Democratic Decentralization

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# Contents

v  Acknowledgments

vii Preface

1 Introduction

3 Ownership
   3 Ownership by Governments
   4 Ownership by People
   4 Civil Society and Ownership

7 Holistic Development

9 Partnerships

11 Structural Concerns
   11 Transparency
   11 Openness
   12 Accountability
   12 Probity
   12 Inter-governmental Finance

15 Social and Human Concerns
   15 Social Programs
   15 Violence and Social Unrest
   16 Education, Health, and Water
   16 Poverty Alleviation

17 Other Development Concerns
   17 Fostering Sustainable Development
   17 Contributing to Monitoring of Government Performance
   17 Encouraging a Long-Term Perspective on Development
   17 Sequencing Policies, Programs, and Projects
   18 Contributing to the Appropriate Pacing of Reforms

19 Enhancing Financial Capacity and Mobilizing Local Resources
   20 Enhancing Government Legitimacy
   20 Promoting Economic Growth
   20 Improving Governance and Information Flows
   21 Adjusting Government Policies to Local Conditions
   21 Scaling Up from (and Replicating) Successful Local Experiments
   21 Maintaining Higher-level Influence When Decentralization Threatens Public Welfare

23 Potential Results from Democratic Decentralization
   24 What Can the World Bank Do to Facilitate Democratic Decentralization?

27 References

31 Endnotes
Acknowledgments

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Despite the potential benefits of globalization and technological change, world poverty has increased and growth prospects have dimmed for developing countries during the 1980s and 90s. The Comprehensive Development Framework (CDF) was launched by the World Bank in January 1999 in response to these difficult circumstances. It has evoked considerable interest throughout the development community as an approach that can address the increasingly intertwined challenges faced by development practitioners. Its basic elements are not new. What is new is their joint articulation as a framework to guide development assistance. The first point is that development constraints are structural and social, and cannot be overcome through economic stabilization and policy adjustment alone—they require a long-term and holistic vision of needs and solutions. Second, policy reform and institutional development cannot be imported or imposed; without domestic ownership, reforms and investments are not sustainable. Third, successful development requires partnership among government, local communities, the private sector, civil society, and development agencies. And fourth, development activities must be guided and judged by results.

In this context, the 1999 Annual Review of Development Effectiveness (ARDE), authored by Nagy Hanna under the guidance of Robert Picciotto, set out to examine development experience through the lens of CDF principles. A number of papers were commissioned to support the ARDE by providing in-depth review of evaluation and research findings that assess the relevance of the CDF principles and constraints as well as promising approaches to their implementation.
Introduction

Since the mid-1980s more than 60 governments, mainly in developing countries, have experimented with some form of decentralization. Defined as the transfer of powers and resources from higher to lower levels in a political system, decentralization can take three forms. These forms can stand alone or work together:

- Deconcentration, or administrative decentralization, occurs when agents in higher levels of government move to lower levels.
- Fiscal decentralization occurs when higher levels of government cede influence over budgets and financial decisions to lower levels.
- Devolution, or democratic decentralization, occurs when resources, power, and often tasks are shifted to lower-level authorities who are somewhat independent of higher authorities, and who are at least somewhat democratic (Manor 1999).

For democratic decentralization to work well, elected bodies at lower levels must have substantial powers and resources (financial and administrative), and strong accountability mechanisms must be created—to hold bureaucrats accountable to elected representatives and elected representatives accountable to citizens.

Several other features are helpful but not essential to effective democratic decentralization: a free press, multiparty systems, a lively civil society, experience with democratic politics, and respect for laws and formal rules. It helps if wealth and property are widely and relatively equitably shared, and if a middle class exists but does not exercise unyielding hegemony over poorer groups. It also helps if the region is free of severe social conflict, and if there is an effective government administration.

Democratic decentralization can be an extremely useful part of the enabling environment—facilitating many of the goals of the Comprehensive Development Framework (CDF). In what follows, we consider the main elements of the CDF, discussing in each case the utility and limitations of democratic decentralization.
Ownership

A central concern of the CDF is the need to ensure country ownership of reforms and development policies. This implies (at least) two things: ownership by governments and ownership by people. What does democratic decentralization have to offer here?

Ownership by Governments

Can governments that experiment with democratic decentralization acquire a sense of ownership over decentralized systems? Yes and no.

Nearly all governments that have started to decentralize have done so by choice, not because of pressure from international agencies. In fact, most international agencies lagged behind a number of developing country governments in recognizing the benefits of decentralization. Since those governments initiated their decentralization—mostly using models from other developing, not developed, countries—they tend to feel they own it.

