Participation for local development
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Concepts of decentralisation

Introduction

In recent years decentralisation has received widespread attention as a major element in the discourse on ‘good governance’ promoted by many donor agencies and development institutions (Bergh 2004). Decentralisation has many functions. From the point of view of ‘good governance’ it is a mode of administration that advocates bottom-up planning which captures, internalises and addresses local needs and concerns (Johnson 2001; Devas 2002). As such, it promotes responsiveness and accountability of policy makers to local needs and people (Crook & Manor 1998).

This chapter presents an overview of the basic concept of decentralisation. This concept provides a basis for the development of the theoretical framework that guides this study. The chapter is organised as follows. The following section provides an explanation of the meaning of decentralisation as conceived in the literature and brings into focus some important properties underpinning the theory of decentralisation. The next section provides a specific meaning of decentralisation that has been advocated in recent years and has a direct link with empowerment and participation. Then some arguments for decentralisation and centralisation are highlighted to give an understanding on the relevance of these two levels of government. This chapter concludes by highlighting some perspectives on the necessary conditions for successful decentralisation.

Meaning of decentralisation

In every state system, governmental authority is to some extent dispersed over units and subunits. The ‘unit’ in this phrase is the central government. The ‘subunits’ in the Tanzanian context are the Local Government Authorities (LGAs). Even the most centralised systems will be under pressure to subdivide governmental activities and to
attribute some power for taking decisions and executing tasks to authorities other than the central government. However, even the most grass roots kind of state organisation will experience incentives for concentrating part of the governmental authority in one central unit.

Distribution of power and activities from a central state unit, such as a national government, may be given to subunits that are either hierarchically subordinate to the central unit or to subunits that are to some extent autonomous. The former mode of division of tasks in a state system is usually called de-concentration. All subunits in a de-concentrated system have to answer to a superior authority. The latter mode of division of tasks in a state system is often labelled devolution. Subunits in such a system have authority in their own right and typically are not subordinate to other units in the system. The following taxonomy is limited to devolutionary systems.

Devolution starts out with centralised government authority that subsequently is distributed over a number of autonomous subunits. This government authority is founded on the sovereignty of the people. This is explicitly stated for example in the Constitution of the United States that starts with the recognition of the sovereignty of the people: ‘We the people’. In that sense governmental authority is transferred from individual citizens to a governmental system. This is either a local government or a state government or even a federal government. The resulting state system may still look in many ways the same as a devolutionary system.

Properties of decentralisation

A state system with devolution has a number of variable features. These features can be grouped into two categories: properties of the subunits and properties of the relations between the centre and the subunits, that is between the central government and the local government authorities (LGA).

The subunits in a system have a number of variable properties which depending on which system is used will differ from each other. Some important properties of these subunits are:

- Subordinate or autonomous (as indicated above).
- Layers of sub-central government; in most state systems one will find not only two, but several layers of government. This could be a governmental layer in between central government and LGAs, such as regional governmental bodies. There may also be a layer of governance below the LGA.
- Scale of the subunit. Subunits can vary from very large LGAs to very small communities. Van Dijk (2006) shows for example the differences with regard to the scale of the subunits in Thailand, Indonesia and India. With this respect ‘large’ and ‘small’ can be seen in both the number of citizens addressed by the subunit, but also in the geographical area that falls within the jurisdiction of the subunit.
- Political organisation: subunits might be governed by a representative government, with elected officials or an elected council, or be governed by appointed officials.
- Extent of jurisdiction: what are the subunit’s powers of rulemaking and enforcement of these rules over its citizens? Some subunits do have a wide jurisdiction, while others are only implementing the rules that have been laid down in another forum.
• Power of taxation: to what extent does the subunit have the competence to collect its own means?
• Administrative resources: does the subunit have its own personnel and its own freely spendable monetary resources?

It is important to note that these properties may vary between systems and that the variations do not necessarily coincide. The values of these properties give an indication as to the amount of decentralisation, and the degree of independence or autonomy of the subunits. There are systems of local government in which the LGAs have wide jurisdiction, but hardly any administrative resources, such as their own personnel. On the other hand, one may find LGAs with important tasks that are autonomous but do not have an elected board or officials.

