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Guide to

Decentralization



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Decentralization

SDC Decentralization Team

Impressum

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1 Decentralization – an old new theme for SDC

Over the past years decentralization – the transfer of decision-making competence from the central government to regional or local community levels – has gained importance in development policy discussions. Many development and transition countries are confronted with comprehensive reform processes which should enable them to better cope with global and national challenges of a political, economic or social nature. More and more countries recognize that at least some of the existing problems can be solved by strengthening regional and local government administrations. These trends directly affect development agencies which over the past few years have increasingly supported decentralization efforts in many countries.

This guide was compiled as an orientation aid to facilitate both the assessment as well as the implementation of decentralization projects. It points out opportunities as well as risks and how SDC can cope with these.

SDC is not entering new territory when it comes to decentralised development processes. Many times the principles of participative development have prompted SDC to emphasize the fostering of local development in order to meet the needs and possibilities of the population. For decades SDC has gathered experiences with national, regional and local partner organizations who strive to improve living conditions far away from government central offices. Some examples include rural development projects or sectorial service projects designed to cover basic requirements (water supply, health services, etc.).

SDC's orientation on this issue is due at least in part to a basically positive Swiss experience on the division of roles between central, regional and local government structures. This has also contributed to the recognition of the variety of local and regional needs. A direct result was the integration of all parts of the country and different population segments, into what is termed the national State of Switzerland – based on an optimal "unity in diversity".

Today, another dimension dominates the agenda of many development and transition countries, namely that of good governance. The shift of responsibilities from the central to regional and local levels is expected to optimize the political, administrative and legislative organization of a nation. Decentralization projects have in most cases political implications for they change the current power structure and can encounter explicit or hidden resistance from those political forces who fear the loss of their power through decentralization.

Such processes pose a challenge to SDC partners and the project teams. The information found in this report is designed to help them shape their contribution to a process capable of effectively improving the living conditions of disadvantaged population segments in their local environment without losing sight of the general context factors of the entire State.

2 The international trend to decentralization

Worldwide there is a noticeable *Trend to Decentralization* in nations characterised by centralistic organization pattern, although to various degrees and with different accents. Over the past years Africa has witnessed the break up of authoritarian, centralistic one-party States practically everywhere, along with the trend of reducing State machinery and privatizing services while reviewing a nation's role in fighting poverty. In Latin America decentralization is closely linked to the discussion on democratizing political structures, integrating previously disadvantaged population segments and regions of the country and partly also to fighting poverty. The transition from a planned economy to free market economy systems in Central and Eastern Europe followed on the heels of a trend to topple the centralized State's omnipotent power. In Asia's centralized States the need for improved local services often enjoys top priority, while in other countries the challenges of ethnic and geographical diversity all speak for a decentralization of systems, not least in order to unite a State by paying more attention to the needs of specific population segments and to raise women's and minorities' chances to participate in politics.

Underlying this trend is the broad recognition that a paternalistic, centralist system does not deliver the desired success. In addition, structural adjustment programs dating back to the Seventies and Eighties which were focussing on macro-economic and political reforms have not brought about more than modest results. However, even in times of global, market-oriented reform-trends the government has important *responsibilities* which no other actor can substitute and it has to perform these core responsibilities in the best possible and effective way, not only in cities but also in peripheral areas. Sustainable development can only be achieved with good governance on all government levels.

It thus does not surprise that international donors have also found decentralization to be a valid approach of fostering *good governance*. In their eyes, decentralization should improve government services, lead to a more effective and needs based utilization of public resources, in addition to improving the political involvement of the population. The concept of decentralization is high on the agendas of the World Bank, regional development banks, the UNDP, the OECD and of most bilateral donors. The term decentralization is, however, broad and sufficiently flexible to allow for a variety of priorities and strategies. The complexity of the term however often leads to misunderstanding and ill-coordination, not only between donor and partner countries but also between donors.

