

1

From Government Decentralization to Decentralized Governance

G. SHABBIR CHEEMA AND DENNIS A. RONDINELLI

Concepts of decentralization have changed rapidly over the past quarter of a century in tandem with the evolution in thinking about governance. Until the early 1980s government and the state were generally perceived of interchangeably. Government was seen as the institutional embodiment of state sovereignty and as the dominant source of political and legal decisionmaking. In developing countries, debates over the structure, roles, and functions of government focused on the effectiveness of central power and authority in promoting economic and social progress and on the potential advantages and disadvantages of decentralizing authority to subnational units of administration, local governments, or other agents of the state. Decentralization was defined as the transfer of authority, responsibility, and resources—through deconcentration, delegation, or devolution—from the center to lower levels of administration.¹

By the early 1980s increasing international trade and investment; growing economic, social, and political interaction across national borders; and rapidly emerging technological innovations that increased the scope and reduced the costs of communications and transportation and helped spread knowledge and information worldwide, changed perceptions of governance and of the appropriate functions of the state. The concept of governance expanded to include not only government but also other societal institutions, including the private sector and civil associations. Debates shifted from the proper allocation of responsibilities within government to how strongly the state should intervene in economic

activities, whether central governments inhibited or promoted economic growth and social development, and the appropriate roles of government, the private sector, and civil society.²

As international economic interaction grew and as societies became more complex and interconnected, government came to be seen as only one, albeit a critically important, governance institution. The fact that people's lives were also shaped by decisions made by individual entrepreneurs, family enterprises, and private firms; by multinational corporations and international financial institutions; and by a variety of civil society organizations operating both within and outside of national territories, became more apparent.³ As globalization pushed more countries to adopt market or quasi-market economies, and as technology drove the growth and integration of worldwide communication and transportation networks, demands for political and economic participation grew even in countries that had totalitarian, authoritarian, or dictatorial governments and in which the state traditionally played the dominant or controlling role in managing national affairs. Good governance came to be seen as transparent, representative, accountable, and participatory systems of institutions and procedures for public decisionmaking.⁴

From this broader perspective on governance new concepts of decentralization emerged as well. As the concept of governance became more inclusive, decentralization took on new meanings and new forms. In this book, we trace the transformation and evolution of concepts and practices of decentralization from the transfer of authority within government to the sharing of power, authority, and responsibilities among broader governance institutions. The contributors to this volume assess the emerging concepts of decentralization; the political, economic, social, and technological forces driving them; and new approaches to decentralizing both government and governance. The authors of each chapter explore the objectives of decentralization within this changing paradigm and the potential benefits of and difficulties in achieving them. Each of the chapters offers lessons of experience from countries around the world where attempts have been made to decentralize government or governance and the implications for public policy in the future.

Emerging Concepts of Decentralization and Governance

As the concept of decentralization evolved over the past half century, it has taken on increasingly more diverse and varied meanings, objectives, and forms.⁵ The first wave of post-World War II thinking on decentralization, in the 1970s and 1980s, focused on deconcentrating hierarchical government structures and bureaucracies.⁶ The second wave of decentralization, beginning in the mid-1980s, broadened the concept to include political power sharing, democratization, and market liberalization, expanding the scope for private sector decisionmaking.

During the 1990s decentralization was seen as a way of opening governance to wider public participation through organizations of civil society.

After more than two decades—that is, the 1940s and the 1950s—of increasing centralization of government power and authority in both more developed and less developed countries, governments around the world began, during the 1960s and 1970s, to decentralize their hierarchical structures in an effort to make public service delivery more efficient and to extend service coverage by giving local administrative units more responsibility. During the 1970s and 1980s, globalization forced some governments to recognize the limitations and constraints of central economic planning and management. A shift during the same period in development theories and strategies in international aid agencies away from central economic planning and trickle-down theories of economic growth toward meeting basic human needs, growth-with-equity objectives, and participatory development also led to increasing calls for decentralization.⁷ International assistance organizations promoted decentralization as an essential part of a “process approach” to development that depended primarily on self-help by local communities and local governments.⁸ National governments decentralized in order to accelerate development, break bureaucratic bottlenecks arising from centralized government planning and management, and participate more effectively in a globalizing economy.

Until the late 1980s governments pursued three primary forms of decentralization: deconcentration, devolution, and delegation.⁹ Deconcentration sought to shift administrative responsibilities from central ministries and departments to regional and local administrative levels by establishing field offices of national departments and transferring some authority for decisionmaking to regional field staff. Devolution aimed to strengthen local governments by granting them the authority, responsibility, and resources to provide services and infrastructure, protect public health and safety, and formulate and implement local policies. Through delegation, national governments shifted management authority for specific functions to semiautonomous or parastatal organizations and state enterprises, regional planning and area development agencies, and multi- and single-purpose public authorities.

By the mid-1980s, with the continued weakening of centrally planned economies, the waning of the cold war, and the rapid growth of international trade and investment, economic and political forces reshaped conventional concepts of not only economic development but governance and decentralization as well. The fall of authoritarian regimes in Latin America during the 1980s and in Central and Eastern Europe during the early 1990s and the rapid spread of market economies and more democratic principles in East Asia brought renewed interest in decentralization. In Latin America, East Asia, and Central Europe, governments overseeing the transition from state-planned to market economies focused on strengthening the private sector, privatizing or liquidating state

enterprises, downsizing large central government bureaucracies, and strengthening local governments.¹⁰ The International Monetary Fund, the World Bank, and other international development organizations prescribed decentralization as part of the structural adjustments needed to restore markets, create or strengthen democracy, and promote good governance.

