DECENTRALIZATION: OBJECTIVES, FORMS AND IMPLEMENTATION OF

DECENTRALIZED GOVERNANCE

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ABSTRACT
This paper will discuss decentralization as decentralisation is not new. Almost every country in the world (except some very small states) has some form of sub-national government structure, whether to maintain control or to deliver public services across the country, or both. Sub-national structures range from elected state, provincial, municipal or local governments with high degrees of autonomy, to local agents of the central state with minimal discretion – with numerous variations in between.

This paper will discuss decentralization’s objective, its forms and how can a country implement decentralized governance

1. DECENTRALISATION: A GLOBAL TREND
The decentralisation debate addresses the central problem of public administration – that of ‘delegated discretion’ (Fukuyama, 2004).

The centralisation / decentralisation debate tends to be cyclical. Central governments have a natural tendency to centralise, until some countervailing pressure forces decentralisation. During the 1940s – 1970s, there was a centralising tendency in much of the world: under communism in central and eastern Europe, USSR and China; in newly independent countries where governments sought to consolidate their authority; and as a result of attempts at central economic planning in much of the developing world.

In the 1970s in some countries and since the 1980s in many more, there has been a strong tendency to decentralise, with most countries adopting some form of decentralisation. This has been driven by:

- the failures of the central state to be sufficiently responsive to citizen needs and regional differences
- the failure of centralised economic planning to deliver results
- democratisation in large parts of the world, bringing with it demands by local communities to control their own resources in accordance with local needs and priorities
• urbanisation and the growth of large, complex cities, necessitating more responsive systems of city governance
• budget problems of national governments, for which decentralisation of responsibilities is often seen (erroneously) as a solution
• donor pressures on governments to decentralise as a way of improving service delivery at the periphery, and of getting around obstructions at the centre.

Often, adverse or limited results from earlier attempts result in renewed centralisation, only to be followed by further attempts at decentralisation when the shortcomings of excessive centralisation become evident once more.

Within Europe, the basic treaties of the European Union specify subsidiarity as a principle – that is, that government functions should be carried out at the lowest level that can perform those functions effectively and efficiently. In practice the European Union is characterised by a tension between vertical and horizontal decentralisation (see Stijnsmans, 2004).

In practice, decentralisation (or its reverse) is not a one-for-all reform but rather a continuous process of change in response to particular circumstances and drivers.

2. The Case for Decentralisation

The arguments for decentralisation essentially fall into three overlapping groups: administrative, political and economic.

**Administrative**

Congestion at the centre: it is simply not possible to make every decision about every part of a country from the centre. The centre lacks detailed knowledge about local needs and conditions. Since services have to be delivered at the local level, at least some decisions have to be made locally. This is similar to the way that commercial organisations decentralise certain decisions to local managers. The larger and more diverse the country, the greater is the administrative need to decentralise.

**Political**

Democratic governance implies citizens exercising choice about how resources are used and services are delivered in their community. Local self-government increases opportunities for participation and accountability, thereby deepening democracy and increasing democratic legitimacy. This is especially so where a country’s population is diverse, and needs and preferences vary between regions. In principle, decentralisation can increase opportunities for participation and access to decision-making by otherwise excluded groups, as well as increasing accountability, through proximity of decision-makers to citizens. It also provides a means of accommodating legitimate aspirations of regionally-based ethnic groups for a degree of autonomy.

**Economic**

Decentralisation, it is argued, can bring about an improved allocation of resources, as decisions about resource use better reflect the needs, priorities and willingness to pay of local citizens. As a result, service delivery should improve. So should cost recovery and resource mobilisation, as local tax and charge payers will be more willing to pay for services that benefit them (although the evidence on the last point seems quite weak).