3 What is decentralization?

3.1 Various forms of decentralization

Decentralization generally describes the transfer of competencies and responsibilities for performing public service obligations from the central government to decentral (subordinate or independent) authorities or to the private sector. Today the term decentralization is used for a variety of situations and different phenomena. Still, the following terms are applied in a generally uniform way in political and scientific discussions:

■ **Political decentralization** aims at improving the active participation of the population in political decision-making processes. It implies that locally elected authorities must bear more responsibility towards those who elected them and that they must better represent local interests in political decision-making processes.

■ **Administrative decentralization** distributes the responsibilities to fulfill public duties among governmental authorities on various State levels. Responsibility for regional or local-level planning, operational management and in part also for the financing of infrastructures and services is shifted from the central administration to lower-level authorities. This type of decentralization can be differentiated by three main forms:

■ **Deconcentration** refers to the redistribution of decision competencies and responsibilities to regional or local units of the central government (e.g. regional ministerial offices). It represents the weakest form of decentralization. Some argue that this is not even part of decentralization because the shift in responsibility simply takes place *within* the central State hierarchy.

■ **Delegation** is a stronger form of administrative decentralization and refers to the redistribution of decision competencies and operational responsibility to authorities which maintain a certain degree of independence from the central government and yet have to report to it.

■ The strongest form of administrative decentralization is **devolution**, or the transfer of powers for decision-making, finances and management from the central administration to independent local governments, usually referring to municipalities with locally elected organs and clearly defined territorial responsibilities.

■ **Fiscal decentralization** is an essential component of each form of decentralization. A decentralized unit cannot accomplish its duties independently unless it has access to required resources and has the power to make financial decisions. There are different ways of financing local services:

- the central government can transfer resources for general purposes or for specific development tasks;
- costs can be met with user fees;
- projects can be cofinanced by users who themselves contribute in labour or cash (e.g. for the necessary infrastructure);
- local taxes; and
- the possibility that decentralized units can obtain direct loans.

In practice the various forms of decentralization overlap and appear in a variety of mixed forms. *Political, administrative and fiscal* decentralization complement each other and often constitute components of actual reform packages, although they give varied priority to individual elements.

Economic decentralization or "market decentralization" will not be treated in this guide. It refers to the transfer of functions from the public to the private sector, in other words, tasks which have been handled by the government are now left to private enterprise cooperatives, interest groups, volunteer organizations and other non-governmental organizations. There are two main forms of economic decentralization: (1) *Privatization* or the transfer of complete or partial responsibility for the production of specific goods and services from the government to private actors, and (2) *deregulation* or the reduction of legal barriers which obstruct the private production of goods and services; or enabling competition between private actors in areas which have been dominated by government services or regulated public enterprise monopolies.

Economic decentralization touches upon the key question of role sharing between the government and private initiative, while other forms of decentralization relate to the distribution of duties within government structures. Economic decentralization thus basically follows another logic which development policy undoubtedly must cope with. This guide can and will not deal with the definition of State duties and responsibilities and, on the other hand, of private freedom and responsibilities. Instead it will concentrate on *how State authorities* can best fulfill their duties.

32 The role of the central government

Decentralization does not require the central government to withdraw completely from an area of responsibility. Optimal realization of governmental tasks calls for differentiated and *meaningful co-operation and links* between the various levels of governmental organization. For purposes of good governance the central government should decentralize responsibilities and resources in situations where it serves the *optimal fulfillment of governmental tasks*. On the other hand it should retain those tasks in its own responsibility which can be performed better and more effectively by State institutions. The decentralized approach is thus a complex process whereby responsibilities are assigned in a differentiated way according to local factors as well as comparative advantages. Ideally central authorities should maintain their decision-making competency in questions of strategic importance, providing general guidance for example in the area of primary education guidelines on curricula, instruction material, quality and quantity of lessons) while leaving their operational implementation to local authorities (e.g. the selection of teachers, their wages, and the provision of local infrastructure).

