

# Decentralized Development in Agriculture

## An Overview





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by

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## 1 SUMMARY

This module provides an overview of the theme on “Decentralized development in agriculture”. It explains what decentralization is about, including who is involved and the various forms and dimensions of the process. Readers’ attention is drawn to various practical expressions of decentralization in agricultural and rural development, including country efforts at: reform of agricultural services; natural resource and environmental management; and, development or refinement of planning and management processes.

The module next examines the potential benefits of decentralization, possible drawbacks and risks associated. Conceptual and practical issues that have an important bearing on policy decisions on decentralization are discussed. This focuses on the changing roles and relationships, posing important questions on whether there is need for government interventions, and if so in which aspect of service provision. We also highlight the importance of organizational and political factors.

Decentralization is by and large a highly empirical exercise, and ensuring the right mix of conditions is essential for successful implementation. We next outline key principles and some basic conditions to serve as a general guide for decentralization decisions. International experience and FAO’s contribution to advancement of decentralized approaches to development are then briefly reviewed. To find relevant materials in these areas, the reader can follow the links included in the text to other EASYPol modules or references<sup>1</sup>. See also the list of useful EASYPol links included at the end of this module.

## 2 OBJECTIVES

The main objective of this module is to provide a basic understanding of the key issues and factors to be considered in making decisions on whether and when decentralization, in the agricultural and rural development context, would be appropriate and practicable. This is meant to facilitate subsequent, more in-depth, discussion of how decentralized development, in its various practical expressions, can best be analyzed and facilitated.

## 3 INTRODUCTION

This module is a general introduction on what decentralization is about, its relevance to agricultural and rural development, and important conceptual and practical issues to be considered in policy decisions. It is meant to provide a basic understanding of the key

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<sup>1</sup> EASYPol hyperlinks are shown in blue, as follows:

- a) training paths are shown in **underlined bold font**;
- b) other EASYPol modules or complementary EASYPol materials are in ***bold underlined italics***;
- c) links to the glossary are in **bold**; and
- d) external links are in *italics*.

principles and basic conditions involved, including the empirical nature of decentralization processes, and the importance of systematic analysis in decision making. It thus serves as an essential backdrop to examine wider policy reform agendas, cutting across such initiatives as rural income generation, poverty reduction, food security enhancement, and the management and protection of natural and environmental resources.

The module is designed for use in the training path [Decentralization and agricultural development](#). It is intended to precede, and be used in conjunction with, modules covering topics on decentralization of agricultural services; environment in decision making; and decentralized planning and management. It has however wider applicability in a range of other training contexts, including those on rural development strategies; participatory approaches to development; sustainable livelihoods; local and regional development; and environmental analysis and planning.

### **Target audience**

This module is intended for a wide audience, ranging from policy analysts and decision makers, to development practitioners, training institutions, and media. It is of particular relevance to senior and mid level officials and professional officers in ministries of agriculture, livestock, forestry, rural development, and cooperatives, including line departments and training institutes/units, and ngos/cbos. Suitably adapted, it may also be used as a reader in undergraduate courses in development.

### **Required background**

No specific technical background, beyond reasonable language skills, is required for this module. It is anticipated that individuals with a degree in an agricultural or rural development related area, and those with several years of experience in agricultural policy analysis or development planning and implementation, at a mid to senior level position, should have little difficulty in grasping the module's content.

## **4 WHAT IS DECENTRALIZATION?**

### **4.1 Decentralization as a process?**

What do we mean by decentralization? A widely accepted definition is that of a broad-based institutional process involving the transfer of authority and responsibility for public functions from the central government to other levels of governance. Under decentralization, responsibilities such as planning, management, and resource raising and allocation may be transferred from central government<sup>2</sup> to:

- field units of central government ministries or agencies;
- subordinate units or levels of government;
- semi-autonomous public authorities or corporations;

