

**FIFTH GLOBAL FORUM ON REINVENTING GOVERNMENT
MEXICO CITY,
November 3-7, 2003**

Decentralization and Poverty Reduction : Does it Work?

**This Paper Has Been Submitted to the Workshop on:
Linking Decentralized Governance and Human Development
(UNDP, UNCDF, WBI and UN-DESA)**

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Fifth Global Forum on Reinventing Government
(Interactive Workshop :Decentralised Governance)

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“Today, however, many countries – particularly in the developing world – are struggling to consolidate democracies born out of popular revolutions that reflect the will of the people, but in very poor and sometimes ethnically divided countries where the preconditions of the older democracies do not prevail.”

Shabbir Cheema and Linda Maguire (4th Global Forum, 2002)

1. Decentralisation – First View and Initial Questions

In a forum, such as this, one is permitted, or indeed encouraged, to ask questions for stimulating dialogue. For example, what is decentralisation and how exactly does it fit into the sphere of good governance ? Further, if there are well known prerequisites for good governance, are there equally prerequisites for decentralisation? If decentralisation is embraced so clearly both by national governments, and donors, why is progress, especially in Africa, limping and fragile? Finally, and more crucially, does decentralisation affect poverty reduction, and if this is the case what more can be done to shore up decentralisation in developing countries? It would seem to us that progress in answering these questions would not only help to bring clarity to the role of decentralisation, within the sphere of governance, but would enable us to see where the links are between decentralisation and poverty reduction – a core element in the

Millennium Development Goals, MDGs. Hence, as this is work in progress, it is based largely on field experience, on secondary sources, and on the discussions and findings from two recent workshops on the theme that UN-DESA was involved, than on systematic academic researchⁱⁱ.

One may begin with the simplest proposition that decentralisation is about the ceding or transfer of power from central government to sub-national entities, e.g. regional and local authorities, which have some spatial or geographical jurisdiction. Yet, one soon learns that there are shades of decentralisation, with different components, including devolution, deconcentration and delegation of power, and that the process is firmly embedded in the history and culture of a country. For example, decentralisation preceded good governance, in the sense that during colonial periods both the British and French administrations had elements of decentralisation (the first through the districts and urban municipalities, and the second through the prefectorial system) but this was neither participatory, democratic, or inclusive, which is part and parcel of good governance.

The prerequisites for good governance, which are key to poverty reduction, are well known and extensively discussed in the proceedings of the previous, 4th Global, Forum on Re-Inventing Government, held in Marrakech, December, 2002ⁱⁱⁱ. Historically, countries in the West that made the transition to democracy, enjoyed relative economic prosperity, a diversified social structure, including an expanding middle class, and a national culture with a certain tolerance for diversity (at least on the home ground). Then all the attributes of good governance, including, participation, the rule of law, transparency, responsiveness, accountability and inclusion were slowly nurtured or flowed from it. But should not, similar, prerequisites for effective Decentralisation also be agreed? Is the level of democratic practice, and of good governance, at the national level a prerequisite for effective power-sharing, and power competition, at the sub-national level? Is there any limit of fiscal independence, and raising of revenue, below which decentralisation is not a viable proposition? In particular, can one envisage effective decentralisation where the central government, together with the donor institutions, account for up to eighty percent of the local or sub-national budgets – as in

sub-Saharan Africa? In practical terms, should not the focus of the efforts of the international partners be, on capacity building, that is support raising the skills and know how of civil servants and other functionaries of the sub-national entities, to ensure that decentralisation has a chance to thrive? If this is the case, then capacity building is a prerequisite, alongside other possible candidates, such as fiscal buoyancy and revenue raising, and within an overall environment of good governance emanating from the centre.

Finally, one of the most thorny questions is how decentralisation is inter-linked or positively affects, poverty reduction? There are precious few empirical examples, or studies, available on how decentralisation has a favourable impact on poverty reduction^{iv}. This, on the face of it, is rather ironic for despite the close embrace by “friend and foe”, alike, regarding the benefits of decentralisation, the evidence in support, especially for sub-Saharan Africa, is not commensurate to the rhetoric. When the case is not as convincing in favour of what is described as decentralisation, then qualifications and explanations abound. Its proponents argued that what was measured was not “true decentralisation” that is why the benefits were not adequately captured. Therefore, the argument goes, the beneficial impact on poverty was not captured, and what was purported to be studied was not real decentralisation but its anaemic form. However, the uncomfortable fact is that even where decentralisation is enshrined in the constitution of the country, which is the case for many countries in Africa, and devolution is prescribed the outcome is not incontestable – it may or it may not turn out positive for poverty reduction^v. There are two well known reasons for this. First, the weak implementation capacities of administrations, which either intentionally or by default, leave matters on the statute book or no further. Second, a compromised or corrupt centre is unlikely to support genuine devolution^{vi}. Hence, the irony is that the vices of the centre, including political patronage and cronyism, are transmitted or inherited by the local government structures. Then the system regenerates itself whereby local political elites capture and use local councils as means to further primarily their own interests. Thus, devolution is no panacea if it does not bring about empowerment, participation and inclusion by the governed – which in most Africa countries means largely the rural poor.

2. Background to the Sample of Countries at the Two Workshops

“It is Essential that African leaders follow up on the commitments they have made to the people of Africa, and genuinely improve governance and transparency in all sectors.”

Kofi Annan, Implementation of the UN Millennium Declaration, 2002.

In this section, we summarise the background to the group of countries that participated at the Dakar (Senegal), July, and Nairobi (Kenya), August, 2003, Workshops on issues relating to decentralisation^{vii}. This provides the economic and political context within which decentralisation and the objectives of the Millennium Development Goals, MDGs, especially poverty reduction, are pursued.