Intergovernmental relations: the degree of local autonomy

The relations between central government and LGAs are often labelled ‘intergovernmental relations’. Local autonomy (the primary division of tasks and authority) in devolutionary systems is typically limited by all kinds of secondary arrangements. These arrangements can analytically be grouped into four major categories. In many systems, the different arrangements will often appear in combinations.

• Legal limitations and obligations: central legislation may specify or limit LGA powers and tasks, thus limiting the discretion (and the autonomy) of the LGA.
• Fiscal strings: for a number of reasons, LGAs may be financed from central coffers. The transfer of such monies from central to local may have strings attached that limit the discretion on spending those monies and thus limit the autonomy of the LGA.
• Oversight arrangements: the central government may be attributed authority to oversee and intervene in LGA policies and decisions. Such powers may be limited or extensive. The more extensive, the less autonomy for LGAs.
• Personnel: the LGA may or may not have its own administrative apparatus with personnel appointed and awarded by the LGA. The more control the centre has over personnel, the less autonomy for LGAs.

All these properties combined form an indication of the resulting degree of local autonomy. The more autonomous LGAs are, the more decentralised the devolutionary intergovernmental system is. The more power central government has over LGAs, the more centralised the intergovernmental system is.

Assessing the degree of decentralisation

It should be noted that so far we have only been discussing the design of the intergovernmental system. Thus, an application of all of the above properties as indicators merely results in an assessment of the degree of centralisation or decentralisation of the intergovernmental system on paper. However, in the end what we are really interested in, is the actual degree of local autonomy or the actual degree of decentralisation. And
even though an assessment of the design of the institutional arrangements might predict the actual autonomy, the system in reality might diverge significantly or even totally from the system as devised in policy papers and legal regulations. Normally one will find quite a difference between an administrative system as it is designed and regulated and that same system as it actually functions. Thus there are other circumstances beside the factors identified earlier, which either contribute to or limit the actual functioning of LGAs. The actual discretion a local government has in determining its own affairs within the limits of its jurisdiction depends on the way the system is designed to facilitate empowerment of LGAs. On the one hand we may find state systems that are, on paper, very centralised, but turn out to be decentralised, because for example, the LGAs appear to have a lot of discretion. On the other hand, we may find intergovernmental systems that look decentralised on paper but operate in a most centralised manner. It is a matter of empirical research to determine how centralised or decentralised an intergovernmental system actually is.

The ideal level of decentralisation

Decentralisation is often considered a state of affairs worth pursuing. The term ‘decentralisation’ is defined more extensively in literature (Bergh 2004). Different scholars, political scientists and economists have defined the term decentralisation to suit the context of their interest. However, in a narrow sense and in particular in the context of intergovernmental relations, the term decentralisation can be defined as the transfer of responsibility for planning, management, and funding and allocation from the central government to sub units or levels of government (Rundinelli et al. 1981).

In recent years there has been growing concern for democracy, popular participation, and empowerment (Mehrotra 2005; Bergh 2004). The kind of decentralisation that is often linked to these three terminologies is identified as ‘democratic decentralisation’. According to Bergh (2004), the term ‘democratic decentralisation’ emphasises the links between the state and the people, and consequently between decentralisation and participation. It refers to the transfer of powers and resources to authorities that represent local populations. These authorities should be accountable to the local communities and can therefore be considered as an institutionalised form of participatory development (Vedeld 2003 as cited in Bergh 2004: 781).

The emerging view in this kind of decentralisation is that there is a symbiotic relationship between decentralisation and participation. However, no particular participatory mechanism has been identified to suit different contexts or institutional arrangements. It remains the role of countries to search for a proper participatory mechanism or tool that fits into their own context. Whether particular mechanisms or tools work to produce meaningful participation remains an area for examination.

