

DECENTRALISATION AND SUSTAINABLE RURAL LIVELIHOODS¹

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1. INTRODUCTION

During the 1980s many developing country governments became interested in decentralisation as a means of regaining political legitimacy, to give people more of a voice in local affairs, or sometimes to gain partisan advantage. Later, donors came to consider decentralisation as a way of overcoming some of the difficulties of integrated rural development (IRD). These included IRD's neglect of local institutions and its centralised and complex approaches which led to bypass and the weakening of local institutions (e.g. through the creation of project management units). Decentralisation appeared to offer a locus for integrated rural development, an institution to deal with it (local government), and the potential for downsizing central government and promoting 'good governance'.

This paper addresses the institutional issue relating to sustainable rural livelihoods, focusing in particular on decentralisation. In its analysis it considers people not just as clients (involved in a two-way service relationship) but as citizens who have fundamental rights to democratic accountability and to a role in decision-making about the services they receive. Adopting a 'citizen' approach is therefore participatory and empowering; it should make a significant contribution to the development of human and social capital.

The paper is divided into two main sections. The first briefly reviews the arguments for and against decentralisation. The second considers the effects of decentralisation on the sustainability of rural livelihoods. A brief conclusion follows.

2. DECENTRALISATION: A BRIEF REVIEW

What is decentralisation?

Decentralisation is essentially the transferral of the locus of power and decision-making, either downwards (sometimes referred to as vertical decentralisation) or to other units or organisations (sometimes referred to as horizontal decentralisation). The power that is transferred can be political, administrative or fiscal. Four types of decentralisation are commonly recognised, though in reality most situations entail a mixture of all four institutional types.

- *deconcentration*: vertical decentralisation within an organisation e.g. to local administrative offices of government;
- *delegation*: vertically or horizontally to sub-national governments or parastatals;
- *devolution*: whereby power is transferred to sub-national political entities such as states or local government; and

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- *privatisation*: whereby power is delegated outside to the private sector (commercial or non-profit).

Privatisation will be treated as a separate debate and is not considered further.

What have been the results of decentralisation?

While there is no conclusive evidence as to the impact of decentralisation on livelihoods, decentralisation does seem to have a positive effect on the performance and responsiveness of service delivery organisations.³

The main recorded **benefits** have been:

Administrative – deconcentration

- a reduction in bureaucracy and improved responsiveness as government is brought closer to its clients/citizens;
- institutional capacity building at local level;
- better scope for partnership development with organisations outside government; and
- the promotion of innovation (which is important if we are looking for new institutional responses to poverty).

Political - devolution

- increased transparency and decreased corruption;
- increased participation in decision-making (which tends to unlock the latent capacity of rural communities);
- increased job satisfaction and improved motivation as staff cohere together in 'client-centric problem solving approaches to service delivery, giving rise to trusting and respectful relationships between clients and public servants' (Tendler, quoted in Manor, 1997b:18);
- improved targeting of the poor ; and
- better identification and implementation of micro-projects (e.g. through demand-driven rural investment funds (DDRIFs)).

Fiscal

Decentralisation has proved to be a cost effective way of administering government. Local government structures have usually increased the local resource base, both by collecting their own taxes and by lobbying for allocations from the centre.

The main **problems** reported with decentralisation are as follows.

Administrative – deconcentration

- Accountability usually remains to the centre. This can increase central power, which now permeates much lower down, unless provision is made to develop a system of local accountability.
- Traditional patron-client relations between administrators and villagers may prevent villagers from pressing their demands.

³ Manor (1997b) suggests that it is too early to draw lessons. However, some programmes have been underway for many years which suggests that there is a deficiency in monitoring and evaluation of decentralisation programmes.

Political – devolution

- The legal framework specifying the powers and responsibilities of local government is often unclear which reduces accountability. This can be a particular problem where decentralisation is legislated quickly, often for political reasons, without thought as to how it will be implemented (as in Lesotho).
- Sometimes apparent devolution can also increase central political power (as happened in Zambia in the 1980s when District Governors were appointed by the ruling party and the right to vote was restricted to party members).
- Accountability in a devolved system often remains weak and more strongly-oriented to the centre than to local voters. This can be a critical flaw.
- Elites may capture new local government positions and then ignore the poor.
- Local governments are often hamstrung by a lack of funds and so lose credibility.
- What corruption remains tends to become more obvious. This can create the impression that corruption has in fact increased (this happened, for example, in Karnataka, India).
- Greater inequalities develop between communities and regions with different levels of organisational capacity.
- There can be an expansion of unnecessary bureaucracy.
- Decentralised authorities have a foreshortened time perspective, which can have a negative impact on issues such as the environment.