The proliferation of formal democracies, if not democratic values, in the late Twentieth Century also spread to sub-Saharan Africa. Overall, Freedom House reports that about 65 percent of the world’s population lives free or in partly free states that afford their citizens some degree of basic rights. The same survey also shows that of the world’s 192 countries, 121 or 63 percent were electoral democracies. This is a sharp change from 1987 when only 66 out of the 167 countries, or 40 percent, were in this category^{viii}. A similar trend, that is advancement to democracy, can be observed for the 15 or so countries of the Economic Community of West African States, ECOWAS, which effectively constitutes the West Africa region. Notably, progress could be claimed on behalf of Nigeria, the most populous nation in Africa, which returned to civilian rule at the turn of the present century, and of Ghana and Senegal that have had a peaceful transfer of power after a long period of rule by the same political party. Indeed, for the ten countries invited to the Workshop (though none could be characterised formally as a dictatorship) different shades of transparency, legitimacy, accountability and central control characterised the countries participating - as indeed other countries in West Africa. For example, delegates from Liberia were unable to attend because of the prevailing civil war while the delegates from Nigeria were again absent because of a general strike. In addition, Sierra Leone was represented though the democratic process is

still fragile after the prolonged insurgency, while Burkina Faso, The Gambia and Guinea, again participants at the workshop and members of ECOWAS, have had recent periods of military rule and where currently the military is still of considerable importance.

Hence, though the political process, and institutions, in West Africa may be moving, albeit in a limping sort of way, towards greater openness and national elections that can be contested, both the process and the outcomes are still fragile and early days for one to feel comfortable with the concept of democracy and prerequisites of good governance to be readily applied. There is little doubt, however, about the stage of development and the level of poverty for West Africa, in general, and for the ten countries invited to the workshop. All countries participating at the workshop are classified as Low Income Countries, and with the exception of Ghana the rest are also ranked among the low human development group in the Human Development Index, HDI, of UNDP. In that respect, the West African region is not only income poor but also HDI deficient. It is well known that sub-Saharan Africa despite sporadic progress is lagging far behind in its attempts to reach the Millennium Development Goals^{ix}. The overall rate of extreme poverty has hardly budged between 1990 and 2000, at around 46 percent. At present there are sporadic set backs, and it is unlikely, on prevailing trends, that poverty reduction in sub-Saharan Africa will come any where near to the MDG's avowed goal - namely halving extreme poverty by 2015. In some respect, the picture for West Africa is even more disturbing and especially for the countries that were invited to the UN-DESA workshop in Senegal, July 2003, on Decentralisation and Poverty Reduction. From the available evidence, the proportion of the population below the US \$ 1 Dollar a day poverty line is, 70 percent for Nigeria, 61 percent for Niger and Burkina Faso, and over 50 percent for The Gambia and Sierra Leone^x.

Similar movement towards openness and formal parliamentary elections could be observed in the other African countries, mostly from the East, participating in the Nairobi Workshop, August, 2003, on Capacity Development in Local Governance : Africa-Asia Cooperation. Four of the six African countries, that is Kenya, Tanzania, Uganda, and Ghana that were the focus of the workshop in Nairobi, August 28 and 29, 2003, were

former British Colonies. All gained independence in the 1960s and they inherited a system that had elements of decentralisation, through the District and Urban administrations, though they were otherwise centralised. This centralisation gained ascendancy subsequent to independence under the guise of development through the active participation of the State. By comparison both Ethiopia and Namibia are unique in that Ethiopia was not colonised, in fact it was one of the founding members of the United Nations, and Namibia was run (until its liberation in the early 1990s) by the then apartheid regime of South Africa. It is only recently, within the last decade, that efforts at decentralisation have been initiated in all six countries, and with the exception of Kenya, all the rest have decentralisation principles enshrined in their constitution. In two of these cases, Ethiopia and Uganda, decentralisation was pursued as a way of promoting national unity and in part resolving ethnic issues – this is primarily a politically driven process with fiscal decentralisation lagging far behind.

How do the individual countries compare in terms of Human Development Indices ?

- Three of the countries, Ethiopia, Tanzania and Uganda belong to the Low Human Development Group and the other three, Ghana, Kenya and Namibia, to the Medium Human Development Group.
- With the sole exception of Uganda, the growth rate performance, GDP per capita, for East Africa during the 1990s was poor. Again with the possible exception of Uganda, none of these nations are on track to have a meaningful impact on the MDG poverty targets.
- Consistently all the four countries in the East Africa sample, Ethiopia, Kenya, Tanzania and Uganda have Gini coefficients that are lower, that is more egalitarian, than the Countries of West Africa. The most unequal society, in terms of the Gini coefficient, appears Kenya with 0.45, and the least Tanzania and Uganda with about 0.38. By comparison, most of the countries in the West African sample had Gini coefficients above 0.50, and in the case of Sierra Leone 0.63^{xi}.

- In terms of governance, recent political changes in Kenya were welcome as an indictment of the previous regime that was marred by fraud and corruption. Yet countries in the region, namely Ethiopia and Uganda are still in part governed by the same parties or movements that overthrew the previous regimes 11 and 18 years ago, respectively.

