

Toward Democratic Decentralization: Approaches to Promoting Good Governance

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1. Introduction

The 1980s and the early '90s have witnessed major political and economic upheavals in most regions in the world. The perceived success of market economies, the failures of central command and control systems, and inefficiencies of state enterprises have overturned the strong, controlling role of the state in previously publicly dominated economies. Concurrently, the abuses of authoritarian regimes have led to a search for more responsive forms of government. These two fundamental transformations which characterize much of the world have been described as “the establishment of open markets and the movement toward more accountable democratic governance.”¹

This paper reviews definitions of "governance" and those characteristics that can be ascribed to “good” governance. We then present a governance paradigm that recognizes the importance of a national enabling environment as well actions at the local level where much of governance practice plays out. A key element of the enabling environment is decentralization policy by which responsibilities are transferred from the central government to the local level where citizens can more readily participate in decisions that affect them. However, citizen participation in local government decision making does not come automatically. It requires specific strategies to establish communication channels and build capacities of both citizens (and organizations that represent them) and local governments to engage in a constructive dialogue.

2. Governance Concepts

In democratic or democratizing systems, government exists to fulfill functions such as maintaining security, providing public services, and ensuring equal treatment under the law. The specific nature of these functions may vary over time, but in western systems it forms a contract between government and citizens. The contract exists at a number of levels: the constitution defines the broadest principles of the contract, national and sub-national laws and regulations provide a more specific framework, and the contract becomes largely operational at the local level. Citizens participate in government to define the contract and to manage and monitor it. The concept of “governance” has been applied to the processes through which public decisions are made. Landell-Mills and Serageldin have defined governance as:

¹Near East Bureau. Democratic Institution Support Project (USAID, Washington, D.C., 1990) p. 1.

*the use of political authority and exercise of control over a society and the management of resources for social and economic development.*²

This definition emphasizes the political nature and the management aspect of governance. However, it does not define the nature of the relationship between the authorities (the governors) and the public (the governed).

Charlick offers another definition for the USAID Africa Bureau Democracy and Governance program:

*... the effective management of public affairs through the generation of a regime (set of rules) accepted as legitimate, for the purpose of promoting and enhancing societal values sought by individuals and groups.*³

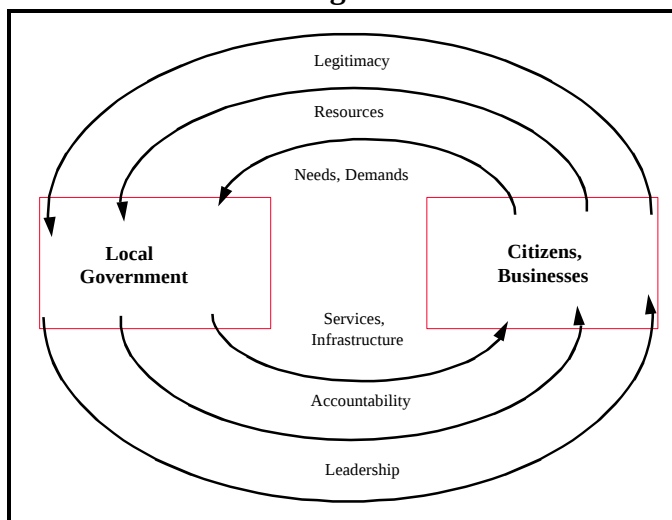
This definition provides a more normative dimension to the concept in terms of the outcomes of the process and the nature of the relationship between power holders and the rest of society. They also speak to the quality of the management process. These definitions incorporate a political dimension of governance (the commitment to achieve the public good) and a technical dimension (the ability or bureaucratic competence to manage efficiently). These dimensions are reflected in the following characteristics that many observers attribute to “good” governance:

- **legitimacy:** the public's acceptance of the authority of those in power; the existence of a sanctioned set of rules, processes, and procedures.
- **accountability:** related to legitimacy in that the holders of power will be perceived as legitimate if they are accountable to the public. Accountability is assured by the processes for selecting power holders and by the procedures by which public decision-making processes and the results they produce are held up to public scrutiny and feedback.
- **management effectiveness:** particularly a technical dimension, effectiveness concerns the ability of public bureaucracies to skillfully and efficiently transform public resources into services and infrastructure that correspond to publicly determined priorities. Performance orientation and transparent procedures are key facets of effective public management.
- **availability of information:** information flow is the currency of all linkages between civil society and government. It permits the public to judge the effectiveness of those in power and their bureaucracies. The public's ability to participate and to hold those in power accountable depends on the availability of information about laws, procedures, and results.