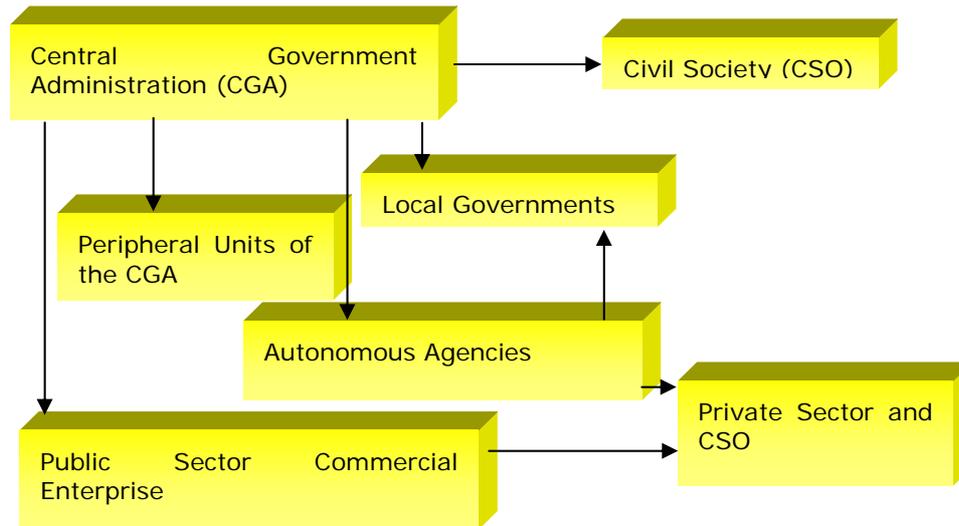
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<sup>2</sup> Rondinelli, 1981. The last point has been modified from the original statement to include private enterprise and the entire voluntary sector.

- area-wide regional or functional authorities; or
- organizations of the private and voluntary sector.

The implications of this definition in terms of organizational responsibilities are illustrated in Figure 1, below.

**Figure 1 - Decentralization of responsibilities from central government**



#### 4.2 Who is involved?

Decentralization reforms focus on:

- the relationships between three major sectors of governance, namely, the *public sector*, the *private sector*, and the *voluntary sector*; and
- within the public sector, decentralization focuses on the structure and processes of decision making and on resource and responsibility allocation among different levels of government.

In defining decentralization the concept of the 'level' of the system of governance is extensively used. With regard to the public administration, five different levels are normally recognized<sup>3</sup>, namely:

- The *international* level, composed of international organizations governed by agreements between states.
- The *national* level, that is, the central government of unitary states or the federal government in federal systems.

<sup>3</sup> Terminology may differ according to language and constitutional arrangements in different countries.

- The regional level within a country, that is, the states in a federal system or the regions or provinces of a unitary state and, depending on the extent of devolution governing their relationships with the national level under the constitution: the **district level** and **sub-district** levels.

In addition to the public administration, civil society organizations (CSOS) also form part of a country's system of governance. These comprise sets of persons organized around a common interest, generally with defined objectives. CSOS can operate at a very low, community level and join together into *apex organizations*. These can operate at sub-district, district, regional or national level and even at international level.

The community level is normally not included in the public administration structures, but is very important in rural areas. The word 'community' is used both for a level of the civil society system of governance and a social organization<sup>4</sup>. A *self-contained socio-economic residential unit* characterizes the community. The community is a separate level below the district and the municipal levels, although in some countries very small public administration bodies with 'municipal' characteristics may coincide with a 'community'.

In rural areas, non-government systems of governance by the civil society, groups and communities, are very important. Groups of people organized around a common interest are quite common. For example, groups of farmers, men and women, often get together to develop a micro-irrigation project, to manage a common stock of cereals or to procure fertilizers. Similarly, groups of women get together to undertake an income generating activity, to hire somebody to look after children when they go for work, or to organize a rotating savings and credit.

### 4.3 Forms of decentralization

Decentralization may take various forms. the four main forms are reported below and shown graphically in Figure 2, below.

- **Political decentralization** is associated with increased power of citizens and their representatives in public decision-making. it generally involves a representative political system based on local electoral jurisdictions and pluralistic parties.
- **Administrative decentralization** is the transfer of responsibility for planning, financing, and managing certain public functions from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, or area-wide, regional, or functional authorities.