3. Decentralisation : Form, Content and Constraints

“When we were in the military regime, we didn’t get anything from government but we had peace. Now we are in a democracy, we don’t get anything from the government , and we don’t have peace”

A tailor in Nigeria quoted in the HDR, UNDP, 2002, on Deepening Democracy

Form of Decentralisation

Definitions, and clarifications, of Decentralisation abound, yet none seem to be able to get away from elaborating or adjusting the concept to fit the time and place of the description. Indeed, some observers of the process seemed to have abandoned the search for an all encompassing definition, or a uniform notion, of decentralisation and have declared that decentralisation is not one thing; not even a series of degrees along a spectrum or scale. For comprehensibility and utility in policy circles, the overarching abstraction “decentralisation” must be split into a host of separate, occasionally conflicting entities (Cohen et al, 1981, cited by Osmani 2000)^{xii}. But if Decentralisation as a concept may mean different things to different analysts, what are the elements or constituents of the process labelled decentralisation? There is a large measure of agreement that decentralisation can take various forms whose typical attributes can be described as devolution, deconcentration, delegation and transfer/privatisation/partnership^{xiii}.

Devolution, is perhaps the strongest form of decentralisation as it implies transfer of power, resources and administrative responsibility from central government to sub-

national, including regional and local, authorities. Hence, devolution implies ceding of power, and resources, and not keeping indirect control of these by the expediency of maintaining control buy only “one removed”.

Deconcentration has a more spatial connotation in that it implies a shifting of functions and resources, including personnel, by central government from the metropolis to other locations. The interesting aspect of deconcentration is that often decisions can be made on the spot, under the principle of subsidiarity, without reference to Headquarters but ultimately authority is retained by the centre. By subsidiarity, it is meant that functions must be assigned to the lowest level of authority at which they can be effectively executed. Hence, there are benefits to be had under deconcentration, both in terms of the subsidiarity principle and creating employment in less prosperous and low cost regions without ceding central control.

Delegation is the transfer of functions and duties to semi-autonomous bodies or public enterprises, usually without specifying the period of the transfer, for the purpose of bypassing the central bureaucracy and avoiding the day to day controls in running the new enterprise. Again in delegation ultimate authority is vested in the centre and the board or the executive of the agency, with the delegated powers, do have to answer to the Minister or to a political appointee by the centre. The objective of transfer by **partnership or privatisation** relatively a new phenomenon and often is to get government out of a sticky wicket by sharing a task though the mobilisation of civil society organisations, CSOs, or the private sector where government itself has not the expertise or has not made a good job of the task that it ultimately shared. It is often observed that in Africa and Asia there is more likelihood to focus on deconcentration and delegation of functions and powers while devolution, which is the more robust form of decentralisation, is impeded for various reasons. This is in line with the general findings of the two workshop, namely on : Decentralisation and Poverty Reduction, Senegal, July, 2003, and the United Nations Centre for Regional Development, UNCRD, DESA supported workshop on Capacity Development in Local Governance :Africa Asia Cooperation, Nairobi, August, 2003^{xiv} .

Content and Constraints of Decentralisation

The weight of the factors alluded as constraints for the incomplete process of decentralisation may vary from country to country and from one period to another. Yet, there is tremendous constancy in the litany of the perceived constraints regarding decentralisation, and as such these should not be neglected or overlooked. These include:

- The political and institutional inheritance of the country from the colonial period. Here decolonisation proceeded roughly parallel between Anglophone and Francophone Africa, namely during the 1960s and early 1970s, yet the structures, functions and administrative processes, in the French speaking colonies, were regarded as more centralistic than the ones left behind by the British;
- Capacity deficits both in institutions, skilled personnel, are said to constrain the actual implementation of decentralisation policies even when these reach the statute book;
- A mismatch between the vertical plane of decentralisation which involves transfer of power from the centre to sub-national structures and the horizontal plane which involves empowerment of grass root communities to decide and to plan, manage and implement specific programmes^{xv};
- An inability to make the transition to a people-centred governance, with its commensurate implications for participation and empowerment, even where the legislative authorities have decreed an enhanced space for decentralised decision making;
- Arising from the above is to question how far decentralisation, be it political, fiscal or administrative, can be planted and nurtured if the institutions and political process responsible, including the individuals and political parties in power, is itself compromised and flawed?
- The absence or ill working of accountability and transparency from the centre to the periphery and vice versa again constraints the cause of decentralisation irrespective its weight in the equation. Traditionally, such accountability was conceived in terms from below, that is from sub-national authorities, to above,

that is to central government. Increasingly, the demand by CBOs is that accountability must also operate in the reverse direction, that is downwardly, that is from the sub-national authorities to the communities and to civil society.

Both during the Senegal and the Nairobi Workshop, and through the discussions and country papers submitted, it is clear that process of decentralisation is very uneven not only from the side of those in power, which we expected, but also from the side of those who are pushing for the process. That is, it is not merely the problem of too little decentralisation too late or inadequate funding and capacity scarcities by Government to push and encourage the process. Civil society, and its representative organisations are numerous but fragmented – cooperation among them is woefully little and there is no common social agenda. It is much more of the case that civil organisations, CBOs and NGOs, spring up to deal with exigent issues, and in West Africa given the incidence of civil strife and ethnic conflict there has been plenty of reasons to occupy civil society organisations as well as the foreign media. However, it is interesting that unlike Asia there is no concerted effort of collaboration of NGOs across national borders or even strong evidence of systematic and long term cooperation. And the kind of issues that Asian civil society organisations excel, including in poverty reduction, mobilisation of domestic savings and squatters' rights, are singularly weak throughout Africa.

It is not that these problems are not as acute or that the leaders of civil society are unaware of their existence or their own limitations in fighting them in a fragmented way. It is rather that the exigent, such as crises including civil strife, has prevented civil organisations in developing a more measured strategy for the medium and long term and equally well that international partners somewhat have neglected the capacity building, and facilitating function, in favour an approach that stresses action and results for the present. It is therefore not surprising, that other things being equal, including level of development and form of government Asia appears streets ahead in mobilising civil society, including domestic resources, while anyone studying the Africa predicament sees only challenges and outstanding problems.