In almost all decentralizing governments, however, many high-level politicians and bureaucrats resent their loss of powers and resources. Some come around when they see that decentralization enhances government legitimacy. Others do not. Thus, not everyone in the upper levels of a decentralizing government feels a sense of ownership. Some even try to regain their powers and resources—and they sometimes succeed.

Over time, if decentralized systems are allowed to survive with most of their powers intact, a more pervasive sense of ownership may develop. Evidence shows that bureaucrats who have worked at lower levels in such systems often become sympathetic to them after initial hesitancy. They do so because they see that such systems vastly increase the flow of information from below to civil servants (thereby empowering them), because they enhance the responsiveness and effectiveness of government, and because they yield many other benefits identified elsewhere in this discussion. When such bureaucrats move to higher-level posts as the years pass—and when politicians who began their careers in decentralized institutions attain higher-level office—a larger portion of the political elite acquires a sense of ownership over decentralized systems. These people also bring an enthusiasm for the more consensual, transparent, and responsive policy processes and governance modes that tend to develop in decentralized systems. Such systems are breeding grounds for the perspectives the CDF seeks to foster (Kasfir 1993; Mawhood 1993).
Ownership by People

When democratic decentralization works well, people at lower levels of government acquire a sense of ownership of development projects. Elected authorities are able to make decisions that address local needs long overlooked by development programs designed in capital cities. As local residents come to identify with local development projects, they tend to maintain, repair, and renew them more assiduously. Such enhanced maintenance makes development more sustainable.

Decentralization can also foster popular ownership of programs originating higher up in the political system. How? When elected decentralized institutions are given a role in implementing such programs, elected representatives must explain to their constituents why the programs make sense. Explanations by representatives whom ordinary people know, elected, and trust can seem more credible than explanations by bureaucrats. And since those representatives understand the views and experiences of their constituents they are better able to explain the need for such programs in terms that ordinary citizens can grasp and accept.

In South Asia elected members of local- and intermediate-level councils (especially women members) can explain the benefits of programs for prenatal and postnatal care, and the need for mothers to bring their children to health centers for inoculations. The result is a clear increase in the use of such programs—resulting in fewer illnesses and longer lives. That inspires greater trust in, and a sense of popular ownership of, health programs and other government programs more generally.

But elected members of decentralized councils in many countries prefer small-scale building projects (school construction, road repair) to service delivery. To prevent funds from being diverted from service provision to building projects, resources should be earmarked for service delivery. And since small-scale building projects are often popular—because they address needs that have long been ignored by large-scale projects (like dams or big hospitals) favored by higher level officials—they inspire greater confidence in and ownership of government institutions.

Small local projects can also help convince ordinary citizens that there is some logic in government service delivery programs. Even when decentralized systems are new and underresourced, they can ease popular cynicism toward government. In Mozambique, for example, elected municipal councils achieved more (in construction projects and service delivery) within a few months of their creation than the central government had achieved over the previous two decades. Despite their imperfections and limited funding, the councils were seen by local residents as a major improvement.²

Civil Society and Ownership

Civil society exists between the levels of household and state, and comprises organizations of a voluntary character that enjoy some autonomy from the state. In developing countries civil society includes national associations and large nongovernmental organizations (NGOs), as well as small grassroots associations and everything in between.

In the context of the CDF, several dilemmas arise about civil society. At and just above the local level, civil society is often largely excluded from interactions with government, its voice absent from political and policy processes. This prevents civil society from en-
hancing the effectiveness of government programs, from checking malfeasance and misjudgments in program implementation, and from evaluating programs. Moreover, it can impede the development, within civil society, of a sense of ownership of government development policies and projects. Making matters worse, civil society is also often somewhat disorganized and conflict ridden. And civil society organizations are less than fully accountable to their members and to the people whom they claim to serve.

Although democratic decentralization cannot solve these problems, it can diminish them. When significant powers and resources are devolved to lower levels, especially to elected bodies at or near the village level, existing associations become more active and engage more with government agents and institutions. And new associations, sometimes among disadvantaged social groups, are created. So if strengthening civil society at the grassroots level is an important element of the CDF, democratic decentralization can have a substantial impact.

When elected bodies near the grassroots level acquire influence, civil society organizations often find it easier to influence their decisions. Civil society organizations sometimes have members elected to such bodies. Even when that does not occur they contact and lobby elected representatives and bureaucrats more often and usually more effectively. But if elected bodies are largely controlled by elites, as often happens, associations representing disadvantaged people often fail to gain.