“...the power over the production and delivery of goods and services should be rendered to the lowest unit capable of capturing the associated costs and benefits.” World Bank, *World Development Report 1997*, p.120.
**Fiscal Federalism**: the classic theoretical case for decentralisation is often referred to as fiscal federalism (Oates 1972). This argues that, since the efficient scale of production for most public goods is smaller than the national level, economic benefits will be maximised where decisions about those public goods are made within the jurisdiction which relates to the scale of production of those public goods, so as to reflect differing preference patterns. Under such an arrangement, costs and benefits can be internalised – that is, the costs and benefits of a service fall on those within that jurisdiction who make the decisions. The problem is that public goods have differing spatial characteristics and economies of scale, so that different "local governments" would be required for each service. Since that is generally impractical, a compromise has to be found in terms of the optimum size for a multi-purpose local government (although in many countries there are special purpose authorities, for example School Boards and Police Districts in the US).

**Public Choice**: Tiebout, in his (1956) application of public choice theory to decision-making in local government, argued that citizens will vote for a combination of taxes and benefits that best suit their interests ("voice"), and/or will relocate to the jurisdiction which offers the best combination of services and taxes ("exit"). Although one could identify some examples to support this "exit" model (e.g. firms and rich residents relocating out of New York city), this theory makes unrealistic assumptions about the citizen's ability and willingness to relocate, as well as about the information available to them, particularly in developing countries.

**Variety, experiment and competition**: A further economic argument for decentralisation is that it allows a variety of experiments and initiatives that can, through comparison and learning, improve the overall performance of the system. Furthermore, competition between jurisdictions may enhance overall performance of the governmental system. By contrast, centralised systems tend to standardise and fossilise. But this assumes that experimentation, innovation and competition are possible within the system, and that there are mechanisms for mutual learning. These are relatively rare in developing countries.

**Poverty reduction and gender equality**: It is often argued that decentralisation can contribute to poverty reduction, by bringing decision-making closer to where the poor live, increasing the voice of and accountability to the poor, and by more accurate targeting of social spending. However, the evidence of this is very mixed – see Jüttling, 2004. Furthermore, unless decentralised government systems make specific provision to ensure representation and voice of women, decentralisation is unlikely to bring about greater gender equality. These issues will be considered further in topics 4 and 6.

**Driving forces of decentralisation in practice**: In practice, the driving forces of decentralisation may be rather different from the theoretical arguments. They may include, for example:

- The need to contain regional disaffection, or to satisfy regional
ETHNIC INTERESTS IN POST-CONFLICT SITUATIONS;

- attempts by those at the centre to garner political support at the local level, or as a counterweight to the power of another sub-national (e.g. regional, in federal states) tier;

- the pursuit of a neo-liberal agenda about reducing the role of the state, mobilising local resources, and reducing the cost burden of service provision on the central budget;

- as a way of stimulating economic growth, as in China, through management autonomy over local enterprises and promotion of local economic development;

- international preferences (of donor agencies or super-national bodies such as the EU, UN, Council of Europe)
3. The Arguments against Decentralisation

The following are common arguments against decentralisation:

a) **Fragile national unity**, particularly in newly independent nations, and the perception that decentralisation could result in fragmentation and reinforce ethnic divisions. In practice, however, while tight central control in a diverse nation may work for a while, it can often collapse dramatically (e.g. USSR, Indonesia). By contrast, decentralisation may provide a safety valve for those seeking a degree of autonomy.

b) **Increased inter-regional inequality**: since some regions have greater resources and greater economic potential, according regions greater autonomy may increase inequality across the country. Although there are ways of combating this, through inter-governmental fiscal transfers and redirecting of investment, the evidence from many countries (for example China, Mexico, Indonesia) is that decentralisation has, in practice, increased inter-regional inequality (see: Rodríguez-Pose and Gill, 2004).

c) **Decentralisation is unnecessary** (in the sense of devolution) because local needs and priorities can be determined by central officials placed in the regions (i.e deconcentration) without the need for devolution of political power. It is often argued that such “benign centralism” may do more to achieve local development (as evidenced in several countries in east and southeast Asia) than fractious local democracy. But this approach leaves open issues of citizen voice and local accountability for decisions.