Arguments for decentralisation and centralisation

The existence of both central and local governments suggests that each level possesses distinct advantages and serious shortcoming in performing the fundamental tasks of the public sector (Oates 1972). In this section, some arguments for decentralisation and
centralisation are reviewed to provide a basis for development of the theoretical framework that guides the design and analysis of this research.

**Argument for decentralisation**
The thrust for decentralisation has been associated with some empirical evidence and theoretical expectation about decentralised governance. Some scholars such as Mehrotra (2005), Berg (2004), Heller (2001) and Ribot (2002) provide empirical evidence showing that decentralisation improves service delivery at the local level. The same results are shown by development agencies such as the World Bank, who have often focused on the benefits of decentralisation for service delivery, based on the principle of subsidiarity (World Bank 2008). However, both the empirical evidence and the normative perspective of subsidiarity exist in at least three main arguments for decentralisation: promoting responsiveness, enhancing accountability, and facilitating cost recovery.

**Promoting responsiveness**
The common theoretical argument for decentralisation is that it provides a means for the level of consumption of public goods to be tailored to the preferences of subsets of society. Therefore, decentralisation is seen as mode of administration that promotes economic efficiency by allowing greater differentiation of resource allocations across jurisdictions in response to the needs of consumers. Local governments are closer to the people and are therefore seen to be in a better position than the central government to provide services that match the preferences of the people in their jurisdiction. It is assumed that the lower levels of governments are better informed about the preferences of the population than the central government (Bergh 2004; Oates 1972; Azfar et al. 2001; Bahl 1995). As such, the local governments are considered to stand a better chance of providing public service to the level and mix that commensurate to the demands of the population.

**Enhancing accountability and innovative efficiency**
Decentralisation is also seen as a mode of administration that improves efficiency by enhancing accountability. Because the sub national governments are closer to the citizens, it is assumed that it provides an opportunity for the people to participate, monitor and control the sub national governments (World Bank 2008). With this in mind, the links between the local people and local governments is perceived to increase innovation over time in response to the competitive pressure by the local people to adopt the most efficient techniques of production (Oates 1972; Bergh 2004). As such, decentralisation may increase both static and dynamic efficiency in the production of public goods (Oates 1972: 13; Van Dijk 2006: 32).

Indeed, this is seen to be especially true where the financing of public services are devolved to the local governments. It is expected that financial autonomy provides ‘incentives for effective governance to arise according to the logic of “market-preserving federalism”, in which clear ex ante institutional arrangements, budget constraints, and revenue expectations drive local governments to maximize cost-efficiency and constituent service’ (Qian & Weingast 1997 as cited in Azfar et al. 2001:
Thus decentralisation requires some financial autonomy to enable the local governments’ response to the local demands.

Facilitating cost recovery
The demand driven development initiatives through decentralisation is thought to enhance the willingness of the local population to participate in realizing them (Bahl 1995; Briscoe & Garn 1995; Litvack & Seddon 1999). According to this theory, the local population is perceived to be more willing to contribute, financially or in kind, for the implementation of development programmes that matches their development preferences. Decentralisation therefore is expected to increase the base of support for governmental action. In this sense a local government is expected to exert greater fiscal effort and raise more revenue, if they can determine how the revenues are used (Azfar 2001).

Arguments for centralisation
Some of the public sector tasks can better be performed at the central level, that of the central government. Such tasks include counterbalancing the weakness of the local governments.

The first argument for centralisation is that some local government actions may have consequences for other local communities or local governments. Local governments do not always have the same interest. Local communities trying to act in their own good might easily limit the opportunities or rights of other communities. Such policies are those related to the provision of high level public goods such as ensuring the environmental quality or preventive of communicable pandemic disease. These spillover effects demand a higher government authority to correct and balance interests. The level of central government is seen as the most appropriate to provide these kind of public goods, since there are little incentives for the local governments to use their scarce resources to provide them (Oates 1972).

