What is meant by decentralisation and why is it so popular?

Some form of public sector decentralisation is nearly universal practice. Is there clear justification? What is known about how well it works? How can policymakers and practitioners try to better design and implement decentralisation so as to reap potential benefits and limit potential problems?

Decentralisation is usually understood as the assignment of public functions to subnational governments along with supporting structures, systems, and resources. It takes various forms – deconcentration (local units of central governments), devolution (elected local governments with autonomous powers), and delegation (a central function contracted to a local entity) – and has multiple dimensions (administrative, fiscal and political). A practical overview is provided by Boex and Yilmaz (2010).

Decentralisation, especially devolution, is valued for its posited potential to enhance public sector efficacy. Theory suggests that devolution increases citizens' influence over local officials, promotes productive competition among elected local governments, and reduces corruption through greater transparency and accountability relative to more centralised systems. At the same time, decentralisation could generate negative effects if non-democratic local political dynamics undermine accountability, or if local governments have inadequate capacity or face weak incentives to act as theory predicts.

Decentralisation is pursued for multiple reasons, which will be reflected in how much local entities are empowered and should figure in how they are judged. If service delivery is the key goal, for example, then policies may be designed accordingly and it is reasonable to expect results. If other goals – e.g. state preservation or political credibility – are prioritised, then service delivery may (at least initially) receive less attention. Eaton and Connerley (2010) summarise key motivations and their implications for reform.
How well has decentralisation worked in practice?

Although decentralisation is widespread, experience is mixed, and systematic practical knowledge of how it works is rather modest. Research has been extensive but fragmented. Some work assesses processes – the mechanics of reforms and the extent to which they were adopted as framed. A large literature focuses on outcomes, e.g. service delivery (efficiency, effectiveness, equity, etc.), quality of life and livelihoods, and governance (participation, inclusion, transparency, accountability, conflict resolution, etc.). Still other analysts consider factors underlying decentralisation and its performance, including socio-economic context, institutional design, political economy dynamics and capacity. A DFID report (Local Development International 2013) provides a broad overview and critique of the empirical literature. Other reviews are framed more around specific goals or aspects of decentralisation. Some illustrative literature on a range of related topics is provided in Rao, Scott and Alam (2014).

The evidence on most fronts is inconclusive. Many expected decentralisation relationships can be valid, but outcomes vary. Results seem to depend on political, institutional and socio-economic context and how reform is approached, but in rather idiosyncratic ways. Critical relationships underlying how decentralisation works remain inadequately explored. Those interested in deeper analysis should not only review overview papers but also explore dedicated literature on their specific interests.

Why has decentralisation been so challenging in practice and what do we (think we) know about making it work more effectively?

The basic arguments for decentralisation and how to approach it seem logical and appealing, but making it work on the ground has often been challenging. A number of factors help to explain this.

1. **Decentralisation is heterogeneous in institutional and functional terms.**

Intergovernmental systems are structurally diverse in ways that reflect historical forces with durable influence. Multiple levels may be empowered (often differentially), and their interrelationships shape outcomes. Nongovernmental actors are also commonly involved in ‘public’ functions. Thus,
local government performance must be understood in terms of the larger institutional framework and formal and informal relations among key actors. Equally important, decentralisation elements that must work together are often treated separately by diverse agencies promoting disjointed fiscal, administrative or political reforms. But local government councillors and staff cannot respond to citizens’ needs if they lack fiscal resources, and strong fiscal powers cannot compensate for weak management and accountability.

2. Political economy factors shape and dominate other concerns.
National and local political and bureaucratic dynamics can support or undermine decentralisation. National agencies may neglect decentralisation-related obligations to retain power, and divergent incentives and goals can result in inconsistent actions and policy incoherence. A local government ministry, for example, may act to empower local governments, while a finance or sector ministry may adopt policies with opposite effects. International donors in aid-dependent countries often reinforce such dynamics. At the local level, effects of even robust national policy depend on political power—conducive conditions can yield benefits, but elite capture, corruption or patronage can also emerge.