With greater influence comes a greater sense of ownership of development policies and projects. Civil society organizations can make government projects more effective by ensuring that they are appropriate for local conditions and local preferences. As decentralization renders politics more transparent and open, associations can more easily discern and call attention to malpractices and misjudgments.

Decentralization usually does not make civil society less disorganized, but it enables civil society organizations to exercise their newfound influence using the more ordered, focused processes that prevail in elected bodies. Although democratization at lower levels often creates conflict as candidates compete for elective office, it moderates this conflict with democratic processes like elections and council proceedings. And although democratic decentralization does not make civil society organizations more accountable, it creates opportunities for them to exercise influence in elected bodies that are accountable to the electorate. This fosters a sense of ownership of government projects (and even of government institutions; Gibson and Hanson 1996).

Another benefit: democratic decentralization can ease bottlenecks and delays at intermediate and local levels. When an elected council has the authority to make decisions and commit funds in particular policy areas, it need not seek approval from the capital city. This can (often greatly) accelerate the speed of government responses to urgent problems.
Holistic Development

Holistic development requires greater coordination, resonance, and mutual reinforcement among line ministries and their policies and programs. Democratic decentralization best supports holistic development when powers and resources are devolved to elected bodies at intermediate levels—to districts, counties, and the like. Decentralization to the local level seldom fosters holistic development because villages and towns lack elected councils. Such councils can exercise influence over an array of reasonably well-staffed line ministry offices found at the intermediate level. If the work of these offices can be more thoroughly integrated and coordinated, development will be more holistic.

Giving elected councils influence or control over line ministry personnel at intermediate levels leads to greater coordination. Prior to democratic decentralization, individual senior bureaucrats usually supervised these personnel in isolation. Empowering elected councils makes officials in line ministries accountable not only to their superiors in capital cities, but also to council leaders.

Council leaders often understand that improving the design and implementation of development projects requires guidance from officials from a variety of government departments. This understanding, and council leaders’ habit of insisting that officials from all line ministries attend council meetings, mean that greater coordination among government departments is another result of democratic decentralization. In Bangladesh in the late 1980s, discussions of work on a minor irrigation canal involved not only the chief engineer and an irrigation department official, but also officials specializing in fisheries, agriculture, and forestry. Bureaucrats found this collaboration both annoying because it intruded on their autonomy, and satisfying, because it allowed them to influence things beyond their narrow specialization and because it led to better development projects (Crook and Manor 1998, ch. 3).
Partnerships

The CDF seeks to foster partnerships that link the public sector, the private sector, and civil society. Democratic decentralization holds considerable promise for partnerships and synergy between institutions and agents of government on the one hand, and civil society and grassroots communities on the other. It can also contribute to partnerships between the public and private sectors.

Elected members of decentralized councils are often more open than bureaucrats to partnerships with (usually small-time) contractors. This usually implies partnerships for small-scale building projects, which decentralized authorities favor. But it also implies, to a lesser degree, contracting out service delivery to private firms.

Bureaucrats who have held a monopoly or near-monopoly on construction projects and service delivery are naturally reluctant to give up their control. By contrast, elected members of decentralized bodies are often small-scale entrepreneurs or are closely linked to such entrepreneurs, and are therefore unconcerned when monopolies topple. Indeed, they are often eager to give projects to contractors. At the same time, these elected representatives often award contracts for construction projects or service delivery to friends and relatives—or even to themselves, even where this is illegal—and fail to closely monitor how funds are used.

When opposition parties are represented on decentralized councils, they can provide a check on such cronyism by insisting that contracts be awarded only when it saves money and enhances performance. But they are not always successful. Over time these parties will become better informed and better able to anticipate and combat cronyism. Thus, decentralization should eventually help foster healthy partnerships with the private sector.

The contributions of elected, decentralized bodies to partnerships with the private sector will always be small. This is true because such bodies have small budgets and concern themselves with modest (though locally important) projects. A larger, cumulative effect on private sector partnerships can occur when associations of local bodies take collective action to develop contracts with private firms, or when higher-level ministries foster links among local bodies to develop links to the private sector. The World Bank might consider encouraging both of these tendencies to enhance decentralization’s impact.
Democratic decentralization can also support seven of the structural concerns identified in World Bank President James Wolfensohn’s elaboration of the CDF: transparency, openness, accountability, probity, well-supervised financial systems, social programs, and violence and social unrest.

**Transparency**

Democratic decentralization can make government processes more visible and intelligible to ordinary people. When decisions are made at or near the local level, within elected bodies whose proceedings are often publicized and always known to elected representatives, it is far easier for ordinary citizens to find out about them. Elected representatives can also explain these decisions in terms that citizens understand.