Administrative decentralization may be done through functional and areal distribution of power<sup>5</sup>. Functional distribution transfers authority to specialized organizations that

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<sup>4</sup> Notice that the word 'community' can also be used to define groups of people with common ties of ethnic or religious nature, who are not necessarily associated with a specific geographical territory. Sometimes, the word is also used to define a nation as a whole.

<sup>5</sup> D. Rondinelli, 1981.

operate across jurisdictions. areal distribution transfers responsibility for public functions to institutions within specified geographical and political boundaries, typically a province, district, or municipality. Three main forms of administrative decentralization are generally recognised:

- **Deconcentration** - the redistribution of decision-making authority and financial and management responsibilities among different levels of the *central* government. It consists essentially of assignment of specific functions and tasks of central administrations to staff posted in peripheral locations within the national territory. This is often considered the weakest form of decentralization.
- **Delegation** - central governments transfer responsibility for decision-making and administration of public functions to semi-autonomous organizations not wholly controlled by the central government, but ultimately accountable to it (e.g. sub-national housing authorities, transportation authorities, regional development corporations).
- **Devolution** - local governments are assigned clear and legally recognized geographical boundaries over which they exercise authority, and within which they perform public functions (e.g. raising revenues, investment decisions). It is this type of administrative decentralization that underlies most political decentralization. Effective devolution means high local autonomy as well as accountability.
- **Fiscal decentralization** is associated with the authority of the decentralized units to make expenditure decisions with funds either raised locally (e.g. user charges, co-financing with users, property taxes, borrowing, etc.) or transferred from the central government. In many developing countries local governments or administrative units possess the legal authority to impose taxes, but often the tax base is not sufficient to undertake local investments, with continued reliance on 'inter-government' transfers. With budget autonomy and clear expenditure assignments of local governments, this becomes synonymous with devolution.
- **Market decentralization** is the most decentralized form in as much as decision-making power is transferred from public to private organizations. It can take two different forms:

**Privatization** which means allowing private enterprises to perform functions that had previously been monopolized by government, or contracting out the provision or management of public services or facilities to commercial enterprises, or still financing public sector programmes through the capital market and allowing private organizations to participate;

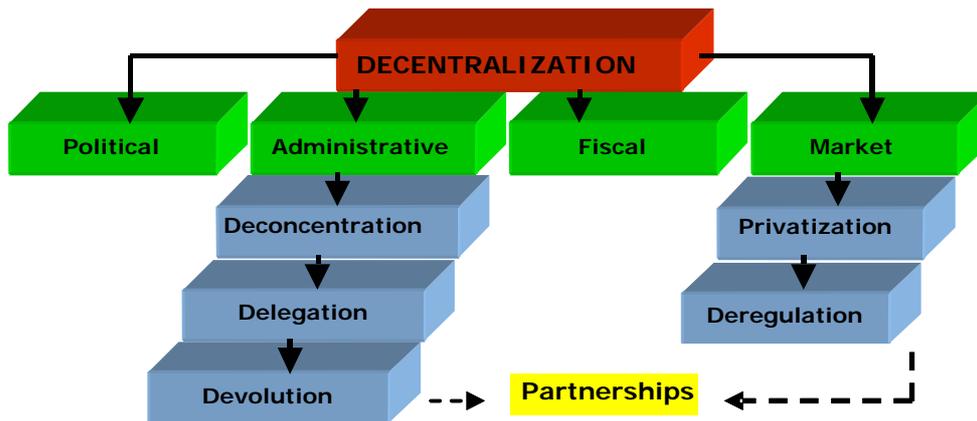
**Deregulation** which consists of transferring services provision or production activities previously owned or regulated by the public sector to competing private organizations (e.g. electricity or broadcasting provided by various and competing companies); and

**Partnerships** between public and private/ voluntary sectors, within market decentralization and devolution processes, based on cooperative or business arrangements involving government, non government and civil society organizations.

The above are not mutually exclusive: various forms of decentralization may be pursued simultaneously, as part of overall economic and administrative reform. moreover, decentralization is *not* an alternative to centralization: both are needed and an

appropriate balance is essential to effective functioning of government. nevertheless, decentralized development is nowadays seen as an essential part of good governance and a necessary condition for private sector growth. It is also considered a requisite for local participation in social and economic development, and empowering local people in making decisions about their lives and the environment in which they live.

