.5	0.62	0.75	0.82	6.91	9.73
13	Korea, Rep.	0.41	0.75	0.7	0.75	0.53	12.33	9.59
14	Canada	0.17	0.75	0.9	0.83	0.75	8.69	9.42
15	Poland	0.29	0.75	0.62	0.58	0.7	7.93	8.14
16	Brazil	0.15	1	0.78	0.83	0.7	8.09	8.11
17	Georgia	0.26	0.5	0.78	0.42	0.69	5.48	6.97
18	France	0.18	0.5	0.75	0.58	0.66	4.35	6.3
19	Germany	0.15	0.75	0.67	0.75	0.64	4.86	5.9
20	Czech Republic	0.2	0.5	0.73	0.58	0.45	3.71	5.87
21	China	0.51	0.5	0.57	0.25	0.71	6.32	5.37
22	Latvia	0.26	0.5	0.53	0.5	0.7	4.11	5.36
23	Colombia	0.3	0.5	0.55	0.67	0.55	5.23	4.81
24	Italy	0.3	0.5	0.49	0.83	0.35	4.07	4.56
25	Belgium	0.13	0.75	0.72	0.67	0.67	4.23	4.45
26	Ukraine	0.28	0.5	0.35	0.64	0.74	3.65	4.43
27	Philippines	0.16	0.5	0.5	0.75	0.64	3.02	4.14
28	Netherlands	0.35	0.5	0.36	0.5	0.7	3.81	3.6
29	Bolivia	0.29	0.5	0.4	0.71	0.54	3.68	3.49
30	Lithuania	0.23	0.5	0.39	0.75	0.7	3.46	3.38
31	Slovenia	0.17	0.5	0.39	0.75	0.7	2.59	3.36
32	Luxembourg	0.11	0.5	0.89	0.58	0.35	2.16	3.33
33	United Kingdom	0.28	0.5	0.52	0.67	0.51	4.29	3.32
34	Albania	0.16	0.5	0.63	0.33	0.9	2.99	3.29
35	Slovak Republic	0.12	0.5	0.56	0.75	0.46	2.09	3.23
36	Portugal	0.12	0.5	0.56	0.75	0.59	2.29	3.17
37	Bosnia and Herzegovina	0.11	0.5	0.76	0.75	0.65	3.06	2.96
38	Thailand	0.25	0.5	0.46	0.58	0.35	2.55	2.93
39	Russian Federation	0.32	0.5	0.34	0.71	0.25	2.31	2.71
40	Indonesia	0.32	0.5	0.5	0.53	0.39	3.48	2.57
41	Spain	0.13	0.5	0.74	0.5	0.37	2.06	2.56
42	Estonia	0.26	0.75	0.23	0.42	0.58	1.83	2.28
43	Uzbekistan	0.55	0.25	0.18	0.53	0.5	1.7	2.25
44	Bulgaria	0.16	0.5	0.32	0.75	0.7	2.07	2.2

Table A3: (continued)

pos	country	LG RI	LG SE	FDI	PDI	ADI	DI	GCI
45	Serbia	0.16	0.25	0.69	0.75	0.48	2.33	2.11
46	Ethiopia	0.22	0.75	0.36	0.5	0.45	2.37	2.06
47	New Zealand	0.09	0.5	0.79	0.67	0.55	2.21	1.98
48	Moldova	0.25	0.5	0.18	0.5	0.84	1.56	1.94
49	Chile	0.13	0.5	0.57	0.5	0.62	2.09	1.87
50	Romania	0.19	0.25	0.43	0.58	0.45	1.46	1.78
51	Montenegro	0.25	0.5	0.16	0.75	0.7	1.54	1.75
52	West Bank and Gaza	0.4	0.25	0.34	0.25	0.5	1.64	1.61
53	Australia	0.06	0.5	0.78	0.67	0.56	1.54	1.59
54	South Africa	0.18	0.5	0.58	0.42	0.4	2.03	1.51
55	Nigeria	0.41	0.5	0.24	0.67	0.2	1.87	1.5
56	Peru	0.15	0.25	0.37	0.75	0.65	1.46	1.44
57	Uganda	0.29	0.5	0.2	0.75	0.49	1.87	1.42
58	Croatia	0.09	0.5	0.41	0.58	0.59	1.14	1.35
59	United Arab Emirates	0.5	0	0.56	0.42	0.25	1.73	1.29
60	Vietnam	0.35	0.25	0.16	0.58	0.55	1.14	1.26
61	Argentina	0.07	0.5	0.53	0.75	0.4	1.1	1.25
62	Pakistan	0.13	0.5	0.5	0.56	0.35	1.35	1.22
63	Ecuador	0.15	0.25	0.44	0.67	0.5	1.37	1.21
64	Armenia	0.07	0.5	0.46	0.33	0.88	0.87	1.21
65	Mongolia	0.23	0.25	0.36	0.42	0.2	0.8	1.21
66	Uruguay	0.15	0.25	0.55	0.83	0.17	1.19	1.01
67	India	0.05	0.5	0.48	0.67	0.35	0.58	0.81
68	Tanzania	0.23	0.25	0.21	0.5	0.32	0.63	0.79
69	Belarus	0.38	0	0.22	0.42	0.42	0.68	0.79
70	Kazakhstan	0.38	0	0.37	0.33	0.2	0.72	0.78
71	Paraguay	0.09	0.25	0.39	0.67	0.55	0.72	0.71
72	Turkey	0.07	0.5	0.46	0.58	0.31	0.69	0.7
73	Ireland	0.29	0	0.27	0.58	0.31	0.64	0.68
74	Cuba	0.38	0	0.28	0.67	0.15	0.74	0.65
75	Tajikistan	0.33	0	0.22	0.25	0.2	0.31	0.43
76	Bangladesh	0.1	0.25	0.45	0.25	0.35	0.44	0.4
77	Greece	0.05	0.5	0.34	0.83	0.13	0.33	0.38
78	Lao PDR	0.26	0	0.17	0.53	0.04	0.2	0.37
79	Honduras	0.1	0.25	0.29	0.42	0.31	0.35	0.36
80	Mexico	0.04	0.25	0.42	0.83	0.28	0.32	0.31
81	Kyrgyz Republic	0.26	0	0.22	0.28	0.27	0.3	0.31
82	Sudan	0.15	0.25	0.22	0.39	0.38	0.41	0.31
83	Belize	0.1	0.1	0.19	0.39	0.35	0.17	0.25
84	Venezuela	0.05	0.25	0.48	0.67	0.15	0.28	0.24
85	Azerbaijan	0.01	0.5	0.41	0.5	0.75	0.16	0.22
86	Guatemala	0.12	0.25	0.18	0.33	0.3	0.22	0.2
87	Lebanon	0.1	0.25	0.21	0.5	0.06	0.17	0.2
88	Senegal	0.05	0.25	0.24	0.42	0.54	0.18	0.17
89	Brunei Darussalam	0.5	0	0.06	0.67	0	0.15	0.17

