



Decentralization – Initial Experiences and Expectations of the SDC

Marco Rossi

*Head of the Policy
and Research Section
of the SDC*

Out of 75 developing countries with more than 5 million inhabitants, we currently find 63 who are taking steps to decentralize.¹ Decentralization is apparently in vogue and is considered by many countries as a highly promising method of solving their many problems and using available potential. In this connection two questions arise: First, is decentralization only a passing fad? And second, can the expectations which are put into all efforts towards achieving decentralization be fulfilled?

Previous experiences with decentralization are just about as varied as its underlying concepts, and seen as a whole they cannot be deemed conclusive. While a whole string of nations (Uganda, Burkina Faso, India/Karnataka, Sri Lanka, Nepal, Bolivia, Honduras, etc.) register encouraging results, in other countries

(Ghana, Ivory Coast, Bangladesh, Mozambique, Colombia, etc.) they appear to be less satisfactory. At this point I cannot go into detail on the exact reasons for any success or failure of decentralization in individual countries. However, in addition to the already presented various decentralization concepts one would certainly have to examine each country's historical inheritance and its culturally determined value system, the government's political intentions, the socioeconomic and legal frameworks, as well as the application concepts which are considered critical for success or failure. Different studies have shown that measuring the impact of decentralization programs is extremely difficult and that making generalizations can lead to misconceptions. Any past written attempts to assess these complex projects, including their progress and failure, tend to reveal partially divided opinions.

The Swiss Agency for Development and Cooperation (SDC) has always supported local development efforts in various southern countries and in recent years also in Eastern Europe and the CIS. Over the past years attention was focused on supporting the strengthening of decentralization efforts in several principal countries, especially Burkina Faso, Benin, Nepal, Pakistan and Bolivia – mainly in close cooperation with other bilateral or multilateral donor organizations. "Decentralization and rural development" is the theme of a World Bank program in which the SDC is involved together with other participants. And finally in 1997 the Institute for Federalism ("Institut für Föderalismus") of the University of Fribourg received a mandate to make advisory and research specialists available in Switzerland.

The purpose of this brief summary is first to formulate the SDC's expectations for this project and second to put these in the general context of Switzerland's international cooperation efforts. It is not intended to systematically consolidate past experiences and draw conclusions for the future. Even less is it an attempt to present SDC's actual decentralization policy.



How is globalization linked with decentralization?

Today everyone is talking more about globalization than decentralization. The term globalization is understood as being a process of growing economic, political, social and cultural interdependencies. The often heard slogan *global village* expresses the fact that the world community is moving closer together. Nations and people become interconnected by phenomena of international importance and form a new community which is increasingly confronted by similar – global – challenges. This becomes especially evident from an economic viewpoint where financial participants must face economic rules of the world market and tougher competition. Globalization leads – especially through the universalization of the market principle – to a stronger standardization of organizational models, regulatory mechanisms, legal and social systems as well as institutional landscapes. Paradoxically and at the same time, it also results in a larger variety of approaches to solutions based on the historically different characteristics of institutions, norm systems and cultural peculiarities², the last of which is of special interest to us with regard to decentralization.

The traditional national state is usually not adequately prepared to cope alone with such across-the-border global challenges and thus faces more problems in functioning as a normative authority and problem-solver based on adapted regulatory mechanisms. Very often acceptable solutions for such problems can only be found in

- multilateral cooperation, and
- the inclusion of decentralized organizational structures.

While general objectives are being established to solve global problems, their specific adaptation – based on the subsidiary principle – is increasingly delegated to local authorities. This

affects the remaining active principles of autonomy and self-determination dating back to the French Revolution and leads to a certain surrender of sovereignty on the part of the national states: Externally, international sovereignty is limited by multilateral agreements. Internally, constitutional responsibilities are delegated to regional or local authorities.³ The central meaning of the initially mentioned "plausible political will" of the government for the success of decentralization efforts becomes obvious against this backdrop.

In the context of globalization resulting from the growing cooperation of centralized states with decentralized (regional and local) organizational structures and broad social segments of the population, the SDC hopes for new and innovative development impulses which extend beyond purely local motives. As the federal agency responsible for Swiss international cooperation, it will pay special attention to the challenged weaker players.



Forms of decentralization

Before we turn to other expectations let us briefly reflect on the various forms of decentralization. In studies the following distinctions are usually made:

- **Deconcentration:** Selected functions are taken over by the field offices of central state hierarchy. Examples include field offices of governmental departments who at the request of the central government seize the opportunity to assume control of certain assignments remote to the central office.
- **Delegation:** Defined responsibilities are transferred to regional or national, and usually semiautonomous governmental units. This is frequent practice in the energy, telecommunications and transportation sectors.

- **Decentralization / “Devolution”:** This means the transfer of certain powers and resources to legitimate local governments such as partial states, provinces, districts or municipalities who are obligated to act based on national policies.
- **Economic Decentralization:** This refers to the deregulation of centralized state control, the pursuit of strategies to strengthen the private sector and the promotion of partnerships between state offices and private actors.