For economists, or political economy analysts, there is a simple way, and typology, of grouping the various concerns – namely, the supply and demand sides, and the enabling environment. On the supply side, the concept of subsidiarity which requires finding the right level of authority for the execution of tasks, implies that sufficient decentralisation, under its different forms, must take place to ensure that local issues are dealt with at the local level, regional at the regional, and so forth^{xvi}. This may beg the question as to what exactly is a local issue, or concern, but there are sufficient examples of local issues to enable decisions to be made. Equally well, and on the supply side it may make sense to deconcentrate as a means of creating employment outside the centre and also availing of cheaper services and cost of living, especially housing, presumably available at the provinces and communities. The supply side, that is location of services and allocation of powers away from the centre, also facilitates transparency in that the physical presence of government departments or public services in the region demystifies and makes them more approachable. A problem on the supply side is that economies of scale may not be reaped for some services if produced and provided solely at the local level – but even this may be overcome where services can be bundled and communities arranged in a manner to benefit from lower costs for services provided at a scale sufficient to reap efficiency gains and economies of larger supplies. The other unresolved problem on the supply side is that of finding the skilled personnel to work at the sub-national levels and to build the necessary capacities both at the centre, for supervision, and at the local level for planning, management and execution.

The demand side, that is where the need emerges for the introduction of decentralization, arises out of the principle of civic participation, consumer sovereignty, and that communities have a right to be consulted and taken into account over matters that affect their daily lives. These demand-side issues revolve around concerns of accountability and using the leverage of CBOs and NGOs to pressurise local officials and to question prevailing procedures and legislation (including by-laws drafted by districts or councils). However, it may be seen that this is an incomplete or lopsided process for participation does not ipso facto leads to empowerment, and to be consulted does not mean that one's voice had any weight in the decisions taken.

This is where the enabling environment, and its concurrent processes, is a prerequisite to enable the demand and supply aspects of decentralisation to function effectively, and where, we feel, decentralisation can be a powerful tool for social objectives, such as poverty alleviation and social inclusion, rather than an abstract and contested concept. As Ribot, 2002, has pointed out in the case of Africa if the participation and accountability are to be more than temporary components of interventions and projects, if it is to be generalised across space and time, then they must be institutionalised^{xvii}.

One form of this institutionalisation is local democracy is the development of “engaged governance”. Engaged Governance is both a process and a form that attempts to link social capital into the development management processes of a country. This form of management goes beyond the realm of public administration and other formal institutions and links itself to civil society organisations to help mainstream citizens’ or community inputs into the process of policy formulation. Though “engaged governance” is an emerging concept, both as a process as well as a form, there are a number of countries, and regions that have gathered useful experience in the subject. For example, in South Africa citizens’ groups actively participate in budgeting and fiscal policy processes. Similarly, in South Asia, the South Asian Centre for Policy Studies, SACEPS, a regional network of civil society organisations, is developing citizens’ charter for policy reform. In Australia, the State government of Queensland has established an Engaged Government Unit within the Premier’s Department to ensure community’s inputs into policy deliberations, to ensure social justice, equity and relevancy of the public sector. Hence, though a relatively new articulation of a concept, “engaged governance”, with its focus of facilitating new forms of collaboration between citizens’ groups and the public sector, and linking social capital to the development process is emerging as something integral to an effective decentralisation process^{xviii}.

The enabling environment for effective decentralisation extends beyond the immediate communities and entities affected by it. It presuppose that the political process, or those in power, that can make decisions in favour of decentralisation abide by the rules of the

game and do not attempt to subvert the process at birth. It also means that empowerment is about listening to awkward questions or to outstanding problems, and doing something about it, and not paying lip service to communities and to villages because now their votes count – or must be bought. It is something that DESA has been working with, more extensively in Asia but its applicability in Africa is equally valid under what current practitioners, and international partners, call the need for deepening the democratic process^{xix}. Below we offer two cases, one from Asia and one from Africa, related to engaged governance and the kind of possibilities that may exist as examples of good practices.

BOX 1 : Engaged Governance : Examples

DESA supported the South Asia Centre for Policy Studies (SACEPS) – a civil society network in South Asia – in drafting and implementing the South Asian Citizens’ Social Charter. SACEPS is a major civil society association that promotes regional cooperation among its members to link up the governments with citizens’ perspectives on key policy matters. DESA’s Support is expected to strengthen the dialoguing process between citizens and governments and help introduce the concept of “engaged governance” as a regular methodology in development management.

DESA has recently, 2003, secured finance from the UN Human Security Trust Fund, HSTF, donated by Japan, to implement a project in The Gambia that focuses on water resources and alternative energy supplies for poverty alleviation. The project, initially for a three year period, aims to partner selected rural communities, and their organisations including CBOs, with government agencies and UN supported expertise to improve the water and energy supplies in primarily poorer rural areas. A strength of the project is that it relies considerably on the social capital found in rural communities, and that it combines both commercial and non-commercial activities whose content and combination will be based on community choice and responsibility.

Source : The Role of Public Administration in the implementation of the Millennium Development Goals, (A/58/52), 2003, and UN-DESA

Hence, even within sub-Saharan Africa progress is by no means uniformly low, and the initiatives taken by no means as utterly predictable as the cynics would have us believe. Indeed, both Francophone and Anglophone Africa, Senegal and Ghana respectively, have

notable innovative initiatives with decentralisation, and South Africa can compare its efforts to that of any other country. The World Bank has recently attempted to set up a framework for measuring decentralisation with a sample of some 30 African countries and the results are both in line with prior expectations, for example the slowness of fiscal decentralisation, and counter intuitive, where accountability seems to be deeper vis a vis communities rather than in terms of supervision by government of the decentralised entities^{xx}.

