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Decentralization Imperatives: Lessons from Some Asian Countries

Alex BRILLANTES Jr.*

Introduction

Depending on one’s paradigms and motivation, decentralization can have different meanings and dimensions. It is a management approach that would deliver public services more efficiently by improving both allocative and productive efficiency (Kak-honen 2001). It decongests top management hasten, decision-making processes and minimize unnecessary delays and red-tape. It is a means of “load shedding” where in central authorities transfer functions and responsibilities to sub-national institutions because of the inability of former to continue funding such functions. It broadens the reach of national government, and enables the “penetration” (Cheema and Rondinelli 1983:15) of national government policies into the remote rural areas of the polity. It can be a means to recognize the special status of certain regions that differ markedly from the rest of the nation due to different ethnic composition and make up, or availability of resources (Bahl 2002).

Decentralization suggests democratization by broadening the base of participation and providing a voice to marginalized and non-mainstream sectors of society, such as cultural and ethnic minorities. It contributes to operationalizing democracy at the local level by providing avenues to enable citizens to access structures and processes of governance especially at the local level. Decentralization can mean building the capacities of sub-national institutions to enable them to respond to local needs: it can lead to more autonomous local authorities that would be less dependent upon central institu-

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tions. Decentralization can mean more innovations and flexibility at the local level: it allows local governments to design and implement programs customized to the unique needs of the locality. It encourages creativeness and provides the opportunity to depart from standard and formula-based once size fits all approach to development challenges. Indeed, decentralization may mean any, or all the above and more.2

All said, decentralization entails the transfer of functions, powers, responsibilities and accountabilities to lower level institutions for better governance3. This definition is not inconsistent with the classic definition developed by Cheema and Rondinelli in the early eighties that has somehow become some kind of “industry standard.”4 According to them, decentralization is the “transfer of planning, decision-making, or administrative authority from the central government to its field organizations, local administrative units, semi-autonomous and parastatal organizations, local governments or non-governmental organizations” (1983: 18). Our definition suggests that, given the recognition in contemporary development analysis about the imperative to reduce poverty, and given that the lack of effective governance was pinpointed as the “missing link” (UNDP 2000) in failed poverty reduction efforts, the discourse should therefore illustrate that decentralization, when correctly implemented and given the proper policy and capacity mix at the national and sub-national levels, decentralization has the potential to be a very powerful tool to effect good governance.5

Forms of Decentralization

Decentralization can manifest itself in various forms. The World Bank Institute has a very useful website called decentralization.org.6 Four major types of decentralization are identified:

- Fiscal decentralization
- Political decentralization
- Administrative decentralization and
- Market decentralization

The WBI points out that fiscal decentralization, is the decentralization of fiscal resources and revenue generating powers. Political decentralization occurs when political power and authority are decentralized to sub-national levels. Administrative decentralization aims at transferring decision-making authority, resources and responsibilities for the
delivery of a select number of public services from the central government to other lower levels of government, agencies, field offices of central government line agencies. Market decentralization is allowing functions that had been primarily or exclusively the responsibility of government to be carried out by business, community groups, cooperatives, private voluntary associations, and other non-government organizations.

Fiscal decentralization may take on several forms: self-financing, expansion of local revenues, inter-governmental transfers and authorization of municipal borrowing. Administrative decentralization may be further classified into deconcentration, delegation and devolution. Deconcentration "redistributes decision-making authority and financial and management responsibilities among different levels of the central government." Delegation occurs when "central governments transfer responsibility for decision-making and administration of functions to semi-autonomous organizations not wholly controlled by central government." Devolution involves the transfer of functions and "authority for decision-making, finance, and management to quasi-autonomous units of local government with corporate status."

Other types of decentralization pointed out by the WBI include privatization which involves the cooperation of government and private sector in the provision of services or infrastructure, and deregulation which reduces legal constraints on private participation or allows competition among private suppliers for services that in the past were provided by government or regulated monopolies.

Taking off from the above, and building upon the various theoretical constructs in local government and decentralization literature, this paper suggests that decentralization may be classified into the following:

- Deconcentration
- Devolution
- Debureaucratization.

