

DECENTRALIZATION OF GOVERNANCE IN TRANSPORT SYSTEMS

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Context (I)

Discussing **governance** in any sector dominated by public intervention requires addressing ex-ante the **institutional design** where the scene is set.

Institutions are *“the rules of the game in a society, or, the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social or economic”* (North 1990)

There is a distinction between institutions, identified as rules of the game, and their **players**. These players are **organizations**, i.e. *“groups of individuals bound by a common purpose to achieve objectives.”*

The study will provide a snap shot of the current institutional design for Transport sector in Ukraine, respective assessment and recommendations to evolve

Context (II)

What is the current situation of Transport Systems in Ukraine ?

How to improve the system ?

Can decentralization contribute to the improvement, and how ?

Studies must be able to assess strengths and weaknesses of public and private sector organization, of national and local structures, in performing different types of functions, without any pre-assumptions made over any type of governance for the transport system.

Assessment must be independent, well informed and participated by stakeholders

Context (III)

Within the regulative-normative-cultural/cognitive context, institutions do have the following roles:

- (i) constrain and regularize behaviour (rule-setting, monitoring and sanctioning);
- (ii) develop normative rules that introduce a prescriptive, evaluative, and obligatory dimension into social life (values and norms), also imposing constraints on social behaviour, and;
- (iii) are primarily influenced by a socially mediate construction of a common frame of meaning.

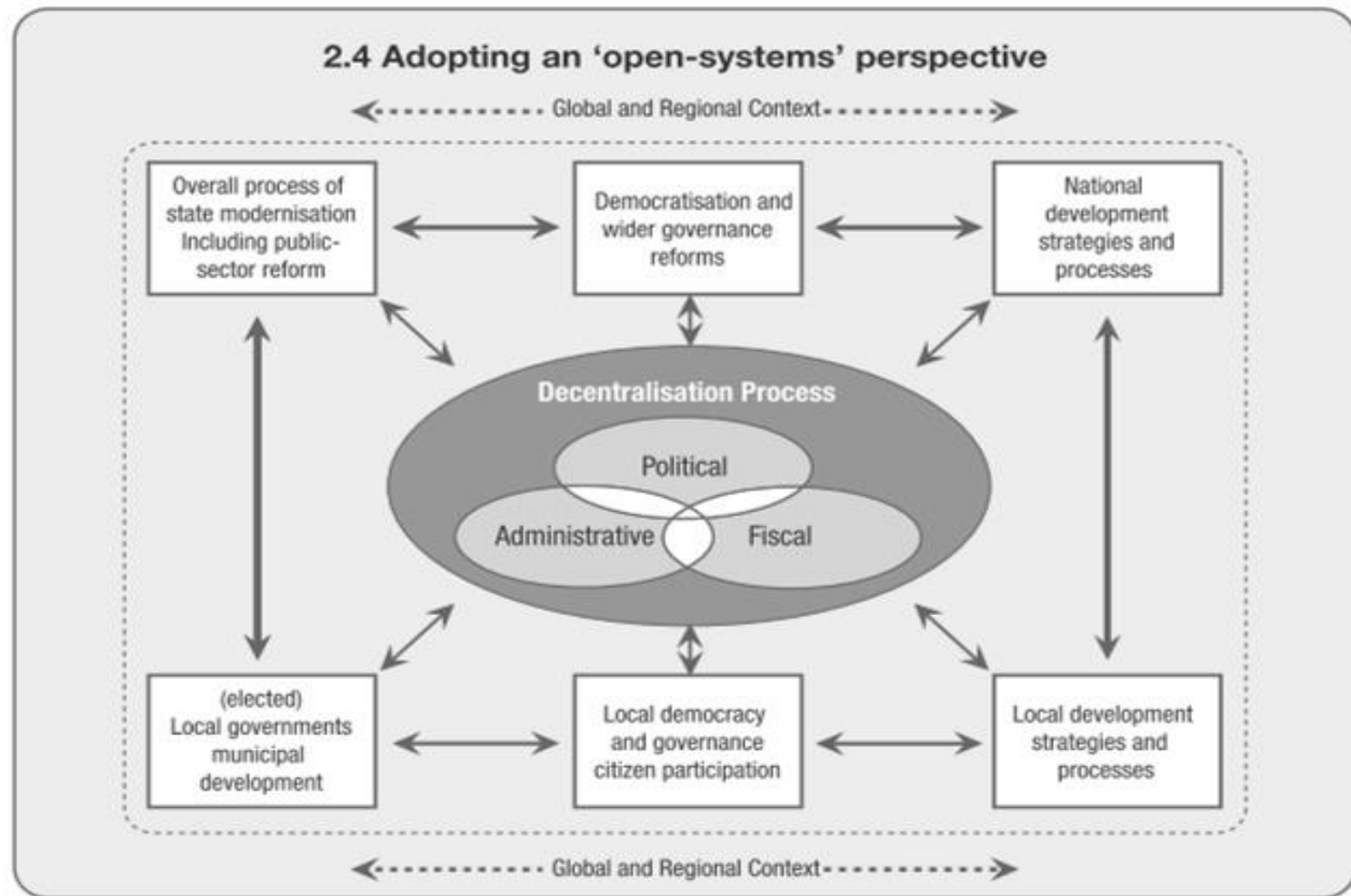
Who does what in Ukraine' transport sector ?