Table A3: (continued)

pos	country	LG RI	LG SE	FDI	PDI	ADI	DI	GCI
90	Ghana	0.05	0.25	0.41	0.33	0.3	0.21	0.17
91	Sri Lanka	0.05	0.25	0.22	0.47	0.59	0.2	0.17
92	Morocco	0.07	0	0.26	0.5	0.39	0.15	0.15
93	Costa Rica	0.03	0.5	0.49	0.31	0.02	0.14	0.15
94	Israel	0.11	0	0.2	0.67	0.08	0.13	0.14
95	El Salvador	0.05	0.25	0.39	0.42	0	0.13	0.13
96	Korea, Dem. Rep.	0.1	0	0.22	0.5	0.08	0.1	0.12
97	Seyshelles	0.5	0	0.06	0.17	0	0.07	0.12
98	Malaysia	0.04	0.25	0.41	0.08	0.54	0.14	0.11
99	Kenya	0.05	0.25	0.36	0.33	0.15	0.14	0.1
100	Iran, Islamic Rep.	0.03	0.25	0.6	0.21	0.05	0.1	0.09
101	Tunisia	0.03	0	0.34	0.5	0.28	0.08	0.08
102	Botswana	0.05	0.25	0.16	0.33	0.37	0.09	0.08
103	Cyprus	0.03	0	0.22	0.75	0	0.04	0.07
104	Iraq	0.1	0.25	0.06	0.5	0.3	0.08	0.07
105	Zimbabwe	0.1	0	0.17	0.42	0.1	0.08	0.06
106	Bhutan	0.05	0	0.16	0.58	0.05	0.04	0.05
107	Cote d'Ivoire	0.05	0.25	0.13	0.39	0.27	0.07	0.05
108	Macedonia	0.05	0	0.19	0.75	0.01	0.05	0.05
109	Papua New Guinea	0.05	0.25	0.14	0.5	0.05	0.05	0.05
110	Nepal	0.03	0	0.22	0.75	0.03	0.04	0.05
111	Algeria	0.05	0	0.24	0.28	0.14	0.05	0.05
112	Togo	0.02	0	0.44	0.75	0.12	0.06	0.04
113	Dominican Republic	0.07	0	0.14	0.58	0.04	0.05	0.04
114	Egypt	0.04	0.25	0.1	0.33	0.28	0.04	0.04
115	Libya	0.05	0.25	0.11	0.67	0.05	0.05	0.04
116	Jordan	0.05	0	0.16	0.13	0.5	0.04	0.04
117	Madagascar	0.02	0	0.13	0.75	0.35	0.03	0.04
118	Mauritius	0.04	0	0.17	0.5	0.05	0.03	0.04
119	Nicaragua	0.04	0	0.16	0.75	0.05	0.04	0.03
120	Syrian Arab Republic	0.05	0	0.16	0.25	0.12	0.03	0.03
121	Cambodia	0.02	0	0.2	0.33	0.28	0.02	0.03
122	Rwanda	0.04	0.25	0.08	0.53	0.04	0.03	0.03
123	Kuwait	0.1	0	0.11	0.17	0	0.03	0.02
124	Panama	0.04	0	0.2	0.33	0.03	0.03	0.02
125	Benin	0.04	0	0.23	0.25	0.01	0.03	0.02
126	Zambia	0.02	0	0.31	0.25	0.13	0.03	0.02
127	Guinea	0.02	0	0.22	0.21	0.25	0.02	0.02
128	Niger	0.01	0	0.44	0.39	0.03	0.02	0.02
129	Qatar	0.05	0	0.12	0.33	0	0.02	0.02
130	Namibia	0.02	0	0.11	0.58	0.28	0.02	0.02
131	Burundi	0.04	0	0.14	0.33	0.05	0.02	0.01
132	Mali	0.04	0	0.11	0.44	0	0.02	0.01
133	Yemen	0.05	0.25	0.08	0.17	0	0.02	0.01
134	Macao, China	0.07	0	0.13	0	0	0.01	0.01

Table A3: (continued)

pos	country	LG RI	LG SE	FDI	PDI	ADI	DI	GCI
135	Swaziland	0.02	0	0.22	0.13	0.03	0.01	0.01
136	Lesotho	0.02	0	0.38	0	0.03	0.01	0.01
137	Cape Verde	0.05	0	0.06	0.17	0.08	0.01	0.01
138	Congo, Dem. Rep.	0.04	0	0.12	0.17	0.05	0.01	0.01
139	Somalia	0.05	0.25	0.06	0.17	0	0.01	0.01
140	Malawi	0.02	0	0.13	0.67	0	0.01	0.01
141	Congo, Rep.	0.02	0	0.15	0.17	0.05	0.01	0.01
142	Cameroon	0.02	0	0.12	0.42	0.05	0.01	0.01
143	Liberia	0.05	0	0.11	0	0.05	0.01	0.01
144	Burkina Faso	0.03	0	0.08	0.5	0.08	0.01	0.01
145	Malta	0.01	0	0.1	0.58	0	0.01	0.01
146	Jamaica	0.01	0	0.22	0.5	0.03	0.01	0.01
147	Mauritania	0.02	0	0.13	0.33	0	0.01	0.01
148	Chad	0.02	0	0.1	0.39	0.05	0.01	0.01
149	Sierra Leone	0.02	0.25	0.06	0.25	0	0.01	0.01
150	Saudi Arabia	0.05	0	0.06	0.08	0.05	0.01	0.01
151	Guinea-Bissau	0.05	0	0.06	0	0.13	0.01	0.01
152	Oman	0.05	0	0.06	0	0.05	0.01	0.01
153	Angola	0.02	0	0.14	0	0.07	0.01	0
154	Central African Re- public	0.02	0	0.1	0	0.05	0	0
155	Afghanistan	0.01	0	0.18	0	0.05	0	0
156	Eritrea	0.02	0	0.06	0	0	0	0
157	Suriname	0	0	0.06	0.33	0	0	0
158	Bahamas	0	0	0.06	0.42	0	0	0
159	Bahrain	0	0	0.11	0.33	0.1	0	0
160	Barbados	0	0	0.06	0	0	0	0
161	Comoros	0	0	0.11	0.67	0.25	0	0
162	Djibouti	0	0	0.06	0.5	0	0	0
163	Dominica	0	0	0.16	0.33	0	0	0
164	Equatorial Guinea	0	0	0.06	0.44	0	0	0
165	Fiji	0	0	0.06	0.46	0.02	0	0
166	Gabon	0	0	0.22	0.5	0	0	0
167	Gambia	0	0	0.06	0.67	0.3	0	0
168	Grenada	0	0	0.06	0	0	0	0
169	Guyana	0	0	0.06	0.5	0.18	0	0
170	Haiti	0	0	0.06	0	0	0	0
171	Mozambique	0	0	0.41	0.17	0	0	0
172	Sao Tome and Principe	0	0	0.06	0.5	0	0	0
173	St. Lucia	0	0	0.06	0.58	0	0	0
174	St. Vincent and Grenadines	0	0	0.06	0.17	0	0	0
175	Timor-Leste	0	0	0.13	0	0.1	0	0
176	Trinidad and Tobago	0	0	0.11	0.5	0	0	0