Fiscal

- The raising of local taxes tends to be unpopular and difficult (as Crook (1994) found in Ghana), meaning that larger central contributions may be needed at the outset. Later, as local governments gain credibility, local contributions can rise.

(See Manor (1997a and b) for good review of issues, and the various Aiyar papers for short summaries)

Sector-specific impacts

The situation is more complex when one tries to differentiate the impact of decentralisation on various sectors. Once again it is difficult to isolate the impact of decentralisation on livelihoods. However, there is some evidence that decentralising health and education yields benefits for both livelihoods and organisational performance (Piriou–Sall, 1998; Smith, 1997; Parry, 1997). For example, Smith (1997) reports on results from Papua New Guinea which demonstrated substantial improvements in health (notably a lowering of infant, childhood and maternal mortality and increased life expectancy) as a result of devolution.

In the case of natural resource management (NRM) there is also evidence that decentralisation of service provision is beneficial. Decentralised services are better able: to use locally adapted technologies; to support co-ordinated action by communities; to promote partnerships (Esmail, 1997; Goldman and Holdsworth, 1988); and to enable people to benefit from resources (such as parks) that would otherwise be under threat (Caldecott and Lutz, 1996). There appears to be much scope for the deconcentration or decentralisation of many agricultural services (except where conflict within the community and danger of capture by local elites is a serious risk). Box 1 gives some details of a very interesting decentralisation programme for agricultural services in Colombia.

Box 1: An example of devolution - Colombia

Colombia instituted wide-ranging local government reforms in the 1980s. Municipalities were made responsible for local roads, water supply, sanitation, agricultural extension, primary education, health clinics and hospitals, and natural resource management. Each municipality has an extension office (UMATA), responsible for technical assistance to small farmers⁴ on agricultural, livestock, fishery, environmental, social and gender issues. The UMATAs are funded by the municipal government, which receives budgetary transfers from central government and has access to matching grants from the national co-financing system (*Fondo DRI*). The UMATA's provide free extension services to some 450,000 small farmers out of an estimated total of 1,600,000 farmers. The UMATAs receive technical support and training from a programme of the Ministry of Agriculture which is largely responsible for monitoring and quality control.

Fiszbein (1997) undertook a study of the success of this overall devolution. Around three quarters of municipalities surveyed had improved water supply, and expanded the road network. Road maintenance had also improved. The public had participated in choosing projects and had contributed free labour and materials. The greatest improvements occurred in more remote rural areas. In general 60-90% of people sampled said they trusted local government more than central government.

Source: Garfield et al (n.d.), Aiyar et al, 1995c.

Water supply and roads also show benefits from decentralisation (Garn et al 1997; Humplink, 1997). The evidence suggests that technically more complex construction is best handled at higher levels while maintenance and administration are best handled locally.

The following factors affect the relevance of decentralisation: economies of scale; complexity; diversity of clients; stability of the environment; size of units; whether activities will cross administrative boundaries; and what process to adopt if it is decided to go forward. These factors also impact on the type of co-ordination mechanisms which are appropriate, and the relevant type of organisation or network of organisations (Mintzberg, 1993).

Table 1 summarises the issues for various sectors. Table 2 draws implications for the provision of support to sustainable agriculture. Most factors favour decentralisation in this area.

⁴ A 'small farmer' is defined as one with less than two Family Agricultural Units. The definition of this unit is based on the requirement of extra-family labour and on the share of family income from agricultural activities, which should provide at least 70% of total family income.