Deconcentration may also be referred to as "administrative decentralization." It entails the transfer of functions from central authorities to lower level administrative institutions such as field offices. It embraces the notion of "delegation" since central authorities decide and identify what functions can be "delegated" to sub-national institutions. Such institutions, though, still retain their "national character" since they are simply authorized by their principals at the central government to administratively act
on certain matters including routine matters that need not go to the center and clog operations there. It also includes transfer of authorities over fiscal matters, such as determining up to what amounts the field offices can decide on without having to obtain authority from the central office. To a certain extent, it is referred to as “deconcentration” because it lessens the concentration of load in the center. The extent of delegated authority is determined by the center and such delegated authority may be revoked by them. A distinguishing feature of deconcentration is that final authority still rests in the center. It is within this context that deconcentration has been referred to sometimes as “pseudo-devolution.” It is therefore important to always appreciate administrative decentralization within the proper context of the whole decentralization scheme. To a certain extent, it does represent a weak form of decentralization. According to Dalton (2003: 9) “administrative decentralization often distracts attention from building towards devolution and in some cases misses the point entirely.” In other words, Dalton suggests that we should not lose sight of the ultimate objective of decentralization which is to move towards local democracy — and good governance — one that could be attained through devolution.

*Devolution* is also referred to as “political decentralization.” This entails the transfer of powers to lower level political institutions specifically the local governments. Local governments partake of a political nature when they fulfill the following criteria: (a) They have a set of elected officials, e.g., elected local chief executive such as the mayor and / or the local legislative body; (b) The local governments have jurisdiction over a specifically defined geographical area; (c) They have clear responsibility for the performance of certain functions and delivery — and financing — of basic services, and are held accountable for such; and (d). They have the power to generate revenues and levy taxes. Local governments are clothed with a certain amount of autonomy that enables them to decide on local matters without interference by the center. The imposition of taxes should be authorized by the local legislative assembly.

*Debureaucratization* refers to the process of transferring public functions, powers and authorities to the private sector, business organizations, voluntary and non-governmental organizations, people’s organizations, and to civil society in general. It is essentially enabling non-government and extra-governmental structures to deliver of services and perform functions that traditionally belonged to government. Debureaucratization (“get
ting out of the bureaucracy”) is recognition of the limitations of government’s inability to deliver some services due to some limitations (such as lack of resources and even graft and corruption). More important, it recognizes that there are some services and functions that may be more efficiently delivered and performed by the private sector. There may be various modalities of debureaucratization. These may range from government–non–government partnerships, to joint ventures, co-financing between government and private sector, to contracting out and even outright privatization.

The various modalities of decentralization – deconcentration, devolution and debureaucratization, is represented in Figure One:

**Figure One**

Types of Decentralization

- **Central / National Government**
- **Deconcentration**
- **Devolution**
- **Debureaucratization**
- **Field Offices**
- **Local Governments**
- **Private Sector / NGOs / Civil Society**

A Decentralization Continuum

Another approach to operationalizing the notion of decentralization may involve the use of a continuum where the degree of decentralization is plotted along the continuum. **Deconcentration** would be at one end representing the minimum transfer of authorities to sub-national units, devolution at mid-point, and federalism and outright separatism at the other extreme.

In this construct, deconcentration represents authorities and functions administratively transferred and delegated to lower level institutions and field units belonging to the
central government; devolution represents the transfer of political powers to sub-national local governments; federalism represents a higher degree of devolution. Meinardus (2003) refers to federalism as “the most advanced system of political decentralization.” He adds, “a federal set-up enhances the system of checks and balances so vital to democratic governance.” And finally, at the extreme end of the continuum is outright separatism or secession where erstwhile sub-national governments formally break away from the nation it used to be part of and establish a separate republic.

The various modes of debureaucratization are tucked into the notion of devolution and federalism. As suggested earlier, “working with the private sector” may range from joint delivery of basic services, to the provision of financing by the government to the private sector, to contracting out the delivery of services, to outright privatization. The whole objective here is to tap and maximize the potential of the private sector and civil society organizations for more effective governance. The “comparative advantage” of the private sector and civil society groups is recognized. For instance, private organizations and business are not necessarily hamstrung by unnecessary regulations, rules and procedures that oftentimes constitute “red tape” in the bureaucracy. Additionally, the areas of competence of civil society organizations are taken into consideration when debureaucratizing. For instance, NGOs and people’s organizations are usually strong in the environmental / ecological matters, and social sectors. These are therefore areas where formal government might “withdraw and disengage from” in varying degrees and depending on capacities, minimize government involvement and let civil society organizations and groups take the lead.