BOX 2: Decentralization in Africa: A Stocktaking Survey

The paper by the World Bank provides an overview of the decentralisation process in Africa based on the assessments of World Bank specialists. Three indices of decentralisation, that is political, administrative and fiscal, were measured. The overall findings are that the decentralisation process is progressing unevenly and in need of deepening. The least decentralisation is occurring in Francophone countries. The Political component of decentralisation, as measured by the authors of the World Bank, was the most advanced, followed by Administrative decentralisation with the Fiscal component lagging the other two.

Further, two forms of accountability were empirically measured. Downward accountability, defined as the ability of citizens to hold the local authority to account, and Upward accountability as the degree to which local government performance is supervised by central government. When the two measures of accountability were compared downward accountability seems to be ahead of upward accountability. This is surprising, for on the one hand it implies that communities, and their representative organisations, are little by little asserting their power, while the other hand central state is still needs to develop the required capacities for supervision even where power has been ceded.

World Bank, Africa Region Working Paper, 40, November, 2002^{xxi}

4. Decentralisation and Poverty Alleviation

“At core little will be achieved, unless there is a genuine transition from an administrative and organizational dimension to an institutional and participatory one in the decentralisation process” Anonymous

Increasingly good governance is emerging as a key focal area, both in its own right, and as a means for securing the Millennium Development Goals, and especially poverty reduction. Transparency, accountability, human rights, the rule of law, and containment or elimination of corruption, are not only safeguards against possible excesses, including those by government, but more positively encourage both civil society and the private sector to invest and commit themselves to a country and its localities. At the international level it is not only the documentation and initiatives taken in light of the Millennium Declaration, and the MDGs, that give prominence to good governance and to the participation and empowerment of civil society and of communities. Subsequent to the Millennium Declaration, the Conference for Financing Development, Monterey, 2003, underscored the importance of governance not only from the national perspective but also as a way of encouraging Foreign Direct Investment, FDI, and Official Development Assistance, ODA. In the case of Africa both domestic mobilisation of savings, which typically is less than 10 percent of GDP, and FDI which is less than 5 percent of the total flows of FDI. The New Partnership for African Development, NEPAD, has placed these dimensions of good governance, including civil society empowerment and decentralisation, high on its agenda. Finally, in terms of international initiatives, the Poverty Reduction Strategy Papers, PRSPs, which have been in effect since 1999, and constitute the main element of the Bretton Woods institutional support to least developed countries, have governance as a key consideration.

Perhaps one takes decentralisation too much for granted, or self-evidently correct, to articulate why and how decentralisation supports poverty reduction. There are three arguments that are usually canvassed in its favour :

- First, that if through decentralisation there is a greater measure of accountability and responsiveness then costs of malfeasance, corruption and for doing business, whether public or private, are reduced. Hence, transaction costs are assumed to be lower under a decentralised system;

- Second, mobilisation of communities, and strengthening of social capital, has a better chance of being initiated and sustained under a decentralised system. Hence, socio-economic tools such as the sustainable livelihoods approach, canvassed both by parts of the UN system and by some bilateral donors, presuppose or encourage decentralisation as a means of gaining their objectives;
- Third, it is more difficult to sweep things under the carpet, when projects or initiatives go off-track or awry, when communities participate and are involved. This is not purely loss containment, but the very act of having empowered communities to act as moderators and participants in the process, elevates standards of conduct towards the community, for they become the direct clients as well as the controllers of the service, and the providers pay more attention to local circumstances and needs.

Having said all this in favour of good governance and decentralisation, and its connection to poverty reduction, why is it not more closely embraced or more frequently found together? There has been considerable intermittent debate on this topic which is summarised, among others, by Professor Adam Przeworski in a paper presented at the last, the 4th Global Forum in Morocco, 2002^{xxii}. His overall conclusion was that at the macro level political regimes do not impact on the rate of growth of total income. And as a small concession towards democracy, as opposed to dictatorships, it was found that on a per capital basis democracies had a better record, that is higher growth of per capita income, than dictatorships. As professor Przeworski notes at least the argument of the superiority of dictatorships in mobilising savings and investment canvassed in the 1960s and 1970s have no support in evidence. A small consolation, but perhaps an important one if the world can be divided into democracies and dictatorships and the choice to be made is on savings and investment performance.

Part of the answer may be that poor countries, unaided, find decentralisation an expensive process, to institute and sustain, which in turn may mean that getting out of poverty becomes a harder task. Thus, there is both a virtuous and vicious cycle at work. Getting out of poverty makes it easier to decentralise, which is accord with the general

observation that developed countries are more decentralised than poor ones, and equally well falling deeper into poverty makes it more difficult to decentralise or the decentralisation process is aborted (examples of Liberia, Sierra Leone and other countries in crisis come to mind). Another point of controversy that arose out of the findings of the Kumssa, Oyugi and Edralin background paper to the Nairobi Workshop, August 2003, was that in the case of Asia states with reputed good governance, including Republic of Korea, Malaysia and Singapore, did not necessarily pursue strong decentralisation^{xxiii}. Hence, the authors argued, there is no correlation between the quality of governance and administrative decentralisation or deconcentration, as well as political decentralisation or devolution. If this is the case then one needs to rethink either the premise of the argument that is how to define good governance, or else accept the implication that decentralisation can coexist with both poor and good governance systems.