Governments were also pressured to decentralize by political, ethnic, religious, and cultural groups seeking greater autonomy in decisionmaking and stronger control over national resources. In much of Africa, calls for decentralization emanated from tribal minorities and economically peripheral ethnic groups.¹¹ Growing discontent with the inability of central government bureaucracies to deliver effectively almost any type of service to local areas fueled the decentralization movement in Africa.¹² Calls for devolution or autonomous rule also came from minority groups in Belgium, Quebec, Wales, Scotland, Malaysia, the Baltic countries, Mexico, the Philippines, India, Yugoslavia, and the former Soviet Union that were dissatisfied with their political representation or the allocation of national expenditures.

The “new public management” movement of the 1990s in richer countries shaped the way international development organizations and many reform-oriented public officials in developing countries began to think about what governments should do and how they should perform. In their book *Reinventing Government*, which reflected innovative reforms in the United States and influenced thinking in other countries during the 1990s, David Osborne and Ted Gaebler argue that national, state, and local government should be innovative, market oriented, decentralized, and focused on offering their “customers” the highest quality services.¹³ They and advocates of new public management contended that governments should “steer rather than row” and oversee service provision rather than deliver it directly; further, governments should encourage local groups to solve their own problems by deregulating and privatizing those activities that could be carried out by the private sector or by civil society organizations more efficiently or effectively than by public agencies.

New public management focused on making government mission driven rather than rule bound, results oriented, enterprising, anticipatory, and customer driven. Government agencies should meet the needs of citizens rather than those of the bureaucracy. At the heart of this approach to government was the notion that it had to be decentralized in order to achieve all of the other goals; that is, it would be most effective working through participation and teamwork among government agencies at different levels and with groups outside of government.

Globalization and Decentralization

Little doubt remains that globalization has shaped and will continue to shape economic, political, and social conditions throughout the world. Not surpris-

ingly, globalization has shaped not only concepts of economic growth but also perceptions of governance and the roles and functions of government. In the twenty-first century the driving forces of globalization—increasing international trade and investment, rapid progress in information, communications and transportation technology, the increasing mobility of factors of production, the rapid transmission of financial capital across national borders, the emergence of knowledge economies and electronic commerce, the spread of innovation capability, and the worldwide expansion of markets for goods and services—are creating new pressures on governments to decentralize. Globalization is deconcentrating economic activity among and within countries. It increases pressures on governments to enhance the administrative and fiscal capacity of subnational regions, cities, towns, and rural areas in order to facilitate the participation of individuals and enterprises in a global marketplace and to benefit from it.

Increasingly, foreign direct investment flows to those countries where the government not only creates a strong national business climate but where “location assets” in towns, cities, and regions are well developed and where local governments can provide the services, infrastructure, quality of life, and other forms of support for foreign-owned and domestic firms. Strengthening these location assets usually requires strong local governments and civil society organizations that can raise the revenues and provide the supporting services that both foreign investors and domestic entrepreneurs need to participate effectively in a global marketplace.¹⁴

The emergence of globally dispersed industrial clusters and worldwide supply chains, the global outsourcing of manufacturing and services, and the expansion of electronic commerce have simultaneously, and seemingly paradoxically, made the spread of international economic activity less dependent on specific geographical locations and made the location assets of subnational geographical areas more important in attracting international firms or incubating domestic enterprises. Successful economic zones, science and industrial parks, geographically focused industrial clusters, and emerging urban hubs of globally oriented commercial activity all have rich networks of interaction among central and local governments, the private sector, and civil society organizations.¹⁵ Globalization and technological change not only have pressured governments in some countries to decentralize administrative and fiscal authority but also have created conditions under which regional, state, provincial, and local administrative or government units are moving toward *de facto* decentralization through local leadership and initiative.¹⁶

The global deconcentration of economic activity has not only given localities new resources but has also brought new pressures on local governments to perform their administrative tasks more effectively. National government officials sometimes use the weak performance of local governments as a reason to keep decisionmaking centralized. One of the most critical issues in implementing

decentralization, therefore, is identifying those factors that facilitate strong local government performance. As they create new local structures, organizations, and procedures, governments are training employees to perform increasingly more complex tasks and introducing reforms that increase local capacity to manage fiscal resources and public services.

A Broader View of Governance

The United Nations, in the 1990s, helped to reconceptualize governance, defining it as “the exercise of political, economic and administrative authority in the management of a country’s affairs.”¹⁷ The United Nations Development Program perceived of governance as those institutions and processes through which government, civil society organizations, and the private sector interact with each other in shaping public affairs and through which citizens articulate their interests, mediate their differences, and exercise their political, economic, and social rights.