Sometimes, however, a paradox emerges when transparency is enhanced in these ways. Ordinary people may consider the newly visible proceedings of government institutions as less healthy than those that existed before—even when that is not true. For example, in Karnataka, India, democratic decentralization in the late 1980s reduced the amount of money diverted by powerful people. But since citizens were now aware of these comparatively modest rake-offs, they concluded that corruption had increased as a result of decentralization. Thus, transparency can be a mixed blessing.

**Openness**

Democratic decentralization tends to produce systems that are more open—that is, they are more transparent and easier for individuals and groups at local and supralocal levels to access and influence. This is especially the case when the previous system was not democratic. Instead of a single national legislator or governor for a large region, citizens can approach a large number of elected members of local- or intermediate-level bodies. They also learn that elected representatives have new leverage over bureaucrats. Citizens thus tend to contact and lobby elected representatives, as well as bureaucrats, more often. This tendency, and that of democratic bodies at lower levels to become more responsive, makes systems more open than before democratic decentralization.
**Accountability**

Democratic decentralization also tends strongly to foster more accountable government. Elected decisionmakers are closer to the citizens who elect them, and often live locally. Thus, they face greater pressure than higher-level officials to govern according to their constituents’ wishes. They worry about reelection in a few years, and they receive more direct indications of discontent between elections.

Bureaucrats operating in field offices of line ministries also feel greater pressure because elected representatives are now closer and more powerful. Citizens quickly discern this, and apply greater pressure on bureaucrats through elected representatives. Thus, despite difficulties in creating and sustaining accountability mechanisms, systems can become more accountable under democratic decentralization.

**Probity**

In most places where democratic decentralization has been tried, corruption has not decreased. But evidence suggests that corruption might decrease if decentralized systems survive. Prior to decentralization in Karnataka, the total amount of development funds available in a given year in a subdistrict was known only to five or six people at that level. These people would meet behind closed doors to rake off and divide among themselves a hefty percentage of the funds, then present the rest to the public as the annual budget.

Once decentralized bodies were established near the local level, hundreds of elected representatives learned the true amount of development funds, making major theft impossible. Although members of decentralized bodies engaged in profiteering from the funds, the new system’s transparency meant they could only divert small amounts. And although the number of thefts increased (as it always does in decentralized systems), the amount being stolen declined substantially (Crook and Manor 1998, ch.3). If decentralized systems survive and take root, such changes could eventually take place more widely.

**Inter-governmental Finance**

The devolution of responsibility for managing public finances can enhance accountability. But it requires a system that can sustain effective mechanisms of institutional and public accountability. Whether decentralized government can provide this depends on the political context. It matters little whether a decentralized system is funded mainly by local revenues or by central transfers if accountability mechanisms are ineffective and local political authorities are simply extensions of centrally run patronage networks.

Because the local revenue base is generally inadequate or inaccessible, most decentralized governments in developing countries receive the majority of their funding through intergovernmental transfers from central government. Transfers have economic and administrative costs, particularly since most central governments doubt (with some justification) the capacity of local authorities to manage finances, and are thus reluctant to entrust them with transferred funds or to give them authority over line ministry budgets (Bahl and Linn 1994). But concerns about spatial equalization and pursuit of social and economic policy goals (as well as political considerations) mean that most governments have adopted one or more of
three types of funding: block grants from a guaranteed share of national public revenue, earmarked funds for specific delegated functions or programs, and incentive or matching funds (known as social funds in Latin America) that aim to respond to local proposals. These three kinds of central funding transfers have different implications for the effectiveness and probity of public financial management—and for the effects of decentralization in such areas as transparency, accountability, social equity, and human development.

Earmarked funds and, to a lesser extent, block grants can deliver effective control to local governments (unless there are political arguments about whether the transfer can meet the actual costs of the function). But both types of transfers require a well-resourced and effective deconcentrated administration (as in India or Indonesia).

Although block grants can be costly if they involve complex distribution and equalization formulas and monitoring and auditing mechanisms, they are essential. Central grant funding for many decentralized systems has been so generous and so subject to political patronage that the whole reform has been undermined by corruption, lack of accountability, and often lack of capacity to handle the funds (as in Bangladesh, Egypt, and Nigeria).

The francophone unified tax and payment system, centrally monitored by a prefectural administration, seems to reduce corruption and maintain administrative efficiency, and has recently been adopted in some Latin American countries (notably Chile). The central bureaucracies also provide technical support, but local authorities are not involved in mixed supervision of these agencies. The main drawbacks are heavy administrative costs, bureaucratic delay, and lack of local autonomy.