Civil society’s role might range from providing inputs into the design of the plans, to implementation, co-funding and cost-sharing. Their involvement might take prominence perhaps mostly in the monitoring and evaluation of programs. After all, the latter two are areas where civil society groups enjoy some kind of an advantage, specifically in terms of encouraging participation, transparency and accountability for effective governance.10

It will be recalled that the UNDP recognized the role of civil society in its Poverty Report 2000 emphasizing that “(h) olding governments accountable to people is a bottom-line requirement (for good governance.) Holding government officials accountable is a function of civil society organizations, spanning myriad forms — from com-
Decentralization Imperatives: Lessons from Some Asian Countries

...munity self-help groups to trade unions to political parties" (italics supplied; 2000: 54). The significant role of civil society under a decentralized set up therefore cannot be overemphasized — especially if located within the framework of democratization, good governance and even poverty reduction.

Figure Two
A Decentralization Continuum

Deconcentration Devolution Federalism Separatism Debureaucratization Secession

Decentralization in Some Asian Countries

The past decade has seen many developing countries in Asia, Africa and Latin America adopt decentralization as a reform strategy (Kammeir and Demain, eds, 2000; USAID 2000; World Bank 2000; Brillantes 2001; JICA 2001; Collins and Smoke, eds, 2003). Various countries may have had different approaches and motivations for decentralization. As pointed out by Ebel (2001) in the developed countries and the western world, decentralization is seen as an alternative to provide public services in a more effective way. Developing countries pursue decentralization reforms to counter economic inefficiencies, macroeconomic instability, and ineffective governance. Post communist transition countries embrace decentralization as a natural step in the shift to market economies and democracy. Latin America decentralized as a result of political pressure to democratize. Decentralization is seen by African states as a path to national unity.

The adoption of decentralization has also been linked to the process of democratization or redemocratization. Over the past decade and a half, democratic governance and decentralization have occupied a prominent role in the politics of developing and transitional countries (USAID 2000). In this sense, the presence of decentralized structures and processes have been considered one manifestation of the movement towards democratization as it provides the context for broader people participation and active civil society engagement in the democratic discourse.
The following is a sampling of countries in the region that have identified decentralization as a development strategy for more responsive governance.

Indonesia passed two laws towards the end of the decade aimed at fundamentally altering national-local relations: Law 22/199 eliminated the hierarchical relationships between central and district governments; Law 25/1999 altered the transfers received by local governments from the central government; and Law 34/2000 introduced new regional taxes and levies. These laws have the potential to transform intergovernmental relations and the potential to improve accountability of local governments (Warganita and Febrianti in GSICS-WP 2004: 54).

The decentralization plan of Pakistan was embodied in the 2000 Local Government Plan under the aegis of the National Reconstruction Bureau. The Plan has been considered a landmark legislation since it aimed to fundamentally restructure national-local relations. Its main strengths include the conscious weakening of central and provincial governments discretion by devolving more powers to nonpartisan local governments elected officials and the emphasis on the importance of grassroots accountability of local government, among other things. It is even touted to be an instrument that will lead to poverty reduction and improved status of human rights (Ayaz 2003). Indeed the correlation between decentralization and poverty reduction continues to be debated and remains to be firmly established and proven.

The 1987 Constitution of Thailand mandates decentralization. It was operationalized in various subsequent acts and policies enacted in 1999. In 2002, an Operations Plan on Staging of Decentralization to Local Government Organizations was promulgated. At the heart of the decentralization strategy in Thailand is the Tambon Administrative Organization (TAO) which are essentially the villages, rural in nature, large in number (estimated to be around 7,000) yet small in population and area (Webster 2002). Among other things, Thailand’s Tambons underscores the imperative to look into consolidation and amalgamation of local governments some of which, though may be politically and administratively viable, may not be economically viable. This is also the case in the Philippines with the proliferation of barangay (village) government and even municipal governments.

In the Philippines, Republic Act 7160 — also known as the Local Government Code — was passed in the Philippines. It transferred the responsibility for the delivery
of many basic services to the local governments and fundamentally altered national-local relations. Among its basic features was providing the policy infrastructure for civil society involvement in local governance.

Vietnam has embarked on a massive Doi Moi (renovation) process toward the end of the nineties. It included innovations in ways of thinking, democratization of society and reform of the economy and public administration that included, among other things, devolution of management authorities. As in the case of the Philippines, one feature of Doi Moi was to encourage and legitimize direct people's participation in local decision-making processes as well as establish transparency and accountability mechanisms at the commune level.