This broader concept of governance viewed decisionmaking as not only the province of government but also the right and obligation of citizens as members of a free electorate mobilized through social organizations and the private sector. Democratic governance implied a mandate for governments to create or strengthen channels and mechanisms for public participation in decisionmaking, to abide by the rule of law, to increase transparency in public procedures, and to hold officials accountable.¹⁸ The case for democratic governance was based on two arguments: first, that it provides an institutional framework for participation by all citizens in economic and political processes; and second, that it promotes core, universal human rights and values as ends in themselves. Democratic governance implied that the state would ensure free and fair elections; appropriately decentralize power and resources to local communities; protect the independence of the judiciary and access to justice; maintain an effectively functioning civil service; ensure the separation of powers; safeguard access to information and the independence of the media; protect basic human rights, freedom of enterprise, and freedom of expression; and pursue sound economic policies.¹⁹

As the concept of governance expanded, so did thinking about the rationale, objectives, and forms of decentralization. Decentralization now encompasses not only the transfer of power, authority, and responsibility within government but also the sharing of authority and resources for shaping public policy within society. In this expanding concept of governance decentralization practices can be categorized into at least four forms: administrative, political, fiscal, and economic.

—Administrative decentralization includes deconcentration of central government structures and bureaucracies, delegation of central government authority

and responsibility to semiautonomous agents of the state, and decentralized cooperation of government agencies performing similar functions through “twinning” arrangements across national borders.

—Political decentralization includes organizations and procedures for increasing citizen participation in selecting political representatives and in making public policy; changes in the structure of the government through devolution of powers and authority to local units of government; power-sharing institutions within the state through federalism, constitutional federations, or autonomous regions; and institutions and procedures allowing freedom of association and participation of civil society organizations in public decisionmaking, in providing socially beneficial services, and in mobilizing social and financial resources to influence political decisionmaking.

—Fiscal decentralization includes the means and mechanisms for fiscal cooperation in sharing public revenues among all levels of government; for fiscal delegation in public revenue raising and expenditure allocation; and for fiscal autonomy for state, regional, or local governments.

—Economic decentralization includes market liberalization, deregulation, privatization of state enterprises, and public-private partnerships.

As the concepts and forms of decentralization became more diverse so did the objectives of its advocates. They argued that decentralization could help accelerate economic development, increase political accountability, and enhance public participation in governance; and when pursued appropriately decentralization could also help break bottlenecks in hierarchical bureaucracies and assist local officials and the private sector to cut through complex procedures and get decisions made and implemented more quickly. Decentralization could increase the financial resources of local governments and provide the flexibility to respond effectively to local needs and demands.²⁰

In the broader context of governance, those who promoted decentralization saw it as a way of increasing the capacity of local governments—and also of the private sector and civil society organizations—to extend services to larger numbers of people. It could be a way of giving greater political representation to diverse political, ethnic, religious, and cultural groups without destabilizing the state. Decentralization could allow all three governance institutions—government, the private sector, and civil society organizations—to become more creative and innovative in responding to public needs. It could help governments balance regional development, empower communities, and mobilize private resources for investment in infrastructure and facilities.²¹

In addition, many proponents now see decentralization as an instrument for building institutional capacity within local governments and civil society organizations to achieve the UN’s Millennium Development Goals and improve chances of successfully implementing policies for the poor that depend on local communities to take ownership of poverty-alleviation programs.

Reassessing Decentralization

In one form or another, both democratic governance and decentralized government have been adopted by many countries over the past quarter of a century. By the early 1990s, all but twelve of the seventy-five countries with populations of more than 5 million had undertaken some form of decentralization.²² At the end of the 1990s, about 95 percent of the countries with democratic political systems had subnational units of administration or government. By the early 2000s, there were more democratic states in the world than nondemocratic ones. Freedom House ranked 89 of the 192 countries that it surveyed as “free” and 54 as “partly free” (4 billion people, or 63 percent of the world’s population, live in these countries). At least 119 of those countries were deemed to be formal electoral democracies.²³

Although many countries have moved toward democratic governance, their attempts to decentralize have not always been easy or successful. Time and again, reformers have learned that decentralization is not a panacea for all of the ills of ineffective governance. Successful experiments in decentralization have yielded many of the benefits claimed by its advocates, but skeptics also point to its limitations. In many developing countries, decentralization may increase the potential for “elite capture” of local governments or is undermined by their inability to raise sufficient financial resources to provide services efficiently. Decentralization often fails because of low levels of administrative and management capacity in local governments and in civil society organizations.²⁴ Decentralization has been accompanied by widening economic and social disparities among regions in some countries and increased levels of local corruption and nepotism in others.²⁵

The evidence is mixed, moreover, with respect to decentralization’s effects on economic growth, public participation, and service delivery.²⁶ Despite the allocative-efficiency arguments for decentralization, empirical relationships between decentralization and various development variables have more often than not been negative. Some studies have found no direct links between fiscal decentralization and economic growth, for example, although they identified several strong potential indirect linkages.²⁷ Other studies found that fiscal decentralization is associated with lower economic growth and greater fiscal imbalance.²⁸ Some research indicates that decentralization increases public infrastructure expenditure for those services with local benefits but with little or no economies of scale and that private provision of services and infrastructure increases only when local governments in a politically decentralized system place more weight than the central government does on infrastructure delivery.²⁹

The impacts of decentralization on citizen participation also vary from country to country depending on the type of decentralization used and the political situation in the country. Local governments in Africa have often constrained

local groups and limited citizen participation, especially of the poor, as strongly as central governments.³⁰ Studies in Latin America indicate that decentralization is one, but not necessarily the most essential, component for citizen participation and that the relationship between decentralization and citizen participation is conditioned by complex political, historical, social, and economic factors that differ in strength and importance among and within countries.³¹ Questions arise in Africa as well about whether decentralization can increase efficiency in service delivery, empower local groups, and facilitate popular participation.³² Studies of decentralization in the Middle East note that simply because central governments allow the proliferation of civil society organizations does not mean that they encourage or facilitate real empowerment.³³