Demand-driven social funds and matching grant systems increase local autonomy and capacity but tend to create problems of waste and formal fulfillment of accounting requirements that hide inefficient or nontransparent practices. Mexico’s PRONASOL fund gave rise to the infamous “basketball court syndrome,” in which the need to show that funds had been spent on something before the end of the year, combined with the desire of local politicians to provide something electorally popular, produced thousands of new basketball courts throughout the country (Fox 1995).

Even more difficult to control is funding with increasingly large inputs from external funders—official external aid, NGO grants, and loans—often by default when national government funds have dried up. In some countries (Bangladesh, the Gambia, Mozambique, Nepal, Uganda) external money is virtually the only source of local development funding. Waste, idiosyncratic and isolated projects, regional or local distortions, and lack of ownership are all possible outcomes of this trend unless strong mechanisms of central control and coordination are introduced.

Whatever method or combination of methods is adopted, decentralized government involves considerable extra costs. Larger numbers of smaller authorities require more—and more high-level—staff, and more complex mechanisms of coordination and control. Decentralization requires considerable spending on local administrative infrastructures and more monitoring and assistance unless local systems have full autonomy and accountability for disbursing centrally granted funds.
Social and Human Concerns

Social Programs

Democratic decentralization offers both promise and difficulties for social programs, especially for safety nets for poorer groups (Fabian and Straussman 1994). Among the difficulties:

- Elites may capture elected decentralized authorities and deal ungenerously with poor people.
- Decentralized bodies charged with selecting beneficiaries of programs aimed at the neediest may choose only people who are well connected politically.
- Decentralized bodies may divert funds from services (including safety net programs) to construction projects. These last two problems exist mainly in rural areas: (Dillinger 1994)

And what of the promise? Many systems require elected representatives to consult entire local populations when selecting beneficiaries. Representatives often avoid doing so, even though that is usually illegal. But in time, local people (including poorer groups) will become more organized, assertive, and politically aware and thus able to ensure that benefits reach the right recipients, and that safety net programs do not lose funds to construction projects. Local people can also play a role—as elected decentralized councils already do—in adapting social programs to local conditions.

Violence and Social Unrest

If violence and social unrest in an area are severe, it is difficult to make democratic decentralization work. But where unrest is caused by anger over the underrepresentation of grassroots or regional groups—as in Colombia and central India—democratic decentralization can be a solution.

At the same time, democratic decentralization tends to spark political competition and conflict (Robinson 1988)—but also to “civilize” or moderate it within comparatively polite democratic processes. It catalyzes it because competing candidates (and often parties) naturally tend to promote division among electors in order to win seats on decentralized bodies. But in most cases, the moderating influence of the process tends to outweigh the strife that results. Thus democratic decentralization tends to ease violence and social unrest rather than exacerbate them.

Bank President Wolfensohn also identified several human concerns in his elaboration of the implications of the CDF.
**Education, Health, and Water**
Democratic decentralization can enhance the creative impact of programs in education, health, and water and natural resource management by making them more responsive to the conditions and needs of people in local areas, and by integrating local knowledge and local arrangements for managing resources into government programs (Narayan 1994). It can also empower local residents to tackle the problem of absenteeism of local school teachers and professionals in local health centers.

**Poverty Alleviation**
When poverty arises from disparities between regions or localities, democratic decentralization tends to play a creative role. Many decentralized systems have arrangements for providing poorer areas with better-than-average resources. They also give elected officials from poorer areas more equitable representation in the wider political system—and that helps them seek a more equitable distribution of resources.

But democratic decentralization tends not to alleviate poverty that arises from disparities within regions or localities. When prejudices against disadvantaged groups are stronger at lower levels in political systems than at higher, democratic decentralization can make it even more difficult to tackle poverty. In such cases, provisions need to be made to ensure that poverty programs remain the responsibility of higher levels of government. In much of Latin America (unlike most of Asia and Africa), poor groups are comparatively well organized in pursuing their interests (Fox 1994; Nickson 1995). As a result, decentralization has enhanced efforts to address poverty. But this is not the case in most countries.
Other Development Concerns

Democratic decentralization also influences a range of other development issues raised by the CDF.

Fostering Sustainable Development
Because democratic decentralization helps people at the grassroots to feel a sense of ownership of projects undertaken by decentralized bodies, it also facilitates efforts to maintain these projects (especially small building projects) once they have been completed. That makes development more sustainable.

Projects for managing natural resources often benefit from inputs by elected representatives who are well versed in local knowledge about resource management and local mechanisms for ensuring that resources are managed creatively. This enhances environmental sustainability (Evers 1994; Hessling and Ba 1994; Leach and Mearns 1996; Painter 1991).

