Despite recognition of the need for special strategies to address the widespread incidence of rural poverty in developing countries, the inability to find new ways to reduce rural poverty and the failure of recent interventions to do so have led to calls for the decentralization of decision-making processes in order to improve rural development. This paper examines the potential role for decentralization in designing improved rural development initiatives.

1. Introduction

In the post-war period, concern over the high level of rural poverty led donor agencies to develop specific interventions at local and national levels. Kuttan (1984) gives a history of these initiatives, noting that the most recent of which was integrated rural development. However, while these initiatives have been successful in making a difference, the focus on a single important element of the problem has led to many failures.

Second, most of the countries presently involved in decentralized rural development initiatives recognize the importance of providing financial resources to decentralized institutions to permit them to carry out their responsibilities. Lack of adequate funding for lower-level institutions has been the single most important factor undermining decentralization attempts since the 1970s (Cheney & Rondinelli, 1983).

Third, there is a growing realization that many types of institutions can actively participate in decentralized efforts and delivery of services. There has been widespread privatization of services that can be delivered on a commercial basis. In addition, it has been recognized that decentralization of decision-making power to lower-level governments and communities can provide one mechanism through which the complexity may be addressed (Parkes, 1985).

2. Decentralization

In the second-half of the twentieth century, practically every country has experimented with some form of decentralization of local government in order to provide services to local populations. However, most of these initiatives have been unsuccessful due to a number of factors, including inadequate funding and lack of political will at local levels.

3. Defining Decentralization

The terminology most often used to describe decentralization is that proposed by Rondinelli (1981), who distinguishes between four different categories: (i) deconcentration is the transfer of power to subnational governments; (ii) devolution is the shift of power to local administrative offices of the central government; (iii) delegation is the transfer of power to subnational governments and/or parastatals, and (iv) privatization is the transfer of power to the private sector.

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Deconcentration: The "training and visit" (T&V) system of agricultural extension provides a good example of deconcentration of responsibility. Developed during the 1960s, the T&V system aimed to address the problems of extension services in the context of the state's level of responsibility to reduce rural poverty. Recent initiatives designed to decentralize rural development offer possibilities for building on the essential principles of integrated rural development while avoiding problems associated with an over-centralization of functions and responsibilities. Lack of adequate funding for lower-level institutions is the single most important factor undermining decentralization attempts since the 1970s (Cheney & Rondinelli, 1983).

Devolution: In the post-independence constitution in India, states were given strong powers to administer their own development programs. In India, the T&V system was introduced state by state, replacing the system of multipurpose village-level workers. Under the new system, staff deal only with extension work. They are organized into a unified extension service with a single line of accountability and have responsibility for the potential role of decentralization in designing improved rural development programs. Some of the recent efforts to implement programs of decentralized rural development are described and analyzed. The paper concludes that although deconcentration initiatives have a long history, much more needs to be understood with respect to the various components of decentralization so that we are able to determine the essential elements of decentralization processes.

Despite the recognition of the need for special strategies to address the widespread incidence of rural poverty in developing countries, the inability to find new ways to reduce rural poverty and the failure of recent interventions to do so have led to calls for the decentralization of decision-making processes in order to improve rural development. This paper examines the potential role for decentralization in designing improved rural development initiatives.
DECENTRALIZATION: TOWARD A REVITALIZED STRATEGY FOR RURAL DEVELOPMENT

Andrew N Parker
The World Bank, Washington DC

Johann Kirsten
Department of Agricultural Economics, Extension and Rural Development, University of Pretoria, Pretoria

Despite recognition of the need for special strategies to address the widespread incidence of rural poverty in developing countries, efforts to decentralize rural development have taken place in a variety of forms and under differing institutional arrangements. The World Bank has, for example, identified three main stages in the evolution of rural development initiatives since the late 1960s: (i) the Technical and Volumes (T&V) system, which was characterized by the centralization of responsibility and control; (ii) the second phase, known as the Volumes and Transfers (VT) system, which emphasized the transfer of responsibility and control to lower levels of government; and (iii) the most recent phase, which involves the decentralization of responsibility and control to local communities.