Table A3: (continued)

pos	country	LG RI	LG SE	FDI	PDI	ADI	DI	GCI
177	Turkmenistan		0	0.18	0.36	0.15	0	0
178	Kosovo	0.3	0	0.19	0.67	0.45	0.62	
179	Myanmar	0	0	0.09	0	0	0	
180	Netherlands Antilles		0	0.06	0.67	0	0	
181	Samoa		0	0.06	0	0	0	
182	Taiwan	0.2	0.25	0.56	0.67	0	0.92	

Source: Authors' calculations based upon data sources reported in Annex Table A1.

Note: *LG SE* – LG security of existence; *LG RI* – LG relative importance; *FDI* – fiscal decentralization index; *PDI* – political decentralization index; *ADI* – administrative decentralization index, *DI* – decentralization index; *GCI* – Government Closeness Index: decentralization index (DI) adjusted for an average LG unit population, average LG unit area, and heterogeneity of a country, moderate scenario.

Table A4: Country Rankings on Relative Importance of Local Governments

pos	country	pos	country	pos	country
1	Denmark	62	Uruguay	123	Mauritius
2	Uzbekistan	63	Peru	124	Burundi
3	China	64	Sudan	125	Congo, Dem. Rep.
4	Brunei Darussalam	65	Germany	126	Nicaragua
5	Hong Kong, China	66	Austria	127	Rwanda
6	Seyshelles	67	Spain	128	Mali
7	Singapore	68	Chile	129	Panama
8	United Arab Emirates	69	Belgium	130	Malaysia
9	Sweden	70	Pakistan	131	Cyprus
10	Japan	71	Slovak Republic	132	Costa Rica
11	Korea, Rep.	72	Guatemala	133	Nepal
12	Nigeria	73	Portugal	134	Tunisia
13	West Bank and Gaza	74	Israel	135	Iran, Islamic Rep.
14	Cuba	75	Luxembourg	136	Burkina Faso
15	Kazakhstan	76	Bosnia and Herzegovina	137	Zambia
16	Belarus	77	Honduras	138	Swaziland
17	Finland	78	Bangladesh	139	Congo, Rep.
18	Vietnam	79	Belize	140	Cambodia
19	Netherlands	80	Iraq	141	Angola
20	Tajikistan	81	Korea, Dem. Rep.	142	Cameroon
21	Norway	82	Kuwait	143	Central African Republic
22	Indonesia	83	Lebanon	144	Chad
23	Russian Federation	84	Zimbabwe	145	Eritrea
24	Colombia	85	Croatia	146	Guinea
25	Kosovo	86	New Zealand	147	Madagascar
26	Italy	87	Paraguay	148	Malawi
27	Poland	88	Argentina	149	Namibia
28	Uganda	89	Macao, China	150	Sierra Leone
29	Ireland	90	Turkey	151	Togo
30	Bolivia	91	Dominican Republic	152	Mauritania
31	Ukraine	92	Morocco	153	Lesotho
32	United Kingdom	93	Armenia	154	Niger
33	Iceland	94	Australia	155	Malta
34	Georgia	95	El Salvador	156	Azerbaijan
35	Lao PDR	96	Greece	157	Jamaica
36	Kyrgyz Republic	97	Algeria	158	Afghanistan
37	Estonia	98	Bhutan	159	Suriname
38	Latvia	99	Botswana	160	Guyana
39	Hungary	100	Cape Verde	161	Haiti
40	Montenegro	101	Cote d'Ivoire	162	Mozambique
41	Thailand	102	Ghana	163	Myanmar
42	Moldova	103	India	n.a.	Bahamas
43	United States	104	Jordan	n.a.	Bahrain

Table A4: (continued)

pos	country	pos	country	pos	country
44	Tanzania	105	Liberia	n.a.	Barbados
45	Lithuania	106	Libya	n.a.	Comoros
46	Mongolia	107	Oman	n.a.	Djibouti
47	Switzerland	108	Papua New Guinea	n.a.	Dominica
48	Ethiopia	109	Qatar	n.a.	Equatorial Guinea
49	Czech Republic	110	Saudi Arabia	n.a.	Fiji
50	Taiwan	111	Somalia	n.a.	Gabon
51	Romania	112	Sri Lanka	n.a.	Gambia
52	France	113	Syrian Arab Republic	n.a.	Grenada
53	South Africa	114	Venezuela	n.a.	Netherlands Antilles
54	Slovenia	115	Yemen	n.a.	Samoa
55	Canada	116	Macedonia	n.a.	Sao Tome and Principe
56	Bulgaria	117	Guinea-Bissau	n.a.	St. Lucia
57	Albania	118	Kenya	n.a.	St. Vincent and Grenadines
58	Philippines	119	Senegal	n.a.	Timor-Leste
59	Serbia	120	Benin	n.a.	Trinidad and Tobago
60	Brazil	121	Mexico	n.a.	Turkmenistan
61	Ecuador	122	Egypt		

Source: Authors' calculations based upon data sources reported in Annex Table A1.

Note: *LG RI* – LG relative importance.