The institutional building

	Level	Frequency (years)	Purpose	Theory
L1	Emdeddedness: <i>informal institutions, customs, tradition, norms, religion</i>	100 to 1000	Often noncalculative; spontaneous	Social theory
L2	Institutional environment: <i>formal rules of the game, esp. property (polity, judiciary, bureaucracy)</i>	10 to 100	Get the institutional environment right. <i>1st order economizing</i>	Economics of property rights / positive political theory
L3	Governance: <i>Play of the game, esp. contract (aligning governance structures with transactions)</i>	1 to 10	Get the governance structures right. <i>2nd order economizing</i>	Transaction cost economics
L4	Resource allocation and employment: <i>(prices and quantities; incentives alignment)</i>	continuous	Get the marginal conditions right. <i>3rd order economizing</i>	Neoclassical economics / Agency theory

Williamson, 1996

Forces behind Decentralization



Europeaid 2007

Types of decentralization (II)

Fiscal decentralization means the “transfer of authority and responsibility for public functions from the central government to subordinate or quasi-independent organizations or the private sector”.

Privatization is a form of decentralization (economic or market decentralization) and this particular issue, in the case of transportation, should be evaluated in light of the general reforms in the network and other industries



Insights from other places (I)

France for the impact of decentralization in the formulation of mobility policy, public transport use and financing.

The analysis of 45 Urban Mobility Plans in France, showed that it is very important to have a decentralized process to mix policies on land use, housing and transport.

Furthermore, evidence shows where local authorities have a strong policy promoting public transport and discouraging car use, public transport use is better.

(Duchene, 2005, in Spandou and Macário, “Decentralization as an institutional determinant for the performance of urban mobility systems, 2011”)



Insights from other places (II)

The outcomes of fiscal decentralization in a sample of five European cities (Madrid, Barcelona, Paris, Milan and Stockholm), produced the following effects:

- identified increases in the expenditure in public transport infrastructure and the entrepreneurship of the local policy-makers,
- as well as improvement in the predictability of the revenues which has a subsequent effect on medium to long term planning.

On the other hand, no evidence was found of any increased willingness to tax at the local level, meaning that local fiscal autonomy does not guarantee the stability of funding.

Favero, 2006, in Spandou and Macário, “Decentralization as an institutional determinant for the performance of urban mobility systems, 2011”)

Decentralisation – clear advantages

- Decentralization broadens the sector participation in political, economic and social activities;
- When working effectively, it contributes to alleviate decision-making bottlenecks often caused by central planning and control
- Can help reduce bureaucratic procedures and increases awareness of government officials to local needs and problems.
- Helps central governments to provide better service to larger number of local areas

Decentralization in Transport Systems requires local technical planning and monitoring capacity and national strategic vision and guidance

Decentralisation – not a panacea !

A realistic perspective should be taken. Decentralisation may not always be efficient, mainly for standardized and network-based services. Careful analysis should be taken in relation to the following potential hurdles:

- Loss of economies of scale and control over scarce final resources by central government;
- Whenever weak administrative or technical capacity exists at local levels resulting quality and level of service is jeopardised;
- Coordination of national policies may be more complex in a decentralized environment.



Some demystification is required

- ❑ There is no “either or” choice between centralizing or decentralizing transport systems in Ukraine.

In most countries the adequate answer is a balance between both. There is the need to undertake indepth analysis to understand the best way of reaching a good equilibrium in the system

- ❑ There is no “all or nothing” decision on which functions should remain with central government

In most countries the central government often retains policy and supervisory function, in particular with public service obligations

- ❑ There is no “copy-past” decisions from other countries cities to Ukraine.

In all countries and cities there is a path dependency evolutionary track. Technical assistance is often required in the planning, financing and management of decentralized functions



Thank you !

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