Decentralization upgrades the status of decentralized authorities and changes the *role of central authorities*. Although the latter are no longer responsible for the operational implementation of certain measures, they generally retain the competency to determine basic legal and political conditions for local activities and to make sure that these are complied with. This is where a decentralized system distinguishes itself from a *federalist system*: The member States in a federation enjoy "original" autonomy: Contrary to a decentralized organizational structure, federal units need not report to national authorities in their areas of autonomy which are ensured by constitutional law and with regard to their own organization. Typically, the member States within the federal State are also decisively involved in decision-making processes on the federal level, e.g. in the form of a two-chamber parliament in which one chamber consists of representatives of the member States.

4 Development policy opportunities and risks: some indications

4.1 Positive and negative experiences in developing and transition countries

Decentralization is a complex process which depends on many political and social factors, national and international trends and power constellations. The success or nonsuccess of decentralization processes is contingent upon many country-specific and background factors and is often linked to other political processes of change. Moreover, in many countries the history of decentralization is still young. As a consequence it remains difficult to predict its likely effects.

Decentralization projects are connected with different, often contradictory expectations and fears. Experiences in various countries over the past years show a mixed picture of positive and negative effects, of success and nonsuccess, of favorable as well as obstructive factors. It is not surprising that the appreciation of opportunities and risks by different actors can vary and in part is even contradictory.

The same holds true for SDC whose experiences, together with those of other donor institutions, appear to at least partially confirm expectations and fears while putting others into the right perspective. The most commonly expressed experiences and fears are summarized below:

Expectation:

Decentralization breaks up obsolete political power structures.

Experiences:

Political decentralization is by definition resulting in a restriction or even loss of political and economic power of central government actors. Its success hinges upon strong political powers assuming responsibility as *driving forces* in its support. Often, the political will to actually implement decentralization is missing at the center, despite well intended declarations by the government. Political forces who fear loss of power will find ways to obstruct or even completely prevent the decentralization process.

Nevertheless a successfully implemented decentralization process which achieves defusion of such resistance can give birth to a new dynamic which can break up old State structures and take away power from the hands of an (often corrupt) elite. Decentralized decision structures and the assumption of political and financial responsibility by decentralized authorities thus constitute the initial steps towards fundamental democratization, although this presupposes that the local level enjoys a democratic organization in which powers are separated.

Expectation:

Decentralization fosters empowerment, political participation of the people and in a broad sense, democratic structures.

Experiences:

In effect, political decentralization and the new democratic legitimacy of decentralized institutions are bound to contribute to the stronger anchoring of political decision-making at local level, the improved use of local potentials and increased motivation of citizens to join the political debate by expressing their own needs and anxieties. Decentralization tends to politically upgrade small-town centers and under some circumstances even rural areas. And in many regions, the comparatively controllable scope of local politics simplifies the participation of women in politics beyond merely voting in elections.

However, many communities lack locally anchored political structures and citizens are excluded from political decision-making. Either political opinion-making is still primarily influenced by urban centers, or power is hoarded by the local elite whose actions are nontransparent, who barely have political legitimacy, or who simply pursue client interests.

Expectation:

Decentralization strengthens the identification of the population with State structures.

Experiences:

In many countries the State lacks basic legitimacy and the population hardly identifies itself with State structures. When people have always experienced the State as an institution which made an elite rich, local governments must first prove that they are better, more participative and that they function in the interest of all citizens. Whenever such change is effected quickly and successfully, decentralized governmental and administrative actions can positively influence the State's credibility in general. On the other hand, the acceptance of decentralized authorities appears to be especially poor in areas where the borders of decentralized territorial authorities (municipalities) have been defined more or less randomly.

Expectation:

Decentralization protects minorities.

Experiences:

Although the territorial borders of decentralized units usually are not based on ethnic criteria and decentralization is rarely justified by claiming that it protects local minorities, it can still considerably help to protect ethnic or religious minorities: In areas where such minorities form a majority, they receive the opportunity of self-government, thus gaining partial cultural and religious autonomy. However, this only applies to minorities which are concentrated in a territory. On the other hand, decentralization can negatively affect minorities which are subjected to a tension-filled environment of a dominant majority.

Expectation:

Decentralization encourages a more need-based and efficient fulfillment of governmental responsibilities which better reflects local needs and priorities.