Table A5: Country Rankings on Security of Existence of Local Governments

pos	country	pos	country	pos	country
1	Austria	62	Bangladesh	123	Dominican Republic
2	Brazil	63	Botswana	124	Equatorial Guinea
3	Denmark	64	Cote d'Ivoire	125	Eritrea
4	Norway	65	Ecuador	126	Fiji
5	Sweden	66	Egypt	127	Gabon
6	Switzerland	67	El Salvador	128	Gambia
7	Belgium	68	Ghana	129	Grenada
8	Canada	69	Guatemala	130	Guinea
9	Estonia	70	Honduras	131	Guinea-Bissau
10	Ethiopia	71	Iran, Islamic Rep.	132	Guyana
11	Finland	72	Iraq	133	Haiti
12	Germany	73	Kenya	134	Ireland
13	Iceland	74	Lebanon	135	Israel
14	Japan	75	Libya	136	Jamaica
15	Korea, Rep.	76	Malaysia	137	Jordan
16	Poland	77	Mexico	138	Kazakhstan
17	United States	78	Mongolia	139	Korea, Dem. Rep.
18	Albania	79	Papua New Guinea	140	Kosovo
19	Argentina	80	Paraguay	141	Kuwait
20	Armenia	81	Peru	142	Kyrgyz Republic
21	Australia	82	Romania	143	Lao PDR
22	Azerbaijan	83	Rwanda	144	Lesotho
23	Bolivia	84	Senegal	145	Liberia
24	Bosnia and Herzegovina	85	Serbia	146	Macao, China
25	Bulgaria	86	Sierra Leone	147	Macedonia
26	Chile	87	Somalia	148	Madagascar
27	China	88	Sri Lanka	149	Malawi
28	Colombia	89	Sudan	150	Mali
29	Costa Rica	90	Taiwan	151	Malta
30	Croatia	91	Tanzania	152	Mauritania
31	Czech Republic	92	Uruguay	153	Mauritius
32	France	93	Uzbekistan	154	Morocco
33	Georgia	94	Venezuela	155	Mozambique
34	Greece	95	Vietnam	156	Myanmar
35	Hong Kong SAR, China, China	96	West Bank and Gaza	157	Namibia
36	Hungary	97	Yemen	158	Nepal
37	India	98	Belize	159	Netherlands Antilles
38	Indonesia	99	Afghanistan	160	Nicaragua
39	Italy	100	Algeria	161	Niger
40	Latvia	101	Angola	162	Oman
41	Lithuania	102	Bahamas	163	Panama
42	Luxembourg	103	Bahrain	164	Qatar
43	Moldova	104	Barbados	165	Samoa

Table A5: (continued)

pos	country	pos	country	pos	country
44	Montenegro	105	Belarus	166	Sao Tome and Principe
45	Netherlands	106	Benin	167	Saudi Arabia
46	New Zealand	107	Bhutan	168	Seysshelles
47	Nigeria	108	Brunei Darrusalam	169	St. Lucia
48	Pakistan	109	Burkina Faso	170	St. Vincent and Grenadines
49	Philippines	110	Burundi	171	Suriname
50	Portugal	111	Cambodia	172	Swaziland
51	Russian Federation	112	Cameroon	173	Syrian Arab Republic
52	Singapore	113	Cape Verde	174	Tajikistan
53	Slovak Republic	114	Central African Republic	175	Timor-Leste
54	Slovenia	115	Chad	176	Togo
55	South Africa	116	Comoros	177	Trinidad and Tobago
56	Spain	117	Congo, Dem. Rep.	178	Tunisia
57	Thailand	118	Congo, Rep.	179	Turkmenistan
58	Turkey	119	Cuba	180	United Arab Emirates
59	Uganda	120	Cyprus	181	Zambia
60	Ukraine	121	Djibouti	182	Zimbabwe
61	United Kingdom	122	Dominica		

Source: Authors' calculations based upon data sources reported in Annex Table A1.

Note: LG SE – LG security of existence.

Table A6: Country Rankings on Fiscal Decentralization Index

pos	country	pos	country	pos	country
1	Hong Kong SAR, China, China	62	Mozambique	123	Montenegro
2	Singapore	63	Bolivia	124	Nicaragua
3	Switzerland	64	Lithuania	125	Dominica
4	United States	65	Slovenia	126	Syrian Arab Republic
5	Denmark	66	El Salvador	127	Jordan
6	Canada	67	Paraguay	128	Congo, Rep.
7	Luxembourg	68	Lesotho	129	Dominican Republik
8	Iceland	69	Kazakhstan	130	Papua New Guinea
9	New Zealand	70	Peru	131	Burundi
10	Australia	71	Kenya	132	Angola
11	Georgia	72	Netherlands	133	Macao, China
12	Brazil	73	Mongolia	134	Madagascar
13	Sweden	74	Ethiopia	135	Malawi
14	Bosnia and Herzegovina	75	Ukraine	136	Cote d'Ivoire
15	Finland	76	Tunisia	137	Mauritania
16	Austria	77	West Bank and Gaza	138	Timor-Leste
17	France	78	Russian Federation	139	Cameroon
18	Spain	79	Greece	140	Qatar
19	Norway	80	Bulgaria	141	Congo, Dem. Rep.
20	Czech Republik	81	Zambia	142	Comoros
21	Belgium	82	Honduras	143	Libya
22	Korea, Rep.	83	Cuba	144	Namibia
23	Serbia	84	Ireland	145	Trinidad and Tobago
24	Japan	85	Morocco	146	Mali
25	Germany	86	Nigeria	147	Bahrain
26	Albania	87	Senegal	148	Kuwait
27	Poland	88	Algeria	149	Liberia
28	Hungary	89	Benin	150	Chad
29	Iran, Islamic Rep.	90	Estonia	151	Egypt
30	South Africa	91	Belarus	152	Central African Republic
31	Chile	92	Tajikistan	153	Malta
32	China	93	Swaziland	154	Myanmar
33	Slovak Republik	94	Kyrgyz Republik	155	Rwanda
34	Taiwan	95	Cyprus	156	Burkina Faso
35	United Arab Emirates	96	Nepal	157	Yemen
36	Portugal	97	Gabon	158	Brunei Darrusalam
37	Colombia	98	Jamaica	159	Gambia
38	Uruguay	99	Korea, Dem. Rep.	160	Netherlands Antilles
39	Latvia	100	Sri Lanka	161	St. Lucia
40	Argentina	101	Sudan	162	Djibouti
41	United Kingdom	102	Guinea	163	Guyana
42	Philippines	103	Lebanon	164	Iraq

Table A6: (continued)

pos	country	pos	country	pos	country
43	Pakistan	104	Tanzania	165	Sao Tome and Principe
44	Indonesia	105	Panama	166	Fiji
45	Italy	106	Uganda	167	Equatorial Guinea
46	Costa Rica	107	Israel	168	Bahamas
47	India	108	Cambodia	169	Suriname
48	Venezuela	109	Macedonia	170	Sierra Leone
49	Thailand	110	Kosovo	171	Cape Verde
50	Armenia	111	Belize	172	Seushelles
51	Turkey	112	Moldova	173	Somalia
52	Bangladesh	113	Afghanistan	174	St. Vincent and Grenadines
53	Togo	114	Uzbekistan	175	Saudi Arabia
54	Ecuador	115	Turkmenistan	176	Barbados
55	Niger	116	Guatemala	177	Eritrea
56	Romania	117	Zimbabwe	178	Grenada
57	Mexico	118	Lao PDR	179	Guinea-Bissau
58	Azerbaijan	119	Mauritius	180	Haiti
59	Malaysia	120	Vietnam	181	Oman
60	Croatia	121	Bhutan	182	Samoa
61	Ghana	122	Botswana		

Source: Authors' calculations based upon data sources reported in Annex Table A1.

Note: FDI – fiscal decentralization index.