One can readily bypass the thorny issues of the connection between political regimes and economic performance but simply stating that democracy, as the core component of good governance, is an end in itself and need not fear any pressure when juxtaposed with economic performance. This is a perfectly legitimate case to make, and a position that is held strongly by most of the international institutions including the United Nations system^{xxiv}. However, the issue goes deeper than this. The expectation is that in a true democracy participation and empowerment will not let a minority run off with the country's wealth, the famous "family silver" of Mr Harold McMillan, and inequalities would be lower than they would be otherwise. Since, the impact of economic growth on poverty depends crucially on the level, and trend of inequality, any leverage by the poor over the latter will help them get out of destitution faster. Hence, democracy if rightly defined and practiced, and which includes both empowerment and participation, is unlikely to let the processes of inequality go unchecked. This ties in with the observation made by Amartya Sen that despite changes in the fortunes of economic growth no democratic country has experienced mass hunger even at moments of a deep crisis^{xxv}.

This is not the whole explanation, however, for even where countries are clearly in favour of decentralisation, e.g., Ethiopia and Ghana, the process of achieving poverty reduction is not so smooth^{xxvi}. Falling prices, of the main exports and of cash crops, may mediate to undermine efforts aimed at poverty reduction, and even other requisites for pro-poor growth may not be present^{xxvii}. UN-DESA and UNDP are very conscious that there is a number of concurrent initiatives, and entry points, that are required to reduce poverty and specific projects at the regional level are currently being prepared to address this issue^{xxviii}. The box below is an example of UN system cooperation in pro-poor policies that can benefit from improved governance, and sharper acceleration of decentralisation.

BOX 3 : Regional Policies for Poverty Reduction

This preparatory assistance project, undertaken jointly by UN-DESA and UNDP, supports the formulation of a project on Economic Policy for Poverty Reduction in sub-Saharan Africa. The main purpose of the preparatory assistance is twofold. First, to identify entry points for stakeholders who can then support national governments in their struggle against poverty. Second, to identify national institutions engaged in policy analysis that can work with the United Nations system as partners in implementing projects.

Traditionally, economic policies are concerned primarily with ensuring stable and balanced macroeconomic conditions, with growth and poverty seen as derived outcomes. Within the context of human development strategy, public policies, and by extension, macroeconomic policies, are direct instruments for increasing private and public/social resources and the mode for allocating them. This implies placing emphasis on economic opportunities for the poor, their access to basic services, productive assets, and employment and livelihood sources that enable them to have decent living standards and wider choices. Clearly, such policies are likely to succeed, or find a better hearing, where the enabling environment comprises both political commitment and democratic governance, including decentralisation.

Source : SPPD Project RAF/02/010 – Economic Policies and Poverty Reduction.

And there the matters lie. Namely, that we are not sufficiently naïve to think that decentralisation is a panacea. On the contrary, we have stressed both in this paper, and in the recent workshops carried out by DESA, that a number of preconditions, including participation, empowerment, and capacity building must be satisfied to ensure that

decentralisation initiatives undertaken currently in both Asia and Africa have a fair chance of succeeding. Indeed, the very questioning title is to dispel any complacency on the results to-date, or on the finality of the challenges and solutions offered. We are, however, sufficiently optimistic to hope that in the fight to conquer poverty and deprivation, good governance and democracy, as well as effective decentralisation, are no longer the prerogative of the few but the aspirations, and rightful demand, of the many.

5. Conclusions and Challenges

- **Attention of Decentralisation to-date more focused on form rather than on content and process.** Meaning, ensuring the legal and administrative requirements are in place and more often than not providing these as part of the constitution. A better balance is required with more attention paid to the process, including who benefits from decentralisation, how to ensure that the controlling interests at the centre are not replicated or subvert the decentralised structures and sufficient work is done with civil society to enable the communities to effectively participate and be empowered by the process. In no small way decentralisation initiatives from the centre is playing to the gallery, which includes the international donors, rather than addressing the demands emanating from the communities.
- **Decentralisation is increasingly embraced in Africa including by the Centre, yet the process is lopsided in favour of political manipulation.** It is often noted that decentralisation is embraced more on the political side, on occasion to extent the geographic reach of the political powers of the centre, or as a form of national building and averting ethnic tensions. Progress on the fiscal and capacity building front is not as visible or coherent. It is difficult to imagine substantial inroad into central government's power if the capacity to raise local finances or to share from a common pool of resources is weak. Central governments in Africa, together with the international partners, still decide the lion's share of expenditure, often more than 75 percent, the major projects and the major priorities of resource allocation even within provinces, districts or prefectures. Both Ethiopia and Uganda, in East Africa, and Ghana in West Africa have tried more purposefully to develop systems that deliver a fiscal uplift to the provinces, districts and regions – but even here the process is confined because of constraints of overall fiscal buoyancy (that is the share of government revenue to GDP is relatively small), and inadequate capacities of enforcement.
- **There is little evidence to-date that decentralisation has made a considerable impact on poverty reduction** – even though it is often, and rightly, offered as a prerequisite. In this area we need more consistent analysis and case studies, such as the programme followed by UNDP, to enable to build better practices and learn why if the good intention are there progress is not commensurate.
- **Good governance at the Centre is seen increasingly as very important for the kind of decentralisation inherited and for future prospects.** At worse, a corrupt and compromised centre is likely to meddle in the process of

decentralisation, by either getting its own supporters in place or putting barriers to its effective implementation. At best, even where a central government aspires to a more decentralised and devolved form of governance this is not a sufficient condition, for capacity and fiscal limitations are but two of the additional constraints that have to be met.