Although evidence can be found for both beneficial and negative consequences of decentralization among and within countries, many of the failures of decentralization are due less to inherent weaknesses in the concept itself than to government's ineffectiveness in implementing it. Like any prescription for fundamental change, decentralization meets resistance from those whose interests are served by the concentration of power and resources in the central government. And as with any fundamental reforms that shift the distribution of power, the successful implementation of decentralization policies depends on the creation of multiple and complex conditions that make success uncertain in any country.³⁴

Andrew Parker once compared the implementation of decentralization policies to cooking a soufflé.³⁵ A successful soufflé requires the precisely correct combination of ingredients, the right temperature, and perhaps a persistent chef. If any of the ingredients are missing, mixed in incorrect proportions, or cooked at the wrong temperature, the soufflé will fall. Learning to cook a soufflé often requires some experimentation and a willingness to improve through trial and error.

Experience in developing countries suggests that successful decentralization always requires the right ingredients, appropriate timing, and some degree of experimentation. The ingredients are now well known. Decentralization cannot easily be enacted or sustained without strong and committed political leadership at both national and local government levels. Government officials must be willing and able to share power, authority, and financial resources. Political leaders must accept participation in planning and management by groups that are outside of the direct control of the central government or the dominant political party.³⁶ Support for and commitment to decentralization must also come from line agencies of the central bureaucracy. Ministry officials must be willing to transfer some of those functions that they traditionally performed to local organizations and to assist local officials in developing the capacity to perform them effectively. Experience suggests that decentralization can be implemented effectively only when policies are appropriately designed and when local

public officials are honest and competent and national political leaders view local empowerment as a benefit rather than a threat.³⁷

Decentralization is a critical issue to revisit after more than a quarter of a century of attempts by governments around the world to adjust to globalization and to new perceptions of governance. Decentralization remains a core prescription of international development organizations for promoting democratic governance and economic adjustment and is seen by many of its advocates as a condition for achieving sustainable economic, political, and social development and for attaining the UN's Millennium Development Goals. Reassessing decentralization in these new contexts is also important because of the continuing difficulties experienced by governments in many developing countries in implementing it effectively. Scholars, policymakers, and development professionals need to rethink why some programs have succeeded and others have not. The relationships between decentralization and economic development and between decentralization and poverty reduction need to be clarified. The efficacy of decentralization in achieving the objectives that advocates claim for it needs to be verified.

This book focuses on three aspects of decentralization as an instrument for achieving democratic governance: how political, administrative, and financial authority can be devolved most effectively; which conditions are required for effectively sharing power and authority among governance institutions; and how capacity can be developed for effective participation by local governments and community groups in democratic governance.

The contributors to this volume seek to reassess the role of decentralization in a twenty-first-century global society. They explore how processes of globalization affect decentralized governance; examine worldwide experience with devolving political and financial authority; describe local government capacity building and the use of partnerships among governments, civil society, and the private sector; assess the impacts of decentralized governance on access to services and other equity-oriented objectives; and explore the factors that influence successful implementation of decentralization policies.

Decentralized Governance

Both economic globalization and the spread of international political and military conflicts were strong forces during the twentieth century for decentralizing governance. Hybrid forms of decentralization are being tried both in advanced economies, attempting to adapt to the challenges and opportunities of economic globalization, and in poor fragile states and those recovering from conflict. As Dennis Rondinelli points out in chapter 2, governments in weak states, especially in those that are coping with or recovering from conflicts arising from insurgencies, civil wars, or external invasions, must deal with complex economic,

political, social, and development challenges. Many face the daunting tasks of providing social services, stabilizing and legitimizing governance, reviving the economy, controlling inflation, and stimulating trade and investment. Often they must also promote political participation, hold elections, and address violations of human rights in order to sustain peace accords or move toward more stable governance systems. Sometimes, governments in weak states must also heal the wounds of war by reducing existing social and political tensions.

Governments in practically all postconflict societies face the difficult tasks of demobilizing and reintegrating ex-combatants, establishing civilian control over the military, and undertaking security reforms. Unsteady governments must often carry out all of these tasks and others while restoring or extending such essential public services as health and education, extending infrastructure to larger numbers of people, and caring for returning refugees and internally displaced persons.

Conditions in weak states and postconflict societies illustrate quite clearly the necessity of viewing both governance and decentralization broadly and the need for a wide range of alternatives for building governance capacity. Performing all of the functions required of governments in weak states calls for strong administrative capacity, a resource commonly lacking in crisis or post-crisis countries. International assistance organizations seek to enhance limited public management capacity by leveraging governments' resources with private sector and civil society organizations. Frequently, in the rush to meet the needs of people in crisis, they simply bypass governments and deliver development assistance through parallel administrative structures until critical gaps in public management capacity can be filled. The parallel structures and partnership arrangements that governments and international donors use in weak states include

- externally established governance and administration structures
- build-operate-transfer arrangements and private investment arrangements
- public-private joint ventures
- public service wholesaling
- partnerships between government and civil society organizations
- independent civil society organizations.

These and other approaches are unconventional forms of decentralized governance and development administration that either attempt to enhance the limited public management capacity of weak governments through partnerships with other governance institutions or create alternative arrangements for providing social services through parallel organizations in the private sector and organizations of civil society.

