

Issues and Perspectives in Decentralisation: Challenges in Democratic Transitions and Local Governance in Global South

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Abstract

This paper is about decentralisation as a process and the prospects for developing effective local governments in post-colonial societies of Global South. It reviews the issues that hinder the efficacy of decentralised governments and challenges faced in democratic transitions. Discourse in this paper analyses commonalities of issues such as local government representatives' lack of managerial skills; insufficient delegation of official authority to the local governments; sporadic and ad hoc implementation of reforms; demographic heterogeneity; elite capture of local resources; matters of fiscal autonomy; shortage of public funds; dearth of support from the national and regional governments; and lack of technical support from civil bureaucracy. It is argued that societies in post-colonial states tend to remain apolitical and 'Not So Civil' as a consequence of military regimes. Problems pertaining to inter-institutional relationships and corruption in localised governance setup are also discussed as major hurdles.

Keywords: Decentralisation; Civil Society; Corruption; Demographic Heterogeneity; Elite Capture; Inter-institutional Relationships; Fiscal Decentralisation

Introduction and Background

This paper is about decentralisation as a process and the prospects for developing effective local government in post-colonial societies. In the developing countries of Latin America, Asia, and Africa, highly centralised planning and execution of public policies were dominant practices for running the affairs of government until 1950s. In his investigation of the decentralisation reforms in Asia, Mathur (1983) noticed that after the Second World War, the Soviet Union styled centralised planning was generally accepted and prevalent in the countries that had recently emerged from the colonial rule. With the culmination of cold war, the concepts of decentralised forms of government evolved gradually which upholds, among many

other principles, the grass-root level participation of citizens in local political affairs thereby directing the stream of political power from bottom to the top rather than the other way around.

Decentralisation involves the delegation of powers to lower levels in a territorial hierarchy, whether the hierarchy is one of governments within a state or offices within a large-scale organisation' (Smith, 1985:1). Decentralisation of government thus involves the creation of smaller territorial establishments of political and administrative institutions of the state. The rationale for pursuing decentralisation reforms includes laudable objectives like self-government, improved articulation of local political interests, citizen-state proximity, and therefore better accessibility of citizens to their respective local governments. 'The closer a government is to its citizens, polls show, the more they trust it. The closer it is, the more accountable its officials tend to be and the more likely they are to handcraft solutions rather than create one-size fits-all programs' (Osborne & Gaebler, 1992:277). There is a wide agreement on the idea that public policy can be best devised and implemented where the effective political participation by all stakeholder groups of the society is ensured. Decentralisation reforms are reckoned as the foremost solution to the problems of highly centralised and bureaucratic civil administration systems.

Rondinelli and Cheema (1983) believe that decentralisation reforms are essential for flexible, innovative and creative administration, political stability and national unity as local governments can overcome the limitations of central control. According to them, decentralisation helps in several ways for instance, decentralised governments tailor development plans in accordance with the local needs of heterogeneous social groups; reduce red tape; are more sensitive and responsive to the local problems; facilitate close contact between public officials and citizens; enhance citizens' information; improve political, religious, ethnic, and tribal representation; institutionalise political participation; and finally, neutralise the capture of public goods and services by the locally established elites. In addition, decentralisation reforms are positively associated with economic efficiency, reduced public spending and improved public services, better human resource management, enhanced public accountability, political liberty, equality in service provision, and improved social welfare (Smith, 1985).

Decentralisation is also reckoned to have a pro-poor impact as it is argued that decentralisation reforms help develop the economic and political status of the marginalised groups in a society by improving citizens' access to the public provisions. Given that large public sectors are hard to administer by the central government, exquisite structuring and effective execution of decentralisation reforms help reduce the burden of administrative responsibilities of the central government. Local governments not only involve citizens in self-governance but

also help in enhancing the political and administrative decision-making skills of the locally elected representatives. Other potential payoffs of democratic decentralisation process include the consolidation of civil and political society by proffering political and civic education and political stability. In the contemporary era, effective decentralisation reforms have thus become an extremely essential element of public management systems around the world. According to Manor (1999), decentralisation reforms strengthen the local governments as a bridge between the state and civil society. The proponents of decentralisation strategies advocate the usefulness of localisation policies in the development of an effective and efficient system of local governance.