3. Capacity constraints are consequential but diverse and uneven.
Capacity issues are known to constrain both central and local levels. Yet, capacity building often targets technical/managerial staff and the mechanics of new systems, with less attention to governance interactions among government levels and local actors who must work together. Capacity building is also dominated by classroom training that may not prepare recipients for using new skills on the ground.

4. There is often much more emphasis on design than on implementation.
Decentralisation reforms are often demanding, given the substantial operational and behavioural changes required. Thus, the sequence and pace of reforms is critical. Yet even if tempered by context and political economy concerns, the focus of many reforms remains on design. Much less attention is paid to implementation—how and over what period the new system can be feasibly rolled out.

5. What do these challenges suggest about approaching decentralisation?
These challenges provide a basis for considering how to develop/support decentralisation more productively.

- First, contextual analysis merits deeper and more pragmatic focus to understand local government in the larger arena of actors, roles and relationships.
- Second, reducing fragmentation is key. Not everything can be done at once, but some elements of reform should be adequately integrated to succeed.
- Third, political economy considerations that both emerge from and influence the reform landscape could be more robustly incorporated into decentralisation analysis and policy.
- Finally, it is crucial to rectify the disparity between design and implementation, including how capacity is developed.

These challenges are recognised in much of the decentralisation literature, including the above references, but often selectively or superficially. Eaton, Kaiser and Smoke (2011) provide a somewhat more holistic and pragmatic treatment. There is, however, no comprehensive magic

What are some of the prominent emerging trends in decentralisation reform?

1. What role can decentralisation play in post-conflict and fragile states?

Proponents of decentralisation in post-conflict settings argue that it can contribute to a reduction of conflict and promote state-building by increasing opportunities for participation and inclusion and opening avenues for self-governance. The counter-argument is that decentralisation might aggravate conflict by reinforcing regional inequities. The limited treatment and evidence available, including the overview provided in Brinkerhoff (2011), suggests that both scenarios are possible.


2. What role can local governments play in local economic development?

This is not an entirely new topic, but earlier work primarily focused on how decentralisation affects growth. Emerging thinking takes a broader territorial perspective on empowering autonomous local governments with a general mandate to provide for the overall welfare of their constituencies. This is in contrast to the orthodox framing of decentralisation as central assignment of specific roles and functions to local governments. There is limited work on this topic, and determining how local governments can affect development more broadly is analytically challenging. Commonwealth Local Government Forum (2013) surveys evolving thinking with examples from emergent practice.


Discussion questions for your decentralisation context

- How is decentralisation being defined in the country you are working on? Is it devolution, deconcentration or some mix? Are certain levels more or differently empowered than others? How substantially are local governments empowered in their functions, resources and general autonomy? What is the state of local governance and accountability?

- How has the political economy shaped decentralisation in this context? What national and local political and bureaucratic dynamics (actors/factors) have influenced the current decentralisation and local government policy framework and/or the implementation process? How are these reflected in the architecture and progress of reforms?

- In what ways are the ongoing or proposed decentralisation reforms connected to broader processes of public sector reform (e.g. public financial management, civil service reform, sectoral service delivery initiatives)? Is decentralisation viewed as part of, or separate from, broader PSR? What can be done to reduce the potential fragmentation of decentralisation...
into separate elements (administrative, fiscal, political) and lack of connection to other PSR reforms?

- How coordinated or otherwise are the actions of donors engaged in decentralisation and local governance support? Is support to certain decentralisation processes (e.g. fiscal decentralisation) supporting or hindering other elements (e.g. administrative decentralisation)? More generally, are other public sector reforms supporting or limiting decentralisation?

- To what extent has the decentralisation policy framework been implemented as outlined? What constraints (e.g. capacity, political economy, resourcing) have hindered implementation? What are potentially feasible and productive next steps to make progress in improving the performance of decentralisation? How could these steps be further built on in the future, and how could they be sequenced to enhance sustainability?