How Well Has Decentralization Worked for Rural Development?

Many developing countries are experimenting with decentralizing power and responsibilities to local governments. These processes of decentralization have achieved some notable improvements in delivering services to rural communities. However, not all of the experiences have been positive and more research is need to establish the conditions under which decentralization is most likely to succeed.

In a sample of 75 developing and transitional countries, more than three-quarters of them have chosen to decentralize power and responsibilities to local governments. This is partly because autocracies in many of these countries have been replaced by democracies, but also because centralized blueprints for rural development have failed so often that countries and donors are looking for alternatives. The World Bank (WB) has supported decentralization of rural programs in Mexico, Colombia and Brazil, and is researching the experience of decentralization in many others.

The evidence so far is encouraging. It reveals a substantial, unanticipated capacity in local governments to innovate and implement rural projects. But it has also revealed several pitfalls. WB has developed a program of research that is currently synthesizing country experiences to identify the mechanisms and strategies most likely to succeed, as well as mistakes to avoid.

Positive Features

- Decentralization often releases the significant latent capacity of local communities earlier suppressed by centralized rule. Local governments can often tackle rural development more effectively. It was previously thought that local governments lacked the required technical capacity. But experience shows that motivation and innovation matter much more, and that local elected governments often have these characteristics.
- Local governments have proved especially capable at identifying and implementing micro-projects, and have often improved the delivery of services.
- Decentralization has invariably improved the response time of local governments to problems or suggestions from community members, enhancing the quality of governance.
- Local governments have improved transparency and accountability. They have reduced, though by no means eliminated, corruption, often by breaking down traditional patronage networks.
- Local governments have often been more effective in targeting the poor by involving communities and beneficiaries in project selection procedures.
In many cases local governments have proved cost-effective, by improving the office attendance of civil servants, by getting tasks completed faster, by improving the response time of administrators, and by devising projects that cover a larger number of beneficiaries. In a Northeast Brazil rural development program 95 percent of funds reached targeted beneficiaries, social rates of return on subprojects often exceeded 50 percent, and investment costs per job created fell by 90 percent.

Local governments have in some cases raised substantial local revenue—up by 231 percent in per capita terms in five years in one Colombian municipality, and persuaded local people to supply free labor and materials.

**Negative Features**

The overall experience with decentralized rural development is, however, inconsistent. Opinion polls on the performance of local councils indicate an approval rating of about two-thirds in the Indian State of Karnataka, 36 percent in Bangladesh, 36 percent in Côte d'Ivoire and only 18 percent in Ghana. In selected Colombian municipalities, the approval rating ranged from 78 percent in Valledupar to 31 percent in Zipaquira. The main problems encountered in different countries were:

- Lack of a legal framework that did not clearly specify the powers and responsibilities of local governments. Even where the framework was clear, it could be undercut by political interference from higher levels (Côte d'Ivoire). In some cases, local leaders regarded themselves as accountable to the central rulers, not local voters (Bangladesh, Côte d'Ivoire).
- Countries with autocratic traditions had traditional patron-client relationships between administrators and villagers that inhibited villagers from pressing demands and administrators from responding. Local elections helped improve accountability and response (Brazil).
- Local governments were often hamstrung by a lack of funds, and so lost credibility.
- While local councils proved excellent at local micro-projects, many had neither the motivation nor expertise for more complex tasks cutting across districts or covering watersheds.
- Decentralization reduced corruption, but also made it more transparent to locals, leading sometimes to the erroneous notion that corruption had increased (India).
- Rural elites in the Indian state of Karnataka ignored project guidelines to target the poor. However, in Brazil, Colombia and Mexico, local governments improved targeting.
- Effective local governments needed additional fiscal support, even if they were able to raise some revenue.

More research is needed to get a clear picture of what works and what does not. But it is already possible to extract some major lessons from the experience so far.

**Major Lessons**

Decentralization has three important elements—political, fiscal and institutional. All three have to be designed appropriately, and all three must be in harmony, otherwise decentralization will be jeopardized, and could fail altogether. No firm blueprint can be laid down on how to combine these three elements—the actual formula will have to be devised by each country taking into account its local traditions, history, politics and social factors.

**Political Issues**

In many countries, rural development has been frustrated by an implicit coalition of rural and urban elites. Patronage networks in such countries run deep and divert public funds for private profit, especially in autocracies. Breaking the patronage networks is an important but difficult political task. It is no accident that many countries are decentralizing after the replacement of autocracies by democracies. This type of upheaval is often
necessary to provide the political impetus for overcoming elite networks. Elites may fight back to undermine or even reverse decentralization (Karnataka in 1990). Changes in the law and constitution can help prevent such reversals.