²Pierre Landell-Mills and Ismael Serageldin, Governance and the External Factor (Washington, D.C., World Bank, 1991) p. 3.

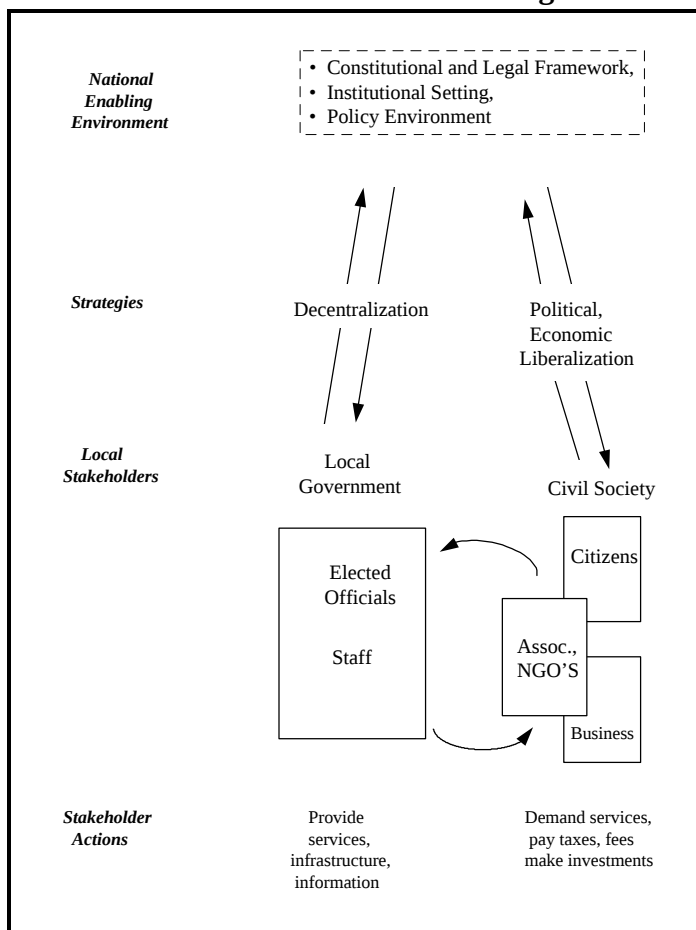
³Charlick, Robert, The Concept of Governance and its Implications for AID's Development Assistance Program in Africa (Associates in Rural Development, Burlington, 1992) p. 3.

Exhibit 1: Building Good Governance



In fact, there is a mutually reinforcing nature to building good governance, described in **Exhibit 1** as a series of expanding concentric circles. Opportunities must be provided to citizens to express their preferences for the quality and nature of services they desire. Management effectiveness and behavior determine how well elected officials and staff provide services that respond to those needs. As local government actions are perceived to be useful and responsive, citizens are increasingly willing to provide resources for services and infrastructure. Again, through transparent decision making and management practices, local government demonstrates how it is accountable to citizens in the use of public resources.

Exhibit 2: Governance Paradigm



RTI's governance paradigm recognizes the importance of the national enabling environment in providing a legal and institutional framework for actions that are taken by stakeholders at the local level (see **Exhibit 2**). It also recognizes that important features of the contract between government and citizens become operationalized at the local level where citizens and local government interact. Thus, a highly supportive national enabling environment promotes a rich and productive interaction at the local level.

Key issues at the national level concern basic rights such as freedom of association; access to information (press freedom); representative government including levels of representation and electoral procedures; checks and balances at the national level among the executive, legislative, and judicial branches ; and an intergovernment arrangement of power, authority, and responsibility (decentralization policy). While some of these are fundamental

rights imbedded in a constitution, others are subject to legislative development and policy formulation by the executive and legislators.