Table A7: Country Rankings on Political Decentralization Index

pos	country	pos	country	pos	country
1	Japan	62	Denmark	123	Niger
2	Switzerland	63	Dominican Republik	124	Belize
3	United States	64	France	125	Turkmenistan
4	Brazil	65	Ireland	126	Albania
5	Canada	66	Luxembourg	127	Armenia
6	Greece	67	Malta	128	Bahrain
7	Italy	68	Namibia	129	Botswana
8	Mexico	69	Norway	130	Burundi
9	Uruguay	70	Poland	131	Cambodia
10	Argentina	71	Romania	132	Dominica
11	Austria	72	St. Lucia	133	Egypt
12	Bosnia and Herzegovina	73	Thailand	134	Ghana
13	Bulgaria	74	Turkey	135	Guatemala
14	Cyprus	75	Vietnam	136	Kazakhstan
15	Germany	76	Pakistan	137	Kenya
16	Hungary	77	Sweden	138	Mauritania
17	Iceland	78	Lao PDR	139	Panama
18	Korea, Rep.	79	Rwanda	140	Qatar
19	Lithuania	80	Uzbekistan	141	Suriname
20	Macedonia	81	Indonesia	142	Costa Rica
21	Madagascar	82	Azerbaijan	143	Algeria
22	Montenegro	83	Burkina Faso	144	Kyrgyz Republik
23	Nepal	84	Chile	145	Bangladesh
24	Nicaragua	85	Djibouti	146	Benin
25	Peru	86	Ethiopia	147	China
26	Philippines	87	Gabon	148	Sierra Leone
27	Portugal	88	Guyana	149	Syrian Arab Republic
28	Serbia	89	Iraq	150	Tajikistan
29	Slovak Republik	90	Jamaica	151	West Bank and Gaza
30	Slovenia	91	Korea, Dem. Rep.	152	Zambia
31	Togo	92	Latvia	153	Guinea
32	Uganda	93	Lebanon	154	Iran, Islamic Rep.
33	Bolivia	94	Mauritius	155	Cape Verde
34	Russian Federation	95	Moldova	156	Congo, Dem. Rep.
35	Australia	96	Morocco	157	Congo, Rep.
36	Belgium	97	Netherlands	158	Kuwait
37	Brunei Darrusalam	98	Papua New Guinea	159	Mozambique
38	Colombia	99	Sao Tome and Principe	160	Seyshelles
39	Comoros	100	Spain	161	Somalia
40	Cuba	101	Tanzania	162	St. Vincent and Grenadines
41	Ecuador	102	Trinidad and Tobago	163	Yemen
42	Finland	103	Tunisia	164	Jordan

Table A7: (continued)

pos	country	pos	country	pos	country
43	Gambia	104	Sri Lanka	165	Swaziland
44	Hong Kong SAR, China, China	105	Fiji	166	Malaysia
45	India	106	Equatorial Guinea	167	Saudi Arabia
46	Israel	107	Mali	168	Afghanistan
47	Kosovo	108	Bahamas	169	Angola
48	Libya	109	Belarus	170	Barbados
49	Malawi	110	Cameroon	171	Central African Re- public
50	Netherlands Antilles	111	El Salvador	172	Eritrea
51	New Zealand	112	Estonia	173	Grenada
52	Nigeria	113	Georgia	174	Guinea-Bissau
53	Paraguay	114	Honduras	175	Haiti
54	Singapore	115	Mongolia	176	Lesotho
55	Taiwan	116	Senegal	177	Liberia
56	United Kingdom	117	South Africa	178	Macao, China
57	Venezuela	118	United Arab Emirates	179	Myanmar
58	Ukraine	119	Zimbabwe	180	Oman
59	Bhutan	120	Chad	181	Samoa
60	Croatia	121	Sudan	182	Timor-Leste
61	Czech Republik	122	Cote d'Ivoire		

Source: Authors' calculations based upon data sources reported in Annex Table A1.

Note: PDI – political decentralization index.

Table A8: Country Rankings on Administrative Decentralization Index

pos	country	pos	country	pos	country
1	Switzerland	62	South Africa	123	Nicaragua
2	Denmark	63	Argentina	124	Congo, Rep.
3	Sweden	64	Indonesia	125	Papua New Guinea
4	Finland	65	Morocco	126	Burundi
5	Norway	66	Sudan	127	Cameroon
6	Albania	67	Spain	128	Congo, Dem. Rep.
7	Armenia	68	Botswana	129	Libya
8	Moldova	69	Luxembourg	130	Liberia
9	Hungary	70	Pakistan	131	Chad
10	United States	71	India	132	Central African Re- public
11	Canada	72	Thailand	133	Saudi Arabia
12	Azerbaijan	73	Bangladesh	134	Oman
13	Ukraine	74	Belize	135	Mauritius
14	China	75	Madagascar	136	Bhutan
15	Brazil	76	Italy	137	Dominican Republik
16	Austria	77	Tanzania	138	Lao PDR
17	Poland	78	Turkey	139	Rwanda
18	Latvia	79	Honduras	140	Niger
19	Lithuania	80	Ireland	141	Lesotho
20	Slovenia	81	Ghana	142	Swaziland
21	Netherlands	82	Guatemala	143	Nepal
22	Bulgaria	83	Iraq	144	Jamaica
23	Montenegro	84	Gambia	145	Panama
24	Georgia	85	Egypt	146	Costa Rica
25	Belgium	86	Cambodia	147	Fiji
26	France	87	Tunisia	148	Macedonia
27	Hong Kong SAR, China, China	88	Mexico	149	Benin
28	Singapore	89	Namibia	150	Taiwan
29	Iceland	90	Kyrgyz Republik	151	Mozambique
30	Bosnia and Herzegov- ina	91	Cote d'Ivoire	152	El Salvador
31	Peru	92	United Arab Emirates	153	Cyprus
32	Germany	93	Russian Federation	154	Gabon
33	Philippines	94	Guinea	155	Dominica
34	Chile	95	Comoros	156	Macao, China
35	Croatia	96	Kazakhstan	157	Malawi
36	Portugal	97	Mongolia	158	Mauritania
37	Sri Lanka	98	Nigeria	159	Qatar
38	Estonia	99	Tajikistan	160	Trinidad and Tobago
39	Japan	100	Guyana	161	Mali
40	Australia	101	Uruguay	162	Kuwait
41	New Zealand	102	Venezuela	163	Malta
42	Colombia	103	Cuba	164	Myanmar

Table A8: (continued)

pos	country	pos	country	pos	country
43	Paraguay	104	Turkmenistan	165	Yemen
44	Vietnam	105	Kenya	166	Brunei Darrusalam
45	Senegal	106	Algeria	167	Netherlands Antilles
46	Bolivia	107	Zambia	168	St. Lucia
47	Malaysia	108	Guinea-Bissau	169	Djibouti
48	Korea, Rep.	109	Greece	170	Sao Tome and Principe
49	United Kingdom	110	Togo	171	Equatorial Guinea
50	Ecuador	111	Syrian Arab Republic	172	Bahamas
51	West Bank and Gaza	112	Zimbabwe	173	Suriname
52	Uzbekistan	113	Timor-Leste	174	Sierra Leone
53	Jordan	114	Bahrain	175	Seyshelles
54	Uganda	115	Cape Verde	176	Somalia
55	Serbia	116	Korea, Dem. Rep.	177	St. Vincent and Grenadines
56	Slovak Republik	117	Israel	178	Barbados
57	Czech Republik	118	Burkina Faso	179	Eritrea
58	Romania	119	Angola	180	Grenada
59	Ethiopia	120	Lebanon	181	Haiti
60	Kosovo	121	Iran, Islamic Rep.	182	Samoa
61	Belarus	122	Afghanistan		

Source: Authors' calculations based upon data sources reported in Annex Table A1.

