

Decentralization:

Decentralization is the process where a central government relinquishes some of its powers and management responsibilities to local governments, local leaders, or community institutions.

According to D. Rondinelli (1981), “the transfer of responsibility for planning, management, and resource raising and allocation from the central government to:

- (a) field units of central government ministries or agencies,
- (b) subordinate units or levels of government,
- (c) semi-autonomous public authorities or corporations,
- (d) area-wide regional or functional authorities, or
- (e) organizations of the private and voluntary sector”.

Decentralization reforms focus on:

- The relationships **between three major sectors of governance**, namely, the public sector, the private sector, and the voluntary sector; and
- **Within the public sector**, decentralization focuses on the structure and processes of decision making and on resource and responsibility allocation among different levels of government.

The levels of governance

In defining decentralization the concept of the ‘level’ of the system of governance is extensively used. With regard to the public administration five different levels are normally recognized, namely:

- The **International** level, composed of international organizations governed by agreements between states
- The **National** level, that is, the central government of unitary states or the federal government in federal systems
- The **Regional** level, that is, the states in a federal system or the regions or provinces of a unitary state, depending on the extent of devolution governing their relationships with the national level under the constitution

- The **District** level
- **Sub-District** levels

Central government defined

Terms such as 'central government' and 'local governments' are also commonly used in the literature on decentralization. Broadly speaking, the term 'central government' refers to all the units of the public administration that are hierarchically dependent on the Cabinet and on the ministers in charge of the different sections of the central administration. These units may be located at the headquarters of the central government or in different parts of the territory and have different responsibilities, depending on whether they are operating at regional, provincial, district or at a lower level. In the case of federal states, the central government is normally the federal government; however, state governments have a large degree of autonomy in many matters, and operate as central governments within their territory in those matters. Normally their initiatives need no clearance from higher level authority.

Local government defined

The term 'local government' normally refers to units of the public administration that do not depend hierarchically on the central government administration for those public functions that they have the authority to exercise in an autonomous way. Typical examples are the district, but in some countries important degrees of autonomy are granted at regional, provincial, or municipal levels as well. Municipal governments are often created only in urban areas over a certain size, whereas decentralization of responsibilities for rural areas often stops at the district level. However, some countries, for example Bolivia, Mali and Cape Verde, transfer responsibilities for rural areas also to municipal level. Other countries, for example India, have established rural local governments at village level (panchayat).

The people responsible for a local government can be elected locally or appointed by the central government. However, the term 'local government' is increasingly associated with a democratic system of selection. It is important not to confuse the local units of the central administration with the local government administration. Although the two administrations operate within the same territorial boundaries, their

functions generally differ. The former is accountable to the politicians responsible for the central government, the latter to the politicians responsible for the local government, and ultimately, to different constituencies of the politicians in power at the two levels.

Civil society organizations (CSO)

In addition to the public administration, CSOs also form part of a country's system of governance. These comprise sets of persons organized around a common interest, generally with defined objectives. CSOs can operate at a very low, community level and join together into apex organizations. These can operate at sub-district, district, regional or national level and even at international level.

Significance of decentralization:

Decentralization and governance

Decentralization is about **governance**. The word governance has two meanings. One refers to "*the complex of institutions and organizations which regulate the life of society*". It encompasses **rules** (formal and customary law, regulations internal to organizations, moral imperatives, contractual obligations, etc.) and **social aggregations** (the family, church, municipality, professional associations, political parties, banks, commercial enterprises, cooperatives, courts of law, government, parliament). The other meaning refers to '*the act of governing*', that is to the way institutions are established (for example how laws are proposed and enacted) and to the way organizations behave, manage their affairs and govern people. Both meanings are encompassed in the term '**good governance**'. An increasing awareness of the importance of good governance was a key feature of the 1990s. This refers to the system that is appropriate to achieving such goals of society as stability, growth, equity, justice, efficiency and the practice of those who run the organizations in such a way as to achieve those goals. In this Sourcebook our concern with good governance is more narrowly focused on the effective provision of agricultural support services.

Achieving good governance may require an analysis and reform of the institutions underpinning a country's political, cultural, and bureaucratic framework.

Decentralization, in its broadest sense, thus becomes a central point of the new approach.