**Figure 2 - Forms of decentralization**



#### 4.4 Practical expressions of decentralized development

Decentralization processes are generally subsumed within a country's wider policy reform agenda. In the context of the agricultural and rural sectors of many countries, these cut across and operate in parallel with such initiatives (strategies, programmes and projects) as rural income generation, poverty reduction, food security enhancement, and management and protection of natural and environmental resources (land, water, forests and catchments in particular). They are also cogent to national policies aimed at geographically balanced development, redressing regional economic disparities, or pursuance of 'dispersal' agricultural development.

To greater or lesser degree, decentralization finds practical expression in institutional efforts to:

- improve agricultural services, with a view to achieving greater cost effectiveness and sustainability;
- introduce or enhance existing systems of management and protection of agricultural and other natural and environmental resources;
- strengthen capacities in, and refine approaches to, development planning and management at sub-national levels;
- enhance or reform of systems of local governance and fiscal management, including responsibilities for revenue raising, fiscal transfers, and development expenditures at various tiers (local, regional, national) of government.

The first three of the above are discussed in other modules of this training path<sup>6</sup>.

The fourth sub-theme is essentially one of fiscal decentralization: it shades into the area of public sector management. This is not covered in the present training path. However, a wealth of experience and literature resources are available elsewhere, including those of the *World Bank Institute*, under the public finance and intergovernmental fiscal relations theme, and within *UNCDF*, which had been supporting local development planning and funding processes in various developing countries.

World Bank Institute Sites:

- ✓ <http://www.worldbank.org/wbi/publicfinance/>
- ✓ <http://www.worldbank.org/wbi/publicfinance/decentralization/about.html>
- ✓ <http://www.worldbank.org/wbi/publicfinance/decentralization/coursemodule.htm#1>
- ✓ <http://www1.worldbank.org/wbiep/decentralization/library3/ebel&yilmaz.pdf>

UNCDF sites:

- ✓ <http://www.uncdf.org/english/index.php>
- ✓ [http://www.uncdf.org/english/local\\_development/thematic\\_papers/index.php](http://www.uncdf.org/english/local_development/thematic_papers/index.php)

Decentralization processes are an important adjunct to agricultural and rural development policies and plans of many countries. Country experiences have however been varied. In many instances, the pace of implementation and organization of decentralization reforms had been slow and/or not sustained, and anticipated benefits not materialized. Nonetheless, these experiences had provided useful lessons and brought out important conceptual as well as practical issues which need to be considered when undertaking decentralization, as discussed in the sections below.

## 5 BENEFITS AND DISADVANTAGES OF DECENTRALIZATION

### 5.1 Potencial benefits

There are potential benefits from decentralization, regardless of type. Reforms to economic and political systems, inclusive of governance, should help make these more responsive to local peoples' preferences and requirements. By bridging the gap between suppliers and users of goods and services, decentralization measures may be expected to lead to improved accountability, transparency and greater economic efficiency. Reasons often advanced for this include the following<sup>7</sup>:

- Where it works effectively, decentralization can help simplify complex administrative procedures and alleviate decision making bottlenecks caused by central government planning and control of economic and social activities.