Note: DI – decentralization index.

Table A9: Country Rankings on Decentralization Index

pos	country	pos	country	pos	country
1	Denmark	62	Croatia	123	Syrian Arab Republic
2	Sweden	63	Vietnam	124	Madagascar
3	Switzerland	64	Argentina	125	Panama
4	Hong Kong SAR, China, China	65	Taiwan	126	Kuwait
5	Singapore	66	Armenia	127	Rwanda
6	Finland	67	Mongolia	128	Cambodia
7	Japan	68	Cuba	129	Niger
8	Norway	69	Kazakhstan	130	Burundi
9	United States	70	Paraguay	131	Guinea
10	Korea, Rep.	71	Turkey	132	Qatar
11	Iceland	72	Belarus	133	Namibia
12	Canada	73	Ireland	134	Yemen
13	Brazil	74	Tanzania	135	Mali
14	Poland	75	Kosovo	136	Macao, China
15	Hungary	76	India	137	Somalia
16	Austria	77	Bangladesh	138	Congo, Dem. Rep.
17	China	78	Sudan	139	Swaziland
18	Georgia	79	Honduras	140	Malawi
19	Colombia	80	Greece	141	Lesotho
20	Germany	81	Mexico	142	Liberia
21	France	82	Tajikistan	143	Burkina Faso
22	United Kingdom	83	Kyrgyz Republik	144	Cameroon
23	Belgium	84	Venezuela	145	Congo, Rep.
24	Latvia	85	Guatemala	146	Jamaica
25	Italy	86	Ghana	147	Cape Verde
26	Netherlands	87	Lao PDR	148	Chad
27	Czech Republik	88	Sri Lanka	149	Mauritania
28	Bolivia	89	Senegal	150	Saudi Arabia
29	Ukraine	90	Belize	151	Guinea-Bissau
30	Indonesia	91	Lebanon	152	Sierra Leone
31	Lithuania	92	Azerbaijan	153	Oman
32	Bosnia and Herzegovina	93	Morocco	154	Malta
33	Philippines	94	Brunei Darrusalam	155	Angola
34	Albania	95	Malaysia	156	Central African Republic
35	Slovenia	96	Kenya	157	Afghanistan
36	Thailand	97	Costa Rica	158	Eritrea
37	Ethiopia	98	Israel	159	Suriname
38	Serbia	99	El Salvador	160	Gambia
39	Russian Federation	100	Korea, Dem. Rep.	161	Comoros
40	Portugal	101	Iran, Islamic Rep.	162	Guyana
41	New Zealand	102	Botswana	163	Turkmenistan
42	Luxembourg	103	Tunisia	164	Timor-Leste

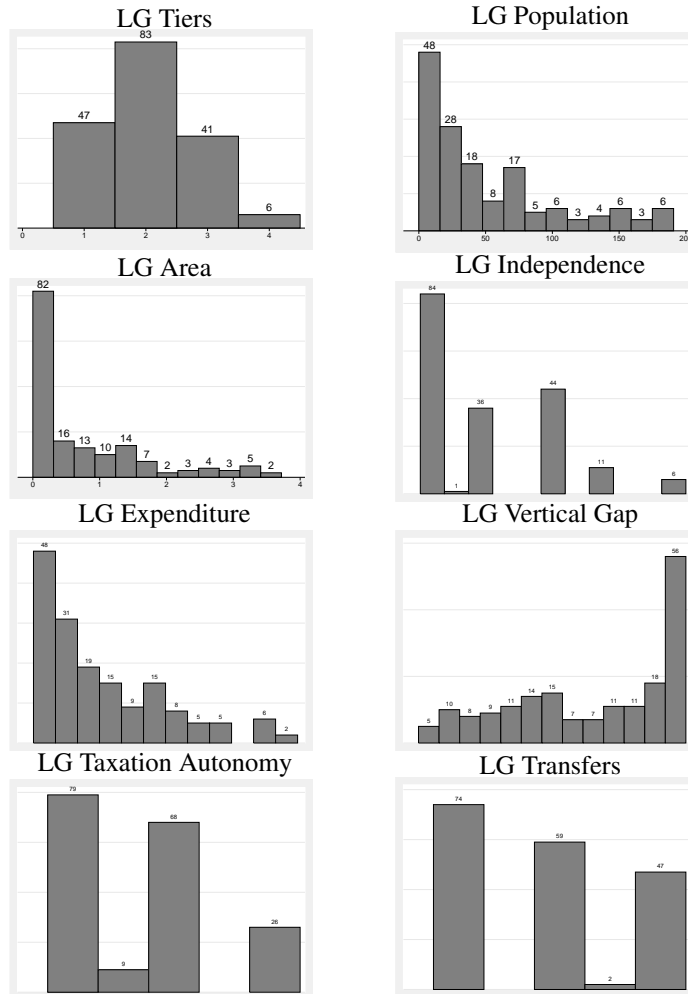
Table A9: (continued)

pos	country	pos	country	pos	country
43	Chile	104	Iraq	165	Bahrain
44	Slovak Republik	105	Zimbabwe	166	Fiji
45	Bulgaria	106	Seyshelles	167	Mozambique
46	Spain	107	Cote d'Ivoire	168	Gabon
47	South Africa	108	Togo	169	Dominica
48	Nigeria	109	Papua New Guinea	170	Trinidad and Tobago
49	Uganda	110	Libya	171	Myanmar
50	Estonia	111	Algeria	172	Netherlands Antilles
51	United Arab Emirates	112	Macedonia	173	St. Lucia
52	Uzbekistan	113	Dominican Republik	174	Djibouti
53	West Bank and Gaza	114	Egypt	175	Sao Tome and Príncipe
54	Moldova	115	Jordan	176	Equatorial Guinea
55	Australia	116	Nepal	177	Bahamas
56	Montenegro	117	Bhutan	178	St. Vincent and Grenadines
57	Romania	118	Cyprus	179	Barbados
58	Peru	119	Nicaragua	180	Grenada
59	Ecuador	120	Mauritius	181	Haiti
60	Pakistan	121	Benin	182	Samoa
61	Uruguay	122	Zambia		

Source: Authors' calculations based upon data sources reported in Annex Table A1.