However, as is the case with any other governance model, there are associated pitfalls in decentralisation policies especially when delved deep in the cases of developing countries particularly in global south i.e. Africa, South Asia and Latin America. Due to the higher degrees of predominant social and ethnic heterogeneities, the independence of most of the South Asian countries brought with it the problems of national and territorial integration in the post-independence era. One response to this problem was seen as states' increasing tendencies towards further centralisation of the affairs of government and hesitation to allow political and administrative autonomy to the peripheral regions (Mathur, 1983). The highly centralised and distant state structures were left as legacies by the colonial administrations and such state hierarchies are still entrenched ubiquitously in almost all post-colonial states.

However, after the culmination of cold war - in response to the pressures from international community, global monetary regulatory organisations, and domestic uprisings - many regimes in the developing world are now being compelled directly or indirectly for allowing political autonomy to regions in one form or the other. It is nonetheless important to note that the associations between democratisation and decentralisation have often been misconstrued as straightforward. Political decentralisation does not necessarily lead to democracy (Smith, 1985) which means that although political decentralisation is a necessary element in the process of democratisation, it is certainly not a sufficient condition. It is primarily the element of unconstrained political participation that serves as a stepping stone towards the development of a democratic polity. At the local level, democratic practices lead to the development of individuals, facilitation of accountability, civil liberty and defence against arbitrary power (Ylvisaker, 1959) but in many cases, democracy at national level precedes democracy a local level (Sharpe, 1981) suggesting that a democratic polity at centre may be well be reckoned as a foremost pre-requisite for the local governments to function and deliver effectively. Smith (1988) argues that public participation is seen as beneficial in terms of political mobilisation and activism, awareness of local

priorities, government's sensitivity to local interests, raised political consciousness of dependant groups, better communication between bureaucracy and citizens, and improved accessibility of citizens to public officials. On the other hand, however, political participation often appears to be not more than a tokenistic approach when it incorporates illegitimate practices into safe channels and legitimise the existing illegitimate structures of arbitrary political power.

The mere transfer of power from central to the local government cannot guarantee benevolent political participation. For instance, in Bangladesh, Nigeria and Kenya, the local government elites were actually facilitated by the central government in order to create and sustain a power base in countryside and to prevent opposition forces from forming political alliances (Crook and Sverrisson, 2001). Such underlying political motivations behind allowing some political and administrative autonomy in order to establish a local collaborative political base may prove to be useful for the retention of national integration in the short-term however it certainly does not serve the core objectives of decentralisation. Indeed, the central governments use their coercive powers and state institutions to contain other social and political groups, which in turn reinforces the central command that undermines the grass-root political participation.

Litvack et al. (1998) note that the functional capacity of local governments is determined by the extent to which political institutions accommodate the multiplicity of citizen interests in policy decisions. To have an impact on policy, the political and social interests of the groups in society must be mobilised, organised and articulated through institutions that carry their interests to the state (Berger, 1983). Unless the state is fully committed to devolve political powers to the local level, it is not reasonable to expect that those local establishments will deliver effectively. It is quite evident that decentralisation reforms are always politically motivated, positively or otherwise. Arguing about whether to decentralise the government or not is largely irrelevant; the way decentralisation reforms are implemented determines how successful they are (The World Bank, 1999). Since various levels of government are stakeholders in quest for political powers and administrative authority, the power structures of various institutions of the state are critically important in understanding the political motivations behind any public policy and strategy. In an ideal scenario, Heymans et al. (2004) propose that at the outset, government should have a firm conception of its ultimate decentralisation aims. It should then focus initially on those functions and services for which success is more likely. This includes tasks, which do not threaten the central power base, and at the same time do not overwhelm the local capacity. Decentralisation does not entail central government stepping back from a role in service delivery, rather it entails defining a new supportive, enabling and monitoring role for which new skills are required (Tendler, 1997).