Contributing to Monitoring of Government Performance
Local residents served by decentralized bodies are, thanks to greater transparency, far better informed about the workings and decisions of political institutions that affect them. Periodic elections give them opportunities to register their evaluations. And the tendency for public meetings to occur more often after decentralization—whether officially organized for consultative purposes or unofficially organized for protests or shows of appreciation—provides them with further opportunities.

Encouraging a Long-Term Perspective on Development
We can expect little of elected bodies at lower levels on this front. Indeed, they may sometimes make this goal more difficult to achieve because elected members tend to take a very short-term view.

Sequencing Policies, Programs, and Projects
It is also unrealistic to expect elected members of decentralized bodies to contribute much here. They tend to have rather rough and ready perceptions in matters such as this. Although efforts by higher-level authorities to explain the importance of sequencing might make some impact, we should not expect major breakthroughs on this front.
Contributing to the Appropriate Pacing of Reforms
For reasons noted above, elected members of decentralized bodies cannot be expected to play much of a role. But evidence from Eastern Europe suggests that democratic decentralization helps citizens better tolerate stresses of economic reform—elections at lower levels give them a sense of ownership of their government, and they react with greater forbearance. And evidence from many countries shows that decentralization enhances government legitimacy. So perhaps decentralization could have this effect more broadly. On the other hand, if economic reform means that decentralized bodies are starved of resources, this could wreck experiments with decentralization. The bodies need abundant funds to break down popular cynicism about government.
Enhancing Financial Capacity and Mobilizing Local Resources

Some people argue that decentralization is desirable because it both should and indeed in practice will maximize the growth of local revenue resources. Others argue that in most developing countries the majority of funding for decentralized bodies will inevitably come from central government. The main argument for maximizing local revenues is that it puts the responsibility for costs, tax levels, and expenditures on the shoulders of local beneficiaries and local decisionmakers. It therefore maximizes the accountability of government to taxpayers, and underpins genuine local political and managerial autonomy (Bennett 1990; Bird 1994; 1990; Ostrom et al. 1993; UNESCAP 1991).

Given the general inadequacy of local revenue bases and the control of governments over financial transfers it is unlikely that decentralization will lead to fiscal indiscipline (Prud'homme 1995; Tanzi, 1996). The problems facing local revenue mobilization are of a different order:

- The efficiency (cost to yield) of most local taxes is low. They have the most potential in cities, which have a broader commercial revenue base than rural areas.
- Unless local authorities outside the big cities are delimited at a large scale, there is an inherent lack of resources. Davey (1994) argues that, at best, improvements in local revenue mobilization will be important “at the margin.” More radical attempts to force local authorities to be more self-reliant (often a major motivation for governments facing a budget crisis) are only acceptable if one is prepared to accept the reduction of local government to minimal functions or to a form of community action with limited capacity.
- Political cynicism and distrust will deepen if local politicians try to increase taxes. The legitimacy of local taxation has long been undermined by poor performance caused by lack of resources coupled with the unwillingness of taxpayers to pay taxes when there are no perceived benefits. Pump-priming is therefore essential in many countries where local government has a history of failure and corruption (Latin America and Africa).
- Not only are local resources limited, they are unevenly distributed, so increasing reliance on local revenues can create spatial inequality. What determines the success of a local government, at least in its capacity to provide services, may be the accidents of location and the endowments of the local economy rather than its institutional design or administrative performance (Therkildsen and Semboja 1992; Aziz and Arnold 1996).
- Lack of administrative capacity increases the difficulty of developing new tax bases.

Those who argue for continued and substantial central funding suggest that the source of funds is less important than expenditure and managerial autonomy, which depend on the kinds of central control exercised regardless of source (in other words, revenue au-
Enhancing Government Legitimacy
The CDF intends governments to be important players in development. Indeed, development is to proceed “under the leadership of government”. Governments seen as legitimate by their constituents will be able to operate as more constructive players and leaders. Democratic decentralization tends to enhance the legitimacy of governments in the eyes of citizens. The generous devolution of powers and resources to elected bodies at lower levels tends to make government more transparent, open, accountable, effective, and responsive, and increases participation and associational activity. These things will erode popular cynicism toward government institutions. The only cases where this has not happened are those in which a government delivered too few powers and resources to decentralized bodies. In these circumstances, popular cynicism toward government tends to be reinforced. (Dukesbury 1991; Crook and Manor 1998; Manor 1999, pp. 87–93).

Promoting Economic Growth
Despite claims by some theorists, almost no empirical evidence suggests that democratic decentralization can help accelerate economic growth. Its impact is neutral.