Note: ADI – administrative decentralization index.

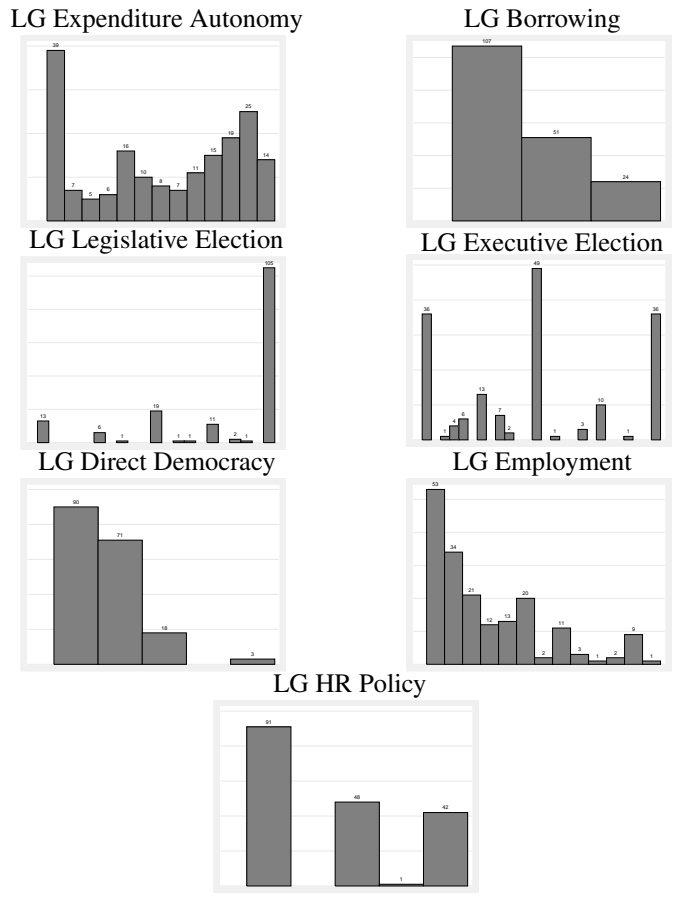
Figure A1: Decentralization Variables: Frequency Distribution of Countries



Source: Authors' calculations based upon data sources reported in Annex Table A1.

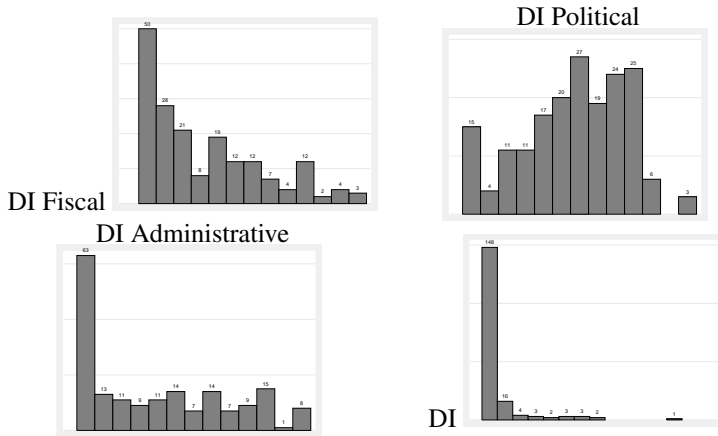
Note Distribution of *LG average population* is only for countries with this indicator lower than 200 thousand people (87% of the sample). Distribution of *LG average area* is only for countries with this indicator lower than 4 thousand sq. kilometers (92% of the sample)

Figure A2: Decentralization Variables: Frequency Distribution of Countries (continued)



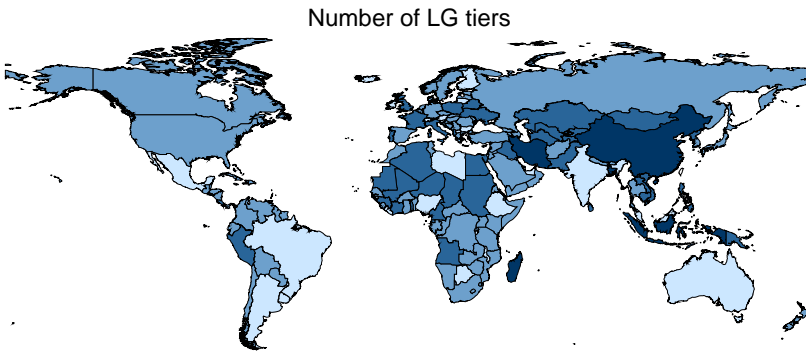
Source: Authors' calculations based upon data sources reported in Annex Table A1.

Figure A3: Decentralization Variables: Frequency Distribution of Countries (continued)



Source: Authors' calculations based upon data sources reported in Annex Table A1.

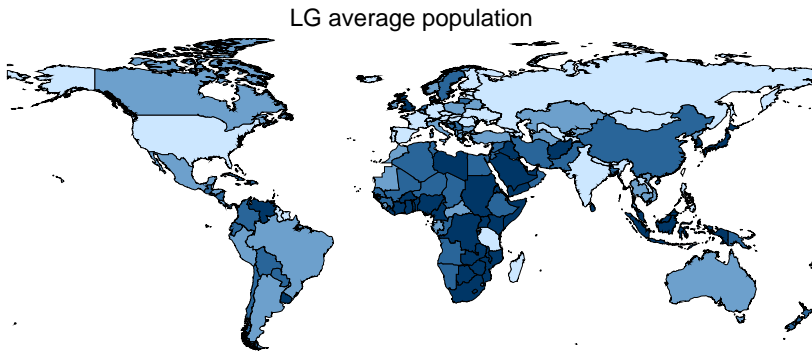
Figure A4: Number of Tiers of Local Government – World Map



Source: Authors' calculations based upon data sources reported in Annex Table A1.

Note Each country is colored according to number of tiers of its local government. The lighter is the shade of color the less tiers are there. Shades of the color correspond to 0-25th, 25-50th, 50-75th, 75-100th percentiles of the corresponding world's distribution.