Table 1: Factors affecting decentralisation for different sectors

	Sustainable agric.	Water supply	Wildlife	Education	Health
Economies of scale	Only for large agro-processing – and very large businesses. Small farmers – simple.	For large urban supplies. Simple for basic systems – not major pump scheme	For large parks/ major tourism ventures Complex knowledge of wildlife required	For secondary schools/ further education Simple	For large specialist hospitals Complex for hospitals
Technical system	Simple	Simple	Wide range of issues – attitudes of community/ tourists/ demand for land	Standardised	Standardised response
Complexity of environ't	Complex - local knowledge needed for approp. Solutions.	Simple	Diverse – community, employees, tourists, 'guardians of biodiversity' with multiple uses	Standardised product little adapted to clients	Standardised product but depends on disease pattern
Diversity of clients, livelihood systems etc	Depends on area – often very diverse	Not a major issue – some tension between household, industrial and ag use			
Unit size/span of control	Depends on rate of change, but can change year to year with ag cycle. Also effects of drought etc	Many villages/wells /pumps Few large schemes	Whole area can be dealt with in conservancy approach. Parks few/large	Dealing with large nos of institutions	Dealing with large nos of clinics and relatively few hospitals
Cross area boundaries	Large projects	Catchment management and major dams	Parks may well cross. Also conservancies	Further education and possibly secondary schools	For specialist hospitals/ major campaigns e.g. immunisation
Stability	Depends on rate of change, but can change year to year with ag cycle. Also effects of drought etc	Depends on variability of rainfall	Depends on issues such as invasions, poaching etc	Stable as standardised and takes many years to feed through the system	Generally stable, but punctuated by epidemics when need for crisis response
Political issues	Land – e.g. land reform. Subsidies	Availability Location of schemes. Charging structure	Highly political as users often not local – if benefits do not accrue locally. Develop stakeholder forums.		
Fiscal issues	Payment for extension? Subsidies on inputs/crops Tax on land/crops. Free-rider issues	Payment for water – differential payments for types of users	How does revenue accrue locally	What payments system for infrastructure/ maintenance/ operation/ inputs e.g. books	What payments system for infrastructure/ maintenance/ operation/ inputs e.g. medicines
Institutional issues	Best handled locally – can be decent with specialised services provided centrally/regionally.	Village water best locally, also municipal schemes. Bulk distribution perhaps regional. Catchment schemes regional.	Must be local benefit and so link to decent. structures, local gov or community. Parks handled regionally/centrally	Primary schools can be handled locally. secondary, locally or regionally. Further ed – regionally/central	Clinics/primary health care can be local, local hospitals – local/regional Specialist hospitals – regional

Table 2: Implications for support to sustainable agriculture

	Implications for sustainable agric.
Economies of scale	Favours decentralisation
Technical system	Favours decentralisation
Complexity of environment	Favours decentralisation
Diversity of clients, livelihood systems etc	Favours decentralisation
Unit size/span of control	Varies – can mean efficacy of central mass media campaigns, also need for support to groups
Cross area boundaries	Only major projects. Favours decentralisation
Stability	Need for very flexible and organic system to respond to dynamic nature. Favours decentralisation.
Political issues	Favours decentralisation Issues such as land reform best driven centrally
Fiscal issues	Favours decentralisation although if tax is to be raised, local politicians may find difficult. Probably more difficult to raise fees than education/health.
Institutional issues	Extension services can be handled locally, specialist services such as adaptive research regional, basic research national.

Summary

Decentralisation has considerable promise in:

- reversing the neglect of local institutional development;
- improving development projects and making them more flexible and more sustainable;
- enhancing government responsiveness;
- increasing information flows between governments and citizens;
- promoting greater participation and associational activity;
- enhancing transparency and accountability ;
- achieving political renewal and integrating society with the state;
- reinforcing and invigorating democracy at the national level;
- promoting early warning of potential disasters; and
- carrying out small-scale regulatory functions.

It has at least modest promise in:

- reinforcing central government commitment to rural development;
- broadening the project focus beyond agriculture;
- reducing absenteeism amongst government employees;
- promoting co-operation between NGOs and the government;
- reducing regional disparities;
- tackling the problems of complexity and co-ordination;
- paying greater attention to sociocultural factors;
- empowering women;
- tailoring development to local conditions;

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- facilitating scaling up from successful pilot projects; and
 - reducing corruption.