As per the theory of decentralisation, a decentralised government is endowed with two major functions: to serve the democratic objectives of participation, (civic) education, discussion and consent; and to provide services under such political direction in an efficient manner (Wilson, 1948). Nevertheless, combinations of a wide range of complexities hinder the process of institutionalising a balance of power among levels of government and other state institutions. For instance, issues in local public finance, staffing, revenue collection, information availability, shortages of trained and qualified personnel, difficulties in inter-governmental relationships and lack of managerial and professional capability amalgamate to minimise the effectiveness of local governance institutions (Rondinelli and Mandell, 1981; Reilly, 1981). Besides that, haphazard decentralisation reforms – or what Manuguid (2004:3, cited in Brillantes, 2004) refers to as ‘half- baked decentralisation’ results in wastage of resources, further fragmentation of the civil society, regional inequities, economies of scale losses and domination by the local elites (Heymans et al., 2004). All major types of reforms in the administrative and political organisation of a state thus need to thoroughly take into account the ground realities of issues that are to be addressed with reforms; in this way the reforms are likely to be effective in the long-run otherwise, the misjudgement of problems and/or imprudent practice of the theory are quite likely to jeopardise the outcomes of reforms.

This paper aims to explore and explain the factors that have been actively obstructing the possibilities of democratisation process at the local levels of government in the post-colonial states of global South. An attempt is made to delve deep into the identification and explanations of underlying factors that have had an enormous impact in undermining the process of effective democratisation in the affairs of local governance. This paper is based on literature review of theories and perspectives categorically from developing countries on decentralisation reforms. Although the peculiar nature of issues faced by countries in Asia, Latin America and Africa vary a great deal depending on dynamics of a variety of exogenous and endogenous factors, contemporary literature on local governance reforms reveals some commonalities in form of obstructions in decentralisation reforms. The factors discussed in this paper are the lack of official capacity and managerial skills of local government representatives; weaknesses in political and civil society organisations; the lack of political activism; asymmetries and coordination issues in inter-governmental and inter-institutional relationships; limitations in fiscal decentralisation; and finally, corruption in localised governance.

Official Capacity and Managerial Skills

One of the main reasons for inefficient performance of local government as pointed out by many theorists is the lack of capacity and managerial skills of local government officials. Programmes for decentralising social service delivery and

development functions to the local organisations need to be at par with capacities of the implementing and executing agencies. Central governments are often unable to support decentralisation experiments with competent personnel, efficient administration and other badly needed resources (Rondinelli, 1983). The lack of managerial and technical expertise at the local level thus eventually hinders efficient provision of the public services. The World Bank (2004) suggests that the central government can provide training to the local government in top-down ways or it can create an enabling environment for training by using its finance and regulatory powers in order to help the sub-national governments define their needs thereby making the process demand-driven. The Bank suggests that training programmes can also be imparted by the local or national private sector. In addition, the central government can also allow and enable the local governments to learn by doing. However, since the establishment of local governments is always politically motivated - positively or otherwise - the nature of relationship between the central government and local governments may lead to different outcomes.

Local governments are likely to develop their managerial skills and learn by doing when the institution of local government is kept functional as an integral tier of government and local elections are held on regular basis. Managerial capabilities of local government incumbents are not likely to develop in circumstances wherein the local governments are functional only in sporadic phases. Getting recognition for local governments in the public eye through regular local elections means that local governments are seen as an integral part of the government to which citizens can resort to while tackling their civic problems. With the long-term institutionalisation, the elected local government officials will not only identify their formal role and responsibilities in terms of social service delivery but will also have opportunities to enhance their management skills on a continuous basis. In contrast, if the elected local bodies are created on a makeshift basis and/or controlled by the higher levels of governments, they are not likely to allow the local incumbents to develop their political and professional skills to the required levels.

A new setup of local governments needs time to acclimatise in the existing structure of public sector management. Particularly in countries, where there has been a sudden transition from highly centralised and bureaucratic decision-making procedures to a localised and devolved government, issues related to managerial skills and technical capacity loom large. While working under the entrenched structures of bureaucratic civil administrations, the local government officials are not likely to feel confident in execution of policy or in meeting the demands from their electorates. To establish local governments as an institution, comprehensive training and skill development programmes on a regular basis are critically important. Local government representatives' lack of managerial skills results in

undermining their decision-making capacities as well as their total dependence on civil bureaucrats.