At the national level, part of the policy reform role involves modifying the role of central agencies. In centralized systems, the central government plays a strong control role. However, in a decentralizing framework, this role must be transformed to become more assistance-oriented. Attention must be placed on creating or strengthening national-level institutions that provide support to local actors. These institutions include national training and technical assistance institutions and financing mechanisms. National institutions play a vital role in building capacity at the local level and providing a voice for local interests. For example, as attention has shifted away from the central government “control” role in Tunisia, the government, with USAID support, has emphasized establishing viable institutions such as the National Training Center for Local Governments and the Municipal Development Bank (financing municipal infrastructure according to transparent guidelines). In several countries including Ivory Coast, Ukraine, and Slovakia, RTI has assisted the national federations or leagues of cities in assuming more active roles in providing information and services to member cities and as advocates to central authorities for municipal interests.

3. Decentralization Programs

While much of the early debate about strengthening governance addressed the national environment, increasing attention is now paid to local governance issues for several reasons. Various sectors of society, particularly marginalized groups, can most easily participate in decision making at the local level because local decisions most directly affect them. Also, they can readily have access to local decision makers, in contrast to national decision makers who may be located in a distant city. Information about the workings of government can be more easily communicated to citizens at the local level, establishing a clearer link between participation and outcome. Indeed, many governments have embarked on decentralization programs to foster democratic processes. Even where formal mechanisms for informing citizens are weak, the effects of local government actions remain highly visible.

In the 1980s the government of Côte d’Ivoire embarked on an ambitious program of decentralization, creating 35 municipal governments in 1980 and over 60 more in 1987 because, paraphrasing the Minister of Interior, local governments could become incubators of democracy. Cynically, one must also recognize that these programs were created to focus citizen attention and energy on local problems to distract them or to deflect discontent about the national government. Regardless of the reasons, however, there is clearly a trend toward creating or strengthening local governments through policy and/or constitutional reformulation. For example, in the Philippine constitution of 1987 and the Haitian constitution in 1987, both formulated in the wake of the overthrow of dictators by democratic movements, local governments were created by specific constitutional articles, reflecting the importance attached to the role of local governments in democratic society. Similarly, an amendment to the Indian constitution in 1991 gave formal, constitutional status for the first time to local governments.

Decentralization is the primary strategy for transferring responsibility from the central government to subnational levels of government. It is a fundamental change in the institutional framework in which political, social, and economic decisions are made. Many scholars have distinguished among different forms of decentralization⁴:

- **deconcentration** is the transfer from central agencies operating from the capital cities to field offices of these agencies;
- **delegation** is the transfer of service responsibility from central government agencies to specialized organizations with some degree of operating autonomy (semi-autonomous corporations or subnational units of government);
- **devolution** is the transfer from central government to autonomous units of local government with corporate status (units with a statutory or constitutional basis for power that is distinct from central government); and
- **privatization** is the transfer of responsibility for producing goods or services to private voluntary organizations or private enterprises.

In fact, a decentralization strategy is most typically a mixture of these three forms, depending on the specific objectives of the strategy. However, the devolution form clearly offers the most potential for obtaining governance and economic benefits. With the transfer of responsibilities to local units of government, significant benefits result in terms of accountability, problem solving, and citizen participation. Local governments with significant power can counterbalance the power of central government. Local public sector managers are more likely to be held accountable to the residents they serve because the quality and quantity of services they provide are more easily identified than those provided by central managers. Effective public sector action assumes that problems are identified and solutions are implemented to achieve desired results. Autonomous local governments that are not held to rigid centrally defined uniform standards are more likely to produce innovative, appropriate, and more efficient solutions. Similarly, local governments are better positioned to work with local NGOs and other voluntary, community-based organizations in identifying problems and defining solutions. Finally, citizens can have more access to public decision making at the local level. The cost to citizens of obtaining information about government performance is less for local government services than for central government. Spatial proximity facilitates exchange and negotiation between local decision makers and citizens.