Experiences:

Decentral decision structures are essentially better suited to generate local ownership and acceptance for governmental action, improve mobilization of local potential and allow for local priorities compared to centralized planning and decision mechanisms. This especially applies to areas where efficient and fair fulfillment of governmental duties basically depends on knowledge of the local context and of needs and priorities, namely in the areas of construction, operation and maintenance of local infrastructure installations and services. Assigning decision responsibility to the local level also raises the probability that women's needs will be taken more seriously.

However, in many places there is an imbalance between the decentralization of responsibilities and the decentralization of resources: Decentralized resources are often insufficient to carry out decentralized tasks. Financial compensation mechanisms which take into account regionally different conditions, and are able to adjust to them, are either not available, or are too vaguely conceived. Basically, the transfer of resources away from the center has a positive effect which benefits economically marginalized regions. However, in cases where no compensating mechanism is foreseen, the various regional conditions may be reflected in a very unbalanced financial burden which as a result can deepen existing regional inequalities.

Expectation:

Decentralization allows to utilise limited economic resources more effectively, sustainably and in a judicious manner.

Experiences:

Limited research has been done as to what extent decentralization efforts lead to more efficient investment of scarce resources and to the mobilization of additional funds. The quality and quantity of decentrally provided services vary, but certain improvements have been noticed in many countries. Improved transparency of responsibilities and of locally available resources allows the local population in some countries to exercise social control over the utilization of funds. In such cases the population is often willing and motivated to spend additional local resources in order to receive better services. However, decentralised resource management requires local know-how which often is not readily available. In addition, effective and regulatory financial supervision which does not at the same time interfere in the decentralized fulfillment of tasks is often missing.

Decentralization is not a cure-all for poor States: The decentralized sharing of roles and tasks cannot basically compensate for lack of financial resources. Accordingly, if false expectations are raised and later disappointed, this will prevent the process from becoming well rooted in the population.

Expectation:

Decentralization helps fight poverty.

Experiences:

Successful decentralization contributes significantly to improved development of previously marginalized regions in addition to strengthening local initiative. This is especially true for previous-

ly neglected small-town areas and their rural hinterland. Under this angle decentralized structures can make it easier to fight poverty. If decentralized structures are democratically organized, those who generally profit most from such development impulses are primarily those local classes who, in comparison, pertain the local elites. Decentralization is thus at best an indirect instrument to fighting poverty.

Fear:

Decentralization destabilizes weak State structures.

Experiences:

Today, decentralization is only under exceptional circumstances turning into a threat to national identity. In multiethnic and multicultural societies broad segments of the population identify themselves primarily with ethnic and religious criteria and less with State authorities, regardless if they are centrally or decentrally organized. National unity is eventually not endangered in countries where decentralization is finely organized, strengthening districts and municipalities rather than creating politically strong large regions. As demonstrated by most recent historical developments, the risk of disintegration is especially high in States where culturally varying economically and politically regions cannot escape the limiting restrictions of governmental centralism. When States fall apart in such cases it is not the result of too much but rather too little decentralization. Decentralization functions as an integrating factor where needs of different population segments and parts of the country for independence can be satisfied in a differential manner within a common State.

Fear:

Governmental powers are creepingly dismantled.

Experiences:

Many different models of decentralization of tasks and responsibilities do exist. As a rule such roles and responsibilities are decentralized in a differentiated manner and the feared disempowerment effect is avoided. Yet there are cases in which the central State simply relinquishes its responsibility to fulfill certain core duties by shifting important tasks to the local level, even though the latter not be prepared and may lack the required know-how and financial as well as human resources. Already marginalized and resource-weak regions suffer the most from such a breakdown in government performance. Political and administrative decentralization inadvertently has to go hand in hand with adequate fiscal decentralization to ensure that the local level can actually accomplish its tasks.

Fear:

The work of governmental authorities becomes more complicated and expensive.

Experiences:

On the local level decentralization normally creates new organs and administrative units or extends them while at the same time central administrative capacities are hardly reduced. Also, practice has shown that the roles between central and decentral actors are frequently left too vaguely defined

and the reciprocal exchange of information and communication is not ensured. This usually leads to more complicated and expensive work structures and increasing needs for coordination.