Other than the limitations of the managerial skills and professional training of local government incumbent, the ambiguities in terms of official capacity and equivocal policy - such as blurred job description - also incapacitates the local government representatives. In other words, they get assigned a responsibility without the due authority. Therefore, the lack of clear delineation of official role and formal official authority adversely affects the local tier of governments. In addition, for an efficient management of local fiscal affairs, the local government representatives are expected to be well-versed with budgeting and revenue collection skills. However, their non-technical background and lack of experience in this regard gives an undue advantage to the civil bureaucrats who eventually dominate the local councils that are responsible for fiscal management in a locality. Together, the lack of managerial skills and complications in official authorities not only destabilise the decentralised government but also jeopardise the working relationships between the officials of civil administration and local government incumbents.

Although the two phases of decentralisation reforms were experienced by the citizens of Pakistan in General Ayub and General Zia's epoch, the 'Devolution of Power Plan (Government of Pakistan, 2001) was quite different and was implemented very unexpectedly in Pakistan. This was yet another radical change in local governance dispensation of the country in which the federal and provincial bureaucracy felt threatened by the establishment of a new local government system. Many political and administrative changes were introduced in the reforms that were to curtail the influence of civil bureaucracy to a greater extent however, since the transition to devolved governments was so abrupt, the official capacity and management skills credentials of the newly elected local government representatives remained questionable right from the first day. The local governments were assigned responsibilities to deliver municipal and administrative services for which they were not technically and professionally trained. It is essential to note that the issue of local incumbents' lack of administrative and managerial skills was not an unprecedented phenomenon. Considering the administrative and political setup of Pakistani public sector, the problem of management skills and official capacity of local incumbents has always been limiting their effectiveness in local governance.

Demographic Heterogeneity and Elite Capture

The reasons for strong secessionist tendencies in developing countries are multifaceted such as the extent of social heterogeneity, multi-ethnicity - and the most important of all - regional socio-economic disparities and inequalities.

Separatist movements are usually encountered with repression in authoritarian regimes but the time-tested rational and political strategy to pacify such uprisings is to allow self-rule in peripheries because localisation helps reduce the resentment of the marginalised and deprived social groups. Smith (1985) argues that cultural variations, uneven economic development, ethnic diversity and persistent primordial loyalties often produce irresistible pressures for decentralisation, though the political pressure may emanate from movements demanding complete separation from the state: secession. Different ethnic groups are exclusive, competing with one another, and primarily interested in furthering the welfare of their own group members, as postulated by Olson (1982). Considering the implications of socio-political heterogeneity in social services management, La Porta et al. (1999) found that ethno-linguistic fractionalisation is negatively associated with the provision of public goods. Their results indicate that in countries that are linguistically diverse, infant mortality rates and illiteracy are likely to be higher, and school attainment and infrastructure quality are likely to be poorer.

It is also critical to note that the social heterogeneity makes it more difficult for the citizens to organise the expression of their interest with the help of ballot box and therefore the political process to arrive at cooperative social and political solutions becomes elusive. Social and economic heterogeneity is an important factor that influences the nature of relationship between voters and government. Similarly, when resources are scarce, policy makers are invariably constrained in their approach towards meeting an extremely diversified nature of demands from a socially heterogeneous and economically polarised society. If the political power and development management is devolved to the fragmented localities, the probability of emergence of a collectivised momentous opposition to the central government gradually diminishes. In addition, regional economic disparities can also be reduced with political and fiscal decentralisation. It is argued that an effective political and administrative decentralisation policy can significantly extend the central government's outreach to the socially fragmented groups residing in geographically scattered regions of the country.