More than one of the above forms are usually found in the actual decentralization processes. Their success depends largely on the combination of selected measures, the chosen sequence as well as historical opportunity.



Decentralization – A contribution to democratic development

Democracy is alive in places where it is supported by a nation who can express its interests and participate in democratic decision processes. The people on their part support democratic changes when they expect these to bring them direct and tangible benefits. In this way democratic development and the results of development projects are closely linked. If the “legal or organizational prerequisites are successfully created by empowering citizens to exercise more control over circumstances and actions which affect them”⁴, it will spawn promising conditions for the development of democracy.

Decentralization programs offer a favorable environment for this purpose. On the whole, the SDC considers them suitable instruments to promote development and democracy since they ensure that the local population can participate in development processes and share the results. The greater proximity of deci-

sion-making authorities to the local population basically enables more direct influence on local authorities and politicians. For this purpose, and in addition to the legal framework, local organizational and administrative prerequisites must normally also be established, although in reality the possibilities are often quite limited. Experiences gathered in various decentralization projects show that especially this last aspect is crucial. All too often certain local elite groups are not prepared to give up their privileges for the benefit of a broader segment of the population, while those elite persons who are less directly affected by these aspects tend to show more understanding.

This makes it quite clear that ultimately any democratic decentralization is equivalent to the redistribution of power within a nation and aims to reassign roles on different levels (centrally, regionally and locally). Such questions of power are seldom settled or accepted without serious confrontations. This eminently political process thus requires careful observation and control by all involved – in the first instance by nationally involved parties – as well as sufficient implementation time. The distribution of political responsibility and decision-making power on different levels in line with the subsidiary principle also generates a certain competition among these levels and consequently a system of “checks and balances”⁵ by representatives of the various decentralizing levels – often right through all political parties. The entire system receives even stronger legitimacy in cases where such representatives are elected.

Democratic systems are increasingly measured against their ability to guarantee the rights of ethnic or religious minorities, not only with respect to the observation of human rights but also to reducing potential risks for conflicts. The same aspect which applies to the involvement of citizens is apparently also valid for dealing with minorities: It is not always the most decentralized structure (near to grass roots) which most likely guarantees the rights of these

marginal population segments. Contrary to widespread opinion, their interests are often better represented on regional or national decision levels than on the local level where particular interests and prejudices often prevail. On the other hand, minority organizations find better access to local decision-making bodies. In view of this ambivalence, a deeper analysis of the circumstances in specific decentralization projects is recommended.

One last comment on the dimension of governance in the decentralization process. In the OECD guidelines established by its Development Assistance Committee for *Participatory Development and Good Governance*⁶, decentralization efforts are correctly termed as being a specific measure to achieve efficient administrative leadership (*also see the next section*). As a result they belong to the immediate concept of *good governance* – together with the rule of law principle, the reduction of excessive military expenditures and the fight against corruption. There are legitimate expectations that decentralization programs can reduce corruption and increase the feeling of responsibility (accountability) due to their closeness to citizens and the higher degree of familiarity with local political representatives. However, these hypotheses have not yet been clearly validated in any hereto made studies.



Improved services for all citizens – a challenge for decentralized governmental structures

Most southern countries and many of the eastern countries in transition are incapable of providing their people with sufficient and consistent basic living conditions such as health care, education, communication, advisory services, financial services, access to jurisdiction and transportation. Normally, extensive services are offered in the cities – even though the poorer classes are usually excluded from receiving them. Yet such services are most-

ly needed in the more remote rural areas where access to elementary health care or clean drinking water, a place in primary school, credits for seeds and financial aid for marketing crops are harder to obtain or unaffordable. Decentralization projects thus awaken great hopes. They must help extend and improve the basic living conditions of a country's inhabitants, providing important fundamental services, especially in rural areas which today are usually poorly developed. Decentralization thus also meets with great interest when it comes to fighting poverty.

Fostering local development can be promising when it is coordinated with the articulated needs of the people. As shown in the previous section, decentralized governmental structures offer advantageous conditions. The comparative proximity to the people allows the identification of relevant local problems which they consider of high priority, the inclusion of these problems in a development schedule and the finding of solutions together with local organizations. Such a procedure favors good groundwork and active participation of affected local residents in their implementation.

However, past experience has also proven that local governments are often incapable of coping with such challenges. When a shift of competences in favor of decentralized structures occurred but was not simultaneously accompanied by the strengthening of needed local, institutional capacities, no improvement in efficiency and fairness in the area of services could be achieved. Although this can shatter any expectations in decentralization efforts and dampen any initial enthusiasm, it should not lead to the abandonment of such projects. On the contrary, it is rather a question of paying enough attention to *Institution Building* when conceiving and realizing decentralization programs. Obviously, improving the legal framework alone will not suffice and must be complemented by specific actions to strengthen institutional structures – and their interaction – on all levels. Seen in this con-

text the SDC programs – which concentrate on strengthening local civilian organizations and their members, fostering decentralized government structures – retain their importance or obtain additional synergy through decentralization projects.

