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Asia**

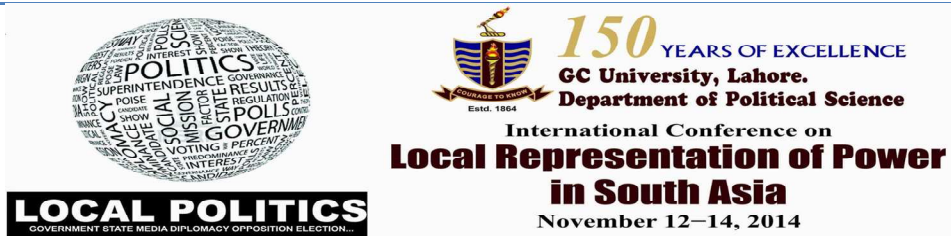
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12 November 2014

Online at <https://mpra.ub.uni-muenchen.de/61349/>

MPRA Paper No. 61349, posted 16 Jan 2015 20:19 UTC



Keynote Address

Bukhari Auditorium (GC University, Lahore)

Governance, Governmentality and Governability: Constraints and Possibilities of Decentralization in South Asia

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Sharma, C. K. (2014, Nov.12). *Governance, Governmentality and Governability: Constraints and Possibilities of Decentralization in South Asia*. Keynote Address, International Conference on Local Representation of Power in South Asia, Organized by Department of Political Science, GC University, Lahore (Pakistan).

Governance, Governmentality and Governability: Constraints and Possibilities of Decentralization in South Asia

Introduction

This paper is a comprehensive review of the “conditions necessary for successful decentralization”. It is demonstrated that decentralized governance at local level requires, for its success, not only governance (a non-hierarchical, horizontal, network based approach) but also ‘governmentality’ (the technologies aimed at shaping, guiding and directing individuals’ and groups’ behavior and actions in particular directions) and governability (an interactive perspective on a governance system’s ability to govern and society’s quality of being governable or capacity of being managed).

In the political science literature on policy implementation, it has long been recognized that steering societies is a function of negotiation and dialogue rather than control and command. In the context of liberalization, privatization and globalization, the discipline of New Public Management (NPM)¹ advocates a network-based process of exchange and negotiation (Hood, 1991) to make local public sector proactive, flexible, and responsive to the needs of the people. It rejects hierarchical structures and processes of societal steering (Ferlie, Ashburner, Fitzgerald, & Pettigrew, 1996) in which public sector operates, from a top-down and reactive manner. In this scheme, although the elected local authorities continue to play an important role yet they are placed on an equal footing with a plethora of non-elected quasi-governmental agencies, private and voluntary sector interests.

Thus, in view of the increasing realisation of the complexity of local issues and the inability of the central government structure to deal with such problems and need for people’s participation for effective and sustainable rural development, the only way out of the trap is to deepen democracy and strengthen collaborative partnership between state, civil society actors and private sector². In fact, a shift from government to governance³ in a context of globalization is a response to the realization that a network-based process of exchange and negotiation is the only probable solution to the emergence of a more complex set of problems related to civic/social sector and public sector.

The success and sustainability of any attempt to reform public sector depends on social discourse (Sharma, 2011). The work of construction (of social discourses) happens in the networks. Foucaultian neologism of governmentality refers to a way of thinking about government as the "right manner of disposing things" in pursuit not of one dogmatic goal but a "whole series of specific finalities" to be achieved through "multiform tactics"(Foucault, 1991). Governmentality (government rationality)is formed as a perception of the good society and the means to attain it: a *construction of rationalities and a range of political technologies, constantly negotiated among actors in a network perspective*(Rose & Miller, 2010).

Decentralized governance is all about building networks and collaborations of different actors at regional and local levels. Aim is to encourage participation and promote transparency and

¹ Since NPM seeks to reinvent power relationships through application of economic rationalism, it cannot be adopted without considerable attitudinal changes on the part of bureaucrats. Based on its key themes NPM is also known by terms such as managerialism (Pollitt, 1993), market-based public administration (Lan & Rosenbloom, 1992) and entrepreneurial government(Osborne & Gaebler, 1993).

² On prospects of collaborative federalism in India see Sharma (2010).

³ The concept of governance is concerned with efficient allocation of goods and services through the public sector. This can happen only if there is some form of collective decision-making to steer the society (see Bevir 2013).

accountability⁴ which are essential to ensure *governability* of local communities. Governability is directly proportional to participation. Less participation weakens governability. One way to improve local participation and strengthen resilience and responsiveness of local public sector is to make the process of budgeting and financial transactions transparent (Litvack, Ahmad, & Bird, 1998). Institutional provision of Decentralization generates a 'potential' for deepening of democracy by creating space for reforms to ensure participation of weaker sections and equitable allocation of resources to poor and marginalized.

Why this discussion is essential and particularly so in South Asian context? This is important because South Asian countries have failed to enter into the virtuous cycle of high growth and large gains in human development. Achievements of Bangladesh in avoiding the vicious cycle of low growth and low rates of HD improvement and even relative success of Sri Lanka pale into insignificance when one considers that quantitative improvements are not translating into qualitative enhancement. In fact, the desired goal is to achieve consistent improvements in both the indicators. However, to lag in one of them (relatively good growth and relatively poor HD or vice versa) is to fall in the category of lopsided nation (lopsided economic growth or lopsided human development).

Part-I of the paper seeks to address a few concerns that emerge in the aforementioned context such as: what's wrong with local public sector in most of South Asian Countries, why is it so and how can the stated problems be addressed through comprehensive public administration reform programme in general and constitutional/legal framework for decentralization in particular? Finally, and most importantly, Part II of the paper discusses the conditions under which decentralization delivers on its potential to provide better public services through empowerment of local people over local public sector?⁵

I

Local Democracy: What Constitutes Success?

When the wave of decentralization began in 1980s, policy makers and scholars, following Tiebout (1956)⁶, perceived it as the vivid panacea for development and public finance. By the 1990s, decentralization swept across much of the developing world. However, results are not commensurate with theoretical predictions.

Before trying to understand *what's wrong* with the local democracy in South Asia, let us pose a more basic question: How do we know that something is indeed wrong in the first place? What are the symptoms of the problem? To identify symptoms of failure we must know *what constitutes success* of a decentralized local government.

⁴ The closer a decision maker is to the electorate the more accountable they are. Increased accountability, in turn, leads to decreased potential for corruption. This is important because corruption has been identified as the single greatest obstacle to economic and social development. International research has shown that a 0.78% increase in the rate of corruption leads to a decline of the income growth among the poor of 7.8%. (Lipset & Lenz, 2000)

⁵ Sharma (2005) discussed the issues related to the design, sequencing, pace and degree of decentralization in his paper "When does Decentralization Deliver". The study also alluded to the idea that there are certain conditions by virtue of which the certain 'forms' of decentralization programmes are successful in one context but not in the other. The present paper undertakes a comprehensive review and analysis of conditions that influence likely success of decentralization.

⁶ Tiebout's most famous article, "A Pure Theory of Local Expenditures," is a direct play on Paul Samuelson's famous 1954 article, "The Pure Theory of Public Expenditures." Decentralization was Tiebout's theoretical solution to Samuelson's "free rider problem" that governments face when they provide goods and services.

Structurally speaking, decentralization is defined as “the assignment of fiscal, political and administrative responsibilities to lower levels of government”(Litvack et al., 1998). However, this is not the goal of decentralization. The goal is to empower local people over local public sector in order to ensure efficient delivery of local public service.

Note that ‘Democratic decentralization’ is the most favoured policy recommendation of the international donor agencies *because* it is believed to play a crucial role in “improving and extending the delivery of basic services” which is a key component of the Millennium Development Goals (MDGs). In a number of developing countries (especially African countries), the clamour for effective delivery of services became the major driving force in decentralization.

However, the fact that empirical results worldwide have been mixed at best (see Sharma 2006), gives us a reason to believe that although constitutional provision of the Local Government Bodies and granting them political, administrative, fiscal and economic powers is a necessary condition, yet it is not a sufficient condition for successful realization of expected outcomes (efficient production, allocation and cost recovery of local service delivery). A complete set of conditions are required to create an enabling environment within which ‘democratic decentralization’ can lead to the universal provision of basic services which in turn can alleviate poverty and marshal development resources to support sustainable development.