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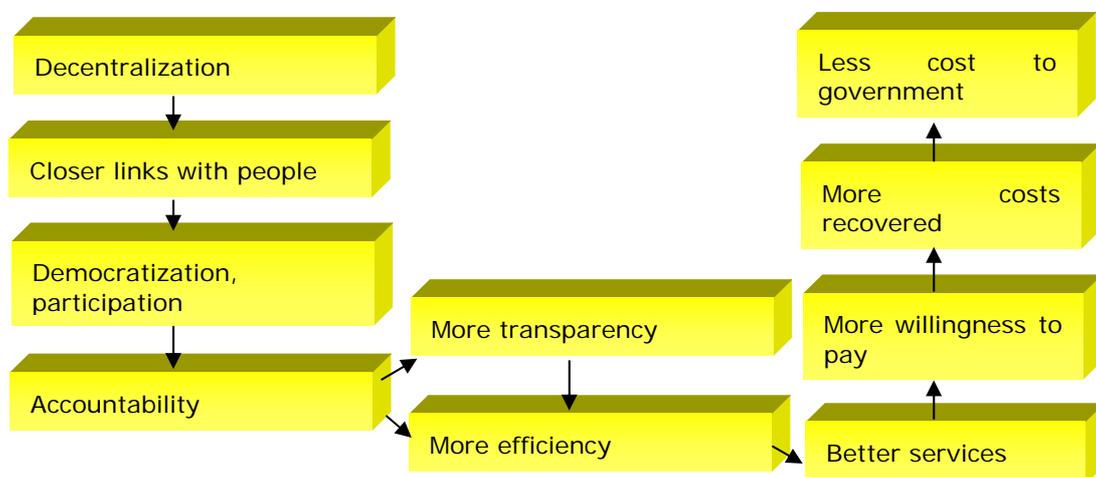
<sup>6</sup> For links to these modules, see introductory EASYPol Module 011: [Decentralization and Agricultural Development: Introduction to the Training Path](#).

<sup>7</sup> Adapted from Rondinelli, 2001.

- Broadening participation in political, economic and social activities makes for greater ownership and commitment of people to development activities and processes - in particular ones they have played a part in formulating.
- It facilitates more accurate identification of peoples' needs and priorities as well as development constraints and opportunities, including targeting of the poor and disadvantaged, which require detailed knowledge of local circumstances.
- There is greater scope for local initiatives in policy innovations and for harnessing local peoples' creativity in designing development programmes, projects and activities.
- The closer proximity of administrators to the communities renders them more accountable for local expenditures and revenues, and creates the dynamics for delivering services of that are relevant and of acceptable quality.
- In some countries, decentralization may create a geographical focus at the local level (such as sub-regions or districts), and help in more effective coordination of national, sub-national and local development programmes.

These are important factors for provision of services that are: *responsive, effective, efficient and sustainable*. Improved services, in terms of quantity, quality and reliability which ensue, would help increase the willingness of people to pay for them, resulting in better cost recovery, hence lower overall cost of government (this is summarized as a paradigm<sup>8</sup> of decentralization, in Figure 3, below). All these are considered vital to achieving such societal goals as economic stability, sustainable growth and development, better living standards, and growth of civil society overall.

**Figure 3 - The paradigm of decentralization**



## 5.2 Disadvantages and risks

The degree to which the above benefits from decentralization are realised would, in practice, vary from situation to situation. Under certain circumstances, decentralization can exacerbate the very problems it seeks to address, as in the following:

<sup>8</sup> A paradigm is a logical model or a framework of assumptions and associations of ideas, which people adopt in interpreting a phenomenon, discussing an issue, or deciding on a course of action.

- The proliferation of large numbers of decentralized units could mean increased overall unit costs i.e. loss of economies of scale, and poorer quality of development effort and services, especially where the already limited human resources are overstretched. Wasteful duplication of effort and weakening of coordination and communication could then result.
- Appropriation of functions and resources transferred under decentralization by the richer, better organized areas or organizations, and/or domination by local elites in decision making are a potential hazard, particularly in remote and poorly integrated areas. Well placed local officials and individuals could manipulate the system to their own agendas, at the expense of poor and marginal groups. The larger number of decision-making points within the administration could also open the way for corruption of the local bureaucracies.
- There are limitations to reliance on market forces. Monopolistic and monopsonistic practices (single seller or buyer, respectively), trade cartels, the distortion of prices through taxes and subsidies (i.e. fiscal policy), and externalities (upstream and downstream effects) can cause markets to fail (i.e. prices deviating from their true costs). Market imperfections can seriously undermine economic efficiency.
- Local development priorities can run counter to wider concerns for sustainable natural resource use and environmental protection. Local taxes and financial incentives may not reflect the full economic cost of the use, degradation and depletion of natural resources. Poorer areas with few economic opportunities may find it difficult, without central government intervention, and financial and technical resources, to achieve a proper balance between the exigencies of local economic growth and sustainable resource use.
- Concerns have also been raised that sharing responsibilities for policy decisions allow sub-national levels of government to circumvent central control of monetary and fiscal policies, thereby aggravating problems of macroeconomic stability. The argument here is that central governments are better equipped in dealing with spillover effects of local spending, inflationary pressures of monetization of local debt, and with cyclical shocks.