Well conceived and operable decentralization models can, however, compensate such additional costs thanks to other cost-relevant advantages: In particular they shorten decision making procedures, allow unbureaucratic actions reflecting local needs, make additional local resources available and generally help make government actions more sustainable and accountable.

Fear:

Corruption in the central State institutions will be replaced by local patronage.

Experiences:

Decentralization upgrades the importance of local authorities who, just like their central State counterparts, can abuse their additional powers to satisfy their own personal interests. However, the transfer of responsibilities to the local level creates a controllable framework which makes both the responsibilities for the use of government funds and hence corruption more conspicuous. Nevertheless, fighting corruption on the local level requires both local accounting competence on how to make financial dealings with funds transparent, as well as usable local instruments to control administrative and financial functions.

42 Experiences with external support of decentralization processes

Over the past decades donors have gathered experience in various settings by *supporting* decentralization processes. The following points are relevant in this connection:

- There are various methods of promoting the effective performance of public tasks on a local level. One way is to *support the clarification* of the relationship between central and decentral authorities. Another is to support decentral units in *building up and extending* their political and administrative structures. Finally, *sectorial projects implemented by local authorities* can be supported in a manner which fosters local development.
- One of the basic prerequisites for a commitment is *profound knowledge of the sociopolitical situation* in a country and its political culture. It is sometimes very difficult for external actors to acquire the required understanding on the political environment of decentralization processes.
- Donors often consider themselves catalysts in the decentralization process and focus their specific work on *capacity building*.
- Democratic decentralization processes can only be successfully supported when they take place within the respective *legal framework* and when the political context allows a minimum of political pluralism. When local authorities are neither ensured freedom of action nor the *resources* needed to assume decentralized functions, external support of the process is not sustainable.

- Decentralization efforts which lack a strong *commitment* on the part of important political forces are destined to fail. Supporting the dynamic of important *driving forces* behind the decentralization process is of essential importance.
- Many donors have traditionally worked together with central authorities and thus have a certain preference (or bias) for accomplishing tasks through centrally managed programmes. In the past they often supported decentralization processes from the top which were not based on genuine political will with the consequence of unsatisfactory results.
- In addition, external support has for a long time concentrated on the technical decentralization of administrative structures and only in the past few years was systematic attention paid to political processes and power relations.
- Donors have multiple concepts of decentralization, a fact which creates confusion and undermines the sustainability of the process. As in other areas, coordination and cooperation are time-consuming and difficult.

43 Key factors for success: Political will, proper and adequate concept

Experiences made by SDC and other donors clearly show that decentralization can have different political, economic and social effects. Decentralization processes contain development policy opportunities and risks. The likelihood to achieve effective change depends on whether the respective country has sufficient *political will* to carry out such reforms. Just as important is the specific *concept* behind the planned reforms which must be structurally adapted to the unique political, economic and social environment of the respective country. In this regard, more decentralization does not automatically mean better governance – much more of a deciding factor is the quality of the reform.

The next chapter addresses with the question of which concept of decentralization to support by a donor agency like SDC.

5 Objectives of decentralization processes

5.1 Development policy objectives

As we have already seen, decentralization processes are linked to different expectations and are instrumentalized for various objectives. SDC, as well as other actors in international development cooperation, assign priority to supporting such decentralization processes which contribute to *development policy objectives*. In the end decentralization should promote processes aimed at achieving constructive and dynamic cooperation between the government, the private sector and civil society, between central and local political powers and authorities. Seen from this perspective, decentralization should facilitate *sustainable development and good governance* in partner States. **Three main objectives** can thus be defined which partly overlap and are mutually interdependent:

Improving relationships between the State and its people, i.e.

- more political legitimacy of the State, also the central State;
- enhanced (democratic) participation of the local population, of minorities and women in political opinion-building processes;
- improved social integration of women and marginal groups;
- more control of power through the broader division of political power among various actors;
- the strengthening of a decentrally structured civil society to better play its role as a local counterbalance;
- the protection of minorities and their specific interests and needs.