However, it has little to contribute to meeting the objectives of:

- alleviating poverty within an area (decentralisation should not be adopted to tackle poverty *per se*. It should be part of a package of other measures, including rules to guide spending and ensure that poverty is targeted);
- accelerating economic growth;
- reducing overall government spending;
- enhancing macro-economic co-ordination and stabilisation;
- easing the problem of excessive agricultural taxation;
- mobilising local taxes;
- promoting planning from below (lower levels often lack skills and just produce wish lists); and
- promoting mass community participation in projects (as many local governments are constituted well above village/community level).

3. DECENTRALISATION AND SUSTAINABLE RURAL LIVELIHOODS

The introductory chapter of this book highlights the need to build an understanding of rural livelihoods to inform any programmes of intervention. In deconcentration and devolution programmes, as with all institutional reform initiatives, a proper client/citizen needs analysis should form the basis for action (see Box 2). This should include analysis of local strengths and vulnerabilities and should lead to the development of appropriate strategies to eliminate poverty. Once these have been drawn up, consideration can be given to the most appropriate structures for implementation.

Box 2: Lesotho – analysing client needs

In Lesotho the ASIP process has been deferred, and an Agricultural Policy and Capacity-building Project has been defined to support a devolution process. The Ministry of Agriculture will initially deconcentrate, then subsequently devolve some of its services to local government (a process which will run in parallel with reforms in other Ministries). As part of the on-going reform process, the Ministry of Agriculture is undertaking district surveys using participatory methodologies to assess who is doing what with agriculture and to define and describe a set of client categories, resources and needs. These are used to develop an understanding of appropriate services as a basis for reform of the Department. For this to become a more 'citizen-oriented' approach, mechanisms for on-going farmer involvement will also be required.

The introductory chapter also proposes six intermediate objectives for DFID as it seeks to promote SRL. The first five of these objectives relate to building up the different capital assets in the SRL framework. Decentralisation can have a profound effect on people's access to particular assets, as follows:

Natural capital: There is evidence that under decentralised systems local people's ownership and role in the development of communal assets (such as nature reserves and parks) increases. Indeed, unless there is community stake in such ventures they are often at considerable risk. However, the short time horizons of many politicians can mean that it is unwise to hand complete responsibility for such resources to local government; there may well be a need for regional/national oversight to ensure

sustainability. There is also danger in land reform being handled locally as the process can become derailed by local elites.

Human capital: There is evidence of increased capacity building in decentralised systems. Such systems can help to overcome people's alienation from the state, increase women's participation and contribute to addressing the needs of the poor.

Financial capital: Decentralisation may have a mixed effect on people's access to financial capital. At a community level the amount of capital available may increase as more revenue is raised through local taxation. One of the success stories of local governments has been in the management of demand-driven rural investment funds (DDRIFs) which typically fund construction of small-scale infrastructure (either social or productive). There are successful examples of such funds in the Free State in South Africa, in Zimbabwe, Colombia and Brazil. However, increased taxation means that individuals may have fewer resources to invest in their own productive activities. Particular challenges can arise when communities are called upon to contribute in cash or kind to self-help projects but at the same time are asked to pay local taxes, sometimes apparently for similar things (e.g. roads). These problems are less apparent when decentralisation is accompanied by increased transfers from the centre.

Social capital: Decentralised systems seem to be more effective at building partnerships than centralised systems. Where direct community involvement is required (e.g. for primary health care) decentralisation to local government is not sufficient: it is important to build direct community involvement (e.g. in health committees).

Physical capital: Decentralised systems seem to be better at planning and funding the construction and maintenance of small-scale infrastructure than their centralised counterparts. Sometimes local people are directly contracted to maintain local infrastructure which builds the positive links between use, maintenance and – potentially – user charges. However, it may be more appropriate for construction and maintenance of larger scale infrastructure to be contracted out or handled by a regional or national body.