Significant economic benefits also can accrue from decentralization: better allocation of public sector resources and better mobilization of resources to finance public sector activities. In a highly centralized system for public goods and services, there is a lack of reliable information about the costs of those services, about their quality, and about the overall performance of public sector institutions. This plus the lack of a sense of paying for those services by their consumers tends to overproduce in either or both a quality and quantity sense. In contrast, the allocation of resources to public sector services is likely to be more efficient under a decentralized regime because local institutions are more likely to be aware of citizen preferences and needs. Furthermore, local

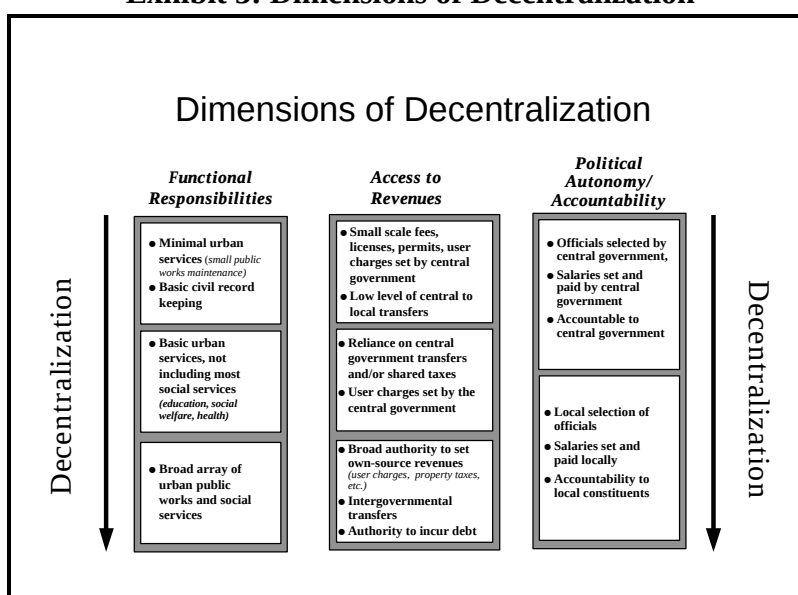
⁴Rondinelli, Dennis, John Nethis, Shabbin Chemma, Decentralization in Developing Countries: A Review of Current Experience (World Bank, Washington, DC, 1984).

institutions are less likely to provide unaffordable (without subsidy) services because they are more likely to know the real willingness to pay (demand).

Local governments have a comparative advantage over central governments in two aspects of resource mobilization. First, local governments can collect more revenues that are "local" in origin, such as business and property taxes. RTI experience has demonstrated that collection efficiencies are generally higher for taxes that are largely managed locally than if those same taxes were managed by the central government revenue collection services. Second, more resources are mobilized if the assignment and collection of taxes and charges for benefits are perceived as being provided by local governments. There is a greater willingness to be taxed and to pay service fees that are demanded by citizens in the first place and are more within the control of beneficiaries of the services, or of officials who are accountable to those beneficiaries.

Decentralization is neither a single model nor an all-or-nothing proposition. Rather, there is a gamut of solutions for addressing the basic issues of decentralization. They may be summarized according to dimensions of functional responsibility, access to resources, and political accountability (see **Exhibit 3**) as follows⁵:

Exhibit 3: Dimensions of Decentralization



- functional responsibilities:** clarify responsibilities among levels of government (what the public economists call expenditure assignment). For the local level, the role typically ranges from the provision of basic services (street sweeping, solid waste collection, and public markets) to primary responsibility for local development planning and provision of a wide array of physical infrastructure and social services.

⁵Johnson, Ronald W., Dennis Rondinelli, Decentralization Strategy Design: Complementary Perspectives on a Common Theme (Research Triangle Institute, 1995), p. 15.

- **access to resources:** assigning resources appropriate to the functional responsibilities. Experience has shown that increasing the volume of resources available for local allocation is an important factor in stimulating public participation in service and investment decisions.
- **political accountability:** devising a system of accountability that encompasses appropriate regulation of local governments by central government in areas where it is essential and by downward responsibility of local officials, elected and administrative, to their constituents. In this way a greater degree of local government self-regulation is achieved through local political processes.

In reviewing decentralization experience around the world, one finds that developing countries have addressed these dimensions in different ways.