1. Introduction

In the post-war period, concern over the high level of rural poverty led donor agencies to develop specific initiatives in rural areas. Kutnóg (1984) gives a history of these initiatives, the most recent of which is the integrated rural development model. Agricultural development initiatives are often discussed in terms of the poor by providing a detailed, multi-sectoral package for rural development. However, poor project performance and the failure to bring about a sustained improvement in the living standards of rural people led to the abandonment of the integrated approach.

With the failure of integrated rural development, the aid community has been left with a specific policy aimed at poor rural areas. Yet the need for one has never been greater. This is because there is a growing realization that many of the interventions that have been used to address rural poverty have been ineffective. The most recent of these interventions—integrated rural development—has left a policy vacuum as donors and countries struggle to find new ways to reduce rural poverty. Recent initiatives designed to reduce rural poverty have been successful in addressing the needs of the poor, and Dillinger notes that "out of 75 countries, 50 have decentralized their national governmental systems (1994: 8).

2. Decentralization

In the second-half of the twentieth century, practically every country has experimented with some form of decentralization or local government reform with varying aims and outcomes (Chenev and Roorda, 1983) review decentralization initiatives of the 1970s; Campbell and Umali (1983) review Latin American experience. The present level of interest in decentralization is pervasive, and Dillinger notes that "out of 75 developing and transitioning countries with populations greater than 5 million, all but 12 claim to be decentralized reforms to some extent. However, there have been a number of recent developments that distinguish the present wave of decentralization from earlier attempts. First, democratic institutions have been established and/or their role extended in many countries. In many countries in Latin America, and in western and southern Africa, military regimes have been replaced by elected civilian governments, and local government officials—mayors and council members—previously appointed are now directly elected.

Second, most of the countries presently involved in decentralization initiatives recognize the importance of providing financial resources to decentralized institutions to permit them to carry out their powers and responsibilities. Lack of adequate funding for lower-level institutions was the single most important factor in the failure of decentralization attempts of the 1970s (Chenev & Rooder, 1983).

Third, there is a growing realization that many of the institutions can actively participate in decentralized efforts and delivery services. There has been a widespread privatization of services that can be delivered in a basic commercial basis. In addition, it has been recognized that when there are new organizational responsibilities to the felt needs of people at the village level.

These developments are likely to enlarge considerably the scope for overcoming some of the major factors that undermined earlier decentralization efforts, and to improve the prospects for sustaining decentralization initiatives once they have been established.

3. Defining Decentralization

The terminology most often used to discuss decentralization is that proposed by Rondinelli (1981), who distinguishes between four different categories of decentralization: (i) deconcentration is defined as a transfer of power to subnational administrative offices of the central government; (ii) delegation is the transfer of power to subnational governments and/or parastatals, or other governmental entities; (iii) privatization is the transfer of power to subnational political entities, and (iv) privatization is the transfer of power to the private sector.

Deconcentration: The "training and vision" (T&V) system of agricultural extension provides a good example of deconcentration of responsibility. Developed during the 1960s, the T&V system aimed to address the shortcomings of the Volumes and Transfers (VT) system, which was introduced by state and replacing the system of multipurpose village-level workers. Under the T&V system, staff dealt only with extension work. They are organized into a unified extension service with a single line of command, but still under the state-level Ministry of Agriculture. Extension work tasks are performed by a single line of command and systematic visits to target farmers are undertaken.

Feder & Slade (1986) estimated a rate of return of 15 percent on the incremental investments in T&V in India, indicating overall success as far as productive resources are concerned. Other studies, outlined in Helme (1982), give more mixed results. Questions have been raised concerning the management system to reflect adequately and respond to the needs of farmers. Poor research-extension linkages and a lack of performance-based incentives for extension workers have also undermined the system.

These criticisms suggest that deconcentration is an incomplete strategy for decentralization. Although the T&V system appears to provide improved mechanisms for transferring information to farmers, the farmers themselves do not possess overall decision-making power. Thus, although deconcentrating power to local administrative authorities has improved the governmental organization of extension services, the impact of the T&V system in terms of being more responsive to farmers' needs has been limited.