The second argument says that centralising decision-making has the effect of economic stabilisation and equal distribution of wealth within a nation. Economic stabilisation is sometimes seen as a public good that can only be organised from a central level. In this regard the central government is considered to be in a position to make good use both of monetary and of fiscal policy without excessive inflation. Similarly, if income redistribution policies are performed at the local level this can lead to the movement of assets from one local government to another in search for economic efficiency. In this respect the central government must also coordinate the use of natural resources and to redistribute natural wealth. Every nation knows its richer and poorer area. Quite often the wealth is based upon the existence of natural resources. Building a nation requires equal distribution of these natural resources.

The third argument for central decision-making is the concern that local decision-making is dominated by local elites and does not reflect what is best for the local people (Bergh 2004) and might even threaten fundamental principles under the rule of law. Such a possibility is likely to happen because of sharing authority and resources with government units outside the centre where political restraints on capture are likely to be weaker (Azfar 2001). ‘People also tend to pay less attention to local than national elections, especially where election cycles are frequent’ (World Bank 2000 as cited in
Azfar 2001). This situation is seen to provide more opportunity for local elites to take over the local government. The third argument is the management issue. In this argument it is said that the local government has weak administrative and technical capacity to manage effectively, thereby creating the risk of services, at the local level, being delivered less effectively and efficiently than it could be done by the central government (Bergh 2004; Prud’homme 1995 as cited in Azfar 2001).

Does decentralisation produce benefit under all conditions?

Most empirical evidence shows mixed results with decentralisation. Various scholars, for example Faguet (1998), Mehrotra (2005), Bergh (2004) and institutions like the World Bank (2008) provide evidence that decentralisation does have an added value for development. Despite this, however, there is evidence that shows failure of decentralisation under certain conditions. The benefits of decentralisation seem to occur only if certain conditions are fulfilled. Although there are some conditions for successful decentralisation in certain systems of government, there is no evidence of particular conditions identified to fit a particular type of government structure or context. However, ‘theoretical predictions on decentralisation suggest that only certain forms of decentralisation, or better, decentralisation under certain institutional arrangements, will work’ (Azfar 2001: 8).

Mehrotra (2005) provides three properties of an institutional arrangement that can lead to successful decentralisation. This argument is based on four case studies in areas of schooling, basic services, public health and other services and health. Such properties include:

- a functioning state (not a weak, certainly not a ‘failed’ one), and effective capacity, both at central and local levels;
- empowered local authority to which functions, functionaries and finance have been devolved by the central authorities; and
- ‘voice’ articulated on a collective basis by civil society, through institutions enable by the state. (Ibid: 269).

According to Mehrotra, the first property refers to a state that can guarantee basic transparency, accountability and representation. Successful decentralisation requires a central government that oversees, regulates and if necessary disciplines local authorities so that poor people really benefit from political reform. It should also be able to provide sufficient resources to devolve to the local authorities. The second property refers to empowerment through legislative or constitutional means that transfer control over functions as well as functionaries to LGAs where responsibilities for delivering social services have been devolved to them. The last property refers to creation of institutional mechanisms to ensure that the voices of the citizenry can be heard through formal mechanisms by the local authorities.

Other literature provides similar properties of successful decentralisation. Especially the scholars that underline ‘deep democratic decentralisation’, like Bergh (2004), Ribot (2002) and Heller (2001). However, some properties are more specific and sometimes represent particular contexts of interest. For example, in summarising their comparison
of local governance in Africa Olowu & Wunsch (2004: 238) provide the following as pre-requisite for effective local governance.

- Local autonomy and authority.
- Resource availability at the local level.
- Effective local government institutions of choice (i.e local assemblies or councils).
- Effective, open and accountable local political processes.
- Supportive national political context.
- Effective system of intergovernmental relationships.
- Demands for public goods and social capital at the local level.
- Well designed local government institutions.

Lists of properties like these envisage the kinds of conditions that need to be met for effective local governance. Beyond that, bringing these properties into picture serves to show that, according to the literature reviewed, the necessary conditions for successful decentralisation revolve around, but are not limited to, two main elements of decentralisation: local autonomy and community participation. Both local autonomy and community participation have a specific form in the Tanzanian context. This context exists within an institutional framework (chapter 3) and a specific planning procedure (chapter 4).