Advanced industrialized nations in Asia, notably Japan and Korea also emphasize decentralization strategy as part of their ongoing administrative reform and strengthening local governments. For instance, In Japan, in 1993, the House and Diet Resolutions on decentralization were passed based on the premise that the centralized administrative system was unable to cope with rapid developments at the local level. In 1995 a Law for the Promotion of decentralization was passed, and in 1998, a Decentralization Promotion Plan was initiated. Among other things, an outstanding feature of the Japanese approach to decentralization, one that is paradoxically driven by the center (Kitamura 2002; Brillantes 2001). As in the case of Thailand and the Philippines, there is also the ongoing debate that small sized villages with less than 1000 population be merged or amalgamated. Finally, one practice that has been adopted within the context of national-local relations and human resource development and capacity building in Japan pertain to intergovernmental personnel exchanges where central government personnel from the Ministry of Home Affairs (MoHA) are seconded to the local governments. Apart from enabling national officials to essentially adopt the perspectives of the “locals” hence de-centralize their ways of thinking and paradigms, this may also be considered one way of building the capacities of the local governments through the expertise that is shared with them by the national government through the seconded officials.

As early as the late forties into the nineties, a series of laws and policies were promulgated in Korea recognizing the importance of local autonomy and decentralization. Like Japan, though, there were largely driven from the center (Kyoung-Ryung Seong 1998). Seong describes the operationalization of decentralization in Korea “curi-
Local Government and Decentralization Reform Efforts

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ous mixture of deconcentration and devolution” (1998: 13). Another unique feature of the centrally driven-autonomy and decentralization in Korea was manifested among the Saemaul Undong which essentially involved the mobilization of the people by the central government that eventually lay the foundation for a variant of “citizen participation” in Korean rural development.\(^\text{12}\)

The following table provides an idea of the extent of adoption of decentralization among developing countries in Asia.

### Issues and Concerns

Decentralization strategies have been adopted by different countries ostensibly to make governmental structures and processes more responsive to pressures of a rapidly changing environment. Institutions must confront the challenges brought about by globalization, including a world economic order shaped by the forces of international trade and the logic of capital, persistent inequity (economic and military) among nations (as manifested in the what was thought to be an outmoded “developed” and “developing” nations dichotomy), a global village under threat of environmental degradation, and of relatively recent vintage, the persistent threat of international terrorism. Add to this domestic pressures brought about by the revolution of high expectations due to modernization and technology, the need to constantly improve the delivery of basic services, dwindling resources, ecological destruction, and the seeming unrelenting problem of graft and corruption and failure to address poverty.

This is the context within which local governments operate. And among other things, they have to be empowered to meet the ever increasing challenges upon them. Decentralization is one way empowering local level institutions.

Culling from the experiences of decentralization of the countries surveyed, it may be concluded that local governments everywhere face similar problems and challenges. For instance, the lack of capacities — financial and human resources — continues to be a concern. Additionally, the so-called “absorptive capacities” of local governments under a decentralized set-up have to be carefully studied. Capacity building in its various forms should always be a priority and is a continuing process. It must be emphasized though that the “lack of capacities” problem is not the exclusive domain of subnational institutions. Even central government agencies and civil society organizations confront
the lack of capacity problem as they are all trying to adjust to a decentralized set-up. What is the "proper" role of each level under such a set up? Among other things, there is the imperative to clearly delineate levels of authority and functional responsibilities between and among the various sectors, government and non-government alike, and between the different levels.

As mentioned earlier, lack of financial capacities continues to serve as a challenge for effective local governance. The concern is how to mobilize resources and generate revenues for effective local governance. Various strategies have been tried, ranging from fiscal transfers from the central government to generating revenues through taxes to harnessing the energies and potentials of the private sector. Decentralizing countries continue to face the challenge of refining the formulas and conditions for transfers. For instance, how should performance, and even extent of poverty and underdevelopment, be incorporated in determining central government transfers to sub-national governments. Add to this the inertia of central government to attach conditionalities to grants and transfers.

As the experience of Indonesia and Thailand and Vietnam have shown, it must always be recognized that there will always be a continuing tendency of central/national governments to resist the decentralization of powers to local governments. After all, decentralization is all about sharing power. And it is simply against human nature to give up power. An example cited is the continued dominance of the central government through the chief executive officers in Thailand (Boun Inthabandith 2004) or the communist party in Vietnam and Laos (Vilaysack and Chanthakhath 2004) may prove to be an obstacle to decentralization. The same is true in the Philippines over the past ten years. As mentioned above, capacity building, therefore, also means building the capacities of the national/ central government and not of local governments alone.