Little analysis has been done of these types of parallel arrangements for decentralized administration, however, or of their potential advantages and disadvantages in weak states. Each of these parallel structures and arrangements

requires appropriate policies, coordinating mechanisms, and administrative capacities within governments to work effectively. When these preconditions do not exist or cannot easily be created, parallel structures and arrangements for development administration fail.

Rondinelli identifies the types of parallel and partnership structures that international assistance organizations and governments use in weak states for development administration. He reviews the advantages and limitations of these approaches as forms of decentralized governance and government, the conditions and circumstances under which they are likely to produce effective results, and the factors that governments and donors should consider in using them. Only by understanding these conditions more clearly, Rondinelli argues, can governments and donors identify the kinds of technical and financial resources they need to make these decentralized administrative options work better in the future to attain their development objectives.

In chapter 3 Guido Bertucci and Maria Senese look at the impact of information communication technologies (ICTs) in decentralization processes. After examining trends in political trust, which highlight low confidence in government, they analyze how ICTs can play a key role in promoting and helping the decentralization process to be more effective and meaningful. They emphasize, with some evidence from case studies, how ICTs can foster decentralization and strengthen public trust in government by increasing efficiency, transparency, participation, and citizen engagement.

Political and Fiscal Devolution

Devolution of powers and resources to local governments has been a foundation for promoting sustainable decentralization in developing countries. Advocates argue that local governments with decisionmaking power, authority, and resources can play a more catalytic role in economic and social development. Citizens are more likely to participate actively in local political processes where local governments are perceived to have the capacity to make political and financial decisions affecting their economic and social welfare.

In chapter 4 Merilee Grindle analyzes the findings of her recent study of thirty randomly selected, medium-sized municipalities in Mexico to understand how local governments are coping with new responsibilities and resources and how they differ on indexes of government performance. She examines the impacts of four factors—political competition, the capacity of political leaders to mobilize resources for change, the introduction of new methods and skills for public administration, and the demands and participation of civil society—on the capacity of local governments to carry out their responsibilities efficiently, effectively, and responsively. She then analyzes their correlation with improved government performance.

Transferring power and authority from the central government to subnational administrative and local government units and opening the political process to widespread participation provide an institutional framework for local autonomy and empower communities to pursue local aspirations. Two dimensions of devolution, political and fiscal, are complementary. Political devolution provides a legal basis for the exercise of power at the local level and enables citizens to influence local policymaking and priority setting. Fiscal devolution assigns functions and revenues to subnational and local governments and the resources by which to implement local policies and programs. Too often, central governments assign functions to subnational administrative and local government units without providing adequate revenues to carry them out or the authority to raise revenues locally. Where resource deficiencies cripple local governments and undermine their ability to provide services, citizens become disillusioned with their performance and are less likely to participate actively in local political processes.

Based on experience in African countries, John-Mary Kauzya examines, in chapter 5, the extent to which political devolution has, in practice, facilitated people's participation. He discusses the driving forces of decentralization, structural arrangements and modalities devised to implement decentralization, and factors that have influenced the process of decentralization in Africa. Kauzya assesses case studies of Rwanda, South Africa, and Uganda to determine to what extent they have decentralized, the motives and objectives of decentralization, the functions and responsibilities that have been transferred, and the degree to which decentralization has promoted or facilitated broader popular participation.

Governments promoting political devolution have generally received strong support from Western donor countries and international development institutions that see the legitimacy of governance arising from the universal franchise, free and fair elections, and political pluralism. International development organizations also claim that highly participatory governance creates conditions that make governments more accountable and more efficient and effective in delivering service. In chapter 6 Ledivina Cariño examines the relationships between political devolution and the sustainability of democracy. She assesses some of the recent reforms dealing with political decentralization in the Philippines and examines their impact on improving the quality of the democratic process.

Others argue that political decentralization often fails to deliver in practice what it promises in theory. Peter Blunt and Mark Turner argue in chapter 7 that the developmental potential of administrative deconcentration tends to be overlooked by Western donors in favor of political devolution. Despite the rhetorical claims of donors to be interested primarily in poverty reduction, the alleviation of poverty often falls victim to what in practice turns out to be an overriding ideological preference for certain forms of democratic governance.

Based on experience with attempts at decentralization in postconflict or fragile states such as Cambodia, Papua New Guinea, and Indonesia, they argue that if poverty reduction rather than participatory democracy were the overriding concern of Western donors then much more development financing would be directed to promoting administrative deconcentration.

In chapter 8 Paul Smoke reviews what is known conceptually and empirically about fiscal decentralization in developing countries. He focuses on lessons derived from cases in which some progress has been made in overcoming common obstacles to decentralizing fiscal systems. He illustrates through the cases how some governments have been able to make elements of an intergovernmental fiscal system function in tandem and how to better link them to political and institutional reform.

Enrique Cabrero, in chapter 9, reviews the main theoretical arguments about the decentralization process in Latin America. He also attempts to explain how decentralization had been executed in the region and how the process has specifically affected fiscal management. He argues that Latin American reforms promote expenditure decentralization (mainly through fiscal transfers) better than revenue decentralization (broadening the fiscal attributions of subnational governments). Analyzing cases in Brazil, Chile, Peru, and Mexico, Cabrero describes how decentralization has allowed local governments to develop innovative capacities to manage the ever-growing public policy agenda and to interact with citizens.