Not surprisingly, the mounting evidence of fiscal perversity of local governments led scholars to warn policy makers against the potential hazards of pure decentralization (see (Prud’homme, 1995).⁷ Our argument is that although institutions for political, fiscal, and administrative decentralization are critical for statecraft, yet they are far from being the whole story. In fact, the real challenge lies in realizing the ‘ultimate goal’ of democratic decentralization which is the *‘efficient delivery of local public services* (health, sanitation, education, agricultural extension services, access to clean water, waste management, fair price shops and transport etc.) *through engagement and empowerment of people over local public sector’*. Thus, the shift of political and administrative power and devolution of financial resources to the local government level is a *means* to the aforementioned ‘ultimate goal’. It is not a goal in itself.

In any case, absence, inadequacy or unequal access to basic public services, despite their being constitutional provision for local governments is the most critical indicator of local government failure or a weak local public sector.

Basic Public Service Delivery in South Asia: An Appraisal

As already stated efficient and equitable delivery of basic public services such as education, health, sanitation, and drinking-water facilities etc, is *the indicator* of a strong local public sector. A weak local public sector breeds inefficiency, exclusion and poverty. According to the Human Development Report (2014), South Asia has the largest multi-dimensionally poor population, with more than 800 million poor and over 270 million near-poor - that is, more than 71 percent of its population. This makes the region home to 56 percent of the world's poor and more than 35 percent of the world's near-poor.

International experience suggests that centralized approach to delivering local public services does not work because (a) Outlays do not translate into outcomes because the money does not often reach the frontline service provider (b) allocation of resources among these local

⁷ Prud’homme (1995) points out that choices are not so much whether to decentralize in general, but rather what functions to decentralize, in which sectors, and in which regions. In many cases the problem is not so much whether a certain service should be provided by a central, regional, or local government, but rather how to organize the joint production of the service by the various levels. Sharma (2005b) favors federalism as an optimum arrangement which compromises excess centralization and pure decentralization.

services may not reflect local preferences (c) Some localities may get completely neglected. Such a realization led many countries to decentralize, such as Chile, Uganda and Cote d'Ivoire.

International experience, for instance in case of Bolivia, supports the thesis that decentralizing responsibility for local public services to lower-levels indeed results in efficient delivery, empowerment of local people and balanced development of all localities.

In light of this let us have a comparative overview of basic public service delivery, especially related to health and education, in China and South Asian Countries.

Table 1 and Table 3 indicate that Bangladesh is doing relatively better (in terms of key indicators in Table 1, although not in terms of HDI as given in Table 3) despite having income per capita lower than that of India, Pakistan and Bhutan. China has achieved high Human Development despite its being a non-democratic country. Sri Lanka is the only country in South Asia that seems to be doing better than China. It is the only South Asian nation to be included in the High Human Development category. India, and Pakistan have failed to provide essential basic services to their citizens.

Table1: Per Capita Income and Success in Providing Basic Public Services: South Asian Countries versus China

Indicators	Year	India	Bangladesh	Bhutan	Nepal	Pakistan	Sri Lanka	China
GNP per capita (\$)	2011	3203	1569	5162	1106	2424	4929	7418
	2013	5150	2713	6775	2194	4652	9250	11477
Life expectancy (at birth)	2011	65	69	67	69	65	75	73
	2013	66.4	70.7	68.3	68.4	66.6	74.3	75.3
Sanitation (%access)	2011	34	56	44	31	48	92	64
Mean years of schooling	2011	4.4	4.8	2.3	3.2	4.9	9.3	7.5
	2013	4.4	5.1	2.3	3.2	4.7	10.8	7.5
Female literacy (%)	2011	74	78	68	78	61	99	99
Infant immunization (%)	2011	72	96	95	92	80	99	90
	2013	88	99	97	90	88	99	99
Infant mortality rate (per 1000)	2011	47	37	42	39	59	11	13
	2013	44	33	36	34	69	08	12

Source: UNDP Human Development Report 2012 and 2014

Table 2: Income and Gender Inequality in South Asia

Indicators	Year	India	Bangladesh	Bhutan	Nepal	Pakistan	Sri Lanka	China
Inequality in Income	2013	16.1	28.3	25.1	18.3	11.0	19.6	29.5
Gender Inequality (RANK)	2013	127	115	102	98	127	75	37
Gender Development Index (Rank)	2013	132	107	---	102	145	66	88

Source: UNDP Human Development Report 2014

Table 3: HDI Ranking, 2014		
Country	Rank (out of 187)	Index (10 point scale)
Afghanistan	169	0.468
Bangladesh	142	0.558
Bhutan	136	0.584
China	91	0.719
India	135	0.586
Myanmar	150	0.524
Nepal	145	0.540
Pakistan	146	0.537
Sri Lanka	73	0.750

Source: Human Development Report, 2014, UNDP

The reasons for the ostensible successes and failures of countries in terms of public service delivery or human development indicators could be very specific to their own contexts. However, in order to see whether we can derive a few lessons from these cases that could be universally applicable, we must understand the phenomenon such as high human development despite protracted history of civil war (Sri Lanka) and absence of Democracy (China). We also need to understand Bangladesh's better delivery of health and education services despite low income per capita and Bhutan's lack of progress despite high income per capita (higher than Sri Lanka and three times higher than Bangladesh).

Sri Lanka: Growth Mediated Development

Between 1980 and 2013, Sri Lanka's HDI value increased from 0.569 to 0.750, an increase of 31.8 percent or an average annual increase of about 0.84 percent, despite the fact that during most of this period (from July 1983 to May 2009) Sri Lanka was embroiled in bitter civil war.

The key secret, in the case of Sri Lanka⁸, is the central governments' commitment for education and health care since independence (4 Feb 1948), which resulted in heavy investments in these sectors. Thus, in the first five decades after independence, when the economy grew on average by only 4.2 per cent per annum, the improvements in social indicators were outstanding, owing to the impressive provision of relatively advanced government *welfare services*, particularly in food, health and education (Athukorala & Jayasuriya, 1994; Bank, 1998; Lakshman & Tisdell, 2000).

The central governments' commitment to preserve such a strong welfare tradition only grew stronger during the decades of separatist armed struggle (which unlike armed conflict of Nepal, was not a product of economic underdevelopment but that of linguistic-based political factors). The government minimized human cost by protecting the civilian population in war area; by undertaking rehabilitation and reconstruction work parallel to military offensives; and by maintaining the delivery of food and other essential commodities, basic health, education and transport services to the conflict effected regions (O'Sullivan, 1997). Following the end of the civil conflict in May 2009, Sri Lanka's macroeconomic performance significantly outperformed all other South Asian economies primarily as a result of the peace dividend and development plans. In 2011, Sri Lanka's GDP per capita income reached \$4,929 (up from \$869 in 2000). It is expected to continue its strong growth, at 8.2 percent in 2015 rising from 7.8 percent in 2014 (World Bank estimate).

⁸ Sri Lanka doesn't have the crippling poverty or overpopulation of India/Pakistan/Bangladesh. Sri Lanka's population is only 20 million and population growth has stabilized. Schooling is compulsory and free. Basic health care is free (far easier in a country of just 20 million people). Everyone has access to a hospital or professionally trained nurse/midwife when giving birth. As a result, Sri Lanka has high literacy rates, high life expectancy and low infant mortality. Relative success of centralized provision of education and health service is due to controlled population growth.

Thus, major part of the credit for public service delivery especially in education and health sectors goes to the commitment of the successive central governments since independence, towards “welfare model”⁹. Second important factor supporting high levels of human development is Sri Lanka’s success in unlocking of the potential of women’s role in the society and economy, if not in politics and governance. Although Sri Lanka produced the first democratically elected woman Prime Minister in the world in 1960, yet, women's political representation at all the levels (national, provincial and local) is low. This is not because of lack of political rights but due to a general disposition among women to stay away from politics. However, over the years Sri Lanka has been at the forefront of advancing women's issues. Sri Lanka’s focus on gender equality and women empowerment has placed it at 39th position among the 135 countries ranked by the Gender Gap Report of 2012 of the World Economic Forum. Sri Lanka’s experience suggest that gender equality and rapid human development and economic growth mutually reinforce each other.

Thirdly, voluntary organizations (VOs) in Sri Lanka have also played a significant role in delivering services to meet basic human needs. VOs run day care centres, nursery schools, health clinics, homes for destitute children and homes for the elderly; they also provide vocational training, non-formal education and sports and recreation programmes. They operate rural development projects and community self help programmes providing social overhead capital, i.e. roads, water tanks, irrigation canals, sanitation facilities and wells. Many provide working capital for local small-scale agriculture, handicraft projects and market outlets for goods produced in villages (James 1982). Thus, local civil society in Sri Lanka has played an important role in service delivery and the implementation of national development plans.