Inter-governmental relations (national-local, local-local) is an area that continues to be a challenge and should be improved and refined, especially in determining the extent and responsibility of various levels over certain sectors. These may be in the area of environmental and ecological management to delivery of basic social services. Who is responsible for what and how, and what level of government could most effectively address this. Concomitant to this is the control over the natural resources and local wealth. For instance, control over natural resources in Indonesia (Warganita and Febri-
anti 2004) have to be sorted out and clarified under a decentralized set-up. A related aspect would be fostering inter-jurisdictional trade and commerce.

Getting the stakeholders — public and private, national and local — to understand and appreciate the values of decentralization is a challenge. Hence information-education-campaigns (IEC) are important in order for all stakeholders to recognize the importance of decentralization and therefore support it. This was most apparent in big and diverse countries such as Indonesia. A massive IEC campaign is necessary to rally all stakeholders — national, local, government, NGO, etc. — behind the process of decentralization. In other words, it is imperative that all sectors pull in the same direction.

Operationalizing the participation of civil society (NGOs, non-profit organizations), business and the private sector in general within the context of governance is a continuing concern. In other words, good governance is not government alone. It has to work with, and harness the potentials of, civil society and NGOs and POs for better delivery of services. Active civil society participation in the process of governance is a sine-quo-non for successful decentralization. How to overcome the so-called “psychological divide” between government and civil society therefore is a challenge.

Finally the ever present problem of graft and corruption is there. It is important to promote accountabilities and answerabilities at the local level in order to address the all pervasive problem of graft and corruption that is present in all the countries studied. A basic criticism of decentralization is that it simply decentralizes corruption, as alleged in the case of Nepal (FES 2002) and Indonesia as manifested in the perceived persistence of KKN at the local level. Thus it is important to recognize that decentralization does not involve the decentralization of powers alone: it involves the decentralization of accountabilities as well. Again, civil society groups can play a key role in operationalizing accountabilities at the local level.

Lessons Learned

The discourse on good governance and decentralization is a continuing one. The purpose of looking at various country experiences may be located within the continuing search for “models” that work and don’t work and examine good and best practices in decentralization and good governance. This will help in the overall objective to design
appropriate interventions that suit the unique cultural, historical and geographical characteristics of a nation continues. It is within this context that the following "lessons learned" are offered as handles for the continuing analysis of decentralization as derived from the experiences of the different countries surveyed.

Decentralization is about good governance. It can be a powerful framework to operationalize citizen participation, accountabilities by local and national authorities and encourages responsiveness, efficiency and equity, all hallmarks of good governance. Given the "missing link" argument of the UNDP, decentralization therefore can be a useful tool to reduce poverty, specifically in terms of improving public service delivery. A study by Kahkonen (2001) concluded that whether it improves public service delivery "depends on institutional arrangements governing its implementation." These include being clothed with adequate authority to perform functions it is responsible for and whether the functions are devolved to the appropriate level of local government.

Decentralization is about intergovernmental cooperation and inter-institutional arrangements. These include cooperation between and among local governments, between national and local governments, and between government and civil society. Such inter-institutional cooperation is imperative given the nature of many of the problems in local governance: many concerns cut across politico-administrative boundaries, and many cut across vertically and horizontally. It is therefore imperative to encourage inter-local cooperation by identifying potential areas of cooperation: environment, coastal resources management, protection of watershed.

As suggested earlier, as far as good urban governance is concerned, inter-local cooperation is imperative in many areas ranging from traffic management to flood control to housing and solid waste management, among others. The challenge is to design appropriate institutional mechanisms, be they a metropolitan government or simple cooperative and sectoral arrangements between and among affected local units. Indeed all over the world various models of metro-governance can be found, be they in Tokyo, Vancouver, Sao Paolo, Washington DC, Bangkok, Jakarta or Manila. A key to good urban metro-governance is clear delineation of functions between and among the sub-national and sub-metropolitan levels, and providing adequate authority — and funding, be they taxes or transfers — to the metro government to address the challenges of urban governance (such as those mentioned above) that simply go beyond artificial
Decentralization is also about implementation. An accompanying question pertains to sequencing decentralization. In other words, when decentralization is implemented, should there be political decentralization ahead of administrative decentralization? Would it be better to pilot decentralization or adopt the so-called “big-bang” approach? The Philippine model was a combination of an initial phased and even pilot approach (from 1986 to 1992) followed by a big bang that was still essentially phased in implementation. Inspite of the adoption of a “devolution master plan” that tried to “phase” the implementation of decentralization (changeover, transition and stabilization, as in the case of other countries in the region, decentralization implementation still encountered many challenges, including capacity and financing obstacles. Indonesia took on the big bang approach and is now being confronted with absorptive capacity issues and resistance from the central government. One thing is sure, though. Decentralization is a process that takes time. It cannot be fast tracked. There shall always be implementation lags.