d) **Cost and inefficiency**. Decentralisation can add to the costs of public administration by increasing the numbers of elected representatives (who generally require some remuneration) and local officials. However, these costs may be necessary if services are to be brought to the local level and decisions made in a participatory and accountable manner. Decentralisation may also result in inefficiency, where services are provided by each small community at below the efficient scale of operation (a major issue in central and eastern Europe post-1990). This problem can be overcome (as in France) by joint operation between local governments and/or contracting services from other local governments or private suppliers (i.e. making a distinction between providing a service and producing it – it is the latter, not the former, that requires economies of scale).

e) **Lack of capacity** at the local level, whether through lack of technical or managerial skills or low calibre of staff. This is often a serious issue, but tends to become self-fulfilling where it is used as the reason for not decentralising activities, since the result is that there is no incentive for skilled people to stay at the local level. The problem can be addressed (to some extent) by training and/or secondment of staff.

f) **Lack of financial resources** at the local level, since local tax bases are small (particularly in rural areas). However, this is not a reason for not decentralising – rather, the intergovernmental fiscal system needs to be designed so that the distribution of functions between levels of
government is matched by fiscal resource transfers.

g) **Increased fiduciary risks and corruption.** Since more resources are handled further from the centre, where financial controls are generally weaker, there are increased fiduciary risks. Corruption may also be more serious at the local level because of the proximity of officials and politicians to clients and contractors. However, the same proximity, to citizens and voters, may also help to increase accountability. There is an ongoing debate about whether decentralisation makes the problems of corruption better or worse, or just disperses the problem more widely (Fjeldstad, 2004).

h) **Threats to macro-economic management and stability.** Decentralisation may reduce the room for manoeuvre for national governments in managing the economy, and in extreme cases can be destabilising (Prud’homme, 1995; World Bank, 1997, p.125; Tanzi, 2000). This can occur where large areas of taxation are assigned to, or shared with, local governments without matching increases in their functions, or where local governments are free to borrow without proper limits, or where they incur substantial budget deficits. These have been significant problems in a number of Latin American countries, and to a lesser extent in China, but in most other developing countries, the local government sector is too small, or too highly controlled by the centre, or both, to have any serious impact on national economic management. Prudential rules about borrowing and deficits can largely obviate the problem.

i) **Domination by local elites and traditional authority structures may be to the disadvantage or exclusion of the poor.** It is argued (e.g. by Manor, 1999) that local elites are generally less favourable to the poor than central government elites. However, whether the poor are any more disadvantaged or excluded in a decentralised system than in a centralised one is still a matter of debate. Much depends on the local and national political processes, and the opportunities for the voice of and accountability to different groups, in the particular country.

j) **Resistance from central government officials.** In practice, the main resistance to decentralisation is likely to come from central government politicians and civil servants, who perceive their power being eroded. Even where they officially endorse decentralisation, their actions may impede or undermine the process.

4. **Decentralisation and Poverty**

Schneider’s (2003) statistical study of 108 countries found:

- that deconcentrated governmental systems spend more on social services, while politically devolved governmental systems spend less on these;
- no correlation between fiscal decentralisation and pro-poor expenditure;
- policy conclusion: the interests of the poor are best served by a combination of political centralisation and administrative deconcentration.

By contrast, Von Braun and Grote’s (2000) comparison of human development indicators with the extent of political decentralisation concludes that decentralisation can be beneficial to the
poor under the right circumstances, and that it is political rather than administrative decentralisation that makes the greatest difference. This is because of the greater scope for the poor both to hold elected officials accountable and to influence public spending decisions when they are concentrated in certain jurisdictions.