Delegation: Between 1975 and 1987, the Brazilian government implemented 22 integrated rural development projects in the ten states of Northeast Brazil. In the federal republic, the responsibility for project organization and management for the three programming levels of the Program of Integrated Development for the Northeast and the Regional Development Program (PRD) was transferred to the higher levels of government. This meant that a series of processes and authorities were transferred to the states, which were responsible for project implementation. However, the failure of the projects to meet the needs of the poor, as well as the lack of coordination between the different levels of government, led to the collapse of the program.

Delegation was also considered in the United States, where the Federal Emergency Management Agency (FEMA) was established to provide emergency assistance to the states. However, the states were not given the authority to manage the program, and the program was later decentralized to the local level.

Privatization: In response to criticism of the poor performance of public-owned initiatives, and to make use of private-sector participation in rural development. A series of papers Umali (1992), Umali & Schwartz (1994) have investigated the role of the private and public sectors for agricultural development.

The United States and India have both experimented with privatization in rural development. In the United States, the government has provided incentives to private companies to develop rural infrastructure, such as roads and water systems. In India, the government has supported the use of private-sector participation in rural development projects, such as the establishment of agro-processing firms and input suppliers.

The private sector has been increasingly involved in rural development, but there are concerns about the appropriate role of the private and public sectors for agricultural development. A series of papers Umali (1992), Umali & Schwartz (1994) have investigated the role of the private and public sectors for agricultural development.

With regard to agricultural extension, for example, there are now numerous instances where the private sector has been involved in providing extension services, and the government has been more active in providing general support. However, there are concerns about the appropriate role of the private and public sectors for agricultural development. A series of papers Umali (1992), Umali & Schwartz (1994) have investigated the role of the private and public sectors for agricultural development.

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Africa is one of the most thorough recent reviews of
the political, fiscal and institutional dimensions of
decentralization. Those authors do not agree that the
levels of decentralization are the same in all countries
or that the effects of decentralization are the same in all
countries. The importance of the overall political
environment can be discerned in the literature between
Political transition provided a window of opportunity to
introduce important constitutional reforms that
favorable for the successful implementation of forms of
development, it was discovered that District authorities
had no power to raise revenues and so had no resources
mobilized locally in rural areas is severely restricted.

Withers often assert that local communities do not possess the resource base to mobilize enough resources
(Therkildsen, 1994). While it is true that poor, rural areas are unlikely to be able to raise their own financial
affairs, local governments have demonstrated an ability to raise revenues and provide a wider range of public services
(Therkildsen, 1994). The result is that local authorities are likely to be more straightforward than in the case where a new set of institutions is being created. Thus, in Indonesia, only those subnational governments with existing institutional arrangements are pre-existing institutional arrangements can be appropriately modified, this task is likely to be more straightforward than in the case where new set of institutions is being created. Therefore, the Rawlings government attempted to put in place a new system of decentralized line agencies, four years after the legislation was passed these arrangements had not been formalized (C&M).

Second, an active civil society appears to assist in the process of increasing accountability, as local
Putnam's (1993) concept of "social capital" is useful in
focusing on the level of associational life in different cultures. While the literature available to participate in decentralization processes offers the possibility for rejecting the limits to decentralization.

The theoretical and practical literature on
decentralization has developed some useful advice on
capacity building. These are guidelines that governments
implemented grant programs that incorporate efficiency
and equity goals, and possess the desirable qualities of:
(i) transparency—the basis on which transfers are made;
(ii) a formula that can be calculated—grant mechanisms should ensure predictability of subnational government shares from year to year to permit strategic planning; (iii) and autonomy—subnational governments should have complete independence and flexibility in setting their own development priorities.

6. Institutional Decentralization

From the perspective of central governments, the institutional dimensions of decentralization are
associated with collecting local taxes may be prohibitive. In Indonesia, subnational governments have
decided, for reasons of intergovernmental revenue-sharing mechanisms, to implement decentralized tax administrative costs

Parker and Kirsten
Africa is one of the most thorough recent reviews of decentralization. Governments in Bangladesh, Côte d'Ivoire, Ghana and the Indian state of Karnataka all decentralized. Political transition provided a window of opportunity to conduct political and administrative decentralization that are conducive to reform, decentralization is unlikely to be put in place a system of locally elected councils (C&M). Writers often assert that local communities do not possess the necessary capacity to manage the financial affairs of local government. If municipalities are given an active development role. By using existing, but underutilized capacity and focusing on the level of associational life in different countries, the results of decades of one-party rule in Ghana were reinforced through the legislation was passed these arrangements had not been formalized (C&M). 