Decentralization and improved service delivery

Decentralization also aims at an economic and political system that responds more closely to people's preferences and requirements. By bridging the gap between suppliers and users of goods and services, decentralization measures are expected to achieve three major objectives:

- Improved **efficiency** in service provision
- More **transparency** of service providers
- Better **accountability** to service users.

Decentralization and democratization

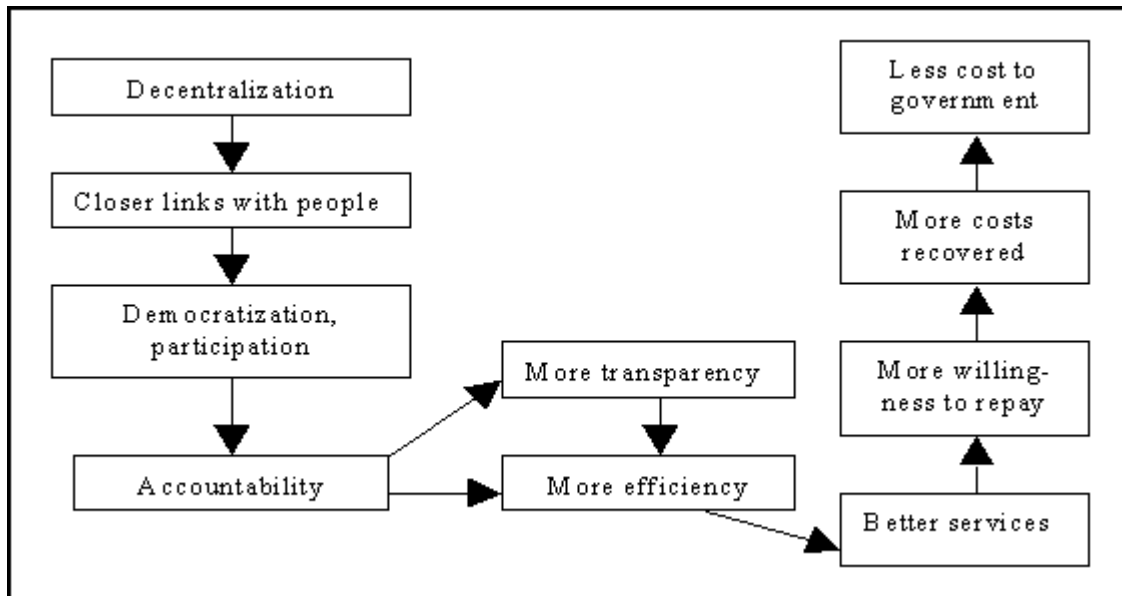
Decentralization of the public administration, by changing the assignment of responsibilities and resources among different levels and agents of government may be closely associated with the process of political **democratization**. When governments are freely elected by the people one may expect that the lower the level of government, the closer the relationship between the people in power and their electorate becomes. As a result, the political debate tends to focus on location-specific problems and is more accessible to the citizen voter. In turn, it is expected that a closer relationship between politicians and citizens and a more concrete political debate will increase the accountability of the politicians to those who support them. This in turn is expected to:

- Change the structure of public expenditure in terms of the mix of activities receiving public support, and the geographical distribution of public expenditure over the national territory
- Increase the transparency of decision making
- Improve the quantity and quality of services provided
- Increase the willingness of those who receive better and more reliable services to pay for them

- Improve cost recovery, and facilitate resource raising from sources other than the central government
- Possibly decrease the overall cost of government.

We can summarize these arguments, or the paradigm of decentralization, in the form of the flow chart (Figure 1.5).

Figure 1.5 The paradigm of decentralization



Types of Decentralization

Types of decentralization include political, administrative, fiscal, and market decentralization. Drawing distinctions between these various concepts is useful for highlighting the many dimensions to successful decentralization and the need for coordination among them. Nevertheless, there is clearly overlap in defining any of these terms and the precise definitions are not as important as the need for a comprehensive approach. Political, administrative, fiscal and market decentralization can also appear in different forms and combinations across countries, within countries and even within sectors.

Political Decentralization

Political decentralization aims to give citizens or their elected representatives more power in public decision-making. It is often associated with pluralistic politics and

representative government, but it can also support democratization by giving citizens, or their representatives, more influence in the formulation and implementation of policies. Advocates of political decentralization assume that decisions made with greater participation will be better informed and more relevant to diverse interests in society than those made only by national political authorities. The concept implies that the selection of representatives from local electoral jurisdictions allows citizens to know better their political representatives and allows elected officials to know better the needs and desires of their constituents.