5. Forms and Principles of Decentralisation

In the literature and in common usage, terms are not always used precisely. Some use the term decentralisation to refer to any shift away from the centre, whether managerial / administrative (e.g. within a company or organisation), political, spatial or fiscal. Here we make a basic distinction between deconcentration and devolution:

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1. Two other forms of decentralisation are often mentioned although they do not really affect the basic distinction drawn here. One is delegation, where a government agency or a sub-national government carries out a particular function on behalf of central government in return for a payment. That can take place within either a deconcentrated or devolved system. The other is fiscal decentralisation, which is the transfer of fiscal resources and decision-making power to sub-national governments. However, fiscal decentralisation does not exist on its own: it requires devolution of decision-making to be meaningful, while devolution requires fiscal decentralisation to be meaningful. In other words, devolution and fiscal decentralisation need to go together and should not be treated as separate forms of decentralisation. The literature on decentralisation sometimes refers also to privatisation and outsourcing as forms of decentralisation, but these are wholly different,
Deconcentration (sometimes also referred to as administrative or management decentralisation): responsibilities are assigned to agents of the central government.

Devolution (also referred to as political decentralisation or democratic decentralisation): responsibilities and authority assigned to elected bodies with some degree of local autonomy.

Deconcentration is concerned mainly with the administrative rationale for decentralising, and to some extent with the economic arguments, whereas devolution to elected local bodies is concerned with the political as well as the economic (and administrative) arguments.

The distinction is not always clear-cut. Deconcentrated units may well have considerable discretion about how to operate, and may have resources under their control (e.g. local managers in the UK’s NHS). Meanwhile, devolved local governments may be tightly controlled by the centre, with limited discretion over resource use. But the difference in principle is that the former are answerable only to their parent ministry or agency, whereas the latter are primarily answerable to the local electorate (although there will also be an upward accountability to central government).

Requirements for effective decentralised (devolved) government: decentralisation in the form of devolution requires a system of local government that has:

- boundaries, powers and functions defined in law
- separate legal identity with perpetual succession, able to buy, sell and hold property, and with its own budget and bank account
- an elected decision-making body, although some members may be appointed
- significant discretion over local expenditures
- some independent source(s) of finance over which it has some discretion in setting the level and using the receipts
- its own staff (although they may belong to a unified national cadre, and some may be seconded from central government).

Relationships between deconcentrated and devolved authorities

In most systems, a key issue is the relationship between the devolved local governments and the deconcentrated agents of the state (such as Prefects, District Commissioners, Collectors, Intendente, and the local offices of central ministries). This concerns:

- territorial authority (who is “in charge”?)
- division of functions (who does what?)
- representation (who represents the local population?)

not least because they do not involve decentralisation to geographical areas.
supervision and control (who supervises whom?).

In some countries, there are two parallel systems (e.g. Prefect or District Commissioner and commune or local government), often with considerable friction between the two. In other countries (e.g. Indonesia), the two are combined, so that a Provincial Governor is both the head of the provincial government and the representative of central government locally.

6. Patterns of Decentralisation

There is no standard model of decentralisation. Arrangements of sub-national government differ between countries for a variety of reasons: history, size, cultural diversity, political ideology, etc. The following are some of the principal features and distinctions:

Federal vs unitary

In federal systems, states (which may have predated the nation) enjoy constitutional rights, whereas in unitary states, sub-national government is normally a creature of national legislation. In federal systems, local (i.e. sub-state) government is usually a state matter, although (as in India), the federal government may legislate (or amend the constitution) to limit state powers over local government.

Single or multiple tier

Because of the different spatial requirements of local government, many systems have two, three, or more levels of sub-national government, for example, provinces, municipalities and communities. The logic is that larger units provide services that have greater economies of scale, minimising the problem of inter-jurisdictional spillovers for those services (that is, where citizens of one jurisdiction use services provided by another jurisdiction), while smaller units provide more local services.

Where there is more than one tier, there is often a hierarchical relationship, with the upper tier supervising the lower. But this need not be the case: in the UK, both counties and districts are autonomous units which relate separately and directly to central government, i.e. a county has no “authority” over the districts within that county.