However, Provincial Councils and Local Authorities¹⁰ have not been effective in playing their part of the role. Poor delivery of services for which local government units are responsible (roads, sanitation, drains, housing, libraries, public parks, markets and recreational facilities) can be attributed to a lack of inclusion and participatory formats. Although Sri Lanka has established a legal system of local governments yet there is a lot of and wasteful duplication in service delivery due to the presence of a dualistic system of de-concentrated government (secretariats at the district and town level which are agents of the central government) coupled with a weak, devolved government (provincial councils and LAs). Thus, local government reform in Sri Lanka remains an untapped potential waiting to be unleashed.¹¹

Bangladesh: Development without Growth

According to UNDP’s Human Development Report 2013, Bangladesh is among the 18 countries globally which have shown extraordinary progress in terms of HDI [Human Development Index]. The UN Human Development Report 2014 says, Bangladesh graduated from Low Human Development (LHD) category to Medium Human Development (MHD) category in

⁹ As a result of high responsiveness of the Sri Lankan State to issues of rural poverty and inequality, it achieved one of the highest levels of human development relative to per capita income among developing countries in the 1960s, a position it has maintained ever since. The welfare model continued even after liberalisation of the economy in 1977 with the difference that universal subsidies largely gave way to targeted income transfer programmes, rural development programmes and interventions to assist the poor to participate in the growth process.

¹⁰ Local government is the third level of government in Sri Lanka, after the levels of central government and provincial councils. The local government bodies are known as local authorities. Local authorities are divided into three different groups: municipal councils, urban councils and Pradeshiya Sabha (PS) – divisional councils. All local authorities are elected using the open list proportional representation system.

¹¹ Pro-poor decentralisation programmes in Sri Lanka have been compromised by the existence of traditional power structures and the presence of local patron-client relationships that have been perpetuated after the implementation of reform. The imbalance between new and traditional power structures has led to increased elite capture and corruption.

2013. After adjusting for inequality, Bangladesh is doing better compared to India, Pakistan and Nepal indicating a good pro-people policy regime. In gender development index which is a brand new index to compare sex-disaggregated progress and places Bangladesh (rank 107) well ahead of India (rank 132) and Pakistan (rank 145).

Having said this, it cannot be ignored that Bangladesh still remains one of the world's poorest countries. Its population of more than 150 million is concentrated into a land area of only 143,998 km. The biggest obstacles to sustainable development in Bangladesh are overpopulation, poor infrastructure, corruption, political instability and a slow implementation of economic reforms. Because of its unique location in the delta region of several large rivers, its low elevations and its high population density, the people of Bangladesh have had to cope with a wide array of natural calamities such as cyclones, flooding and drought.

However, Bangladesh has made considerable progress in improving the health of its people (WHO, 2008). According to the WHO Report (2008), the population growth rate has declined, life expectancy at birth has increased, infant and under-five mortality rates have decreased, and a demographic transition is beginning to emerge. Health services are moving steadily from the age-old, free public services to for-profit private services. Public health provisions are now mainly concentrating on services for the lower quintile of the population and there is emphasis on improving equity in access to care.

The better performance in terms of the key indicators of human development can be attributed to following key factors:

- (a) Focus on Women empowerment. (Sen & Drèze, 2013)
- (b) Building partnerships between society, government, private sector and NGOs¹² in the development of family planning, basic health and basic education (S. M. Ahmed, Evans, Standing, & Mahmud, 2013; S. Ahmed, 2005; Arifeen et al., 2013)
- (c) Improved preparedness to minimize human costs of natural disasters, such as storms, cyclones, floods, and droughts.

Furthermore, substantive reforms have taken place, in recent years, in support of a more decentralized public sector, both during the term of the last caretaker government (from 2006 to 2008) as well as during the first few years of the current government led by Awami League. Bangladesh has also adopted the Citizen's Charter recently. On May 8, 2007 the caretaker government declared that the "every ministry, division, wing and attached department would formulate and publish CC in their office premises and websites with the stated goal of providing the citizens with high quality service, and ensuring the ambit of transparency, responsiveness and accountability" (Razzaque, 2012). Recent reforms of 2011 introduced mandatory mechanisms for citizen participation in local government.

However, the local government in Bangladesh remains weak. The lowest tier of government, the Union Parishads, have limited resources, little revenue raising authority, and almost no influence on how the central government uses its resources in their areas. Union Parishads are dominated by the District and sub district (Upazila) administrations. Education, health, nutrition, family planning, irrigation, agricultural services, and other services are generally managed directly by the central government officers. (UNESCAP, 2005)

India and Pakistan: Growth without Development

Pakistan

Per capita income and GDP growth rate of Pakistan is higher in comparison to Nepal and Bangladesh, yet it falls behind these countries in terms of most Human Development

¹² Bangladesh has one of the world's most vibrant, successful and biggest NGO called BRAC (Bangladesh Rural Advancement Committee).

Indicators such as education, health, sanitation, infant mortality, infant immunization, fertility, gender equality and gender development etc.

Pakistan displays a typical pattern of economic growth without adequate human development (just like India and Bhutan). Corruption, political instability and violence are the key spoilers in Pakistan. Pakistan's performance relative to its income level on all six dimensions of governance measured by Kaufmann, Kraay & Zoido-Lobatan (1999) is very poor. Results show: less government effectiveness, more graft, more political instability and violence, more regulatory burden, less rule of law, and less democratic voice and accountability (Easterly, 2001).

Key features of Pakistan's Political Institutional environment are as follows:

- Rural areas are dominated by the large "feudal" landowners
- Feudal Lords play prominent role in Pakistani Politics and they have a nexus with the military leadership as well as with Bureaucracy.¹³
- In Pakistan, it is the provinces that are responsible for social service delivery. However, it is the elite (landowners) rather than the masses that enforce their preferences. According to one estimate, "rural gentry" captured 70% of the seats in local elections in December 2000¹⁴. These elites prefer to under-invest in human capital by keeping social service delivery highly centralized.
- Feudal Lords/Landowners who need unskilled labour force are more influential than industrial capitalists who need skilled labour force. Former have no interest in financing education. The situation can change only if physical capital rises with a rapid pace.
- The political and military leadership invest too much in the army and advanced armaments (justified by its dispute with India over Kashmir). This crowds out investment on public provision of basic services.

In Pakistan, the Devolution Plan for community participation in local development was adopted in 2000. The local government was divided into three tiers: district, tehsil and union. The plan was implemented in 2001. It was believed that it will encourage stakeholders' interactions at the grass-root and lead to better service delivery and development. However the anticipated outcomes could not be realized.

Pakistan's 18th constitutional amendment (2010) aimed at bringing public services closer to the people. However, provincial officials lack the will and capacity to redress the problems of Pakistan's troubled social sector. Further, the distribution of responsibilities and sources of revenue generation between the tiers remains unclear.

Following factors work against empowerment of local communities and better delivery of local public services (see Cheema & Mohmand 2007; Kurosaki 2005):

- Low level of literacy, education and awareness
- Restricted access to authentic information
- Poor agricultural practices leading to low household incomes
- Persistent central government control over district, tehsil and union councils (Local governments are accountable to central authorities)
- Elites' influence over Citizen Community Boards
- Absence of participatory planning

¹³ Bourguignon & Verdier (2000) argue that an "oligarchy" will oppose widespread education because educated peoples are more likely to demand redistribution of income and democracy which may undermine the dominance of the elite.

¹⁴ http://wb.eiu.com/report_full.asp?valname=CRBPK2&title=Country+Report+Pakistan#7

India

India is the best case that exemplifies spectacular growth with shocking inequities in human development. More than 90 percent share of public spending in health and education in India goes to the non-poor while less than 10 percent goes to the poorest quintile (Mahal et al. 2002). This indicates that the benefit GDP growth is not percolating down. There is massive inequality in distribution of income and the governments have failed to ensure equal opportunities for all.

The comparison with Bangladesh whose per capita income is lower than India and Pakistan suggests that better performance in terms of delivery of basic public services can be achieved despite slow economic growth rate. If we add China, an authoritarian country, to our comparative view we find that China is doing extremely well in all human development indicators despite complete lack of democracy. This is not to hail either low levels of economic growth or authoritarian rule but to highlight that political and economic development are necessary but not sufficient conditions for human development and efficient delivery of basic public services.