Improving Governance and Information Flows
Decentralization can benefit substantially from improvements in telecommunications. This was evident at the district level in Karnataka, India, where computer and Internet facilities available to senior district bureaucrats were turned to good use once those bureaucrats
became persuaded that elected district and subdistrict councils had great promise. Elected councils used computerized data on land and other available resources in localities all across various districts to make informed decisions.3

But the main contribution of democratic decentralization is its tendency to increase the amount of valuable information that moves from the local level to government institutions. Decentralization enhances the overall flow of quality information into the information technology system. Bureaucrats presiding over such systems quickly become adept (with the help of the elected heads of decentralized bodies) at distinguishing garbage from reliable intelligence. So while decentralization cannot improve information technology systems, it can enhance the quantity and quality of inputs.

Adjusting Government Policies to Local Conditions
When local councils are empowered they acquire capacity to adjust government policies and programs to local conditions. The conditions are not just topographical or ecological but include local knowledge of such features and how to make the best use of them, plus local processes for resolving disputes, for managing resources, and the like. Government bureaucracies often find these difficult to comprehend and respect, and may ignore them. Democratic decentralization can integrate these local features into the formal political and development processes—so governance tends less toward hegemony over society at the grassroots and more toward synergy between local forces and government institutions.

Scaling Up from (and Replicating) Successful Local Experiments
How can governments scale up from successful experiments and replicate them elsewhere? Decentralized systems can help in scaling up because they can act as networks through which news of local success may pass to higher levels of government and to other localities. They are less helpful in replication—partly because most decentralized systems have no mechanisms to accomplish this, and partly because local successes rooted in local conditions cannot be easily replicated.

Maintaining Higher-level Influence When Decentralization Threatens Public Welfare
Some researchers on decentralization and World Bank staff worry that democratic decentralization may prove damaging in a few spheres. These analysts therefore ask whether higher-level authorities—at central or intermediate (provincial, district, county) levels—should retain control of certain programs. Two main concerns have been expressed.

The first is that democratic decentralization may damage the environment. A recent World Bank review of forestry programs shows that decentralization of environmental regulation has enabled local interests to capture and misuse programs and to damage the environment. But most of the evidence on the environmental impact of decentralization points in the opposite direction. It shows that democratic decentralization tends to enable people at the grassroots level to bring valuable local knowledge of environmental microsystems to bear on centrally designed programs. It also enables them to integrate
central programs with creative local mechanisms for managing environmental resources. The main problem is not the perversity of local interests but the difficulty that national or regional bureaucracies have in adapting to more consultative processes. Many such bureaucracies—especially in Commonwealth countries—have long acted as guardians over natural resources such as forests. It is understandably hard for them to now partner with people over whom they once served as game keepers.

The second concern is that democratic decentralization may undermine programs intended to assist the poor or socially excluded groups (such as women and ethnic or religious minorities). In some countries where decentralization has occurred, elites at lower levels are prejudiced against the poor, women, and minorities—more so than elites at higher levels. When that is true, it may make sense to keep programs to assist those groups in the hands of higher-level authorities (either bureaucracies or, often more prominently, elected authorities at intermediate levels in multilayer decentralized systems).

But when prejudices at lower levels are no stronger than at higher levels, the impact of democratic decentralization will be neutral. Indeed, it may enhance the impact of programs to address inequality and exclusion because elected representatives on local councils may have a better understanding of the needs of the poor, women, or minorities in their communities than people higher up.

Policymakers must also determine how well organized the poor, women, or minorities are at the grassroots level. Evidence from Latin America indicates that because its poor people tend to be better organized than their counterparts in much of Africa and Asia, democratic decentralization tends not to damage poverty programs—as it sometimes does in Africa and Asia.

Policymakers also need to determine whether political parties that will likely be influential in decentralized systems will be committed to tackling poverty and social exclusion. Where they are, democratic decentralization tends not to damage programs to promote equity and to erode social exclusion.