Another challenge in implementing devolution in some developing countries is rampant corruption and misuse of authority at both national and local levels. These problems are especially serious in societies with inequitable social and economic structures and high levels of poverty and illiteracy. Even the staunchest advocates of decentralization argue, therefore, that effective devolution requires strong accountability not only by politicians and government officials but also by the private sector and representatives of civil society. In chapter 10 Shabbir Cheema examines four components of local government reform to ensure accountability: prevention, including identifying transparent local government procurement procedures; enforcement, through independent investigators, prosecutors, and adjudicators; public awareness campaigns; and institution building, including strengthening local oversight bodies. He offers examples of good practices in developing countries for each of these components and identifies factors that lead to success.

Forging Results-Oriented Partnerships

Partnerships among government, the private sector, and civil society organizations are becoming an increasingly popular form of decentralization. Partnerships and other forms of cooperation among government agencies, civil society, and

the private sector are being used to develop and expand energy and utility networks and services, extend transportation systems, construct and operate water and waste treatment facilities, and provide such basic services as primary health care, education, and shelter.³⁸ Governments and the private sector are cooperating through a variety of mechanisms, including contracts and concessions; build-operate-transfer arrangements; and public-private joint ventures. Interest in public-private cooperation emerged for many reasons: insufficient national and local government capacity to extend services, public dissatisfaction with the quality and coverage of government-provided services, the ability of the private sector to provide some services such as transportation and housing more efficiently than government, and pressures from international assistance organizations to mobilize private investments.

Experience suggests, however, that successful partnerships between government and private or social organizations must be designed carefully and reflect the interests of those who are affected by the arrangement. An effective partnership must take advantage of the relative strengths of each partner, resulting in greater combined capacities to understand the needs and priorities of citizens, in improved quality and coverage of service provision, and in lowered costs. By increasing the ability of the state to respond to the needs of citizens, partnerships can play an important role in promoting local development.

Derick Brinkerhoff, Jennifer Brinkerhoff, and Stephanie McNulty develop in chapter 11 a framework for investigating the design parameters and decision spaces for participants in partnerships. They argue that a well-designed policy framework for decentralization expands design parameters; that is, it gives local governments more authority and leeway to negotiate and enter partnerships. It expands their ability to adapt and share power, their flexibility in ensuring accountability, their range of decentralization options, and their potential access to and application of resources. They apply this framework to decentralization reforms in Ghana and Peru to illustrate the expansion of citizen participation in local governance.

Capacity Building in Local Governments and Organizations of Civil Society

When civil society organizations such as farmers' associations, youth clubs, local branches of political parties, women's organizations, and community groups can engage in public decisionmaking, they can become powerful instruments for decentralization and democratic governance. They can increase local support and legitimacy for government intervention, safeguard the interests of local groups and citizens, and expand access to basic services.³⁹ Civil society organizations can increase citizens' awareness of government programs and projects and, in some cases, provide services directly to the poor. Civil society organizations

can also play an important role in creating political awareness among the people at the local level and provide disadvantaged groups with a means for organizing themselves for political action.⁴⁰

Goran Hyden argues in chapter 12 that decentralization is undermined in many African countries by central governments' dependence on external funding, clientelist politics, and limited administrative capacity in local governments and in civil society organizations. Drawing on past experiences with promoting local development in Africa, he proposes a new partnership between central and local institutions to increase the capacity to promote development and alleviate poverty. The partnership would use autonomous public funds insulated from patronage politics, and it would have the capacity to direct external funding into projects that stem from local demands rather than from the central government's supply of money. He argues that this form of parallel decentralization encouraging competition for scarce development resources among local governments and civil society organizations increases the chances of nurturing local ownership and pride and helps to build executive capacity from the bottom up. Hyden focuses on the case of the Culture Trust Fund in Tanzania to illustrate a successful application of this form of decentralization. He identifies potential roles of civil society in this process and linkages with local governments that can ensure the sustainability of local development projects.

International development organizations and bilateral donors have significantly increased their funding for decentralization in developing countries, both in response to requests from governments and to support programs for generating sustainable livelihoods. Naresh Singh examines in chapter 13 the role of decentralized governance in alleviating poverty and promoting sustainable livelihoods in poor but well-governed countries, in failed and fragile states, and in middle-income countries. He explores how these programs bring about changes in established power relations between elites and the poor, how they prevent local capture of decentralized public goods and services by the elite, and how they root out endemic corruption. Singh reconceptualizes power as a positive-sum game rather than as the usual zero-sum game and describes cases demonstrating the results.

In chapter 14, Kadmiel Wekwete discusses other cases—from Uganda, Senegal, Mali, and Ethiopia—demonstrating that rural local authorities can and do deliver services to the people when they meet key conditions of effective planning, budgeting, financing, and capacity building. He contends that the success of decentralization depends on whether political parties and political leaders identify decentralization as a serious goal and create conditions that promote successful implementation. Based on experience in these four countries, he points out that, with the right enabling environment, local communities take a more active interest in how resources are used and increase their dialogues with political representatives.