Large units or small units?

Large units offer the potential for economies of scale in service delivery (the justification for large units in the UK), while small units bring local government closer to citizens and enhance representation (the justification for very
small units in France). In France, economies of scale are handled through groupings of municipalities and through contracting out to large service providers (eg. Companie Générale des Eaux). The larger the units, the less likely it is that they will reflect the communities with which people identify.²

Urban and rural authorities

In some systems there are different types of local government in rural and urban areas, often with different powers and functions. This is often a product of history, but may also reflect the limited resources, and hence lesser political influence, of rural LGs compared to urban.³ It can mean that some rural local governments have a “doughnut shape”, surrounding but excluding the urban centre. In other systems (e.g. in Latin America) it is common for local governments to be based on urban centres and include their rural hinterland. The latter can mean that the interests of rural residents are marginalized. On the other hand, this arrangement may better reflect the blurring of rural/urban differences that is increasingly apparent in most countries. Even so, rapid rural to urban migration often means that urban local government boundaries do not reflect the reality on the ground.

Asymmetric decentralisation

Whilst a uniform system of local government is easy to understand and manage, it may not be realistic to assign the same functions to all LGs (or all LGs at the same level). With asymmetric decentralisation, those LGs with the greatest capacity, for example large cities, are assigned more functions than weaker LGs (e.g. poor, rural LGs). Since such asymmetric decentralisation has significant political implications, decisions about the range of functions to be decentralised to a particular LG (and any progression towards increased functions) should ideally be based on objective indicators of performance in service delivery and other key variables. In practice, there will be political pressure to upgrade the status of LGs.

Division of functions

Some systems have very clear divisions of functions between the tiers of government. In the UK (and many former British colonies), the legal principle of *ultra vires* means that local governments may only undertake those functions which the law specifies for them: doing anything else would be illegal. This can be quite limiting. In other systems, the principle of ‘general competence’ (the basis for most systems in continental Europe) enables local governments to undertake anything which is not assigned to another level of government or which is not proscribed by

² The remoteness of UK local authorities from citizens, and the impact of this on people’s identification with and participation in local government, are issues currently being discussed by government, with suggestions for creating ward-based community councils.
law. In some systems (e.g. Indonesia) there is considerable overlap of functions, which can lead to confusion and uncertainty over who is responsible.

**Extent of local autonomy**

In all systems, local autonomy is constrained by legislation and central regulation. In some systems, autonomy is quite wide (and constitutionally protected in the case of states in a federation); in others it is very limited. Autonomy is essentially about the extent of discretion allowed to the local government to decide how to raise and spend funds.

It is often argued that autonomy is determined by the proportion of the local budget that is generated from local revenue sources. Having some local own revenue sources, and being able to make choices about the level and use of those resources is important for local autonomy. However, the amount of local own revenues is not the key issue. Local authorities in the Netherlands depend very heavily on central government grants and yet have a high degree of local autonomy, while local authorities in Kenya have to raise virtually all their own money but have relatively little real autonomy. What matters is discretion over the use of the money, wherever that money comes from, and “discretion at the margin”, that is, the choice about using that (usually small) part of the local government’s resources which are not already committed to meeting mandatory functions (Davey, 1997). Autonomy also depends on the rules governing central controls over local government, and the implementation of those rules.