India's constitution, since the 73rd and the 74th Constitutional Amendment Acts of Indian Parliament (1993), calls for strongly decentralized, participatory local democracy. It was believed that these initiatives will increase social equity through democratic practice. The amendments required all the state governments to introduce certain legislative measures to revitalize local representative institutions. These measures include mandatory elections at regular intervals, reservation of seats in village panchayats for women and members of scheduled castes or tribes, and substantial devolution of government responsibilities to local authorities. However, the state governments often refrain from transferring power to the local level (Rao and Raghunandan, et al., 2011). India's mixed experience, in terms of the impact of decentralization on local public service delivery, is a testimony to the fact that pre-conditions matter. As states in India differ widely on crucial socio-economic indicators the outcomes of the decentralization reforms have also varied accordingly. Many examples from Indian states will be cited in this paper at appropriate places.

Nepal: Neither Growth nor Development

Nepal has the lowest GDP per capita in South Asia. It has low life expectancy, the largest share of undernourished children, and significant inequality across social groups. The main drivers of poverty and vulnerability in Nepal are:¹⁵

- (a) Inequality.
- (b) Discrimination and exclusion of women and minority groups.
- (c) The slow progress in improving essential services and livelihoods for the poorest and most isolated.
- (d) Weak governance and government institutions.
- (e) Conflict.
- (f) High vulnerability to disasters.

It is noteworthy that Nepal has improved its human development index (HDI) value in the latest Human Development Report (HDR) 2014. Nepal's HDI value increased to 0.540 from 0.463. The HDR 2014 has ranked Nepal 145th, up from last year's 157th. However, the two rankings are not directly comparable. Further, the improvements in human development may prove to be fragile if the gains are not consolidated. This is more so because Nepal does not have a comprehensive social welfare system. Successive governments have implemented piecemeal schemes targeting individual disadvantaged groups, such as the elderly, widows or the disabled. However, small changes produced significant improvements in Human

¹⁵ <http://www.oxfam.org/en/countries/nepal>

Development indicators. For instance, better access to skilled antenatal care and birth attendance contributed to sharp reduction in maternal mortality.

Local Self-Governance Act (LSGA) was enacted in Nepal in 1999. This expanded the mandates of local bodies, devolving the powers, responsibilities and resources required to allow local governments to meet the basic infrastructure needs of the locality. It also called for a greater role for civil society in the everyday functions of local bodies, emphasizing transparency, public accountability and popular participation. However, elections could not be conducted after 2002. The All Party Mechanism was evolved in 2009. This arrangement contributed to political collusion, lack of accountability, increased corruption, and intense forms of patronage politics at the local level. APM was formally dissolved in January 2012.

Although, the Ministry of Local Development (MLD) has undertaken several initiatives to improve representation and accountability in local governance, with the introduction of the fourteen-step budgeting process and the setting up of Ward Citizen Forums, yet, real breakthrough will require dismantling of the incentive structure that support and promote the culture of collusion in local governance. Greater emphasis on the empowerment and voice at both national and local level will be required for more equitable and inclusive future.

Recipe for Failure and a Formula for Success

The preceding analysis hints at the point that 'decentralization' in itself is neither good or bad, it is the operating environment that makes it so. The forthcoming sections will further substantiate the point to prepare ground for a complete set of conditions that guarantee successful realization of the 'goal' of decentralization. Though the countries like Sri Lanka and Bangladesh have made progress in basic human development, without relying on decentralization as such, yet they cannot keep forging ahead without democratic decentralization because they are already being confronted with the so called second generation strains (problems of ensuring quality after achieving success in terms of quantity/numbers). Such problems can only be addressed by an effective system of local governance.

However, public administration culture at the national level, which hinders effective implementation of public policy, can also sabotage the legislative reforms to strengthen local democracy. Thus, the first step is to make a macro observation regarding those shared features of political and administrative culture prevalent in the South Asian countries that undermine the process, content and quality of development and democratization. Some of these common features are as follows:

- Culture of unaccountability¹⁶ and Poor work culture
- Resilience of strong power relations and vested interests
- Strong patron-client relationships in politics (See Piliavsky 2014)
- Erosion of the legitimacy of the state because rulers are generally perceived as thieves
- Public perception of corruption as unavoidable and normal
- Crony capitalism, i.e., success in business depends on close relationships between business people and government officials. It creates oligarchies that slow down growth.
- Public perception of criminals as cultural heroes
- The political elite demonstrate feudalism and cumulative hierarchies
- Use of caste/identity networks by the Political elite to acquire and maintain power

¹⁶ Today there has been substantial agreement among writers of public administration that the principal problem is not one of securing efficiency but one of ensuring accountability; some scholars view it as the classic problem of public administration.

- Political parties act as major conduit for the ‘conversion of black money into white’ through nexus between corrupt money and party funding
- Nexus between the economic, social and political elites siphons off money meant for social and economic development of a country

South Asia is the worst region in the world when it comes to corruption. In South Asian countries, government and people who want to expose and investigate corruption face legal barriers, government opposition and harassment (Transparency-International, 2014). Service to people is the long forgotten ideal of the bureaucracy who believes not in service but in ruling over people.

In South Asia, there is a combination of two factors that trump every attempt to improve delivery of public services. The fatal combination that leads to poor performance in terms of public service delivery is: “*Strong Power Relations + Weak Public Engagement*”. These components are mutually reinforcing, that is, each one of the component is a cause and an effect of the other two, reversal of any one of them will break the very logic of the game.

Strong Power relations imply ‘nexus and nepotism’. Firstly, there is Government by the nexus and for the nexus. The nexus involves crime syndicates, corporate houses, social elites (landlords), politicians and bureaucrats. It is said that two powers are needed to be a successful politician: (a) Muscle power (b) Money power. They need criminals for the first need and corporate houses for the second need. Thus, there is a high representation of crime bosses in legislatures. The criminal networks are virtually known to run a parallel government. In order to achieve success with their nefarious designs they need the support of the administrative machinery, thus bureaucrats are also roped in. The Vohra Committee Report, 1993, studied the problem of the nexus among criminals, politicians and bureaucrats in India and observed that the criminal network was virtually running a parallel government. 80% of the Govt's spending is being robbed by this nexus. Secondly, nepotism and dynastic politics also plays a great role in South Asian politics. It implies that political families take undue advantage of their control over political offices.

Strong power relations breed ‘culture of corruption’. This culture extends right down to the roots of these societies and is directly responsible for *weak engagement of people* in public affairs. Weak engagement of people in turn creates an environment in which corruption continues to survive and thrive.

In this context, some international observers draw attention to the success of China in delivering high levels basic public services. While doing this they mistakenly draw wrong lessons and link China’s economic success to authoritarianism.¹⁷ The reality however is that the success of China is not because of authoritarianism *per se* but because of three reasons:

- (a) Higher level of ‘responsiveness’ of the Chinese state, evident from Chinese emphasis on “growth with equity” and “Harmonious Society” (or Honest and Caring Society) which is a response to the dissatisfaction of the Chinese people with inequality and corruption.
- (b) High commitment of its leaders for *eliminating* poverty, undernourishment and illiteracy
- (c) Neutral stance on divisions in the society enabling the government to allocate resources according to the productive capacities of different groups

Thus, the democratic countries need not drift towards authoritarianism but should rather aspire to strengthen democracy (political engagement and popular pressure) for achieving the stated results in terms of providing education and health facilities for all.

¹⁷ It is generally argued that an authoritarian government can mobilise large amounts of resources and make quick decisions free of non-economic interference from society.

In addition to this, the lesson from the experience of Bangladesh is that social mobilisation at the local level, such as through women's self-help groups (SHG), can lead to increased public awareness and greater accountability in service delivery. Indeed, Bangladesh is hailed as the best case study of NGO success anywhere in the world.

In Sri Lanka, the uncompromising 'welfare model' of the state along with the active role of local civil society have been crucial for achieving outstanding results in terms of public service delivery. Sri Lanka has combined features of China (commitment of the central state for human development goals) and Bangladesh (proactive role played by civil society/NGOs).

Finally, Bolivia which is an example of radical decentralization¹⁸ highlights the significance of a well established legal system of local governments with sharp focus on local participation in planning and development interventions and public service delivery.

The discussion above gives us a basic formula for creating conditions under which the policies designed for growth will not produce unintended outcomes and outlays earmarked for equalization will translate into outcomes. *The success formula is:*

"Committed public policies of the Central government¹⁹
+ unambiguous legal framework²⁰
+ social mobilization at the local level²¹
= efficient delivery of local public services."

