Good Governance and decentralization have been major concepts in reforming the structure and exercise of political authority around the globe. Decentralization often serves as an instrument to strengthen the transparency, voice and accountability of policy-making. In addition, it can improve administrative problem solving capacities and service delivery in policy-fields like education, health or regional development. However, decentralization is not an all-purpose tool in the armory of good governance. Governments will likely fail to benefit from decentralization if they leave competences unclear or end up sharing competencies between levels of authority without creating adequate institutions to solve possible coordination and arbitration problems. Moreover, inadequate financial resources at the lower level can thwart the success of decentralization measures. While the transfer of tasks and responsibilities to sub-national authorities needs funding, ample funds can also increase corruption in the absence of sufficient institutional checks and supervision.

Political and administrative decentralization has been defined as the transfer of specific functions, including all of the administrative, political and economic attributes that these entail, from the central government to intermediate and local governments which are independent from the center and sovereign within a legally delimited, geographic and functional domain. Among the benefits of decentralization one finds greater opportunities for citizen participation in politics, greater efficiency and effectiveness in the management of services, more possibilities of minority rights protection against majority rule, reduction of government overload, and a better acceptance of local customs and traditions. Yet most importantly, decentralization is said to serve as an effective safeguard against tyranny.

In order to realize the benefits of decentralized governance the following questions and problems have to be addressed and eventually solved at best:

- How should we deal with overlapping competencies between levels of government, i.e. the question of trust, collaboration, and mutual commitment between national and sub-national authorities?
- How are conflicts over responsibilities and resources to be solved, i.e. the question of coordination and arbitration of inter-governmental disputes?
- How to minimize interferences of decentralized authority and policy-making with the national party system, i.e. the management of political and ideological diversity in a multi-level system in such a way that competitive party politics does not infringe cross-level coordination efforts?
- How to moderate centrifugal cultural and political forces and thus, prevent political secessionism?

Looking at European approaches to solving these problems reveals a number of appropriate institutional and informal mechanisms. Most of them are applicable only in democratic systems based on civic liberties, political participation and the rule of law. A number of simple reasons account for the restrictions of lesson-drawing across democratic and authoritarian systems.

- Cross-national policy-transfers are generally problematic due to constitutional incompatibilities and lacking complementarities in target countries. Beyond this
general finding of cross-national policy-analysis, it should also be kept in mind that one cannot transfer institutional solutions which are successful in democracies to non-democratic, authoritarian countries and expect that this would solve their particular problems of accountability, performance and legitimacy.

- Current European experiences in the field of devolution and decentralization of political authority are generally bound to features of democratic governance, civic participation and to the rule of law. European multi-level governance rests on constitutional principles and contractual voluntarism and thus, requires consensus among the constitutional actors involved - a fact that is often neglected in authoritarian systems.

- Shifting political authority to the regional and local level obviously includes an overall re-adjustment of checks and balances in a given political system. To decentralize tasks while retaining central control is a characteristic feature of hierarchies. Political decentralization should not be mixed-up with such managerial top-down concepts.

Decentralization means some degree of self-government and thus, empowerment of local and regional administrations, although these administrations remain tied to the center. In reality one finds numerous methods to manage vertical ties and coordinate political actors in multi-level settings. The most prominent are:

- Continuous consultations and regulatory guidance. This means that sub-national units are free to act within a framework of goals and standards that has been agreed on in cross-level consultations and issued by central governments.

- Incentive based programs issued by central governments to stimulate and enable sub-national units to plan and implement certain measures. This is a classic method of co-ordination facilitated by top-down transfers of funds and knowledge.

- Transactional and relational contracting as well as target agreements have become typical instruments of multi-level governance. Bargained contracts with regional or municipal sub-units should facilitate the selection, implementation and financing of decentralized services and infrastructure.

- Relational contracts require high levels of trust in relationships between central and decentralized units of government. Multi-level systems tend to perform poorly at the beginning of their establishment and possibly during periods of deep crisis. This is because a high level of trust depends on long-standing relations and institutionally fostered commitments.

- Ideological and professional coherence that can be achieved by nation-wide standards of education for the bureaucratic elite or by coherent party governments on the national and sub-national levels facilitates cross-level coordination efforts.

- The local level of government is particularly suited for citizen engagement and participation. The activation and involvement of citizens can replace administrative top-down controls and thus, serve a relieving and legitimizing function for the central level.

Most of these methods have been applied by the European Union in relation to its member states. The strengthening of citizen participation and information rights on the local and regional level has proved to be of particular importance when it comes to union-wide improvement of basic public services such as water quality, sanitation, food safety, and environmental protection.