A good deal of public choice literature (Platteau, 2003; Bardhan, 2002; Platteau & Abraham, 2004; Fung and Wright, 2003) associates decentralisation programmes with elite capture. The literature propounds that elite capture increases the propensity for the local government to over-provide the public services to the local elites at the expense of the non-elites. Public choice theorists argue that local governments are prone to elite capture because the citizens and politicians have lopsided positions in terms of social power, economic resources, knowledge of political and administrative procedures and educational attainment. Others like Mansuri and Rao (2004) argue that some degree of elite domination is inevitable

for local development particularly in rural areas, where the elites are often characterised as leaders representing economic, moral and political authority in their respective constituencies. However, the explanation of proneness of local government to elite capture is overly pessimistic because it ignores the potential of local political institutions to redress the issues of elite capture.

It is argued that a long-term comprehensive process of government's decentralisation is one of the primary solutions to contain the elite capture. Elite capture is an ailment of political institution that needs to be treated and a vigilant treatment does not require the elimination of patient (institution), in fact, the institution needs consolidation for resisting and eliminating the ailment. The factors that are reckoned as responsible for elite capture of local resources are indeed the factors that undermine the progress of local governments. It is emphasised that an effective programme of decentralisation should, in principle, mitigate the issues that perpetrate the elite capture of local government's resources. The core purpose of delegating the political decision-making authorities to the citizens is to involve them in self-government and therefore the probability of elite capture should, in principle, be reduced by improvements in civic engagement with the help of exquisitely designed electoral processes. Although elite capture remains a threat to the effectiveness of local governments, their proneness to this threat can be reduced by containing the factors that lead to elite capture, not by limiting the role of the local government. In a nutshell, decentralisation of government enhances the value of citizens' vote and improves civic engagement which in turn reduces the probability of elite capture.

The Apolitical and Not So Civil Societies

This part of the paper explains why the role of political and civil society is critical for effective democratisation process not only at the central level but also the local level of government. 'Political society', as defined by Hyden et al. (2004) is the place where public demands get tackled by specific political institutions. The very nature and organisation of political society is central to the effectiveness and efficiency of democratic governance because the design of electoral systems and organisation of the political groups affect the way in which the aggregate political interests influence and augment the benevolent policy outcomes. Although the existence of political groups and the practice of elections are necessary conditions, they are certainly not sufficient; a fair degree of polity's sovereignty and an informed political society, *inter alia*, have an enabling impact on the process of democratisation. The right to vote, unconstrained political choices, freedom of information, a substantial degree of political activism and state's positive role in consolidating local political institutions and encouraging the political participation are foundational requirements in this regard.

Civic engagement and political activism are positively associated with the development of the political society and therefore the decentralisation reforms are likely to be undermined in the absence of an effective political society. In regimes based on Islamic ideologies, fatalism also contributes to undermining an extremely essential prerequisite of a democratic polity i.e. political activism; fatalism thus allows the autocratic rulers a free hand in self-enriching policy pursuits (Gurgur and Shah, 2005). This type of impediment to political activism is significant even in democratically elected governments. Citizens' fatalistic perceptions (Chhotray and Stoker, 2009) about the will of God, destiny, and divine accountability prevent them from meaningful engagement in politics. Public scrutiny thus diminishes. 'What is destined to happen will happen anyways' or 'my single vote won't matter anyways' is the type of fatalistic perception and civic attitude which serves as a formidable barrier to effective political activism. The reasons for indifference towards the political and civic engagement may be varied but their impact on political society in general is enormous. The outcomes of participatory democracy depends on multiple factors such as the transformation of the political culture and the existence of a civic culture (Almond and Verba, 1963), the proliferation of autonomous civil society organisations and the capacity of those organisations to represent the plurality and diversity of civil society's interests (Dahl, 1982; Putnam, 1992), and the existence of the institutionalised mechanisms that make participatory democracy viable for example referendums and freedom of assembly (Macpherson, 1977).

All modes of democracy, i.e. representative democracy, direct democracy and advocacy or deliberative democracy (Dalton et al., 2004) endow citizens with a right to vote. In order to be able to make effective use of their vote, citizens need a choice and the more choice they have, the better the progress of democratic government becomes. However, it is not only the practice of elections that suffices; the right to vote needs to be accompanied with a thorough freedom of choice. If the voter is constrained with limited information, political, social and financial pressures, the very process of democratic practices becomes meaningless or even more predatory.