Thus, the solution lies in the combination of a strong commitment of the government towards efficient delivery of public services, unambiguous laws and a meaningful social mobilization at the local level. In fact, greater Social mobilization and public engagement alone can bring about sea change in the way social policy legislations are designed and implemented. Most importantly, it can weaken the unholy nexus between social, economic and political elites and criminals.

¹⁸ The Constitution of Bolivia, amended February 20, 2004, establishes that the people deliberate and govern through their representatives and through the Constitutional Assembly, the Citizen Legislative Initiative, and the Referendum, all provided for in the Constitution and regulated by law. Constitutional autonomy for local governments consists of regulatory, executive and administrative and technical power within the scope of judicial authority and territorial jurisdiction of each local government. Based on their attributes and authorities, under their constitutional and statutory mandate, local governments have a direct link with the community.

¹⁹ An OECD study reviews decentralization in 19 countries and concludes that in an environment where the central state is not fulfilling its basic functions, decentralization could be counterproductive and therefore should not be a donor priority. Secondly, in countries that are fulfilling their functions, decentralisation could be a powerful tool for poverty reduction, improving representation of the poor and better targeting of service delivery (Johannes et al., 2004).

²⁰ Ambiguous legal framework and unclear functional demarcation between levels of government create confusion as to which level of government is responsible for which type of decisions/services. This weakens accountability and hampers successful delivery at local level. Once functions and revenues are clearly demarcated, the national government is required to oversee local government operations to prevent service delivery failures. Ahmad et al. (2005) highlight significance of clear rules for accountability and local public service delivery. Having said this it must be realized that legislation's success depends on the extent to which mobilization of people at local level oversees their implementation.

²¹ The impact of community participation and social groups on local governance and public services is supported in various empirical studies (Booth & Richard, 1998; Bowles & Gintis, 2002; Heller, 2001; Putnam, 1993; Woolcock, 1998)

II

Role of Decentralization in Efficient Delivery of Basic/Local Public Services: Vivid Panacea or an Uncertain Guarantee?

How far decentralization or participatory democracy fits into the success formula discussed in the previous section? The Governance literature emphasizes role of decentralization in making people’s engagement meaningful and productive. The generally held view is that the participatory democracy is the first step towards building responsive government where the state can focus on the poor and the marginalized and can respond to the citizenry by delivering a mix of goods, services and infrastructure that matches people’s political, social, and economic demands. In representative democracy, power operates at a distance *whereas* in participatory democracy power operates at the local level. Thus, it can respond to the real needs of people. Further, it also enables people to experience manifestations of power at local level and establish contact with local government authorities. So our next question is: Does decentralization guarantee efficient delivery of local public services?

The question here is whether the local governments actually empower local people? Do they respond to the poor and the marginalized? Decentralization theorem holds that local governments operate efficiently and deliver the mix of public services demanded by local residents (W. Oates, 1972). The assumption is that, “[...] *individual local governments are presumably much closer to the people [...], they possess knowledge of both local preferences and cost conditions that a central agency is unlikely to have*” (Oates 1999, p. 1123).

Empirical research does not arrive at any unequivocal finding. Table 4 shows that evidence regarding the impact of decentralization is inconclusive and mixed at best.

Table 4: Decentralization Outcomes	
Positive	Negative
<ul style="list-style-type: none"> • Guarantees good governance (Hayek 1939, Tiebout 1956, Rubinfeld 1987 and Mc Kinnon and Nechyba 1997) 	<ul style="list-style-type: none"> • Inherently destabilizing (Prud’homme 1995; Tanzi 1996)
<ul style="list-style-type: none"> • Strengthens accountability (Seabright 1995 and Bardhan and Mookherjee,1998) • Enhances political autonomy which in return motivates participation at local Level (Inter-American Development Bank 1997) 	<ul style="list-style-type: none"> • Results in efficiency losses due to spillovers, common pool problems and soft budget constraints (Inman and Rubinfeld 1997, Sanguinetti 1994, Rodden 2000, Stein 1998, Wildasin 1997 and Willis, Garman and Haggard 1998)
<ul style="list-style-type: none"> • Improves macroeconomic management (Shah, 1997) • Limits the size of the public sector and improves economic performance(Marlow 1988, Grossman 1989, Ehdai 1994) 	<ul style="list-style-type: none"> • Slow down economic growth (Davoodi and Zou 1998, Xie, Zou and Davoodi 1999)
<ul style="list-style-type: none"> • Less corruption (Fisman and Gatti 2002 and de Mello and Barenstein 2001) 	<ul style="list-style-type: none"> • More corruption and elite capture (Goldsmith 1999, Triesman 2000, Bardhan and Mookherjee 2000, Johnson et al. 2005)
<ul style="list-style-type: none"> • Effective delivery of basic public services (Putnam 1993, Huther and Shah 1996, Habibi et al 2001, Faguet 2001, Enikolopov and Zhuravskaya 2003) 	<ul style="list-style-type: none"> • Failure to deliver services(Tanzi 2002) • Less effective delivery of public services (Litvack 1998, Lessmann, 2010, Treisman 2000) • No impact on efficiency and equity of local public service (Azfar and Livingston 2002)
<ul style="list-style-type: none"> • Poverty alleviation (Bardhan and Mookherjee 2003, Galasso and Ravallion 2001) • Improved allocation for pro-poor local services (Foster and Rosenzweig 2001, Santos 1998) 	<ul style="list-style-type: none"> • Lower level of public services in poorer regions (West and Wong 1995, Ravallion 1998)

Source: Sharma (2006)

Some studies show that *local governments are indeed more responsive* to the local people, especially the poor and the marginalized. A study of MERET (Managing Environmental Resources to Enable Transitions to More Sustainable Livelihoods) plan in Ethiopia, implemented after failure of top-down approaches to soil and water conservation, showed that where *decentralization of government services* is coupled with *efforts to empower communities*, it can contribute to food security (Cohen, 2008). A study of the Indian state of West Bengal found that Gram Panchayats gave poor people a voice in local government and also directed resources toward services used by the poor (Bardhan & Mookherjee, 2006).

The concern that in a country with a heterogeneous population, decentralization will work against the interests of weaker segments can be alleviated by making provision for reservation of such groups. For example in India, the 73rd and 74th constitutional amendments (the "*panchayati raj*" amendments), require all the state governments to introduce reservation of seats in village panchayats for women and members of scheduled castes or tribes. Studies have shown that the reservation of seats for *women, SCs and STs* affects the types of public goods provided. Specifically, leaders invest more in infrastructure that is directly relevant to the needs of their own group (Chattopadhyay & Duflo, 2004a, 2004b). In south and western India, the impact of decentralization is commendable in terms of independent political representation of women and scheduled castes.

However, as shown in Table 4, many studies associate negative outcomes with decentralization. The case studies from Africa, Asia, and Latin America have reported that the quality of public services has either declined or remained unchanged as a consequence of democratic decentralisation (Robinson, 2007). Conyers also assert that in Sub Saharan Africa, "decentralisation has done little to improve the quantity, quality or equity of public services in the region"(Conyers 2007, 21).

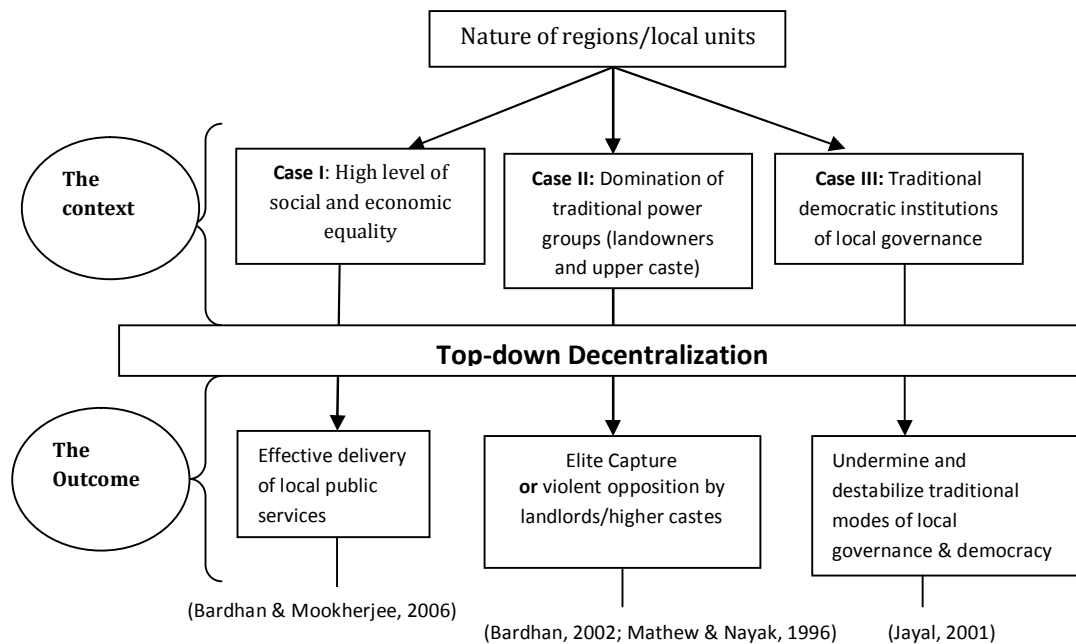
A study based on a comprehensive review of 19 country case studies (18 developing countries and 3 states of India) found that in some of the poorest countries characterised by weak institutions and political conflicts, decentralization worsened poverty. The study found that decentralization helped to reduce poverty in only 7 of the cases (Johannes et al., 2004).

