Decentralization has quietly become a fashion of our time, advocated by an astonishing diversity of people and regimes. Some see it as a tool for rural development and poverty reduction, some as a way of dismantling command economies, some as a form of grassroots democracy. A World Bank consultant, James Manor, in a major review of the existing literature, has examined attempts at decentralization the world over, focusing on those with democratic content. He has found many areas of promise, but many problems too.

Centralization was in vogue after World War II. The Leninist, Keynesian and welfare state models all posited a strong central authority as the engine of progress. Developing countries believing in dependency theory or fearing neo-colonialism felt a strong central authority was essential to preserve their independence and make economic progress. Many newly independent countries thought centralized rule was essential to build unity among their diverse societies, which had a history of internal friction. These countries as well as donors of aid viewed big, centralized organizations as the best tools to introduce new technology and modernize poor economies. Finally, many leaders in developing countries centralized power to prevent rival political groups from becoming strong. As a consequence, developing countries became more centralized than developed ones.

Initially, the charismatic leaders that had led independence movements enjoyed great moral authority, and recorded some genuine successes. Foreign aid helped raise living standards, but by the late 1970s, corruption, inflation, soaring debt burdens, aid-weariness and slow economic growth led to disillusionment. Public choice theory, which showed the state could be predatory rather than benevolent, gained ground. Economic failure and rural neglect in many countries were widely attributed to over-centralization. Donors too began emphasizing small projects with beneficiary participation. The collapse of the Soviet Union strengthened the disillusionment with command systems and encouraged a shift to both democracy and decentralization.

Recent experiments in decentralization have sometimes succeeded, sometimes failed. Experience suggests that four conditions are necessary, though not sufficient, for success. Decentralized local governments must have

- **enough powers** to influence the political system and development activities;
- **sufficient financial resources** to accomplish important tasks;
- **enough administrative capacity** to do their job;
- **reliable accountability mechanisms**, of which local elections are the most important.

Some other conditions are helpful, though less crucial. Sustained experience of democracy prior to decentralization trains people in the idea that elected politicians are answerable to them (which can be novel in and well beyond autocracies). A lively civil society will improve the quality and extent of people’s participation.

**WHAT DECENTRALIZATION CAN AND CANNOT DO**

Global experience suggests that decentralization holds considerable promise in some areas, modest promise in other areas, and little or no promise in still other areas.
Where decentralization has considerable promise

1. Reversing the neglect of local institutional development. The earlier centralization undermined local institutions and their capacity to plan and execute projects. Decentralization has often uncovered local institutional capacity which was not previously used. Local governments will enhance this capacity if empowered.

2. Improving development projects and making them more sustainable. When local people help choose, design, and implement projects, the projects are more likely to be sustainable and successful.

3. Enhancing government responsiveness. When decentralization is accompanied by local elections, government responsiveness increases markedly, improving the quantity, speed and quality of service delivery. The effect is less marked in non-democratized decentralization.

4. Increasing information flows between governments and citizens. Decentralized structures improve governments’ awareness of local problems, needs, and institutions. In Karnataka, India, officials say their information flow rose tenfold after decentralizing. These structures increase the speed and reliability of reports of impending disasters such as droughts or floods, and so expedite remedial measures. They also facilitate an increased flow of information from governments to citizens, for example with regard to preventive health programs like vaccination.

5. Promoting greater participation and associational activity. Participation, within all sections all society, increases both at election times (voting and campaigning) and between them through increased lobbying of elected representatives and attendance to various meetings. Over time, this process reinforces civil society.

6. Enhancing transparency. Democratic decentralization helps people understand why policies and projects are adopted. Political rivalry highlights alternatives, brings to light misdeeds, and helps pin down the responsibility for failures as well as successes.

7. Enhancing accountability. Local elections enable voters to penalize undesirable leaders and reward good ones. This induces improved behavior in politicians.

8. Integrating society with the state. Centralized systems offer relatively few elected positions to the many social groups wanting to influence outcomes, leaving a yawning gap between society and the state. Local elections create a huge number of new political positions (50,000 in the case of just one Indian state, Karnataka), enable many more elements of civil society to participate in the business of the state, and so reduce the society-state gap.

9. Reinforcing and invigorating democracy at the national level. Taking the political process to the local level helps eliminate authoritarian enclaves; creates new and more accessible training grounds for spreading the culture of plurality; helps create a track record for new leaders who can challenge entrenched ones; and hastens the transition from traditional top-down structures to modern ones with a better balance between different sections.

Where decentralization has at least modest promise

1. Reinforcing central government commitment to rural development. Local governments in Asia and Africa are largely rural, and will typically pressure national governments to remove policy biases against agriculture. Latin America is largely urbanized, and here urban bias may remain.

2. Broadening the project focus beyond agriculture. Local governments tend to focus on small construction projects—road repairs, school buildings, wells. These reflect local needs ignored earlier. This new focus occurs generally at the expense of agriculture, education, and health, so the outcome is mixed. Earmarking funds can help correct these biases (Colombia, India, Bangladesh), but it means less local autonomy.
3. Reducing absenteeism among government employees. In a very few cases (Karnataka) elected councilors put pressure on officials to observe working hours and increase their output. In general, this is more a possibility than a likely outcome.