Apropos to the question of determining the sequencing of decentralization is the driver or initiator of decentralization. Paradoxical — and oxymoronic — as it may sound, the question may be asked: should decentralization be orchestrated from the center? Should the center be the driving force behind decentralization? The Japanese and Korean experiences have illustrated the key role of the central government in the early phases of decentralization. Perhaps a lesson may indeed be learned from the centrally driven and orchestrated approach: before embarking on the journey towards decentralization for good governance, it is imperative to make sure that the center will hold. Haphazard decentralization — or what Manuguid calls “half-baked decentralization” (2004:3) — may result at the very least in waste of resources and at worst, fragmentation of the state. The center therefore should be strong enough to serve as the anchor of the pull of decentralization. Once the center is strong enough — and this may take years, then the center of gravity may be shifted to the appropriate sub-national levels.

Decentralization is about capacity building. Capacity building embraces a whole range of interventions, ranging from investing in human resources, to strengthening fiscal capacities, and enhancing inter-institutional relations. It is critical to develop capaci-
ties at the national and local levels, and also engaging civil society, the private sector and citizens to augment and strengthen the capacities of local governments. Capacity building may also be achieved through institutional reform. This includes intervention in the following areas such as “development of legal systems, policy regimes, mechanisms of accountability, regulatory frameworks, and monitoring systems that transmit information about and structure the performance of markets, governments, and public officials” (Grindle 1997:19). As mentioned above, capacity building also means generating adequate and sufficient resources in order for sub-national governments to cope with the decentralized set up. Apart from grants and transfers from the national government, they should also be clothed with adequate authority to generate resources through taxes and users fees. Grants should be untied with minimum or no conditionalities to enable maximum flexibility at the local level, which after all, is what decentralization is all about. It must be mentioned, though, that local governments have to fight for such. There will always be a tendency of the national government to withhold as much from the local governments and to attach conditionalities to grants, subsidies and transfers. That is simply the nature of central government wanting to retain as much power as possible even under a decentralized set-up.17

Decentralization can also be a means to recognize the special status of certain regions that differ markedly from the rest of the nation due to different ethnic make up or availability of resources (Bahl 2002). This is true, for instance, in the case of the autonomous regions in Southern Philippines aimed at recognizing the special nature of the Muslims. In Indonesia, there is the case of Papua and Aceh whose special circumstances largely because of its resources have been recognized through policies of autonomy. However, there are also those who warn against granting “too much autonomy” to the special regions that could lead to the establishment of a separate state, and the fragmentation of the once unified nation, sometimes referred to as the “balkanization.”

Finally, inspite of the universal appeal of decentralization as a development (and even poverty reduction) strategy, there is no one size fits all formula for decentralization. While many countries in the region have decided to decentralize their politico-administrative structures and processes for poverty reduction, each country must still design its own decentralization strategy, one that is suited to its unique social, political, cultural and historical context. Obviously, countries can learn from each others’ experi-
iences benefiting from the good and best practices in developed in other contexts. Studies have shown that there is the universally preferred bottom-up approach to decentralization where it is the local that is the driving force behind decentralization. But we cannot also ignore the experience of others that have paradoxically adopted a top down approach where decentralization is driven from the center. But at the end of the day, countries must develop their own indigenous and native approach to decentralization.

Endnotes
1 Kakhonen (2001) writes that allocative efficiency may be attained through better matching of public services to local preference; productive efficiency may be attained through increased accountability of local governments to citizens. Fewer levels of bureaucracy, and better knowledge of local costs.

2 Cheema and Rondinelli, in their classic and authoritative work Decentralization and Development. Policy Implementation in Developing Countries (1983) list as many as fourteen reasons behind the adoption of decentralized development planning and administration in developing countries. These include the following: overcome the limitations of centrally controlled national planning; cut through red tape; increase the sensitivity and knowledge of central government officials to local problems; allow political and administrative “penetration” of national government policies into remote areas; allow greater representation for various political, ethnic and religious groups; develop greater administrative capability among local governments; increase efficiency of central government by relieving top management officials of routine tasks; provide a coordination structure for national agencies operating at the local level; institutionalize participation of citizens; create alternative means of decision-making: lead to flexible and innovative administration; allow leaders to locate services and facilities among local communities; increase political stability and national unity by recognizing diversity; and reduce diseconomies of scale inherent in over-concentration of decision-making in the national capital.