The role of civil society organisations is equally important in the governance structures. Especially at the local level, the civil society organisations can be very useful in building collaborative relationships between the local communities and local government bodies. The interaction of civil society organisations with local government in social development can have a synergic impact in the local governance as both formal and informal institutions collaborate closely with citizens and can potentially tailor the local policy and resource allocation to meet the demands of a local community in the most efficient manner. Starting from the grass root levels, civil society organisations like public safety committees, parent-

teacher associations and local social welfare societies have the potential to become partners in boosting the performance of their local governments; after all civic engagement is the key to success. Similarly, on a higher level, philanthropic organisations, charities, development organisations, non-governmental organisations (NGOs), community groups, women's organisations, faith based organisations, professional associations, trade unions, social movements, business associations, and advocacy groups constitute regional and national civil society that augments the collective political organisation of the state. The absence or precarious composition of civil society organisations undermines the effectiveness of local governments because it signifies negligible levels of civic engagement. Civil society shapes the ways in which citizens become aware of public issues that concerns them (Hyden et al., 2004).

Inter-institutional Relationships

In a modern democratic polity, decision-making powers need to be equitably rationed in all institutional arenas of governance i.e. political society, economic society, civil society, executive, judiciary and bureaucracy. Naturally, the coordination between these institutions is foundational for the socio-economic and political development. In theory both, civil bureaucracy and local government are expected to work in tandem with each other or to be more precise, complement the functioning of each other. Coordination, functional mechanisms, organisational hierarchy, jurisdictional demarcation, and apt delegation of financial and administrative authority are thus enormously important elements to be examined in the investigation of inter-institutional relationships. Unlike de-concentration, in devolution form of decentralisation where political and financial authority is substantially devolved, inter-institutional compatibility becomes all the more essential. Smith (1988) argues that when decentralisation is proposed as an alternative to the centralised and bureaucratized structures of a contemporary government, it is vital to ask what political values are seen as threatened unless decentralisation is established to restore them. This is a strikingly valid argument. Bringing about a radical paradigm change, just for the sake of change, is hazardous and such blunders usually play havoc with existing institutional mechanisms. Smith (1988) explains that defining bureaucracy as the administrative arm of the state carries with it the assumptions about how the power of officials should be neutralised to ensure that administrative apparatuses remain servants and not the masters of elected representatives.

Smith's argument does not imply that the bureaucratic model of administration is somehow superior to a decentralised one rather it emphasises a meaningful and synergic co-existence of two institutions where the ultimate decision-making authority is vested within the institution of local government. In the assessment of inter-institutional relationships, the conflict of political interest is evidently found

as a bone of contention. The *de facto* rationing of political power and administrative authority is affected by the underlying political motivations of the central government and its federating units that in turn determine the fate of state's prime governing institutions. There are several ways to reduce the naturally arising friction between these state's institutions. The effectiveness of inter-organisational relationship as enumerated by Rondinelli and Cheema (1983), depends on clarity and consistency of policy objectives; appropriate allocation of functions among agencies based on their capacities and resources; degree to which planning, budgeting and implementation procedures are standardised; accuracy, consistency and quality of inter-organisational communications; degree of implementing agency's control over funds; adequacy of budgetary allocations; timely availability of resources; revenue raising and expenditure authority at local level; support of national political leaders, local officials and elites; and administrative and technical support from the central bureaucracy.

The nature of relationship between various levels of government also affects the autonomous functioning of a decentralised government. When functional, legal and jurisdictional domains are blurred in practice, the rivalry between levels of government is foreseeable. Inter-governmental relationships are usually affected by colonial histories and hegemonic interventions, regime types, commitments to political, administrative and financial decentralisation, degree of economic development, international aid, informal social and political institutions, and ethnic diversities. Pursuit for the achievement and improvement of inter-governmental harmony is critically essential yet a very delicate task. The hardest task for the government is to devise policy objectives in such a way that institutions, besides playing their primary role within their own jurisdiction should also complement and monitor other institutions as watchdogs. Tendler (1997) argue that healthy antagonism between different levels of government and strong activism by central and regional governments improves performance of the public and other support agencies.