4. Promoting cooperation between NGOs and the government. Elected leaders often view NGOs as unrepresentative, unaccountable groups with their own agenda. NGOs, in turn, are often suspicious of all governments, including local ones. Evidence from India suggests that, over time, the two may evolve a working relationship.

5. Reducing regional disparities. Empowering poor, remote areas can help reduce the gap between them and more prosperous areas. Democratic decentralization, however, can increase disparities within regions when empowered local arenas have strong prejudices against minorities.

6. Tackling the problem of complexity and coordination. Coordination at lower levels is usually less complex, and institutions at that level have the incentives, the ability, and the information to achieve positive results. If they possess sufficient authority, local governments can draw together officials from a wide range of Ministries to coordinate and improve program design. On the other hand, local governments typically lack both the skills to handle and the interest in complex projects or those extending across large areas.

7. Paying greater attention to socio-cultural factors. This is a mixed blessing. Devolution of power onto arenas with a concentration of ethnic or religious minorities can enable such groups to take control of their destiny. Decentralization may also improve project design where minorities have a strong voice. Elsewhere, dominant groups may design schemes that benefit themselves at the expense of minorities.

8. Empowering women. Where nominated council seats are reserved for women, they tend to be puppets of their male nominators. Women fare better where elected seats are reserved for them (notably India), but initial gains have been limited.

9. Tailoring development to local conditions. Local governments can improve outcomes by proposing useful modifications, or rejecting unsuitable schemes. However, they might have difficulty understanding technologically complex proposals, and, therefore, they could fail to modify or accept complex, though sound, projects.

10. Facilitating scaling up from successful pilot projects. Projects tailored to local conditions are difficult to export to other localities. This hampers the successful scaling-up of pilots. The replicability of these pilots is enhanced by consulting with and gaining support of local interests.

11. Reducing corruption. The lack of transparency in centralized regimes cloaks and so facilitates large-scale theft. Decentralization increases the visibility of corruption, and so may reduce it (Karnataka). Paradoxically, people may think decentralization has increased corruption simply because it is more visible.

Where decentralization has little promise

1. Alleviating poverty within localities. The evidence suggests that decentralization will not necessarily make projects more sensitive to poverty. Local elites are keener than national ones on preserving inequitable social structures, tend to dominate local decision-making, and serve their own interests at the expense of the poor. This can be checked somewhat by tying funds to poverty-alleviating projects or requiring that a certain proportion of services must go to poor people or areas. Such rules must be designed well, otherwise elites will be able to subvert them (India).

2. Accelerating economic growth. The limited evidence is unable to show any acceleration or deceleration of economic growth after decentralization. More careful studies are needed to form a judgment on this. Mexico has cut local project costs dramatically through beneficiary participation within a budget
constraint, and in such cases economic growth should quicken.

3. Reducing overall government spending. To be effective, decentralized bodies typically need a fresh infusion of funds, to build local capacity and undertake additional tasks. Without sufficient resources, they cannot take on tasks off-loaded by central governments (Ghana).

4. Enhancing macro-economic policy coordination and stabilization. The devolution of power and resources to lower-level bodies tends to inspire less, not more attention to macro policies. Higher-level authorities need to find ways of maintaining the impact of important macro initiatives, such as stabilization, without severely undermining the autonomy of lower-level governments.

5. Easing the problem of excessive agricultural taxation. Trade and pricing policies in less developed countries frequently impede agricultural growth and rural development by, for example protecting industry or setting excessively high exchange rates. Decentralization is unlikely to have a significant positive impact on this tendency. While decentralization may allow rural peoples to articulate their views in the wider political arena, the recent record suggests that they have little effect on the national-level policymakers who devise these macro policies.

6. Mobilizing local taxes. Local governments have been able to raise substantial additional revenue in Latin America (which is urbanized) but not in rural Asia and Africa. Newly elected councilors are reluctant to impose taxes. Collecting taxes can be costly and difficult since cynical locals may not believe their taxes will be used well. On the other hand, matching grants from the central government improve the incentive for mobilizing local resources.

7. Promoting planning from below. Top-down planning has often failed, but so has bottom-up planning. Local governments often lack skills and interest in regional or national planning, and may simply produce wish-lists that are then ignored.

8. Promoting mass community participation in projects. Utopians hope decentralization will unite entire village populations, who will then participate cheerfully in programs, but experience suggests otherwise. Many local governments are constituted well above the village or community level. Devolving power to villages may not solve the problem, since village societies are often inequitable and rife with rivalries.

THE CASE FOR DECENTRALIZATION—WARTS AND ALL

Experience suggests it is unwise to have inflated expectations about the power of decentralization to help local governments improve and accelerate rural development. Yet this study reveals an impressive list of areas in which it has some or considerable promise. Although decentralization is not a panacea for all ills, it is well worth pursuing. Much depends on its design. Decentralization has important administrative, fiscal and political dimensions, and when all three are well orchestrated, success is much more likely. Where decentralization has little potential, other mechanisms and programs need to complement decentralization.