There can thus be potential disadvantages from decentralization. This is especially the case when administrative and technical capacities are underdeveloped at local levels, and insufficient checks and balances are in place. Much would however depend on the specific context of a country and its regions, including its social, economic, legal and political conditions. Understanding these conditions and the relationships between the various stakeholders is thus vital to minimizing the risks associated with any decentralization process.

## **6 DECISIONS ON DECENTRALIZATION: CONCEPTUAL AND PRACTICAL ISSUES**

Decentralization involves making changes in roles and responsibilities, including that for provision of goods and services by the government structure. Some fundamental questions which need to be asked are:

- Is there need for government intervention in the first place? If so, where?
- Could certain types of services, or aspects of service provision be re-assigned?
- What role(s) and responsibilities should the government retain?
- What organizational and political factors would assist or impede the decentralization process?

A number of issues that have an important bearing on decentralization policies are discussed below.

### 6.1 Reasons for government interventions

Three main economic reasons often advanced for government intervention (Box 1, below) are:

- correcting for market failure;
- provision of merit goods; and
- equity and income distribution considerations.

#### Box 1 - Economic reasons for government interventions in service provision

**Market failure** this refers to situations where the unfettered use of the market system or the private sector to allocate goods or services would not lead to an economically efficient<sup>9</sup> outcome in which the price of the good adequately reflects the (opportunity) costs to society of producing it. These may arise due to presence of monopolies, externalities or spillover effects, incomplete or missing markets, and the nature of public goods that make it difficult to charge users directly.

**Merit goods** another possible justification is provision of goods or services that governments mandate individuals to consume, where it is judged that people, left to their own devices, may not act in their own best interests<sup>10</sup>. Subsidising of sports facilities and cultural activities fall under this category. This *paternalistic* reason for intervention, when a government intervenes because it claims to know what is in the best interest of individuals better than they themselves do, should not be confused with government intervention to correct externalities.

**Income redistribution** even if an economy is economically efficient, the allocation of goods it generates may not be consistent with government's social welfare objectives. For example, the government may wish to provide 'safety nets' for people who are temporarily or permanently disadvantaged, to ensure they have access to minimum levels of certain goods and services. It may also intervene, through tax and subsidies, to alter the income distribution pattern in order to narrow income disparities between and within regions and social groups<sup>11</sup>.

<sup>9</sup> In economics textbooks this would be referred to as a 'Pareto efficient' market where it is impossible to make one member of society better off without making someone else worse off.

<sup>10</sup> This is the definition used by Stiglitz (1997) Some authors use a broader definition that embraces goods and services that are included under 'redistribution of income' goods.

<sup>11</sup> Refer to EASYPol Module 013: [Decentralization and Agricultural Development: Decentralization of Agricultural Services](#) for a fuller discussion of the above.

For a given decentralization context, the premises on which these principles are based would need to be re-examined. Are the needs for government intervention real or perceived? In particular, what evidence is there, if any, of market failure for specific goods and services? What might hold true historically, as at the time of independence of some post-colonial countries, may no longer be so today. In many instances where market failure is not a problem, intervention could distort an otherwise well-functioning market, giving rise to policy failure.

Service provision may in fact be more effectively undertaken by either lower levels of government or by private sector and community organizations. Where provision of merit goods and equity considerations are concerned, the validity of their justifications may also need to be questioned. This would require revisiting a government's social policies and poverty reduction/welfare support strategies.

## 6.2 Service provision roles and responsibilities

Governments have in the past reacted to problems of market failure by undertaking the provision of services themselves. Here it is useful to make a clear distinction between provision and production. The provision of any good or service can generally be disaggregated into four components:

- *financing* or funding the good or service;
- its physical *production* and delivery;
- the *regulation* of provision;
- the *consumption* of the good or service.