Common Issues in Fiscal Decentralisation

Subject of local finance cannot be isolated from politics (Smith, 1985). Any realm concerning public will certainly have a political dimension and therefore in the analysis of local government reforms, fiscal matters are too important to be overlooked. The accountability of local governments to local citizens is enhanced if the local governments have access to their own taxes with the rights to adjust existing tax rates and tax base. Huther and Shah (1998) using international cross section and time series data find that fiscal decentralisation is associated with enhanced quality of governance as indicated by citizens' participation, political and bureaucratic accountability, social justice, improved economic management and reduced corruption. Similarly, De Mello and Barenstein (2001), from their

cross-country data conclude that tax decentralisation is positively associated with improved quality of governance. When tax powers are devolved properly, local governments can perform a range of functions with autonomy with the help of their own revenues. However, reliance on local tax resources needs careful consideration as they seldom meet the funding requirements of local governments. Revenue raising capacity building of local governments does not imply that local government needs to be entirely self-sufficient. The financial dependence link between centre and periphery is essential nonetheless Rodden (2002) and Khemani (2004) argue that over-dependence on central transfers can also undermine the accountability of sub-national governments to the local electorate, and facilitate the shifting of blame for inefficiencies in service delivery to upper tiers of government. This in turn deteriorates public accountability and citizens' trust in government.

Local governments will be less accountable if they can shift fiscal liabilities to the centre - what is often referred to as a 'soft budget constraint' (Litvack et al., 1998). So rather than facing the electorate for demands of taxes, local government will concentrate on pressurising the central government with demand for more grant income (Jones, 1978). The extent to which the design of intergovernmental transfers affects local accountability depends upon the nature of political relations between national and sub-national governments (Khemani, 2007). Indeed, the control over finances by the central government can be used as political strategy to have a control over the local electorate. A formula based allocation of development funds is thus extremely important. Formula for such allocations can consider among other things, weightage assigned to factors like developmental status, developmental needs, availability of basic health, education and sanitation facilities, employment opportunities and geographical position of regions and degree of geographical concentration or dispersal of population in various regions.

Generating revenues by levying new taxes, raising the existing tax rates or even broadening the tax base however, is not a very desirable option for local politicians. Public demands services but is reluctant to pay for it. Since politicians' future incumbency depends on votes from constituency, their willingness to generate revenue from local tax sources is always restrained. Appointed public officials on the other hand, do not have to face such dilemma since their tenure in office is secured. User fees have the added advantage of enhancing fiscal autonomy of local governments (Bardhan & Mookherjee, 2006a) but user charges cannot be used to finance anti-poverty programs such as targeted public distribution of food, education or health services (Bardhan, 2002). Apart from that, in places where local administrations have a corrupt history, people are reluctant to pay user fees, be it even a meagre tokenistic amount. The delegation of authority for tax generation and public spending to the elected local government can enhance the

public accountability thereby revitalising public's confidence in an accessible and efficient local government. On the contrary, if local governments are mostly dependant on the fiscal transfers from the central or regional government, efficiency in both revenue generation and public spending is more likely to be negatively affected. In principle, fiscal decentralisation upholds the involvement of the local taxpayers via their respective local councils in local public expenditure process that reduces the incidence of corruption and resource wastage. Hence, in theory, fiscal decentralisation not only improves the efficiency of spending the development and recurring public funds but also improves the revenue collection in the long run.