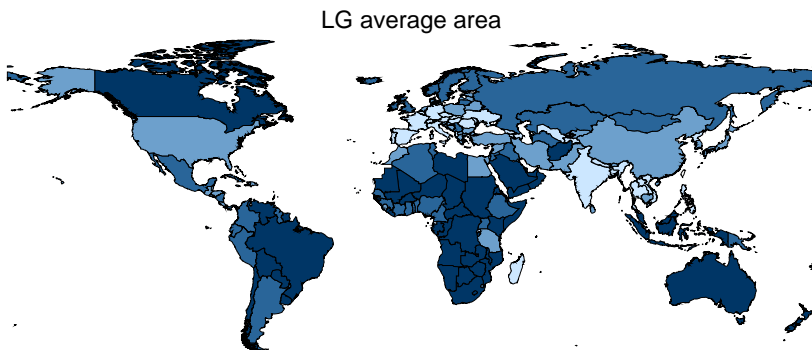
Figure A5: Population of Local Governments – World Map



Source: Authors' calculations based upon data sources reported in Annex Table A1.

Note Each country is colored according to average population of its local government units. The lighter is the shade of color the smaller is the population. Shades of the color correspond to 0-25th, 25-50th, 50-75th, 75-100th percentiles of the corresponding world's distribution.

Figure A6: Area of Local Governments – World Map



Source: Authors' calculations based upon data sources reported in Annex Table A1.

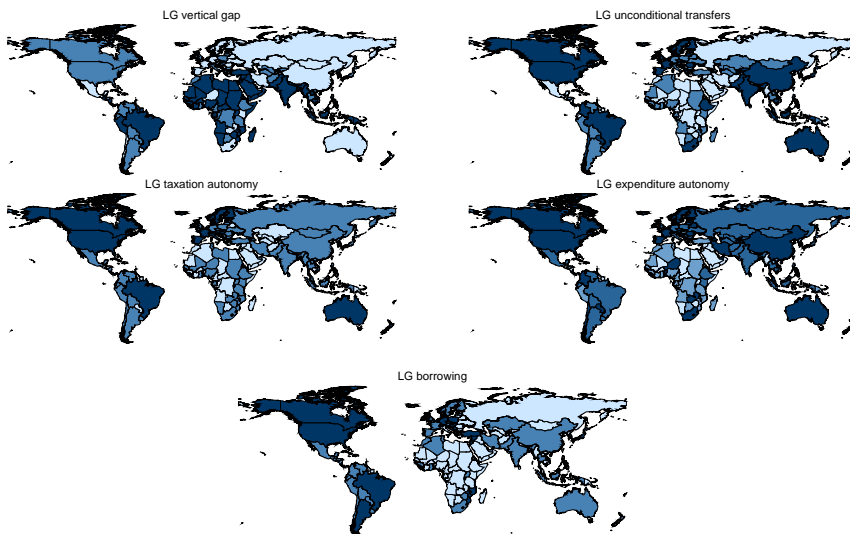
Note Each country is colored according to average area of its local government units. The lighter is the shade of color the smaller is the area. Shades of the color correspond to 0-25th, 25-50th, 50-75th, 75-100th percentiles of the corresponding world's distribution.

Figure A7: Relative Importance of Local Governments and Their Independence – World Maps



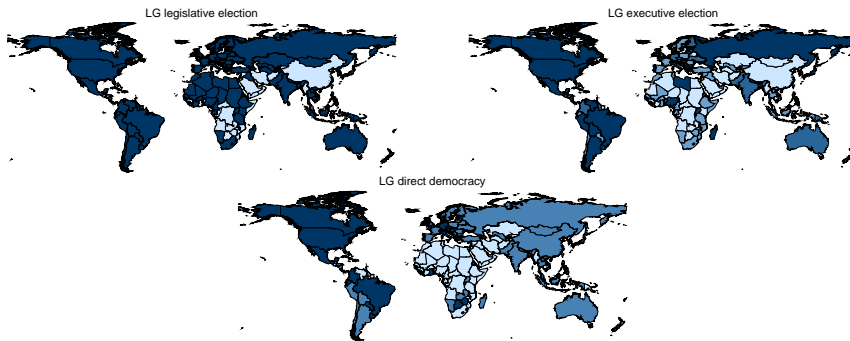
Source: Authors' calculations based upon data sources reported in Annex Table A1.
Note Each country is colored according to value of corresponding decentralization variable (see Table 2 for definitions). Shades of the color correspond to 0-25th, 25-50th, 50-75th, 75-100th percentiles of the corresponding world's distribution.

Figure A8: Fiscal Decentralization Variables – World Maps



Source: Authors' calculations based upon data sources reported in Annex Table A1.
Note Each country is colored according to value of corresponding decentralization variable (see Table 3 for definitions). The lighter is the shade of color the smaller is the value of a decentralization variable. Shades of the color correspond to 0-25th, 25-50th, 50-75th, 75-100th percentiles of the corresponding world's distribution.

Figure A9: Political Decentralization Variables – World Maps



Source: Authors' calculations based upon data sources reported in Annex Table A1.

Note Each country is colored according to value of corresponding decentralization variable (see Table 2 for definitions). The lighter is the shade of color the smaller is the value of a decentralization variable. Shades of the color correspond to 0-25th, 25-50th, 50-75th, 75-100th percentiles of the corresponding world's distribution.

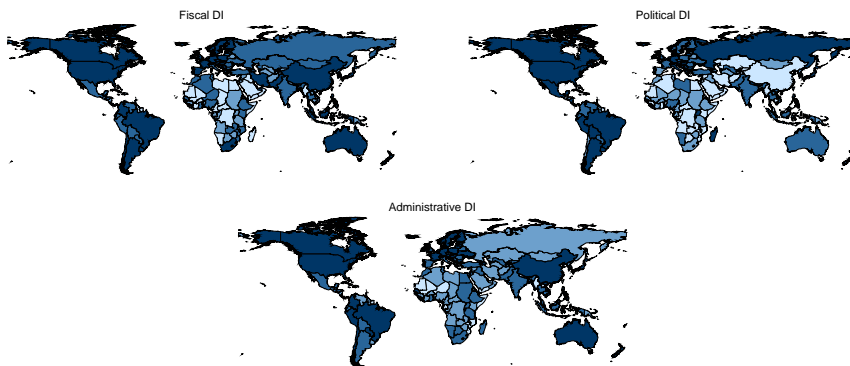
Figure A10: Administrative Decentralization Variables – World Maps



Source: Authors' calculations based upon data sources reported in Annex Table A1.

Note Each country is colored according to value of corresponding decentralization variable (see Table 4 for definitions). The lighter is the shade of color the smaller is the value of a decentralization variable. Shades of the color correspond to 0-25th, 25-50th, 50-75th, 75-100th percentiles of the corresponding world's distribution.

Figure A11: Fiscal, Political, Administrative Decentralization Indexes – World Maps



Source: Authors' calculations based upon data sources reported in Annex Table A1.

Note Each country is colored according to value of corresponding decentralization index. The lighter is the shade of color the smaller is the value of a decentralization index. Shades of the color correspond to 0-25th, 25-50th, 50-75th, 75-100th percentiles of the corresponding world's distribution.

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