The general sense that emerges from the literature on decentralization across the world is that the context matters. Figure 1 highlights the idea that under certain conditions (Case II and III) decentralization can have negligible impact and even adverse consequences. Case III highlights the significance and role of existing social and political structures at the local level. The emerging literature on decentralization realizes that without taking traditional structures into account, social and political engineering are likely to fail at the local level(Lutz & Linder, 2004).²²

²² Also see studies on Traditional Structures in Local Governance for Local Development at:

(a) <http://info.worldbank.org/etools/docs/library/153053/Pakistan.pdf>
(b) <http://info.worldbank.org/etools/docs/library/153055/BOTSWANA.pdf>

Figure 1: Decentralization Impact: The Context and the Outcome



From the discussion so far it is clear that although, decentralization can empower ordinary citizens, and provide infrastructure and services such as drinking water, roads, schooling, and health care, yet merely introducing a decentralized governance structure by itself is no guarantee of more effective or responsive government. In fact, successful decentralization outcomes require a set of conditions in absence of which decentralization may be no more responsive to community needs and desires than a centralized authority.

Conditions for Successful Decentralization

Just as the projected effects of decentralization are contested, the conditions necessary for 'successful' decentralization have also been much in doubt in scholarly literature. There are two approaches to decentralization. One is "bottom up approach" which focuses on local empowerment via strengthening local civil society. The other is "top down approach" which focuses on actors at national level. Exclusive focus on any one will encounter serious problems. The fact is that a synergy of both approaches is simultaneously required. One cannot ignore the necessity for civil-society activism but at the same time too much emphasis on the pro-reform attitudes of civil society can also be misplaced. In fact, successful decentralization requires a strong and functioning centre which should be able to aggregate into a national framework the local demands and concerns as articulated by the civil society.

Thus, both preparedness of civil society and central government's readiness are simultaneously required. In this section we present a comprehensive review of the overall conditions required for successful decentralization.

Social Preparedness and Mechanisms to Prevent Elite Capture

There are some basic minimum requirements for successful decentralization. These are relevant for most of the South Asian countries. The area or locality where decentralization is to be implemented must feature: *high political awareness, adequate level of education, social and economic equality at local level*. Although one cannot expect these conditions to exist in absolute terms, yet, abysmally low level of these four dimensions of social preparedness paves

way for what has been observed in decentralization literature as 'elite capture of decentralization'.

It has been observed that the process of decentralized participation strengthens the locally existing power structures (Bardhan, 2002; Johnson, Deshingkar, & Start, 2005; Leonard & Leonard, 2004; Mosse, 1994). Thus, decentralization can lead to institutional capture by local factions in cases where there exist strong inequalities that reflect deeply entrenched power hierarchies.

In the presence of antecedent social inequalities, decentralization increases the chance of inequitable allocation of resources and provision of services. It undermines effective business development because decisions are made to benefit certain individuals rather than to promote general economic growth (Matinez-Vazquez & Rider, 2005). Thus the irony is that the areas where one would like to implement decentralization to correct entrenched inequalities are the very areas where decentralization is most likely to produce unintended outcomes.²³

Thus, Decentralization is more likely to be successful where the level of education, awareness, social and economic equality is quite high (for example, West Bengal and Kerala in India). In other cases, success can be ensured by creating mechanisms to promote equality and prevent elite capture.

First of all, the governments must create enabling conditions for quality education that can strengthen participative democracy through informed and thoughtful participation of educated citizenry. *Informed* participation means that people are not easily swayed away by the hyperbolic, misleading and often mean-spirited campaign ads. As Franklin D. Roosevelt said "*Democracy cannot succeed unless those who express their choice are prepared to choose wisely,*" Thus, the real safeguard of local, participative democracy, therefore, is education. Education facilitates engagement leading to empowerment. Engagement implies 'informed participation plus action'. The kind of engagement that transforms local politics is more than mere participation. It is spontaneous, socially supported heart-pounding co-creation where citizens' voting behaviour is based on their information about the quality of support and services provided by the local government.

Secondly, presence of effective media and local newspapers which disseminate correct and timely information promoting public awareness can work against the interest of the local elite whose power to capture public resources depends to a large extent on lack of awareness of civil rights among the local population.

Thirdly, inclusive institutions must be put in place in which ordinary people can rightfully influence collective decision making. For instance, there can be discussion boards and advisory boards with involvement of multiple local stakeholders including local elites and traditional leaders (whose skills and resources can be an asset for local community). The decisions taken can be disseminated to general public for wider discussion.

Fourthly, legislative reforms to ensure that local representative institutions consciously focus on less powerful groups through gender and caste based reservations.

Fifthly, social legislation underpinning affirmative action schemes shall be implemented.

Finally, land reforms are essential in communities where there is one large landlord who can buy votes and install people in local government to serve his or her interests.

²³ However, nothing can come to rescue when fence itself start eating the crop as evident from the observation that in many cases elite capture of decentralization is "actually facilitated by the government's desire to create and sustain a power base in the countryside, and to prevent opposition forces coalescing" (Crook, 2003).

Strong Administrative and Technical Capacity at the Higher Levels

Since the local public sector lies between the central or regional public sector and the citizens that the state seeks to serve, the efforts to strengthen the effectiveness of local governments require that specific attention is paid to the role of the central and regional governments in enabling decentralized local governance (Boex & Yilmaz, 2010).

Decentralization, unless carried out under the aegis of a reasonably strong centre, is doomed to fail (Sharma, 2005a). A weak centre is prone to get manipulated by the strong coalitions and interest groups. There is overwhelming consensus that most of the problems associated with decentralization can be solved by regulatory powers entrusted in the central government (Sharma, 2005a). In fact, governance and institutional efficiency can be optimized by exploring the respective roles of the different levels of government. Achieving high-performing local government organizations does not only require interventions at the local level but also at the central and regional levels.²⁴

First of all, the central government must have the capacity (administrative and technical) to fulfill its own functions and implement various development programs. Research shows that decentralization is counterproductive in an environment where the central state is poorly equipped to fulfill its basic functions. Next, the Central government should also have or build capacity to facilitate and support decentralization process by:

- Providing directions regarding policy, programs and planning (e.g. setting basic minimum standards of service delivery)
- Transferring technical and fiscal resources along with decision-making and managerial authority to local governments without abdicating its own responsibilities
- Implementing appropriate oversight mechanisms to guard against local overspending
- Establishing monitoring systems to hold local governments accountable in areas of high national priority

The key idea here is that the central level must have the capacity to facilitate local capacity development rather than 'supplying' the capacity itself (Korten, 1984; Ostrom, 1986).

Strong Political Commitment at the Higher Levels

It has been observed that national or regional governments are often hesitant about the loss of authority that decentralization reform might entail (Eaton & Schroeder, 2010). However, research indicates that successful implementation of decentralization policies depends heavily on strong *political commitment* of national and regional government to adjust the entire structure of intergovernmental system to the needs of decentralization.²⁵ In India, the states of Kerala, West Bengal, Madhya Pradesh and Karnataka have demonstrated such commitment.

Thus, the higher level (national or regional, as per the constitutional mandate) must grant a sufficient degree of autonomy (political, administrative, and fiscal) to local governments in order to equip them to be responsive to the needs of local people. This has to be done in a way that increased political and fiscal local autonomy does not weaken national governments' capability to impose credible budget constraints. Thus, once local government bodies (LGB)

²⁴ In fact, some issues, that affect the lives of poor, rural people, require attention at the higher levels of government, for instance, irrigation requires management at several levels. Local levels can manage the irrigation canals serving farmers, but the entire system needs to be managed at a higher level.