The sixth proposed DFID objective ('policy and institutional environment which supports multiple livelihood strategies and promotes equitable access to competitive markets for all') is a directly institutional one. Its various components parts, and the effect of decentralisation on them, can be considered as follows:

- *Policies and institutional environment:* experience with change management suggests that it is important to tackle the strategic apex of the policy environment as well as the bottom (ie. decentralised levels of government). This means that the strategic planning, co-ordination, control and policy capacity of the organisation/sector should be developed simultaneously with work to improve the client interface.
- *Supporting multiple livelihood strategies:* from an implementation point of view this is most easily addressed through a devolved (i.e. non-sectoral) system in which activities are prioritised according to a needs analysis and expressed

demand. This suggests the need to look at interventions with local government. Deconcentrated systems inevitably take a sectoral approach which is less appropriate.

- *Promoting equitable access to competitive markets for all* – ensuring equitable access within an area is not a strength of decentralised systems if local elites capture power. There are, though, examples of systems to ensure representation of the poor, or women, through seat quotas in decentralised bodies. It is also possible to steer the direction of services or funding by imposing criteria for the use of central government funds.

In short, then, this institutional objective seems most likely to be met through devolved systems where there is by its nature some degree of local accountability and integration, although there are intervention strategies that can be applied in deconcentrated situations which should improve responsiveness to the needs of the poor.

4. CONCLUSIONS

The sustainable rural livelihoods framework puts people at the centre of its analysis and programme for action. However, it explicitly recognises the importance of ‘transforming structures’, especially the various levels of governments and the non-government organisations which have such a profound effect upon people’s livelihoods. Although there is some contrary evidence, decentralisation does seem to have a positive impact upon livelihoods. It is therefore important that DFID both supports existing programmes that involve decentralisation and learns lessons from these programmes so that experience gained can feed back into the design of future programmes.

Within existing projects DFID should:

- ensure that effective livelihood analysis has been conducted for current and potential clients has been conducted and revise service concepts accordingly (this is just as vital in sectoral programmes as in more broad decentralisation programmes);
- consider whether actual service delivery (as opposed to strategic issues) could be handled by local government, privatised or deconcentrated; and
- in sectoral projects work at strengthening the strategic apex as well as the lower level units.

In its future work on decentralisation it should:

- ensure that there is high level political support for decentralisation and that a weak Ministry of Local Government is not left to struggle with strong sectoral departments;
- ensure that the political dimension is adequately covered (for example support capacity-building with councillors and Ministers and not just bureaucrats). This should help limit accountability problems;
- consider rule-based systems for decision-making (e.g. for DDRIFs) to help ensure that poverty is adequately targeted; and
- support increased transfers to promote devolution/deconcentration.

Area-based projects

One way to integrate support to different sectors and to decentralisation is to place a significant emphasis on area-based projects, supporting local governments, such as DDSP Mpika in Zambia or the Pilot District Support Project in Zimbabwe. Support could be provided at either regional or local levels, but the units which are supported should have significant power over local development. Alternatively, DFID might work with the equivalent of the Ministry of Local Government to review potential or to experiment at local level. However, local government can be far from the village, and additional mechanisms may well be required to build in local responsiveness and involvement. This is a very important area for further work. There are, as yet, few models for integrating community-based planning and decision-making with a local government system.

Sector Investment Programmes

There is also the question of the relationships between decentralisation, SRLs and Sector Investment Programmes (SIPs). SIPs are inherently sectoral and usually centrally driven, which can put them in conflict with (the objectives of) decentralisation programmes. If they are not linked to a decentralisation or area-programme, they may be very negative in SRL terms. However, the Lesotho example of Box 2 shows how a SIP design process can result in a very different approach, focusing on capacity-building for deconcentration and later decentralisation. Indeed, McLean et al (1997) suggest that SIPs can in fact foster decentralisation (effectively deconcentration) for example through the creation of sectoral committees at district level.

Types of programmes and projects

One of the major arguments for decentralisation is that it can provide a responsive, learning environment for development. Interventions in support of decentralisation should themselves be 'process projects', responsive and flexible, though with an appropriate orientation, milestones and support process agreed in advance. DFID should support projects with partners who are committed to a similar direction/objectives. It should also support project design that encourages learning and reflection (such as the Pilot District Support Project in Zimbabwe and the Rural Strategy Unit in Free State, South Africa) and gives adequate emphasis to monitoring and evaluation, a common weakness.

So DFID has some good experience in devolution and deconcentration, which can be applied in institutional approaches to support SRLs in the future.

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