**Executives and legislatures**

In some systems (usually referred to as the strong executive or executive mayor system), there is a clear division between the executive (e.g. mayor) and the legislature (elected councillors). In other systems (often referred to as the executive council system – as existed historically in the UK), the elected councillors are both the executive and the legislature. The former system can produce a more dynamic executive, with clearer accountability, and offers checks and balances (in principle, at least). But it can result in an impasse between the executive and legislature, and a marginalisation of elected councillors. The executive council system can be cumbersome and slow, with diffuse lines of accountability, but may be more inclusive, especially if councillors have a ward basis.⁴

**Electoral accountability**

Local governments must be accountable to local citizens. This requires elections. In some systems, some of the seats in the council are nominated by central government, but if this is more than a minority, it is doubtful whether this model corresponds to devolved local government. Local

⁴ In between these two models is the mayor and cabinet system (now the predominant system in the UK), in which some councillors are within the executive while others have a ‘scrutiny’ function.
GOVERNMENT ELECTORAL SYSTEMS VARY ENORMOUSLY IN TERMS OF THEIR OPENNESS, FAIRNESS, FREQUENCY, INCLUSIVENESS, ETC. THEY MAY BE FOUGHT ON PARTY LINES OR NON-PARTY LINES, AND ON EITHER A FIRST-PAST-THE-POST BASIS OR PROPORTIONAL REPRESENTATION. OTHER MECHANISMS ARE ALSO NECESSARY FOR ACCOUNTABILITY: SYSTEMS OF ACCOUNTING, AUDITING, PERFORMANCE INDICATORS, ETC. THESE WILL BE ADDRESSED IN LATER TOPICS.

INTERNATIONAL MODELS OF LOCAL GOVERNMENT
Internationally and historically, four principal models of local government can be identified:

- **French** (Napoleonic), influencing much of continental Europe, Latin America and Francophone Africa: a dual model of local representation and central agency; hierarchical with strong supervision (Prefects), and an emphasis on representation (each commune with a Mayor).

- **German**, influencing much of Northern and Central Europe: A SUBSIDIARITY MODEL OF LOCAL AUTONOMY, DERIVING FROM THE FREI-KREISE (FREE TOWNS) OF THE MIDDLE-AGES, WITH AN EMPHASIS ON EFFICIENCY.

- **Anglo-Saxon**: British / north America and former British colonies: pragmatic model of limited local autonomy with strong central regulation and an emphasis on service delivery and economies of scale.

7. Conditions for Effective Decentralisation

Many recent evaluations of the outcomes of decentralisation (e.g. Crook and Sverrisson, 2001; Wunsch, 1998, 2001) conclude that the most common outcome is a vicious circle of undemocratic and ineffective sub-national government. Their argument may be summarised as follows (Figure 1):

- Where central government maintains effective political and fiscal control, local government has little autonomy

- This means that there is little scope for local governments to respond to the needs of the majority of their residents or to increase their capacity

- The result is that residents see no benefits from local government service delivery or regulation and thus see no benefits in participating in local politics

- Local politics is, therefore, left to the elite, who continue to capture what limited resources are available for themselves

- This leads to a further loss of legitimacy on the part of local government and, in turn, increased disenchantment on the part of citizens.

**Figure 1: The vicious circle of sub-national government weakness**

- Limited scope for local political processes
- Participation restricted
- Limited accountability
This is clearly a vicious circle and sometimes seen as inherent in decentralisation. However, it is not inevitable. Both the above studies identify examples of decentralisation in which the outcomes have been positive – democratic and developmentally effective local government. Analysis of these cases can be used to identify the characteristics and conditions that resulted in positive outcomes. The potential virtuous circle (Figure 2) links a number of inter-related elements, all of which are necessary, and each of which suggests possible opportunities for reform and action:

- Local political processes with wide participation, requiring free and fair elections, complemented by opportunities for direct democracy, and with safeguards to ensure accountability

- Sufficient resources to perform meaningful tasks at the local level, including both central-local transfers and local revenue generation, which mean that local governments have

- Capacity based on these resources. If this is coupled with real autonomy to fulfil significant roles and responsibilities, then it will be worth citizens becoming actively involved in local political processes.

- Autonomy combined with adequate central-local transfers requires good central-local relations.
Other writers have identified other factors. Smith (1996) notes that the following are also important for sustained democracy, whether national or local:

- Economic development: some argue that democracy is irrelevant if people are poor (as the Government of China has argued).
- Relative equality, since in situations of gross inequality, the rich can dominate the poor.
- A political culture which values democratic practices.
- An active civil society.