In many centralized countries, administrators have long monopolized local decision-making and will resist taking orders from local councils. Legal clarity and committed central governments are needed to make administrators accountable to local governments.

Elections bring about competition in the political and civic marketplace, improving consumer choice and product quality. They improve accountability, transparency and responsiveness. They also improve the local sense of participation, and the resultant moral authority helps persuade locals to pay new taxes or contribute free labor and materials to projects. In a recent Brazilian pilot program, municipal level councils managed to keep to project schedules, cut costs, and respond to complaints. WB had tried to achieve the same aims earlier through project loan conditionalities, but failed.

Rural elites are well-organized and literate, and so tend to dominate local councils. A tradition of regular elections will gradually improve the organization and empowerment of poor groups, but supplementary steps can also help. In India, a certain percentage of seats in local councils is reserved for women and lower castes.

However, elections do not solve all problems. The defeat of a mayor in an election can lead to discontinuity in policies and projects. Elites often capture councils and divert funds to serve their own interests. This happened in Karnataka, despite reserved council seats for lower castes. Sometimes councils simply do not hold open hearings for fear of public criticism, eroding local participation (India).

Institutional Issues

When reforming highly centralized systems, it is advisable to deconcentrate (open new central government offices in the districts) before or along with devolution of political powers. Deconcentration ensures that bureaucrats and technicians are in position in rural areas and small towns, and can provide professional support to local councils.

In Colombia, the ratio of professional staff to total staff rose in every municipality after decentralization. Good councils tend to attract good professionals and technicians, who further improve the quality of councils in a virtuous cycle.

Technical assistance is needed, especially for weaker councils and municipalities. In the past, many technical assistance programs failed because they were designed from outside, were not taken seriously by the patronage networks, and often failed to address local needs. The Colombian experience suggests that technical assistance should be demand-driven—local councils should identify projects and then demand the related technical assistance, which should then be tailored to local conditions. It also suggests that councilors can find ways of using NGOs and private sector agencies to supply skills, maximizing local resource utilization and employment. The smallest and remotest councils often have problems in accessing skills, but one solution has proved to be cooperative efforts by two or more municipalities to achieve the necessary scale economies.

Councils have little idea of what strategies have succeeded or failed elsewhere, and often repeat he mistakes of others. Systematic dissemination of the best technical and organizational practices in different sectors is needed, and of the failures and successes of other councils. Newsletters, television programs, periodic meetings of mayors, seminars and visits of mayors to outstanding projects can help.

Tender documents can be standardized to improve the quality, speed and transparency of decisions. Systems of monitoring and evaluation must be put in place. These will check malpractice, apart from identifying new and innovative techniques that need to be publicized.

Experience in several countries suggests that local governments are good at handling relatively simple tasks like micro-projects.
However, they are not well-suited for more complex tasks that cut across districts, partly for want of technical skills and partly because the prefer to focus on purely local projects. Thus, higher levels of government will still be needed for complex tasks.

**Fiscal Issues**

Decentralization fails if not accompanied by sufficient taxation powers or transfers from the center (Ghana, Côte d’Ivoire). In the longer term, it is hoped that decentralization will increase the effectiveness of government spending. However, initial start-up costs to cover additional professional staff, buildings and equipment can be substantial. Adequate resources are required to fulfill local expectations of improved service delivery, and faith in local governments can be induced by higher central government revenue transfers in the initial years.

Unconditional block grants improve the flexibility of local decision-making, but also facilitate the capture of funds by local elites. Neither do they provide incentives to local governments to raise their own resources. Local-level matching grants can provide the right incentives. In one project in north-east Brazil, local governments provide a significant proportion of the funding without being required to do so. In Colombia, villagers provide free labor and materials to local projects, greatly improving the sense of people’s “ownership”.

Conditionalities can also help. In Mexico, a cap of 25 percent has been placed on spending within town centers, and so more public investment is going to the poorer, outlying areas that were previously neglected. In India, a portion of central grants is earmarked for anti-poverty schemes. Such guidelines may be evaded by local elites to begin with, but such evasion may be checked by monitoring, and by regular elections.

The experience with decentralized rural development so far provides ground for cautious optimism. But more research is needed to establish conditions under which decentralization is most likely to succeed.

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**Suggested Reading**


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