- **Indonesia's** Urban Sector Policy Statement assigns responsibility to local governments for all basic services delivery. However, at this stage in its decentralization program, the Government of Indonesia (GoI) has not yet given autonomous status to local governments. Most local government officials still consider themselves employees of central government and aspire to promotion out of the local government system.
- The **Philippines** has achieved one of the highest degrees of autonomy for local governments. Local mayors have been elected since soon after the end of the Marcos regime. The Local Government Code (1991) provides for extensive reassignment of responsibility to local government units (LGUs), ensures local selection of local officials, and provides for a system of shared taxes and authority to LGUs to establish and collect local taxes and charges.
- **India** has a mixed strategy for urban development with some responsibilities assigned to local governments, but retention of considerable control by state and central institutions. In many states, local governments do not control and have difficulties influencing state development agencies in selecting investment programs; the constitutional recognition of local governments, however, requires states to develop mechanisms to enable local governments.
- The **Eastern European** model has involved considerable re-assignment of spending responsibilities for functions never before performed by local governments, including social welfare, housing, education, and basic infrastructure services. However, central governments have retained considerable control over major tax resources, hampering the ability of local governments to carry out their new functions.
- The classic **African model** of decentralization was a legacy of the local government systems in the colonial powers before independence. While both former French and English colonies inherited systems in which there was strong central government oversight, local governments in Francophone countries are under considerably more central control than their counterparts in English-speaking countries. Some countries, such as Côte d'Ivoire and Kenya, have made considerable efforts to update their local government models by increasing service responsibilities and financial resources.

Partly as a consequence of the activities of international assistance programs and technical advisors, and partly through observations of other systems, decentralization programs have tended to focus on a few key elements⁶:

- Getting the expenditure and revenue assignments correct, especially focusing on the intergovernmental fiscal system;
- Getting the political and administrative systems in place so the local governments have sufficient autonomy;
- Getting incentives right so that individuals and institutions perform as expected and desired;
- Strengthening human resources, particularly in local governments, so that elected and appointed staff have the requisite skills to perform as expected;
- Fostering community participation and encouraging NGOs to become involved in local government so that government systems adequately reflect citizen preferences.

4. Strengthening Citizen Participation

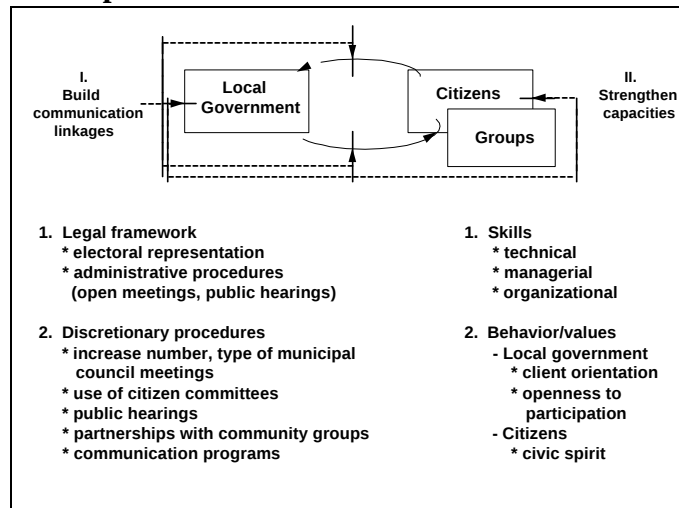
While many countries have developed decentralization programs, RTI has found that the corresponding political liberalization policies that foster the growth of civil society are often lacking or may be weak. This finding is not surprising because civil society represents a potentially uncontrollable opposition to political elites. However, the development of civil society varies greatly among countries and regions. Latin America and the Philippines have a fairly rich tradition of professional and community associations that play a large role in political and economic life of the countries. On the other hand, North and West Africa have weak associative movements for cultural and political reasons. In Tunisia, official policy has recently sought to promote the creation of associations (neighborhood groups, NGOs, and others) and their active involvement in development, particularly at the local level. Although numerous NGOs and other associations exist, they remain relatively weak with few resources and little organizational capacity.

In Morocco, the associative movement has been more constrained, but a few NGOs are beginning to appear as partners with municipal and regional governments. An RTI researcher recently observed that urban areas in Morocco, as in other parts of the world, are more ethnically and socioeconomically heterogeneous than are rural areas and, as a result, pose more of a threat of instability to governments. Part of the response is to strengthen the capacity of local governments to deal effectively with rapid urbanization. Equally important is the active participation of civil society in decision making and service delivery as a means to give expression and release to citizens, both lower income and the well educated middle class.

Strengthening the linkages between government and citizens/civil society, the linkages being generally channels of information, is a key leverage point for increasing citizen access and influence. Through RTI's analysis of local governments and experience in governance projects, we

⁶Johnson, *Ibid*, p. 27.