In summary, we may say that effective decentralisation (devolution) requires:

- Strong and consistent support from the centre to ensure the components are in place and are sustained, with the capacity to monitor performance and accountability.
government are essential for the reform process. Decentralisation requires clarity about the redefined roles of government at central and sub-national levels.

There will always be conflicting pressures for centralisation and decentralisation, and individual and collective incentives often conflict, so that intended outcomes may not be achieved. From their study of decentralisation in health systems in eight countries in Africa, Gilson and Travis (1997) conclude that piloting and phasing are crucial elements of the implementation strategy, and that a gradual approach, with incremental scaling-up as capacity develops, provides the best opportunity for evaluation and learning along the way. However, an alternative view is that only a “big-bang” approach – as in Indonesia – can help overcome the resistance to decentralisation.

8. Drivers of Change and Barriers to Decentralisation

Potential drivers of change vary in nature and importance from country to country but some general ones can be identified and these include: reform-minded public officials, the media, NGOs and other CSOs, independent policy research centres, professional associations, business organisations, traditional institutions, and international development agencies. Reform is most likely when there is sufficient consensus among a range of key actors.

a) Reform-minded politicians and officials: In countries where significant progress with implementing decentralisation reforms has been recorded, much of it has been attributed to the existence of reform champions – a core group of public officials that are committed to the reforms. These might include technical officials in the implementation units or political figures who have significant clout to push through the reforms against inevitable resistance from those whose vested interests are threatened by the reforms. In situations where such a core group is absent or weak, there are some entry points for bringing it about. First, this could be done by stimulating the demand side, that is, making the private sector, civil society organisations and the general public better informed and more assertive in calling government to account. Second, given that governments are rarely monolithic, there are possibilities of building coalitions on issues such as decentralisation. Third, technical improvements to public administration can help strengthen impetus for change, partly by highlighting feasible reform tracks and partly by improving transparency.

b) The media: press freedoms have improved considerably in many developing countries and the media may be used (by various groups) to drive the decentralisation agenda. There are numerous FM radio stations broadcasting in various languages in most countries as well as newspapers that focus on locality-specific issues. However, media ownership patterns can also reinforce control by elite groups.

c) NGOs, CBOs and other civil society organisations: these include those actively involved in advocacy and those engaged in providing services to the poor. In the past donors have tended to focus most of their support on NGOs engaged in service delivery but more recently support has
increased for organisations engaged in promoting good governance. These can play a key role in raising citizen awareness and increasing their ability to demand accountability from politicians.

d) Businesses and business organisations. Poor governance greatly adds to costs for businesses, so they may well be at the forefront of demands for improved local service delivery and greater accountability. However whether that translates into a demand for an enhanced role for local government is another matter. Individual local business people may well favour decentralisation, inasmuch as it gives them greater access to decisions that directly affect their businesses. However, they may in turn form part of the local elite interest group that so often dominates local level decision-making, often to the disadvantage of the poor.

e) Independent policy research centres. Most countries have one or more policy research centres that can have an important role in shaping public opinion on the design of needed reforms. Through activities such as open debates and publications, they could be a valuable source of public information on the need for decentralisation reforms.

f) Professional associations. This is a group of potentially powerful advocates of governance reform although in practice the zeal to ‘protect’ their professions may run counter the demands of decentralisation.

g) International development partners. Most developing countries depend heavily on both bilateral and multilateral donors to finance their budgets. This gives donor agencies leverage to insist on reform but this can only be achieved if there is donor solidarity and collective donor willingness to use the leverage they hold.

As well illustrated by the drivers of change framework, the effectiveness of the above listed potential agents of change can be constrained or enabled by context specific factors:

- There is a range of structural factors that shape the local context for change and may thus hinder or enhance the decentralisation process. One of these is geography, reflected by the natural resource endowments of local areas, which not only determine local livelihood possibilities but also influence local politics.