Political decentralization often requires constitutional or statutory reforms, the development of pluralistic political parties, the strengthening of legislatures, creation of local political units, and the encouragement of effective public interest groups.

Administrative Decentralization

Administrative decentralization seeks to redistribute authority, responsibility and financial resources for providing public services among different levels of government. It is the transfer of responsibility for the planning, financing and management of **certain** public functions from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, or area-wide, regional or functional authorities.

The three major forms of administrative decentralization -- deconcentration, delegation, and devolution -- each have different characteristics.

Deconcentration. Deconcentration--which is often considered to be the weakest form of decentralization and is used most frequently in unitary states-- redistributes decision making authority and financial and management responsibilities among different levels of the **central** government. It can merely shift responsibilities from central government officials in the capital city to those working in regions, provinces or districts, or it can create strong field administration or local administrative capacity under the supervision of central government ministries.

Delegation. Delegation is a more extensive form of decentralization. Through delegation central governments transfer responsibility for decision-making and administration of public functions to semi-autonomous organizations not wholly controlled by the central government, but ultimately accountable to it. Governments

delegate responsibilities when they create public enterprises or corporations, housing authorities, transportation authorities, special service districts, semi-autonomous school districts, regional development corporations, or special project implementation units. Usually these organizations have a great deal of discretion in decision-making. They may be exempt from constraints on regular civil service personnel and may be able to charge users directly for services.

Devolution. A third type of administrative decentralization is devolution. When governments devolve functions, they transfer authority for decision-making, finance, and management to quasi-autonomous units of local government with corporate status. Devolution usually transfers responsibilities for services to municipalities that elect their own mayors and councils, raise their own revenues, and have independent authority to make investment decisions. In a devolved system, local governments have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions. It is this type of administrative decentralization that underlies most political decentralization.

Fiscal Decentralization

Financial responsibility is a core component of decentralization. If local governments and private organizations are to carry out decentralized functions effectively, they must have an adequate level of revenues –either raised locally or transferred from the central government– as well as the authority to make decisions about expenditures. Fiscal decentralization can take many forms, including a) self-financing or cost recovery through user charges, b) co-financing or co-production arrangements through which the users participate in providing services and infrastructure through monetary or labor contributions; c) expansion of local revenues through property or sales taxes, or indirect charges; d) intergovernmental transfers that shift general revenues from taxes collected by the central government to local governments for general or specific uses; and e) authorization of municipal borrowing and the mobilization of either national or local government resources through loan guarantees. In many developing countries local governments or administrative units possess the legal authority to impose taxes, but the tax base is so weak and the dependence on central government subsidies so ingrained that no attempt is made to exercise that authority.

Economic or Market Decentralization

The most complete forms of decentralization from a government's perspective are privatization and deregulation because they shift responsibility for functions from the public to the private sector. Privatization and deregulation are usually, but not always, accompanied by economic liberalization and market development policies. They allow functions that had been primarily or exclusively the responsibility of government to be carried out by businesses, community groups, cooperatives, private voluntary associations, and other non-government organizations.

Privatization. Privatization can range in scope from leaving the provision of goods and services entirely to the free operation of the market to "public-private partnerships" in which government and the private sector cooperate to provide services or infrastructure. Privatization can include: 1) allowing private enterprises to perform functions that had previously been monopolized by government; 2) contracting out the provision or management of public services or facilities to commercial enterprises indeed, there is a wide range of possible ways in which function can be organized and many examples of within public sector and public-private institutional forms, particularly in **infrastructure**; 3) financing public sector programs through the capital market (with adequate regulation or measures to prevent situations where the central government bears the risk for this borrowing) and allowing private organizations to participate; and 4) transferring responsibility for providing services from the public to the private sector through the divestiture of state-owned enterprises.

Deregulation. Deregulation reduces the legal constraints on private participation in service provision or allows competition among private suppliers for services that in the past had been provided by the government or by regulated monopolies. In recent years privatization and deregulation have become more attractive alternatives to governments in developing countries. Local governments are also privatizing by contracting out service provision or administration.