- **It is almost a mantra at all workshops dealing with decentralisation that capacities need to be strengthened to enable sub-national entities to function efficiently.** There is also sufficient evidence, for example at the Zones, Worada and Kebeles in Ethiopia, Districts Ghana or Divisions in The Gambia that for effective delivery of services it is worthwhile to upgrade the skills and capacities of these sub-national institutions and their personnel. However, little is heard about the need to beef up capacities for those that decentralisation intends to help, or for the NGOs and Cobs at the frontline of community involvement. It may smack of adding water on the flames if support is given to raising the capacities of those institutions or communities at the forefront of asking for more, or confronting central government. This could not be further from the truth for by raising capacities of the communities and of civil society institutions a true partnership can be developed with central authorities when an empowered, and confident civil society know their responsibilities in the process and to how to negotiate.

END NOTES

ⁱ The usual disclaimer applies. Namely, neither the organizers, nor the employing institutions, are responsible for the views expressed in this paper – these are the sole responsibility of the author.

ⁱⁱ The two workshops are : UN-DESA’s on “Poverty Alleviating through Decentralisation and Social Inclusion, Exchange of Experience with West Africa” Dakar, Senegal, 1-2 July, 2003, and the Workshop organised by UNCRD, Nairobi, on “Capacity Development in Local Governance : Africa-Asia Cooperation” with the collaboration of UN-DESA, UNDP and JICA. August 28-29, 2003. Main papers and proceedings from the two Workshops have been posted on the UNPAN website <http://www.unpan.org>.

ⁱⁱⁱ See, 4th Global Forum on Re-inventing Government, Background Papers, especially those by G. Shabbir Cheema and Linda Maguire, on Democracy, Governance and Development, and Robertson Work, The Role of Participation and Partnership in Decentralised Governance: Lessons from Nine Local Case Studies on Service Delivery to the Poor, New York, United Nations, 2002.

^{iv} On this see, Decentralisation and Local Government in Bolivia : An Overview from the Bottom Up, Jean-Paul Faguet, Working Paper, Development Studies Institute, London School of Economics, May 2003. UNDP is one of few international agencies with a coherent programme in this direction including the impact and lessons of decentralisation from case studies – on this see Robertson Work, The Role of Participation and Partnership in Decentralised Governance, op cit.

^v In a recent background paper prepared by Asfaw Kumssa, Walter Oyugi and Josefa Edralin on Capacity Development in Local Governance : Africa-Asia Cooperation, for a workshop in Nairobi, August, 2003, five of the six countries surveyed, including Ethiopia, Ghana, Namibia, Tanzania and Uganda, had devolution enshrined in the constitution – the only exception being Kenya.

^{vi} Apparently, this was the case with the previous regime in Kenya – which though formally in favour of devolution by its very nature as a highly compromised form of government it only managed to transfer its weaknesses further down – this is cited in the paper by A. Kumssa, W. Oyugi and J. Edralin, op cit.

^{vii} Further information on these two workshops and on the participants can be found on the UNPAN website, (<http://www.unpan.org>).

^{viii} Cited by Shabbir Cheema and Linda Maguire “ Democracy, Governance and Development: A Conceptual Framework”, 4th Global Forum on Reinventing Government, Background Papers, New York, United Nations, 2002.

^{ix} To this end see evidence provided in “Millennium Development Goals : Africa Promises and Progress”, Report by UNDP and UNICEF, June, 2002. The galling point about West Africa is not only that poverty levels are high, often in excess of 50 percent, and economic performance limping, of the order of 1 to 2 percent, annual GDP growth rate, per person, but that income distribution is skewed. For example, out of nineteen sub-Saharan countries presented in UNDP/UNICEF MDG document, seven West African countries, Table page 5, appear at the top of income inequality scales and only three in the bottom half. From the group of countries that attended the UN-DESA Senegal Workshop, July 2003, on Decentralisation and Poverty Reduction, only one, notably Ghana, had a relatively low skewed distribution of income while, five, including Nigeria, Niger, Senegal, Burkina Faso and The Gambia had relatively high rates of income inequality.

^x See The Human Development Report 2001, UNDP, pages 150 and 151. From the same table Ghana again comes out fairly well in terms of a relatively low inequality while figures for Liberia, which is suspected of severe inequalities, including income, were not available.

^{xi} The Gini coefficient measures the extent to which the distribution of income, or consumption, among households within a country differs. A value of “0” represents perfect equality, a value of “1” perfect inequality. All the estimates for the Gini coefficient for the African countries, in this paper, have been taken from various issues of the UNDP Human Development Report.

^{xii} This reference of the Cohen et al’s work is taken from S.R. Osmani Building Institutions for Poverty Reduction, IFAD, Workshop on Rural Poverty, 2000; The original can be found in Cohen. S.S., Dyckman, J.W., Schoenberger, E. and Downs, C.R. (1981) Decentralisation: A Framework for Policy Analysis, Institute of Policy Studies, University of California:Berkeley.

^{xiii} One may begin with a working proposition that Decentralisation is to do with the transfer of power, functions and resources from the centre to sub-national entities. Then for the different forms of decentralisation, for example devolution we attach greater weights for political, fiscal and administrative transfers, while for others forms, such as delegation or deconcentration, less. If one can conceive the process in a matrix with rows depicting the different forms of decentralisation, such as delegation, deconcentration et cetera, while the columns illustrate the dimensions of every form, administrative, fiscal, political et cetera then the contents of each cell in the matrix can measure the strength of a particular form of decentralisation as measured by its dimension on a numerical scale.