Improving the effectiveness of governmental services, i.e.

- governmental tasks are performed on the level which is optimally suited to carry out the assignment. In line with the subsidiarity principle those tasks which primarily require local *know-how* and involvement should be performed by local authorities;
- public services are provided by governmental or nongovernmental actors, depending on competence and qualifications;
- more and better local services which also benefit the poor;
- more effective use of resources thanks to enhanced transparency, clearer distribution of responsibilities and accountability;
- services better responding to local needs;
- the mobilization of additional local resources.

Promoting local development, i.e.

- more context-adapted development programs and projects;
- greater utilization of local development potentials;
- improved economic balance between the center and the periphery;
- growing competence and capacities at the local level;
- more local ownership.

52 Other objectives for reform

The goals which political actors in *partner countries* want to reach through a decentralization process often correspond with the above objectives they may also contradict. The declared and undeclared objectives, (hidden agendas) of development policy and power politics often overlap or contradict each other. Such objectives may influence the structure of decentralization processes, depending on the specific influence of different interest groups on the political decision-making process. In practice the following aspects are considered relevant:

- In most instances, decentralization processes must be seen in the overall *context of political reforms* which deal with the role of the State and its relationship to private enterprise and society. The transition to a market-oriented way of thinking, the withdrawal of the State from the production of more or less marketable goods and services, to facilitating private initiative or such services the redimensioning of the range of State responsibilities (privatization) and the establishment of new approaches to cope with administrative tasks, also involving private service providers, are important elements. Decentralization processes and their effects often cannot be isolated from the goals and effects of these specific reform processes.
- In many places decentralization is also seen as an alternative to a centralist State that has neither financial resources nor organisational capacity to provide effective services. Some governments (and donors) link decentralization with the objective of *saving costs*. Decentralization processes can serve State authorities by allowing them to get relieved from responsibility for difficult and expensive tasks in a politically acceptable manner. Decentralization can thus be misused to whitewash the bankruptcy of a central State and put the blame on local authorities.
- Decentralization can foster the *privatization* of State services when it meets with a local vacuum of public service providers. Depending on the context this can have positive results, but it may also serve those political interests seeking profit from central governmental tasks, thus bringing disadvantages to the poorer population segments.
- For some governments of economically weaker countries the decentralization process is but a means to satisfy the respective *expectations of their donors* from which the State more or less depends.
- Under some circumstances a decentralization process is introduced through the *pressure of centrifugal and separatist forces* whose final intention is to have the State dissolved and divided into territories.
- Several governments combine decentralization with the idea of *extending local control* over the population. They attempt a strengthening of governmental authority through the presence of local "antennas" or controllers from the central authorities.
- Whenever decentralization is associated with positive connotations, it can serve as an *election campaign theme* to win over the support of the politically often important periphery.

6 The principles for SDC actions

- Both the objectives and scope for implementation of decentralization processes are varied and complex. There are many forms of decentralized governmental actions on various political and administrative levels, which are based upon differing motives. *SDC does not limit itself to the propagation and promotion of one specific decentralization model, instead it advocates those forms of decentralization which function and serve to improve governance in a given context.*
- Operational decentralized systems can only be developed against the specific historical, political, economic and social *background* of a country. Although the structure of a decentralization process should depart from experiences made in other countries, any attempt to implement introduce alien models is bound to fail. *SDC strives to ensure that decentralization processes pay adequate attention to genuine local conditions in the partner States.* Pilot projects and test phases help SDC improve its understanding of specific implementation challenges and the often complex, yet not very transparent interplay of local and central political forces.
- Despite the variety of possible forms and types of decentralization there are certain *conditions* and *criteria* which are vital to the successful and independent functioning of decentralized units in the frame of a State union. Even though these are not preconditions for external support, *SDC seeks to influence the process of decentralization so as to create and strengthen such elements.*

They include:

- a legally and politically secured *consolidation* of the decentralized level: Decentralized regional authorities and local governments (municipalities, districts, etc.) cannot fulfill their functions properly if they have to fear dismissal at any time;
- a precise and legally enshrined *regulation of competencies* which assigns specific roles and responsibilities to each level according to its rank, provides them the necessary leeway to make own decisions and which avoids overlapping or blurred task assignments;
- adequate *scope for self-responsible action* for decentralized authorities;
- appropriate local or transferred *financial resources* from the central revenue level to enable the realization of assigned tasks;
- *local human capacity* to carry out decentralized duties and responsibilities;
- the required *supervision and control by central authorities* to monitor adherence to policy guidelines and to prevent local abuse of power; at the same time, however, central authorities must also respect the decentral authorities' powers to take own decisions;
- institutionalized procedures ensuring *transparency* on the decentral level and if necessary calling upon decentralized authorities to *account for their actions*;
- institutionalized checks and balances to *prevent* an authoritative concentration of powers on the local level and any forms of *abusing such powers* (e.g. participative decision mechanisms, local separation of power, "competition" between decentral authorities);
- mechanisms to foster the *involvement of the local population* thus providing women, the poor and minority groups an opportunity of taking part in the democratic process.

- Decentralization is not a firmly defined end state but rather a process which rarely unrolls without conflict. It aims at achieving a dynamic balance between central and local stakeholders and interests. Constantly changing frame conditions do influence the decentralization process and provoke alternating dynamic and static phases. The aim is not to strive for an ultimate structure and the rigid division of powers but rather to develop political procedures which promote a constructive balance between central and decentral powers. *SDC supports this political process* and avoids fixed model approaches.
- Decentralization processes are extremely complex and of long-term nature. *SDC's commitments in this domain should therefore not be constrained in time or resources.*
- Decentralization processes have little scope without the genuine will of influential political forces to transfer tasks, financial resources and power from the center to the periphery. *Unless a clear intent is declared, especially on the level of the central State, SDC shall not engage its precious resources.* However, SDC can also facilitate the process of *opinion-building*, thus helping political actors to recognize the opportunities of a meaningful decentralization, to develop their own ideas and to strive for situation-specific approaches and thereby becoming the *driving forces* behind the process.
- *The management* of the decentralization process should not exclusively be left to central authorities. In order for these to actually transfer competencies and resources, the decentralized levels have to be in a position to both articulating themselves on, and committing themselves to matters of local importance. Civil society has the obligation to commit itself to a form of decentralization which responds to democratic criteria and the rule of law. *SDC supports efforts to strengthen the decentralization process from a consequently decentral perspective.*
- Decentralization processes can only take roots when they are tangibly noticed and accepted by civil society and when they are owned in their interest. It is essential to provide the population with comprehensive information on the objectives and instruments of the process. *SDC supports activities which inform and sensitize the public to the decentralization process and to the issues of local governance.*

7 Pointers for implementation

From an SDC perspective, decentralization processes deserve support if and when they *are in line with* development policy objectives. SDC should avoid to support decentralization processes which compete or undermine defined development policy objectives. Whenever feasible, SDC attempts to generate synergy between decentralization and development policy goals.

An SDC commitment in the area of decentralization requires a precise analysis of the particular situation and careful assessment of decentralization plans pursued in a specific country context, as well as the intentions of other donors. SDC carefully and regularly monitors the continually changing frame conditions of the process, chances and risks factors as well as its development policy. This enables SDC to support the key *driving forces* behind the process and to coordinate its activities with other donors.

When supporting decentralised governance, various modes of intervention are open to SDC, depending on conditions in the individual country:

- It can support the *decentralization process* as such based on the above principles.

SDC is a relatively small external actor with usually limited political leverage and without the resources to substantially support a comprehensive process. Thus, it will have to limit itself to some strategic *core activities* to be focused on supporting internal actors who are of primary importance to the progress of a decentralization process, but require further capacity building or political back-up support. Such support can include providing specific training, organisational development, advocacy and lobbying support etc.

- SDC can foster *good governance on the local level* (local self-administration) and support local level authorities in participative, transparent and accountable organizational structures and instruments, the necessary human capacity and in operational competence for their specific tasks.