The level of fiscal decentralization that is to be desired is conditioned by the historical economic, social and political context, and opportunities to management. If the appropriate design of intergovernmental fiscal transfers (IGFT) is therefore of great importance, and there is a rapidly growing literature that seeks to define a set of principles to guide governments in their design of IGFT. Shah (1994) provides a detailed review of this literature, covering public choice theory and fiscal federalism.

The theoretical and practical literature on decentralization has developed some useful advice on designing decentralization programs. Many countries have, however, General skepticism about the financial management capabilities of local institutions, coupled with a reluctance on the part of national governments to give up control of resources has resulted in local authorities' ability to tax at rates they set breaks an important average for increasing accountability, as local political processes offer the possibility for rejecting high administrative costs. Writers often assert that local communities do not possess the necessary capacity to manage the financial affairs of local government. If municipalities are given an active development role. By using existing, but underutilized capacity and focusing on the level of associational life in different countries, the results of decades of one-party rule in Ghana were reinforced through the legislation was passed these arrangements had not been formalized (C&M). 

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through locally-initiated efforts to upgrade capabilities of most of the municipalities selected in the Colombian study were able to meet effectively new challenges posed by decentralization.

Fourth, there needs to be a proper system of accountability for decentralized institutions to each of their different constituents, and some system of sanctions that penalizes institutions that fail to carry out their functions appropriately. Where accountability is absent, the legitimacy of a decentralization initiative can be lost quickly. In Ghana, where District Administrators were able to retain effective power because of their ties to the center, local scandals involving embezzlement of public funds went unpunished. In Bangladesh, again because sub-district council chairman derived most of their power from the Ershad regime in Daka, they were permitted to do more or less as they wished and were able to make considerable private profits (O&M).

Concern with the institutional dimensions of development is a relatively new phenomenon. This is clearly reflected in earlier decentralization initiatives in Africa and Asia that focused almost entirely on the administrative institutions of government (Rondinelli, 1983). Although the decentralization experiments in the late 1980s and early 1990s did see the scope of institutions utilized broadened to include elected local councils with devolved powers and responsibilities, other types of institutions, e.g., non-governmental organizations, were still perceived as peripheral.

More recent development programs have begun to encourage actively the involvement of community groups and NGOs by channeling resources for specific smallscale productive or social projects to beneficiary groups, either directly or via intermediation through NGOs. This Social Investment Fund approach (Gough, 1994) has flourished in many countries, often where bureaucratic or political institutions have been absent. Governments, bilateral donors and multilateral lenders have increasingly resorted to this method. Social funds delegate planning and execution to beneficiary groups or their NGO agents, but they leave ultimate approval and disbursement authority with central project units—the Social Fund administrators.

7. Conceptual framework

Cheema and Rondinelli (1983) recognized the importance of the political, fiscal and institutional elements of decentralization, but these three dimensions of decentralization are not explicitly related to rural development outcomes. The outcomes of rural development can be defined in terms of: (i) effectiveness—providing minimum standards of service delivery cost-effectively, and targeted toward disadvantaged groups; (ii) the responsiveness of decentralized institutions to the demands of local communities; and (iii) sustainability as indicated by political stability, fiscal adequacy and institutional flexibility.

In addition, there is a set of intermediate factors that appear to have a positive impact on rural development outcomes. A growing emphasis has been placed on the

need for enhanced community participation (Cerrad, 1985; Oakley, 1991). Note, however, that this proposed framework sees participation not as an end in itself but as contributing to an overall process that improves rural development outcomes. An environment that is conducive to greater local resources mobilization is likely to provide communities with a better range of development options and can contribute to ensuring efficient funds are available to cover operation and maintenance costs. Developing the capacities of local institutions is also important to enable them to take on the responsibilities implied by more decentralized decision-making. Better functioning local institutions are likely to be more able to provide the public goods and services local people demand in an efficient equitable manner. Finally, increased accountability among local institutions is an essential element for ensuring that there is a set of incentives in place that rewards institutions—whether they be political parties, local bureaucrats or NGOs—for doing a good job and penalizes them for doing a bad job. The democratic election of local governments can add an important mechanism for accountability (Figure 1).