Localisation and Corruption

The answer to the question: 'whether localisation increases or decreases the incidence of and opportunities for corruption' is rather complicated. Depending on various contexts, associations between localisation and reduction of corruption shows contradictory and diverse outcomes. The assessment of the underlying factors fuelling the incidence of corruption in public sector is complex and so is the association between localisation and corruption. Decentralisation creates hundreds of new public authorities, each having powers to tax, spend and regulate, which makes them vulnerable to corruption (Shah, 2006). On the contrary though, Seabright (1996 cited in Shah, 2006) argues that accountability is always better at the local level, since the local citizens who are better informed about the governments' performance can vote these governments out of office. Crook and Manor (2000) examined the process of political decentralisation in India (Karnatka state), Bangladesh, Cote d'Ivoire and Ghana and observed that in Karnatka, India, political decentralisation substantially reduced the amount of public funds diverted by powerful individuals. However, since citizens were not aware of these diversions, they concluded that corruption had increased.

Based upon the evidence from Karnatka, they conclude that political decentralisation reduces grand theft and increases petty corruption in the short-run nevertheless in the long run, both are likely to lessen. This example indicates that the local governments' attainment of political maturity is positively associated with the reduction of incidence of grand corruption therefore the local governments' ability to reduce the levels of corruption in the long-run may well be relied upon. Similarly, based upon a review of political decentralisation process in Colombia, Fiszbein (1997) concludes that competition for the political office opened the door for responsible and innovative leadership that in turn became the driving force behind capacity building, improved service delivery and reduced corruption at the local level. Following the main line of argument in this paper, it is argued that the long-term involvement political institutions and improvements in civic engagement may bring down the levels of corruption in public sector. In the rule-

bound civil administration, it is extremely difficult for citizens to participate in the reduction of corruption. The local government representatives can be held accountable to the citizens and voted out of office for corruption whereas the appointed public officials cannot be voted out of office for the charges of corruption. Bardhan and Mookherjee (2006b) suggest that elite capture (a form of corruption) may be contained by improving literacy, civic education, monitoring by civil society organisations, media and support from the higher level of governments.

Concluding Note

This paper has attempted to review the issues that hinder the efficacy of decentralised governments in developing societies. To begin with, one of the core deficiencies was identified in the form of local representatives' lack of managerial skills and insufficient delegation of official authority. This challenge can be overcome with regular training programmes facilitated by the central government. In addition, the local incumbents' official capacity and managerial skills can be improved if the decentralised governments are formally institutionalised as a regular tier of government; local governments are kept functional over a period of time; and local elections are held on a regular basis. Sporadic and ad hoc implementation of reforms not only affects the skills and official capacity of incumbents but also lead to greater rifts between civil administration and decentralised government.

Decentralisation is not only a solution to the problems emanating from social heterogeneity and economic polarisation, but it also gives political voice to the regional political forces and therefore helps in pacification of secessionist uprising. Political, fiscal and administrative decentralisation policy serves as a safety net and helps in reintegrating the marginalised groups of the ethnically diverse and fragmented societies wherein the equitable provision of social services is quite complex. Although the elite capture of local resources is both possible and generally undesirable, with improvements in civic engagement and political activism, the excessive and corrupt elite domination can be resisted. It is therefore argued that civic engagement and political activism are positively associated with the development of a political society which is an integral part of state's institutions. The indifference of citizens and lower levels of political activism impedes the long-term institutionalisation of all political institutions including the local governments.

Civil society organisations have an enormous potential to augment the performance of the governments. At the local levels, politics revolves around the local civic affairs and therefore civic engagement is highly dependent on the extent to which civil society organisations compliment the local governments.

Principally, decentralisation is about consolidating the political institutions and political institutions can only be consolidated with civic engagement. Harmonious inter-organisational and inter-governmental working relationships are foundational for the institutions of governance on all levels of the state. Protected by the constitution, balanced rationing of political, administrative and fiscal powers in all institutions of governance for example appropriate allocation of functions and official authority, fiscal autonomy, timely availability of resources, support from the national and regional government, and technical support from bureaucracy helps in mitigating the inter-organisational coordination issues. The political maturity of local governments in the long run also decreases the probability of corruption. An apt policy of fiscal decentralisation is crucially important for enhancing the public accountability of the local governments. Contrarily, total reliance on grants from the higher levels of government, hinders the development of fiscal management skills and undermines the fiscal autonomy of the locally elected councils thereby threatening the equitable redistribution and attainment of economic efficiency.

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