It is also possible to reserve a certain number of seats on elected councils for members of poor or socially excluded groups. It is crucial, however, that such reserved places on councils be filled by election and not by nomination, since nominees tend to remain under the control of elites who select them. In these systems (and even in systems without such reservations), evidence suggests that within a few years, poor and socially excluded groups recognize the promise of democratic decentralization, and they more actively seek representation on councils. So over time, in countries where democratic decentralization may have undermined programs to tackle poverty and exclusion, it is realistic to expect this effect to diminish.
Democratic decentralization has considerable potential in many areas, and especially in strong political systems with reliable accountability mechanisms, and in which decentralized bodies possess adequate funds and powers. Given time, decentralization can:

- Give governments a sense of ownership of more consensual approaches to governance, by persuading them that they now have more information and can perform more effectively
- Give ordinary citizens a greater sense of ownership both of locally designed development projects and of programs that originate higher up
- Contribute to greater coordination of policies and personnel from numerous line ministries, (although this tends to happen with decentralization at intermediate levels (provinces, districts, counties) rather than local levels)
- Break up bottlenecks and reduce delays in decisionmaking
- Enhance local political participation and quicken local associational activity. It thus enlivens civil society and draws it into structured and moderating political processes, even when it also catalyzes greater competition and conflict among people seeking election. In the process it tends to give civil society organizations a greater sense of ownership over government policies, processes, and projects.
- Encourage partnerships between government agencies and the private sector. (usually small-scale, local partnerships)
- Make government processes more transparent to ordinary citizens (although this sometimes leads them to incorrectly conclude that government has become more corrupt)
- Make government institutions more open by providing opportunities for elected representatives at lower levels to influence official decisions and the design and implementation of government programs
- Enhance the accountability of bureaucrats to elected representatives and the accountability of elected representatives to citizens
- Reduce overall corruption in the political system through greater transparency and accountability. Although this has only happened in a few cases, as decentralized systems take root and become better understood by citizens, the effect may be more widespread
- Enhance citizens’ understanding of government health, education, and sanitation programs. Local elected representatives can explain these details better than government employees
- Help programs be more responsive and appropriate to local conditions. This in turn can increase the uptake on such programs, and modestly reduce absenteeism among local-level government employees in schools, health dispensaries, and the like, thus strengthening service delivery
Democratic Decentralization

- Make government appear more legitimate in the eyes of its people, thanks to accountability, transparency, and to the enhanced effectiveness and responsiveness of government more generally (Crook and Manor 1998)
- Help scale up successful projects, and occasionally replicate them

But democratic decentralization has less promise in other areas
- Although it can help to adapt social programs to local conditions, it is susceptible to elite capture, which means benefits get diverted from people in need to clients of elite politicians. This, and strong prejudices against poor, low-status, and minority groups in local areas often mean that decentralization does not alleviate poverty
- Decentralization does little to encourage long-term development perspectives, or to help promote sequencing and pacing of reforms. Nor (on present evidence, early in the lifetimes of many experiments with decentralization) does it assist much in enhancing the state's financial capacity by mobilizing local resources, or in promoting economic growth.

Despite these limitations, decentralization has enough virtues to make it worth encouraging as one element in a strategy to achieve the goals of the CDF.

What Can the World Bank Do to Facilitate Democratic Decentralization?

Although most governments that have experimented with decentralization have done so on their own initiative, some have held back, hampering their development and long-term interests. How can they be encouraged? Since many decentralizing governments have been persuaded to act after learning of creative experiments in other (often neighboring) developing countries, the Bank may want to call attention to the established benefits of decentralization elsewhere. Potential decentralizers might be put in contact with officials from other developing countries who understand the promise of decentralization. Such officials can be found in Bangladesh, Bolivia, India, the Philippines, and Tanzania.

The Bank might also consider making proposals to extend funds directly to decentralized authorities—as some donors have done in Bangladesh. But this is a delicate matter, as central government officials in some countries may react jealously.

The Bank might indicate that greater support by developing country governments for democratic decentralization would produce more loans. This would work best in countries whose administrative agencies have been deconcentrated or where fiscal decentralization has occurred, but without any democratization at lower levels. It could also be useful where democratic decentralization has begun, but where only limited powers and resources have been devolved. Whether this should take the form of conditions or suggestions is a matter of judgment, but either could encourage creative responses.

Bank staff members can also find out if donor-assisted projects and policy reforms have discouraged democratic decentralization (not an easy question). This discouragement can occur unintentionally when assistance causes national governments to continue focusing on grand, high-tech, top-down projects. Evidence on democratic decentralization from many countries indicates that there is grassroots demand for programs that enable lower-level authorities to allocate public funds, even though their preferred projects may appear puny and hopelessly low-tech to leaders higher up. Grander projects often
distract national governments from this demand and other local needs, such as more voice in the development process, and small but (in the eyes of people at the grassroots level) critically important projects.
References


Endnotes

1. This simple typology is derived from a recent World Bank adaptation (Parker 1995) of Dennis Rondinelli’s earlier typology (Rondinelli 1981).

2. This is based on encounters with officials and councillors in Mysore District by one of the contributors to this study and by Joel Barkan of the University of Iowa.