3 Good governance has been referred to as the “missing link” between anti-poverty efforts and poverty reduction. According to the UNDP (2000: 54) “even when a country tries to implement economic policies to foster pro-poor growth and mount targeted poverty programmes, inept or unresponsive governance institutions can nullify the impact.” It is within this context that decentralization, properly implemented and supported, may be an effective instrument that may bring about effective governance. We are definitely cognizant of the possibility that the decentralization strategy, if badly planned and implemented, can even worsen inequalities (UNDP 2000: 60). Decentralization may therefore be a two-edged sword.

4 We use the term “industry standard” to suggest that many multilateral development institutions have used as reference, or taken off from, the Cheema and Rondinelli construction.

5 This is certainly not an attempt to romanticize the notion of decentralization. As stated elsewhere in the paper, decentralization is a double bladed sword: not used properly, it can exacerbate inequalities among regions and even lead to fragmentation of the state; but when used correctly, can indeed be a potent poverty reduction strategy.

6 http://www.decentralization.org; see also www.ciesin.org/decentralization. Another relatively new site is

7 These criteria are essentially in accordance with the classic elements of the state as described in political science literature, i.e., people, territory, sovereignty.

8 It is within this context that one cardinal rule that must be followed in implementing decentralization is Roy Bahl's (1999) Rule No.2: "Finance follows Function." In other words, Bahl argues that the functions and responsibilities of local authorities should be clearly defined first, vis-a-vis national authorities. After a clear delineation of responsibilities, then the funding of such services — whether by transfers from the central government, or by locally generated taxes, or users fees, etc — should then be addressed. One reason for failed decentralization strategy is the continuing practice on the part of central authorities to mandate sub-national governments to perform functions without providing the necessary funds, hence "unfunded mandates." Some refer to this practice as "dumping" — referred to elsewhere in this paper as "load shedding" — of responsibilities to the local governments on the part of central authorities because of the inability of the latter to continue funding them. The complete and highly authoritative Implementing Rules for Fiscal Decentralization as developed by Roy Bahl which is rapidly becoming a classic in the decentralization discourse are as follows:

- Rule one: Fiscal decentralization should be viewed as a comprehensive system
- Rule two: Finance follows function
- Rule three: There must be a strong central ability to monitor and evaluate decentralization
- Rule four: One intergovernmental system does not fit the urban and rural sector
- Rule five: Fiscal decentralization requires significant local government taxing powers
- Rule six: Central governments must keep the fiscal decentralization rules that they make
- Rule seven: Keep it simple
- Rule eight: The design of the intergovernmental transfer system should match the objectives of the decentralization reform
- Rule nine: Fiscal decentralization should consider all three levels of government
- Rule ten: Impose a hard budget constraint
- Rule eleven: Recognize that intergovernmental systems are always in transition and plan for this
- Rule twelve: There must be a champion for fiscal decentralization

9 This would be in accordance with the time honored dictum that there can only be taxation when there is representation of the people, in this case through the local legislative body.

10 It will be recalled that among the elements of governance are (1) accountability; participation; predictability; and transparency (ADB 2004).

11 This is obviously a limited sample but may be an indicative illustration of the prominence of decentralization in contemporary development strategies in these countries.

12 This process of centrally driven citizen involvement may be frowned upon by others who would regard the approach as corporatism at the very least and people manipulation at the very most. That being said though, regardless of how it is described, there is general agreement that the Saemaul Undong lay, and strengthened the foundation for rural development in Korea contributing to making Korea what it is today, one that has essentially succeeded in its poverty reduction strategy.
13 For instance, in Nepal, opposition leader and general secretary of the Communist Party Madhav Kumar Nepal has said that decentralization in Nepal has only been successful in decentralizing corruption (FES 2002).
14 KKN is the Indonesian acronym for corruption, collusion and nepotism.
15 After a semester of examining the governance and decentralization experiences of selected countries in the region, a diverse group of students from the Asian region at the Graduate School of International Cooperation Studies (GSICS) at Kobe University, taking off from an informed study of the praxis of governance and decentralization, collectively arrived at the following lessons learned. These coincide with the general literature on decentralization and good governance in the region. These are included in the WP-GSICS 2004.