²⁵ Failure of Zimbabwe's decentralization policies of the 1980s was due to lack of political commitment at the centre. On the other hand in Uganda, strong political commitment to decentralization and local democracy paved the way for an exemplary form of devolution.

are equipped with greater autonomy, the next step is to put in place strong local accountability mechanisms.

To enable the LGBs to respond effectively and efficiently to the needs of their citizens, LGBs must be empowered in all the three dimensions of decentralization, that is, political, administrative and fiscal.

Political decentralization must design local political institutions and *electoral processes* in a manner in which poor and marginalized have a voice and *party clientelism* is discouraged.

Administrative decentralization must commensurate with devolution of the decision-making powers over *local human resource management and sectoral service delivery*. It must also take *into account* the subsequent increase of financial needs, to reduce dependency and improve accountability of local governments.

In fact, a prerequisite of the success of a decentralized system is its financial viability without which political decentralization simply becomes an instrument of regimentation and centralisation rather than of empowerment of the people.

Thus, central financial authorities should be willing and capable to *provide local governments with financial resources through predictable, timely, and complete intergovernmental fiscal transfers*.

This can be achieved through incremental process or big-bang approach. The choice depends on the context specific factors (see, Sharma 2005b, 2009). Although (Prud'homme, 2001) suggests that "a century of centralization cannot (and should not) be overruled overnight, yet in 1995 and 1996 the state of Kerala in India implemented a wide-ranging decentralization scheme, overcoming opposition through rapid and extensive transfer of power and resources. According to the website of Kerala's Department of Local Self-Governance, "Real and effective decentralization probably calls for a big bang approach—*functions, powers, and resources* are transferred at one go." If decentralization is effected in one fell swoop, the suddenness would stun potential dissenters into silent acceptance; before the anti-decentralization vested interest groups realize what they have lost; decentralization would have become a *fait accompli*. Indeed, scholars attribute poor results of experiment with deconcentration and devolution in Cambodia to the cautious and piecemeal implementation of decentralization policies in the context of strong patterns of hierarchy embedded in society and the state.

Table 5: Lack of Commitment towards Decentralization in South Asia (read with Box1)

Country	Decentralization			Legal/Constitutional provision
	Political	Administrative	Financial	
India	✓	slow and uneven across states	slow and uneven across states	73 and 74th Amendments (1992)
Nepal	×	×	×	Local Government Ordinance (2001)
Pakistan	×	×	×	Local Self Government Act of 1999 lays down a framework concerning local government bodies
Bangladesh	✓	×	×	Articles 59 and 60
Sri Lanka	✓	Limited with control by centre	Limited with control by centre	13th Constitutional Amendment in 1987

BOX 1: Lack of Commitment towards Decentralization in South Asia

India: India's constitution calls for strongly decentralized, participatory local democracy. Article 40 of the Indian Constitution mandates that states "take steps to organize village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self government". The 73rd and 74th constitutional amendments aiming at governance of rural decentralization and addressing urban decentralization were passed in the year 1992. The task of devolving power and developing local institutions lies with the state. Local governments are under the control of state governments. However, the state governments often refrain from transferring power to the local level. Kerala is an exception.

Pakistan: Pakistan first pursued reforms for deeper decentralization in 1973 and again during 2000 and 2001. However, local governments were suspended in 2010 and municipalities were placed under provincial authority. Pakistan's subnational government is composed of four provincial governments. Provinces are responsible for creating local governments with departments to administer local government matters. In 2013, the Minister for Local Government announced the introduction of a new local government law under which local government elections would be conducted, but these elections have been postponed to an uncertain date.

Bangladesh: Though strong support for local government is mandated in the Constitution, the central government continues to exercise control over local governments and starve these agencies of resources. After the military took power in 1982, local government was reorganized through the Upazila Parishad Ordinance which created stronger Upazilas. Additionally in 2009 elections were held for members of the Upazila Parishads for the first time since the restoration of a democratic government in 1991. Local government institutions have been struggling for sufficient *fiscal and administrative power*. They are also constrained by lack of transparency, low capacity, excessive bureaucracy, political interference, limited authority, lack of accountability of service providers, and weak financial resources and have limited orientation toward local communities.

Sri Lanka: In 2011, three rounds of local elections were undertaken and 322 of the 335 local administrations were renewed. Local authorities are faced with *financial inadequacies*. They are heavily dependent on aid from central government and provincial councils. There is still tradition of centralism. The centrally appointed administrative institutions continue, in large degree, to function as agencies of the government.

Nepal: Local government in Nepal is a challenge. The country is still largely centralized and there have been no elected local governments since 2002. Local governments since 2002 are being administered by interim, unelected bodies that are run by bureaucrats appointed by the central government.

Note: For more details see country reports available at <http://localdemocracy.net/> (website of 'The Hunger Project' in partnership with UN Democracy Fund, UNDEF)

Sustained Initiatives for Capacity-Building at the Local Level

Generally, the inadequacy of resources and lack of capacity are recognized as the two key aspects of decentralization failure in developing countries. In general terms, capacity may be defined as the ability to anticipate and influence change, make informed decisions, attract, absorb and manage resources to achieve objectives. In the context of democratic decentralization, capacity refers to the totality of inputs required by the LGIs to fulfil their purposes such as deepening local democracy and ensuring basic public services provision to citizens. In broader sense of the term capacity development also includes removal of social and income inequalities and illiteracy.

Capacity development initiatives aim at achieving the goal of self-governance at local level. These should be implemented as a part of the decentralization reform because capacity development is an evolutionary process and devolution of powers is a part of this evolutionary process.

In fact, capacity building initiatives for Local Bodies make little sense if they are crippled by severe lack of resources at local level (due to inadequate financial devolution). We cannot expect local communities to be empowered over their local governments if local governments themselves are hampered by incomplete empowerment themselves. Indeed, evidence across South Asia suggests that there is no "effective" capacity development framework which can ensure "totality of inputs" required by Local bodies to fulfil their purpose (to function as institutions of self-governance). The reason is that decentralization along three dimensions (Pol./Admn./Financial decentralization) is still incomplete.

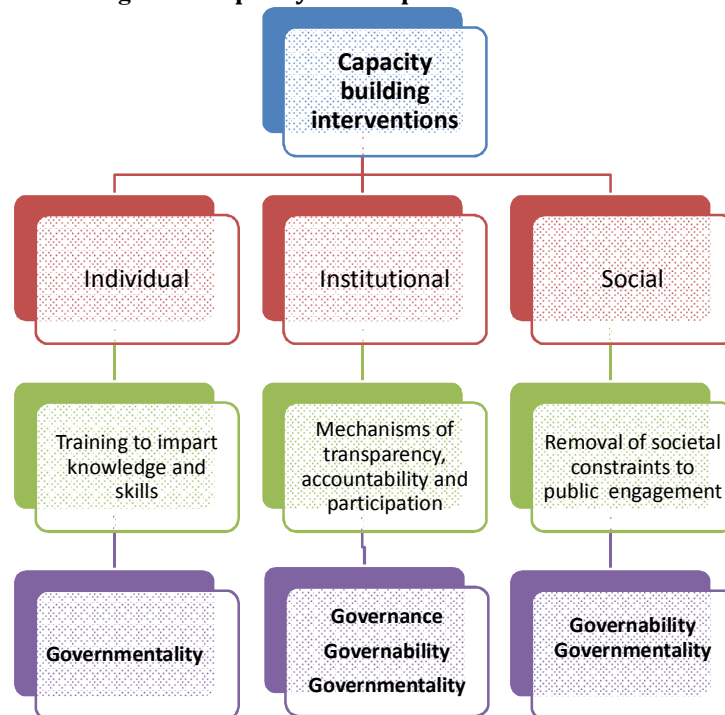
Note that capacity development interventions can be at individual, institutional and societal levels (Tandon & Bandyopadhyay, 2004).

Individual capacity development focuses on enhancing inherent human potential to develop technical, managerial and administrative skills and aims at developing conditions that allow individuals to develop broader perspectives on democracy, governance and citizenship rights. Training of local representatives can make a real difference in local government effectiveness.

Institutional capacity development means promoting *mechanisms of transparency, accountability and participation*; improving local institution's capacity to manage local public administration, planning, implementation and monitoring; and promoting service provision with a focus on poor people.