- Historical legacies, the influence of previous systems of government (including foreign occupation at different stages of the country’s history) are highly implicated in local level socio-political dynamics, and thus can either impede or facilitate decentralisation.

LESSONS FOR DONOR SUPPORT FOR DECENTRALISATION

- Decentralisation as a political process. More than most areas that donors have traditionally supported, such as infrastructure installation, decentralisation is not simply a technical and management process, it is also a political process. Thus careful analysis of the political implications of donor support programmes in needed prior to their inception. Indeed, the effectiveness of donor support to
decentralisation in a given country is greatly determined by the existing political environment, organisational structures and socio-economic context. Unfortunately these elements have not always received the attention they deserve in the evaluations of donor programmes, thereby making it difficult to assess whether such programmes are replicable in different contexts.

- **Government commitment.** Of particular significance to the effectiveness of donor support is the degree of government commitment to decentralisation. Governments embark on decentralisation for a variety of reasons and often only pay lip service to the programme beyond what is sufficient to achieve its political ends. Because of this, it may be difficult to correctly gauge the level of partner government commitment to decentralisation. Indeed government commitment in the form of a declaration of intent in policy papers does not always translate into what it is prepared to implement. This is exacerbated by the fact that the term ‘decentralisation’ is not unambiguous, often interpreted differently by donor agencies and partner countries.

- **Long-term support.** Because the benefits of decentralisation programmes take relatively long to materialise, donors supporting such programmes need to have a long-term view.

- **Donor coordination.** From various country evaluations it widely noted that there is limited donor coordination, despite wide recognition that donor coordination (but not necessarily harmonisation) in policy, planning and implementation at operational level is essential to a more cost-effective utilisation of scarce resources.

- **Sustainability.** There is general concern about the lack of sustainability of donor interventions although attempts have been made to alleviate this. Some of the mechanisms used to achieve sustainability include institutionalisation, up-scaling and ensuring programme ‘ownership’ by local governments, private sector or civil society groups. Programme sustainability can also be strengthened by co-financing and programme replication.

- **Monitoring and evaluation.** Evaluations of donor support to decentralisation have also noted the inadequacy of monitoring and evaluation mechanisms.

- **Balanced reform.** Attempts at decentralisation seem to be more successful when reforms (legal, institutional, administrative, human resources and fiscal) are pursued in a parallel, holistic and balanced way. Decentralisation of tasks and funds needs to be done simultaneously, although not necessarily at the same pace.

- **Building citizen participation and accountability.** There seems to be general agreement in decentralisation literature that to achieve local government accountability there must be active participation and support of the citizenry. It thus seems pertinent that support for local governments should be complemented by similar support to civil society. Indeed most donor programmes combine capacity building efforts at the local government level with strengthening of CBOs and NGOs. On the other hand, heavy NGO presence in local government politics may undermine accountability.
between elected councillors and their constituencies.

- **Strengthening local democratic processes.** Donors are making significant direct contributions towards enhancing citizens' voices and local accountability in local government affairs by strengthening democratic processes through local government elections, promoting issue-related politics and transparent decision-making, strengthening local party organisations, councillor training schemes, building systems of bottom-up planning, etc.

- **Demand-driven approach.** Donors increasingly acknowledge that if support for decentralisation is to be sustainable it should respond to grassroots needs and priorities. Therefore, donors need to make more use of a demand-driven approach when piloting programmes in support of decentralisation. When pilots are determined in collaboration with local stakeholders, ownership and support sustainability are enhanced. At the same time, incentives for donor competition are reduced.

For further discussion on these issues, see OECD (2004).

**References**


Crook, R and Sverrisson, A (2001) *Decentralization and Poverty Alleviation in Developing Countries: A Comparative Analysis, or is West Bengal Unique?*, IDS Working Paper 130,


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