One of the enduring lessons of experience in developing countries is that local capacity building—that is, increasing the ability of an institution, organization, group, or individual to perform required functions effectively, efficiently, and in a sustainable manner—is the foundation for successful decentralization. Globalization and technological change have created a more dynamic interpretation of capacity development, one that takes into account the external policy environment, focuses more sharply on core competencies, and emphasizes the importance of cross-border communications, cooperation, and interaction. In chapter 15 Kem Lowry examines how the sharing of authority, resources, and accountability affects decentralized coastal management in countries around the world. He notes that successful implementation of decentralized environmental management programs requires not only the transfer of authority from the center to lower levels of government but also close inter-governmental coordination and shared governance. Lowry examines five models of decentralized coastal management—deconcentration, coercive devolution, cooperative devolution, devolved experimentation, and local entrepreneurship—and analyzes their characteristics and requirements.

William Ascher identifies the challenges of devolving control over renewable resources and over the proceeds from nonrenewable resources. In chapter 16 he assesses the preconditions for devolution to subnational governments and to common-pool-property communities and the roles of government and other governance institutions in facilitating devolution for successful local resource management. Ascher highlights the challenges facing government and civil society organizations in managing natural resources, including the risks of conflict over membership in the community or the controlling authority; vulnerability vis-à-vis government agencies, private encroachers, and other entities; excessive resource extraction; weaknesses in managerial or technical expertise; unproductive downstream diversification; and negative externalities for other communities that arise from resource exploitation. Guided by the premise that successful devolution depends on facilitation that avoids heavy-handed control, Ascher suggests the types of services that governments ought to divest themselves of and those they ought to retain.

Conclusion

The difficulties of finding strong and consistent evidence of direct causal relationships between decentralization and many of the benefits that its advocates claim for it may lead reasonable people to conclude that decentralization can be instrumental in promoting development and good governance but that it is not an end in itself. If decentralization is viewed as an instrument for achieving other goals, the studies in this book indicate that decentralization can be instrumental in facilitating development and democratic governance. New types and forms of

decentralization are being used around the world to achieve more effective governance. The case studies and the contributors' examination of experience in various regions of the world identify the wide range of objectives that advocates of decentralization are seeking to achieve. The most successful experiments in decentralization have mobilized the support and commitment of political, governmental, and civic leaders to sustain governance reforms. The roles of governance institutions and the lessons about the most effective ways in which the administrative, financial, and political capacities of decentralized organizations can be enhanced and strengthened are still emerging. The chapters that follow explore the diversity of ways in which decentralized governance is contributing to the achievement of development objectives and assess the challenges of designing appropriate decentralization policies and programs and of implementing them effectively.

Notes

1. Dennis A. Rondinelli, "Government Decentralization in Comparative Perspective: Theory and Practice in Developing Countries," *International Review of Administrative Sciences* 47 (1981): 133–45; Dennis A. Rondinelli, John R. Nellis, and G. Shabbir Cheema, "Decentralization in Developing Countries: A Review of Recent Experience," Working Paper 581, World Bank Staff, 1983.

2. P. Drummond and A. Monsoor, "Macroeconomic Management and the Devolution of Fiscal Powers," *Emerging Markets, Finance & Trade* 39 (2003): 63–82.

3. Dennis A. Rondinelli, "Sovereignty on Line: The Challenges of Transnational Corporations and Information Technology in Asia," in *Sovereignty under Challenge: How Governments Respond*, edited by J. D. Montgomery and N. Glazer (New Brunswick, N.J.: Transaction, 2002): 345–71.

4. G. Shabbir Cheema, *Building Democratic Institutions: Governance Reform in Developing Countries* (Bloomfield, Conn.: Kumarian, 2005).

5. For a more detailed discussion of the evolution of concepts of decentralization, see Dennis A. Rondinelli, "Decentralization and Development," in *International Development Governance*, edited by A. M. Haque and M. Zafarulla (New York: Marcel Dekker, 2005).

6. Dennis A. Rondinelli and G. Shabbir Cheema, "Implementing Decentralization Policies: An Introduction," in *Decentralization and Development: Policy Implementation in Developing Countries*, edited by G. S. Cheema and D. A. Rondinelli (Beverly Hills, Calif.: Sage, 1983).

7. D. Korten and F. Alfonso, eds., *Bureaucracy and the Poor: Closing the Gap* (Singapore: McGraw-Hill, 1981).

8. Dennis A. Rondinelli, *Development Projects as Policy Experiments: An Adaptive Approach to Development Administration*, 2nd ed. (London: Routledge, 1993).

9. Rondinelli, Nellis, and Cheema, "Decentralization in Developing Countries"; D. A. Rondinelli, J. McCullough, and R. W. Johnson, "Analyzing Decentralization Policies in Developing Countries: A Political-Economy Framework," *Development and Change* 20, no. 1 (1989): 57–87.

10. R. Bird, R. Ebel, and C. Wallich, "Decentralization of the Socialist State: Intergovernmental Finance in Transition Economies," World Bank, 1995.

11. P. Mawhood, ed., *Local Government in the Third World: Experience with Decentralization in Tropical Africa*, 2nd ed. (Johannesburg: Africa Institute of South Africa, 1993).