^{xiv} UN-DESA Workshop West Africa “Poverty Alleviation through Decentralisation and Social Inclusion...” op.cit. For East Africa the relevant workshop was on “Capacity Development in Local Governance : Africa – Asia Cooperation“, Nairobi, 28-29, August, 2003. After surveying a number of countries in East Africa the Aide Memoire for the Nairobi workshop notes that “A common feature in the ongoing decentralisation programmes for in African countries is weak popular participation at the local level, lack of transparency and poor accountability in public policy formulation and implementation”.

^{xv} On this see John Mary Kauzya on “Local Governance Capacity Building for Full Range Participation : Concepts, Frameworks, and Experiences in African Countries“, in the proceedings, and Background Papers, of the 4th Global Forum, United Nations, New York, 2002.

^{xvi} More formally the principle of subsidiarity states that every task must be assigned to the lowest level at which it can be discharged effectively – simply interpreted is “avoid micro-management”.

^{xvii} See Jesse C. Ribot “African Decentralisation : Local Actors, Powers and Accountability“ UNRISD, Paper Number 8, December, 2002. Additional prerequisites including adequacy of funding to match new responsibilities, legitimacy and political responsiveness of local structures are also discussed by Ribot.

^{xviii} UN-DESA is in the process of organising the first Experts’ Group Meeting, EGM, on “Engaged Governance for Pro-Poor Policies: South-South Cooperation – for details please contact Mr Adil Khan, Khan4@un.org, or Mr Yoshinobu Yonekawa, at Yonekawa@un.org.

^{xix} For the remit and activities of the different UN system entities, including UN-DESA, regarding public administration and MDGs, see the report by the UN Secretary-General on “The Role of Public Administration in the implementation of the Millennium Development Goals” (A/58/152), July, 2003.

^{xx} World Bank “Decentralisation in Africa : A Stocktaking Survey” – Working Paper Series No. 40, 2002.

^{xxi} The full title of the World Bank’s paper is “Decentralization in Africa: A Stocktaking Survey”, Africa Region, Working Paper Series No. 40, November 2002 – author Stephen N. Ndegwa. The interesting aspect of the paper is not only its novel attempt to empirically measure decentralisation but also the findings which in some respects are surprising or counter intuitive. For example, one would have thought that in terms of accountability there will be little chance in the otherwise weak African states that civil society would be able to exercise relatively more power over local authorities than the supervisory accountability of central government towards sub-national bodies. If this is the case it augurs well for it implies that despite all the constraints faced by civil society in Africa it can still exert pressure, at the

community level, over the local institutions that provide services – the process may need deepening but it is there nonetheless.

^{xxii} See Adam Przeworski “Political Institutions and Economic Performance, 1950 – 1999”, pages 89 to 106, 4th Global Forum, On Re-inventing Government, New York, United Nations, 2002. Professor Przeworski put it thus “ *When countries are observed across the entire spectrum of conditions, political regimes have no impact on the growth of the total income. But while this finding is a “negative” one from the intellectual point of view, it is politically comforting. Contrary to views widespread during the 1960s and 1970s, democracies do not reduce the rate of investment even in poor countries and do not reduce their rate of growth. There is no trade-off between democracy and development*” pp. 103- 104. Two other contributions are germane on this topic : Robertson Work “Overview of Decentralisation Worldwide : A Stepping Stone to Improved Governance and Human Development”, 2nd International Conference on Decentralisation Federalism: The Future of Decentralising States, 25-27 July, 2002, Manila, Philippines, and S.R. Osmani, “Building Institutions for Poverty Reduction” , IFAD’s Workshop on Rural Poverty, Rome, 24-25 January, 2000.

^{xxiii} Asfaw Kumssa, Walter Oyugi and Josefa Edralin, “Decentralisation for Good Governance and Development in Africa and Asia”, background paper submitted to the Nairobi Workshop on Capacity Development In Local Governance: Africa-Asia Cooperation”, organised by UNCRD with the collaboration of DESA, UNDP and JICA, 28-29 August, 2003.

^{xxiv} To this end, see the United Nations Millennium Development Declaration, 2002, and The Human Development Report, 2002, on Deepening democracy in a Fragmented World, UNDP, 2002.

^{xxv} For an unadulterated case for democracy, and democratic principles, both political and economic, see Amartya Sen’s “Democracy as a Universal Value”, Journal of Democracy, 10.3, (1999), pages 3-17. Indeed, Sen cites the work by Professor Adam Przeworski to make the point that there is no real support to the claim that there is a general conflict between political rights and economic rights. And further Sen’s states that “indeed, there is overwhelming evidence to show that what is needed for generating faster economic growth is friendlier economic climate rather than a harsher political system”.

^{xxvi} Indeed in the case of Ghana, over the last couple of decades, and despite successive doses of structural adjustment reforms, poverty did not decline uniformly and on occasions it increased. In addition, Ghana was not among the five, out of 53 countries, in sub-Saharan Africa securing the warranted growth rate, seven percent, said to be required for reaching the Millennium Development target for poverty reduction (see article , on “ Rich world’s subsidies hitting African Growth”, page 5, Financial Times, July 31, 2003).

^{xxvii} Falling prices of the main export crop, that is groundnuts, was one of the main reasons given by the survey carried out by the Central Statistics Office, The Gambia, for sharp, almost fifty percent, increase of poverty in that country between 1992 and the end of the 1998.

^{xxviii} This regional project is being prepared under UNDP preparatory assistance RAF/02/010, on “Economic Policies for Poverty Reduction in sub-Saharan Africa”, that UN-DESA is executing. Further information is available from Messrs Jean Le Nay at Nay@un.org, and Olympios Katsiaouni at Katsiaouni@un.org.