Bangladesh
- NGO participation is important for vibrant and strong local governments.
- Local efforts could more meaningfully address environmental and human rights issues.

Cambodia
- The political culture of the society must be considered in implementing the process of decentralization.
- Civil society — NGOs, peoples organization, media, etc. — are major contributors to good governance.
- Due to illiteracy and unfamiliarity with new concepts, planning must be simplified considering the capacities at the local level.
- Fair salaries are catalysts for good governance.

India
- The devolution of financial powers to local governments should accompany the process of devolution of functions as envisaged by the new constitution.
- Along with functions, the administrative control over the staff need to be transferred to the local governments.
- Capacity building should not only be targeted at the appointed officials and members of the local governments. Capacity building efforts should be targeted at locally elected officials as well.
- State governments need to entrust the planning processes to the local governments in order for local needs to be addressed.

Indonesia
- A massive information-education-campaign (IEC) on the decentralization law is important to obtain support for implementation of decentralization.
- The capacities of the various levels of local government to implement the decentralization in terms of administration and politics must be strengthened.

Philippines
- Leadership and political will are imperatives in implementing decentralization and local autonomy.
- Efforts should be home-grown and locally driven for people to have ownership and responsibility.

Thailand
- Local government reform in Thailand is important to restructure the Thai state, and to sustain...
changes.
• Contrary to the bias against local governments owing to their perceived lack of capacities, local communities and local governments can be self-reliant and can make their own decisions on community development activities.

Vietnam
• Decentralization has been a tool that contributed to the reduction of public spending and resulted in improved delivery of basic services
• Both the state and the Party are aware of corruption and abuse of power by authorities of the local and central governments.

16 An interesting example of the struggle among local governments against the tendency of central government to maintain power is contemporary Japan: the tug-of-war between national bureaucrats in the Ministry of Health, Labor and Welfare and the local governments for fiscal year 2004 with central government demanding that subsidies to local governments be cut. However, because of their strong resistance and militancy — articulated through the National Governors’ Association — local governments scored a victory. Additionally, local governments were given a freer hand on how to use the funds compared with conditional subsidies. *International Herald Tribune/Asahi Shimbun*, 12 December 2003.

17 As mentioned earlier, it is not our intention to romanticize decentralization, with blind claims that everything should be decentralized for effective governance. Certainly, there are some functions that cannot and should not be decentralized, such as having a national currency, national defense, foreign affairs and external relations since the national government is simply mandated to perform such functions. What is being suggested here is the continued search for the “golden mean,” the appropriate balance of functions and powers between central government and sub-national governments towards the collective objective of effective governance. Perhaps, the principle of subsidiarity tells it all: as much as possible decisions — in order to be responsive and realistic — should be made at the lowest levels of government as possible since they are the closest to the people and know actual realities on the ground. The definition offered by the European Union is very instructive: “The subsidiarity principle is intended to ensure that decisions are taken as closely as possible to the citizen and that constant checks are made as to whether action at Community level is justified in the light of the possibilities available at national, regional or local level. Specifically, it is the principle whereby (central or national government) does not take action (except in the areas which fall within its exclusive competence) unless it is more effective than action taken at national, regional or local level. It is closely bound up with the principles of proportionality and necessity, which require that any action by the should not go beyond what is necessary to achieve the (common) objectives xxx” [http://europa.eu.int/scadplus/leg/en]

18 Balkanization is a term that has emerged in response to small-scale independence movements and the increasing trend of micronationalisms (or micronationalisms), as they occur along ethnic, cultural and religious fault lines. The term generally describes the process of geopolitical fragmentation, and is used to depict any kind of political dissolution across the world. The term has also expanded to connote a varied tableau of scenarios involving disintegration. Taking its name from the divisive and conflict-ridden Balkan region of Europe, balkanization has come to refer to any region in the world faced with internal turmoil and schisms.
Although the 1991 dissolution of the Soviet Union into fifteen countries has been referred to as the balkanization of the U.S.S.R., balkanization finds its roots in the Balkan region of the former Yugoslavia, which is often cited as the powder keg of Europe. Certainly, the very words, Balkanization and the Balkans, conjure up images of violence, destruction, genocide and dissension. Indeed, this part of the world has produced these kinds of unfortunate occurrences, from the period of both World Wars to the post-Cold War era.” See http://www.countrywatch.com/@school/balkanization.utm.

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