12. Paul J. Smoke, *Local Government Finance in Developing Countries: The Case of Kenya* (Nairobi: Oxford University Press, 1994).
13. David Osborne and Ted Gaebler, *Reinventing Government* (Boston: Addison-Wesley, 1992).
14. Dennis A. Rondinelli, James H. Johnson Jr., and John D. Kasarda, "The Changing Forces of Urban Economic Development: Globalization and City Competitiveness," *Cityscape: The Journal of Policy Development and Research* 3, no. 3 (1998): 71–105.
15. Dennis A. Rondinelli, "Making Metropolitan Areas Competitive and Sustainable in the New Economy," *Journal of Urban Technology* 18, no. 1 (2001): 1–21.
16. Dennis A. Rondinelli, "Metropolitan Areas as Global Crossroads: Moving People, Goods and Information in the International Economy," in *Moving People, Goods and Information: The Cutting Edge Infrastructures of Networked Cities*, edited by Richard Hanley (London: Routledge, 2004).
17. United Nations Development Program, "Reconceptualizing Governance," Discussion Paper 2 (1997), p. 9.
18. D. Kaufmann, A. Kraay, and P. Zoido-Lobaton, "Governance Matters," Policy Research Paper 2196, World Bank, 1999.
19. Cheema, *Building Democratic Institutions*.
20. Dennis A. Rondinelli, "Financing the Decentralization of Urban Services in Developing Countries: Administrative Requirements for Fiscal Improvements," *Studies in Comparative International Development* 25, no. 2 (1990): 43–59.
21. M. Serageldin, S. Kim, and S. Wahba, "Decentralization and Urban Infrastructure Management Capacity," background paper, UNCHS/Habitat, Harvard University Graduate School of Design, 2000.
22. William Dillinger, "Decentralization and Its Implications for Urban Service Delivery," Urban Management Program Paper 16, World Bank, 1994.
23. Freedom House, *Freedom in the World* (Washington: 2005).
24. Food and Agriculture Organization of the United Nations, "Country Experiences in Decentralization in South Asia," 2004; O-H Fjeldstad, "Decentralization and Corruption: Review of the Literature" (Bergen, Norway: Chr. Michelsen Institute, 2003).
25. R. Fisman and R. Gatti, "Decentralization and Corruption: Evidence across Countries," *Journal of Public Economics* 83 (2002): 325–45.
26. A. Estache and S. Sinha, "Does Decentralization Increase Public Expenditure in Infrastructure?" Policy Research Working Paper 1457, World Bank, 1995.
27. Jorge Martinez-Vazquez and Ronald M. McNab, "Fiscal Decentralization and Economic Growth," *World Development* 31, no. 9 (2003): 1597–616.
28. H. Davoodi and H. F. Zou, "Fiscal Decentralization and Economic Growth: A Cross-Country Study," *Journal of Urban Economics* 43 (1998): 244–57; L. R. De Mello, "Fiscal Decentralization and Intergovernmental Fiscal Relations: A Cross-Country Analysis," *World Development* 28, no. 2 (2000): 365–80.
29. A. Estache and S. Sinha, "Does Decentralization Increase Public Expenditure in Infrastructure?" Policy Research Working Paper 1457, World Bank, 1995.
30. N. Devas and U. Grant, "Local Government Decision-Making—Citizen Participation and Local Accountability: Some Evidence from Kenya and Uganda," *Public Administration and Development* 23 (2003): 307–16.
31. Inter-American Development Bank, "Summary of Findings—Decentralization and Effective Citizen Participation: Six Cautionary Tales," Report RE-250, 2001.
32. P. Francis and R. James, "Balancing Rural Poverty Reduction and Citizen Participation: The Contradictions of Uganda's Decentralization Program," *World Development* 31, no. 2 (2003): 325–37.

33. Q. Wiktorowicz, "The Political Limits to Nongovernmental Organizations in Jordan," *World Development* 30, no. 1 (2002): 77–93.
34. A. Shah and T. Thompson, "Implementing Decentralized Local Governance: A Treacherous Road with Potholes, Detours and Road Closures," Policy Research Paper 3353, World Bank, 2004; H. M. G. Ouedraogo, "Decentralization and Local Governance: Experiences from Francophone West Africa," *Public Administration and Development* 23 (2003): 97–103; James S. Wunsch, "Decentralization, Local Governance and Recentralization in Africa," *Public Administration and Development* 21 (2001): 277–88.
35. Andrew Parker, "Decentralization: The Way Forward for Rural Development?" Policy Research Working Paper 1475, World Bank, 1995.
36. William Ascher and Dennis A. Rondinelli, "Restructuring the Administration of Service Delivery in Vietnam: Decentralization as Institution-Building," in *Market Reform in Vietnam*, edited by Jennie I. Litvack and Dennis A. Rondinelli (Westport, Conn.: Quorum, 1999).
37. R. Mitchinson, "Devolution in Uganda: An Experiment in Local Service Delivery," *Public Administration and Development* 23 (2003): 241–48.
38. Dennis A. Rondinelli, "Partnering for Development: Government–Private Sector Cooperation in Service Provision," in *Reinventing Government for the Twenty-First Century: State Capacity in a Globalizing Society*, edited by D. A. Rondinelli and G. S. Cheema (Bloomfield, Conn.: Kumarian, 2003): 219–39.
39. A. Krishna, "Partnerships between Local Governments and Community-Based Organizations: Exploring the Scope for Synergy," *Public Administration and Development* 23 (2003): 361–71.
40. G. Shabbir Cheema, "The Role of Voluntary Organizations," in *Decentralization and Development: Policy Implementation in Developing Countries*, edited by G. Shabbir Cheema and Dennis A. Rondinelli (Beverly Hills, Calif.: Sage, 1983).