The contribution of decentralization projects to alleviating poverty is currently considered to be contradictory. While on the one hand some people basically doubt that the local elite – who are favored by such programs – have greater interest in reducing local or regional disparities than national decision-makers, others emphasize the positive effects which they have seen in the struggle against poverty. The latter group points to new possibilities which opened up to poorer population groups, allowing them to present their demands to local governmental authorities. This has led to encouraging results, particularly in Latin American poverty programs. One condition for their success is, however, that poverty groups are highly organized and agree to cooperate practically with governmental institutions.⁷ International cooperation can contribute its share by aiming the fight against poverty more precisely on disadvantaged groups and by strengthening them through their support.



Achieving long-term effects through improved usage of financial resources

If democratic decentralization processes are to have any chance of success, they must be accompanied by sufficient local financial resources – a basic fact which all involved parties agree on. Less consensus is found when it comes to determining the origin of the resources and decision-making competencies. Some feel that tax sovereignty must also – at least partially – be delegated with the decentralization of services. Others oppose, pointing out the strong lack of local capacity (financial and budget planning, tax levying).

Viewed from a development agency's point of view, the SDC believes this question should be looked at from different angles. For reasons of fairness the centralized collection of income from resources which are not available in equal amounts regionally would make sense (e.g. natural deposits such as oil or water). A centralized government could then redistribute any resulting earnings in favor of poorer regions, which would be desirable under the aspect of any national strategy against poverty. In addition, unequal tax burdens on natural or legal persons in connection with the most efficient regional or local administration of resources – and with it the incentive to avoid tax subjects – should be avoided. Both of these considerations do not, however, exclude the local collection of specific taxes and fees. However, the reality of most less developed countries hardly allows local income to cover both regional and community requirements. Transfers from central to decentralized levels (departments, provinces, communities, etc.) are thus necessary.

In order to ensure the greatest possible responsibility in the use of financial resources, any responsibility for expenditures should be delegated from the central to regional and local governments. In this way, an all-inclusive and specific, meaning economical usage of finances can be promoted. Very often this policy leads to an additional mobilization of locally available resources (forced labor, local materials and financial contributions). In the end these measures are aimed at improving the long-term financing of continuous government spending and investments by striving for increased identification of direct beneficiaries with their projects and programs.



Conclusions

In the guidelines for *Participative Development and Good Government Leadership* decentralization projects meet with international support. From the Swiss point of view the "North-South

Guidelines⁸ also set clear goals for good government leadership in their principle strategic targets (the preservation and promotion of peace and security, the support of human rights, democracy and constitutional states). The statements in this article reinforce the SDC in its efforts to continually increase its support of decentralization projects, in the hope that:

- it specifically supports good government leadership and thus contributes to the strengthening of democratic development;
- it provides locally adapted and requirement-oriented services for broad social classes;
- it enables economical and selective usage of limited available resources; and that
- it will increase the competence of weaker partner-countries and population segments to handle the challenges of globalization.

In order to be successful, such programs require governments of the partner-countries to clearly state their willingness to redistribute political and administrative power. They build on the premise that politicians and civil servants must assume increased responsibility at all levels and are directly accountable to the citizens. In addition to legal prerequisites, they especially need relevant organizational and administrative measures as well as adequate resources. The strengthening of local institutional capacities must be done with the utmost care.

Despite all these promising efforts, decentralization projects cannot be considered a panacea to solve all problems which now confront central governments. On the contrary, a blend of centralized and decentralized governmental solutions, adapted to the individual conditions of each country, must be sought. There are

no patented answers and/or guarantees for success. International development agencies can contribute to the success of decentralization processes with financial and advisory support, provided that smooth coordination between all involved parties exists and that all partners are strengthened and promoted to central figures in meeting this challenge.

(translated from German)

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- ¹ OECD/DAC Expert Group on Aid Evaluation: Evaluation of Programs Promoting Participatory Development and Good Governance, Synthesis Report, 1997.
 - ² Foundation for Development and Peace: Global Trends 1998 / Facts, Analyses, Forecasts; Bonn 1997.
 - ³ Messner, Nuscheler: Global Governance / Organizational Elements and Pillars of the System of World Politics, in: Dirk Messner/Franz Nuscheler (pub.), 1996: World Conferences and World Reports. A guide through the international discussion, Bonn, pp. 12-36.
 - ⁴ Pallmann: SDC Strategy for Social Development, Draft 1/7/98.
 - ⁵ Kälén: Legal Aspects of Decentralization in Pakistan, Report 2/18/98.
 - ⁶ OECD/DAC: Participatory Development and Good Governance, 1995.
 - ⁷ Manor: The Promise and Limitations of Decentralization, in: Technical Consultation on Decentralization, FAO, December 1997.
 - ⁸ Report of the Swiss Federal Council on Switzerland's North-South Relations in the 90s dated March 7, 1994.