This means putting in practice the abstract principles of *good governance* in a local, manageable context in the form of an operative service organization which functions according to participative and transparent principles and which can deal responsibly with human and financial resources. In the best case, this can result in accrued knowledge both for good governance on a national level and for the decentralization process. The tradition of municipal self-government and available practical experience in Switzerland qualify SDC to extend such support on grounds of competence.

SDC's limited capacities will not allow to undertake exhaustive measures, however, by concentrating on selected regions or themes it can contribute to emerging local experience, knowledge and the generation of products (such as instruments and tools, practical *know-how*, manuals) which may be of use for other interested local authorities or in the wider decentralization process.

- It can *support central authorities* in improving their role with regard to the performing of decentralized tasks (both in content and in organizational guidelines for decentral actors, by supervising the implementation of local development and the handling of financial matters). Here again, it will need to limit its activities to relevant aspects.
- In *other sectors* SDC can pay special attention to a more decentralized planning and implementation of activities and responsibilities, orienting its projects in a way that allows local authorities and organs to benefit directly (e.g. by building up the necessary expertise) or to at least ensure that their position is not weakened.

If SDC commits itself to supporting decentralization processes and the shaping of local self-government, it requires various *instruments*:

- *Specific professional expertise* to analyze complex relationships in the partner State, to clarify a meaningful support-role for SDC and to be able to develop specific and realistic programs and projects.
- The systematic *networking of practical experiences* – both domestic and international – which SDC and other actors gather in this area. In this way it can build up and make use of its own practice-oriented know-how.
- *Country-specific strategies* based on the systematic and regular analysis of specific country conditions and understanding of the activities of other donors. These strategies determine long-, medium- and short-term objectives, and point out where SDC should focus its activities, define fields of activities and identify partners.
- The entire process requires appropriate *human and financial resources* for a long-term commitment.

Annex 1

The practical experiences discussed

As a basis for the compilation of these guidelines, SDC decentralization team referred to the presentation and discussion of various practical examples. In particular, it examined SDC-supported experiences and cases in the following countries: *Nepal, Bolivia, Chile, Peru, Poland, Burkina Faso, Mozambique, Tanzania, Rwanda, South Africa and Madagascar.*

More detailed and current information on SDC's specific country experiences can be obtained from the responsible geographical divisions.

The team also looked at decentralization experiences made by other donors, e.g. material compiled by multilateral organizations (see reference to background material of the OECD, UNDP and the World Bank under Annex 2).

Annex 2

Some references to general and related literature, studies and other material

- Aasen/Arnesen/Eriksen/Tesli (Norwegian Institute for Urban and Regional Research NIBR), Evaluation of decentralization and development: Decentralization in developing countries: experiences and lessons learned, Oslo 1997
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- Steinich Markus, Dezentralisierung und Entwicklung: Licht in die entwicklungspolitische Dunkelheit, Nord-Süd aktuell 1997 No. 1, p. 69ff.

UNDP

For current and country-specific information consult <http://magnet.undp.org> (the *homepage of the UNDP management and governance network*).

- UNDP Decentralized Governance Programme: Strengthening capacity for people-centred development, Management Development and Governance Division, September 1997
- UNDP, Participatory local governance, New York (UNDP Management Development and Governance Division) 1998
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- UNDP, Decentralized Governance country thematic assessment framework and guidelines (UNDP Management Development and Governance Division)
- UNDP, Capacity Development (UNDP Management Development and Governance Division), see p.55ff (Decentralization)

OECD

For current and country-specific information consult www.oecd.org/dev (the *website of the OECD Development Centre*) and www.oecd.org/dac (the *website of the OECD DAC Development Assistance Committee*).

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World Bank Group

For current and country-specific information see www1.worldbank.org/publicsector/ decentralization and <http://www1.worldbank.org/wbiep/decentralization> (the *website of the Worldbank Institute WBI*).

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Decentralization and Development, (SDC development policy writings), Bern 1999, with various contributions from a theoretical and practical perspective



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