Social capacity development means removal of societal and institutional constraints to participation of the poor and the marginalized and making local public administration more interactive. Academia, media, and civil society organizations have a great role to play in weakening patriarchal values, ethnic/religious biases and traditional beliefs.

Figure 2: Capacity Development Interventions



Strong Legal Framework for Transparency and Accountability

Decentralization requires unambiguous *laws, regulations and directives* to enforce transparency and accountability, the two cardinal principles of a functional democracy. The devolution of authority (political, administrative or fiscal) must be accompanied by *strong accountability* mechanisms if the problem of the failure of service delivery, especially to the poor, is to be addressed (see the 2004 World Development Report: *Making Services Work for Poor People*).

To enable people to hold local bodies/officials accountable, they need information about the decisions local bodies are taking and how they are spending public money. In fact, accountability is impossible without transparency. Thus, transparency must be an essential

requirement and responsibility of local governments. They can be bound by public transparency laws (as in USA) ensuring that the public may observe the meetings and deliberations of government bodies or transparency code (as in U.K.) setting out the minimum data that local bodies should be publishing, the frequency it should be published and how it should be published. The Government of India provides for the Right to Information Act (like freedom of information act in USA) to ensure public access to the documents and records of government.

Bolivia's *Law of Popular Participation* (1994) includes a provision for *elected local Oversight Committees* to ensure that municipal government spending reflected local priorities. As a result, people knew how much the local government should be spending. In Bolivia, local people would march to the municipal building and say, "We know you've got so much money per person—where is it? Where are the roads and the other public services?" Research shows that decentralization in Bolivia made government more responsive to poor people and directed resources to the services poor people desired.

In nutshell, the legal framework for ensuring transparency and accountability is essential but its effectiveness depends on the extent to which individuals, civil society organizations and media make use of the opportunity to impose social accountability (downward accountability). The 2004 World Development Report points out that downward accountability through citizen engagement and direct interaction with service providers is a crucial part of the solution.

Although upward accountability has a role to play yet it is incomplete without downward accountability. Integrating mechanisms of upward and downward accountability (social accountability) is therefore essential for ensuring the improved performance of the local public sector. Figure 3 shows the mechanisms for ensuring social accountability in political, administrative and financial domains.



Transformation of Local Government Organizations into High Performing Organizations:

For decentralization to be successful, local governments must translate their enhanced mandate and greater financial resources into more efficient, responsive, and accountable public services. In order for local governments to become efficient and responsive providers of local infrastructure and public services, local government bodies must:

- (a) Achieve optimal interaction/collaboration between local officials, private sector and the community (Public Network Management approach)
- (b) Maximize the potential of local workforce (Human Resource Management approach)

Higher performance of local governments (in terms of efficiency and responsiveness) has a positive impact on local revenue collections because when local government bodies are efficient and responsive, local households and businesses are more willing to pay local taxes.

For local bodies to perform as HPOs a *collaborative political culture* must be established at local level through optimal interaction/ effective cooperation between (a) the mayor and council (b) between different local departments (Cross-sectoral coordination) (c) *between local officials, the private sector and the community*.

Local private sector, community-based organizations and the local people can play important role in informing and guiding local government officials with respect to community priorities. They are important stakeholders in keeping local officials accountable for the responsive and efficient delivery of local public services.

Maximizing the potential of the local work force is perhaps the most important and most overlooked area of public sector development—particularly at the local level. As such, the combined effect of staff absenteeism and the lack of staff motivation²⁶ is the largest source of public sector inefficiency in developing countries around the world.

Appropriate Reasons to Decentralize: Intentions Matter

In recent years, a literature has emerged on the political economy of decentralization, which argues that understanding decentralization requires appreciating its fundamental underlying paradox: What motivates central governments decentralize which entails giving up of power and resources by the central government and pass them to local governments.

Different countries pursue decentralization for different reasons, none of them for empowerment of people per se and hence not surprisingly this goal is either not achieved at all or achieved in a limited way. In fact, political leaders in scores of countries pursue some form of decentralization primarily for specific political gain, rather than for reasons of good governance or improved public service delivery. Since the actual concern is something else, for instance to impress international donors, to legitimize central government rule, to weaken local influence of regional leaders, to counteract centrifugal political forces etc., the process of decentralization produces unintended consequences.

Thus, one of the preconditions of successful decentralization is getting central governments to decentralize for achieving the goal of local public empowerment per se which can improve delivery of local public services. For this the political officials at the central level must be convinced that decentralization can work to their advantage by reducing people's frustration because in the presence of local autonomy, they have no reason to blame central authorities.²⁷

²⁶ Although in many places this will require a major transformation in organizational culture, simply acknowledging the efforts and contributions that every worker makes to the success of the organization—from the department manager down to the accounts clerk and the street sweeper—can have a tremendous motivating impact on staff performance.

²⁷ Decentralization literature suggests that central bureaucracies in a country function as distant, hierarchical rent-seeking organizations that are unaccountable and inefficient or ineffective at delivering public services. Decentralized local governments are generally more responsive and accountable than their central government counterparts.

Effective Judicial System, Citizens' Oversight and Anticorruption Bodies to prevent Decentralization of Corruption

Empirical evidence indicates the possibility that decentralizing government functions may decentralize corruption (Bardhan, 2002; Goldsmith, 1999; Johnson et al., 2005; Prud'homme, 1995; Treisman, 2000). Poor people may be no better off under a corrupt local government than under a corrupt centralized one. However, it is easier for people to monitor corruption at the local level than at the central level. Further, evidence shows that although decentralization increases in petty corruption at local level yet it reduces grand theft at the central level. However, rise in corruption at local level is a short run phenomena. Thus, in the long run both may go down (Crook, 2003). However, the short run may not be short enough and corruption in the 'short run' may have long run consequences. Thus, one cannot tolerate or write off corruption hoping that one day it will die its own death.

Thus, strong anti-corruption legislation is required. A country's legal system and the processes and institutions through which it is enforced is crucial for addressing corruption. However, a corrupt man holding position of power can manipulate and abuse powerful anticorruption legislation. So, there is *no substitute to strong and independent judiciary*, although anticorruption bodies, independent of executive control, can be the first line of preventive mechanism against corruption.

Beyond these, as already pointed out under several sections in this paper, independent media and an active civil society are the two most important bulwark against systemic corruption in public institutions. In fact, setting up citizens' oversight bodies/councils is an idea that has worked well as a participatory mechanism to build momentum and spearhead new activities by civil society. The word of caution here is that in the absence of rule of law, independent judiciary and professional police force the civil society's struggle against corruption may become too long-drawn-out and hence inconsequential. Thus, in addition to civil society activism, provision of strong legal, judicial, procedural, institutional safeguards are required to tackle the canker of corruption and *vice versa*.

Concluding Observations

The discussion in this paper has demonstrated that democratic decentralization is a necessary condition but not sufficient condition for achieving empowerment of local people which in turn can make local public sector truly responsive to local citizens' preferences and needs. Thus, the process of establishing institutions of decentralization and democracy must simultaneously pursue vigorously the creation of supportive conditions for meaningful engagement of informed citizenry. Ultimately, the long term result of decentralization reforms depend on *commitment and capacity* at all levels of government, viz., Central, Regional and Local.

Having said this, the conventional wisdom encapsulated in the age old adage that "excess of everything is bad" must not be forgotten. In fact there is a trade-off between relentless pursuit of participatory democracy and governability, i.e., the government's ability to govern.

As already noted, Bolivia style decentralization is among the most striking cases of decentralization of government power to the local level. The idea has been discussed and implemented off and on throughout the developing world over the past several decades. However, the jury is still out on whether such a model of radical decentralization is a positive force for democracy and socioeconomic development.

The elections of 2010 in Bolivia have revealed a highly fragmented political landscape (Centellas, 2010). Decentralization can bring government closer to citizens, which is a boon for

democracy. But it can also encourage a *hyper-localism* that makes coherent policymaking at the national level difficult. As Miguel Centellas warns, 'would-be imitators will need to decide the extent to which greater participatory democracy can trump governability'.

Recognition of these dangers should not be seen as an overall indictment of decentralization. There is undoubtedly much need for decentralized governance in South Asia, but we must also recognize that the effects of decentralization are highly context-dependent and circumstance specific, and that its success depends on decentralization being integrated with other aspects of local democracy. In this context the *challenge* is how to ensure that the central government level and the community level, respectively, have the right balance of discretion and accountability to contribute to an effective welfare enhancing governance system at all levels of government.

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