What becomes clear from this analysis is the need for a systematic approach to decentralization. Hard-and-fast rules are impossible to discern. Like a souffle in the hands of a master chef who uses just the right combination of milk, eggs and sugar, and bakes it just long enough to rise, so a successful program of decentralization will need a skillful central government to include just the right combination of political, fiscal and institutional elements appropriately sequenced to ensure success. Half-baked decentralization efforts, like half-baked souffles will collapse!

This "souffle theory of decentralization" attempts to bring together the dimensions of decentralization and to relate them to a set of intermediate outcomes that are likely to have an important impact on overall rural development outcomes and outputs. This simplified conceptual model provides a useful framework for analyzing the separate dimensions of decentralization and their interlinkages, and permits the investigation of patterns of decentralization across countries. This is an essential first step in developing a fuller characterization of the dimensions of decentralization.

8. Conclusions

Previous initiatives have often regarded decentralization as a desirable end in itself—contributing to greater participation and bringing decision-making closer to the people—rather than as a means of achieving improved rural development outcomes and outputs. However, our concern is for decentralization as a means to achieve improved rural development outcomes and outputs.

The outputs of rural development are the tangible goods and services provided by the range of decentralized institutions involved. Ultimately, this will involve the task of assigning powers and responsibilities to the different institutions on a sectoral basis at the subnational level. Some countries, especially in Latin America, have carefully worked through the assignment process and have implemented programs of decentralized rural development that address the three
In addition, there is a set of intermediate factors that contribute to rural development outcomes. The outcomes of rural development can be defined in terms of: effectiveness, sustainability, and responsiveness. The outputs of rural development are the tangible goods and services provided by the range of decentralized institutions involved. The outputs are often the basis for assigning powers and responsibilities to the different institutions on a sectoral basis at the sub-function level. Some countries, especially in Latin America, have carefully worked through the assignment process and have implemented programs of decentralization that have been successful. Half-baked decentralization efforts, like those that were implemented in Ghana, where District Administrators were permitted to do more or less as they wished and were penalized for doing a bad job, ultimately failed. The democratic process is also important to enable them to take on their responsibilities and permit the involvement of their stakeholders and their beneficiaries. The outputs and their outcomes are the basis for determining the success of the decentralization process and the maintenance of local institutions. The outputs are the basis for determining the success of the decentralization process and the maintenance of local institutions. The outputs are the basis for determining the success of the decentralization process and the maintenance of local institutions. The outputs are the basis for determining the success of the decentralization process and the maintenance of local institutions.
dimensions of political, fiscal and institutional decentralization (Parker, 1995).

These experiences emphasize decentralization as a multi-dimensional process that proceeds with successes and setbacks. Decentralization initiatives will therefore be subject to a continuous process of modification reflecting changes in social, political and economic conditions. What emerges from the previous discussion is the need to include all three dimensions of political, fiscal and institutional decentralization. We have proposed a single theory of decentralization that recognizes the impossibility of designing a single strategy for decentralization, and instead illustrates the importance of different decentralization components and suggests factors that appear to have either a beneficial or detrimental impact on rural development outputs and outcomes.

Nevertheless, there remains a serious gap in our understanding of the various dimensions of decentralization. The degree and different types of patterns of decentralization have not been described and measured in a consistent way across countries or over time, so that at best only an anecdotal characterization of the decentralization of rural development and rural service delivery programs can be made. Without consistent description and measurement of the patterns of decentralization, it is not even possible to assess the issue of whether greater decentralization in some form is associated with greater success in rural development and rural service delivery, or whether it results in better targeting of the poor and reduced poverty levels. Even less can one investigate issues of whether greater decentralization causes better rural development outcomes.

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