Exhibit 4: Strategies for Strengthening Participation



have observed that two principal strategies improve these linkages: creating linkages and building capacity (see **Exhibit 4**).⁷

Open elections are a fundamental linkage that provides citizens the ability to influence decisions. Other linkages exist as a result of legislation that requires the local government to gather information from citizens regarding their needs and opinions, grant citizens access to council deliberations, or inform citizens of a pending government decision. For example, in the US, state legislation typically requires local governments to have open meetings (“sunshine” laws) and public hearings before certain key

decisions such as budget approval, regulatory changes, and rezonings. In El Salvador, legislation requires that local governments conduct a certain number of open meetings (*cabildos abiertos*) in which citizens are permitted to express their opinions on issues.

Beyond measures prescribed by legislation, local governments may take a wide variety of discretionary actions to promote more participatory government. These include publishing budgetary information and establishing a long consultative budget preparation process, creating a variety of standing *ad hoc* citizen advisory committees, and creating local neighborhood development councils as partners in service planning and delivery. The possibilities are immense, and it is in the discretionary area that the vast majority of innovations in participatory government are found. For example, RTI successfully introduced the idea of public dissemination and discussion of local government budgets prior to their adoption in some cities in the former Soviet Union. One mayor appeared on a televised phone in show to present the municipality's budget proposal and answer citizen comments. In a Tunisian municipality, officials are consulting with neighborhood groups to determine their service priorities as part of the budget preparation process.

While these innovations are readily accepted in the US and other industrial countries, participatory approaches often meet considerable resistance in most developing countries. Local managers complain that NGOs do not have the capacity to engage in partnerships, or that citizens lack the technical awareness to debate service options. On the other hand, citizens and NGOs complain that local governments are too bureaucratic, are arrogant, and do not want to share power. Mutual mistrust is the standard. To overcome these constraints, which are often attitudinal, governance programs must be designed to establish mutual trust and confidence. They

⁷Minis, Henry P., Jr., Jacques Gagnon, Building Participation in Local Governments, presented at the USAID/ NENA regional conference on “Open Cities: Building Participation in Urban Projects,” Cairo, 1994.

must demonstrate how new linkages can be built, and they must strengthen the technical and organizational capacities of both partners to engage in the process.

There has been much debate about where efforts to improve participation should be directed. Should it be at the national level first to foster a supportive enabling environment, or should it be at the local level, building capacity to engage in good governance? Clearly, this should not be an either/or proposition. Depending on the context and on the targets of opportunity, both may be suitable entry points. In RTI's study of governance and democracy in the North African and Near East region, local researchers felt that most countries in the region were moving cautiously toward decentralization and political liberalization. However, social movements, such as Muslim fundamentalism, prevented governments from endorsing these policies more openly. Furthermore, lacking democratic traditions, particularly at the local level, government officials do not yet have the necessary skills and techniques to lead participatory government, nor do citizens have the skills to participate effectively. The primary conclusion of the study was that successful demonstrations of nonthreatening problem solving at the local level would build local skills and confidence, provide concrete examples for other local managers, and encourage national policy makers to provide needed policy support.

5. Conclusions

Decentralization is not a new concept, and, indeed, it has been present as a policy in many developing countries for decades. Many countries have longstanding arrangements of subnational or local government as part public governing structures. However, in many cases, the relevant issues is not the formal existence of decentralized structures but rather the degree to which decentralization has been made an effective policy: to what extent have resources and functional authority been transferred to the local level, and to what extent has decentralization become a tool for democratization? Experience has shown that where meaningful resources are transferred, functional responsibilities are clarified, and accountability mechanisms are established at the local level, decentralization may effectively produce the economic and social benefits that policy makers intend. Accountability measures include an electoral process, local authority for personnel decisions to make staff accountable to the local, rather than central government, a minimum of legislated mechanisms that ensure public access to decision making, and information flow that permits monitoring and performance measurement.

Anecdotal experience indicates that within this basic framework, local leaders are willing to undertake innovative participatory approaches, understanding the potential benefits of open process. Indeed, the most fertile ground for experimentation with good governance practices is probably at the local level where the public can easily participate and leaders can most directly feel results of successful partnerships with the community. At the same time, experience has demonstrated that successful local innovation with which national policy makers are associated are productive means to introducing broader policy change.