There is no compelling reason why these four components should be provided by the same sector or organization, level of government, or by the government itself. Different parties can assume responsibilities for different components. Moreover, different forms of decentralization may be used for different functions. For a given consumer base or target group for whom goods or services are to be provided, decentralization decisions would then need to consider:

- Who should *pay*?
- Who should *produce*?
- Who should *regulate*?

These have enormous policy implications for a range of fiscal, pricing, cost recovery, efficiency, and institutional issues. Understanding the factors involved is important to determining the appropriate level or form of governance to deliver particular functions. In principle, and for a particular type of good or service<sup>12</sup>, decentralization decisions would be assisted by first:

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<sup>12</sup> For elaboration of detailed aspects of service provision, refer to the EASYPol Module 013: [Decentralization and Agricultural Development: Decentralization of Agricultural Services](#).

- Systematically disaggregating service provision into the various components.
- Assessing for a given type of service and service component, who could do so in the most effective and efficient way.

### 6.3 Organizational and political factors

Making changes to organizations and relationships implies redistributing shares of power within a society. This impacts on the organizations and ‘agents’ responsible for service provision as well as actors within the political arena, whose support cannot be taken for granted. An understanding of organizational and political factors is thus vital to determining whether decentralization is likely to be institutionally feasible and political acceptable. Most important aspects are: a) the organizational culture; b) power configurations; c) motivations and roles of politicians and government bureaucrats; and d) the incentive system covering rewards and penalties.

**Organizational culture** the behaviour of organizations, and the results of organizations’ activities, depends to a large extent on the way tasks are performed. However, policy directives *per se* do not effectively influence this. It is an organization’s culture which determines the way that it implements its tasks, regardless of official procedures. It may be seen as a persistent patterned way of thinking about the central tasks of, and the human relationship within, an organization. It can have a profound effect on service delivery and the way that management and staff of an organization respond to the needs of the client group (see Box 2).

#### Box 2 - examples of two different organizational cultures

The Public Works Department (PWD) is made up of engineers who want to build roads and bridges. They perceive this as the core task of the organization. They also have a distinct appreciation of their professional values, and tend to consider other functions in the organization as subsidiary and of lower priority. When this is the case, ‘engineering’ is the dominant culture of the PWD.

A section of the extension department of the ministry of agriculture has adopted Participatory Rapid Appraisal (PRA) as their professional approach. Field staff firmly believe that understanding farming systems and farmers’ survival strategies and assisting them to respond to their needs to improve livelihood is the core task of their organization, all other functions being less important. This establishes a uniform dominant culture that combined features of professionalism and ideology.

**Power coalitions.** The way that organizations react to reforms, or the threat of them, has an important bearing on the effectiveness of decentralization reforms. Organizational behaviour can be conceptualized as resulting from the interplay of internal and external forces related to coalitions of people with influence<sup>13</sup>. These can affect the policy formulation process and, to an even greater extent, the degree to which policy decisions are implemented in practice.

<sup>13</sup> A fuller discussion on these issues may be found in Mintzberg, 1983.

The power relationships between different groups within and around an organization, manifest in internal as well as external coalitions, are thus considered an important factor affecting the outcome of decentralization attempts. The combination of such coalitions can result in a power configuration that may or may not be conducive to the decentralization process.

***Bureaucrats and politicians.*** Governments are organizations run by people with political power. By nature, the fundamental survival and development strategy of people with political power is to maintain and, if possible, to increase, their power. The supporters of people with power constitute a constituency, to which people with power are accountable for their action in the exercise of power<sup>14</sup>.

Individual politicians need not fully share collective decisions on reform processes. Even cabinet members can have different constituencies, representing different interests. There may be different forces, some of which may be advocates of change, others of conservatism. The power of (and within) different ministries and government agencies may change with decentralization. Some politicians may win and others lose in the process. Those who lose may try to cut their losses and oppose decentralization in various disguised ways.

Whilst politicians are accountable to their supporters, operational responsibility for running public organizations often rests with the bureaucracies. In practice, bureaucrats have power, often more so than politicians, to influence the behaviour of public organizations. They also have power to act in such a way as to maintain and increase the power derived from their office. Hence, the adage that ‘political will’ is necessary for decentralization to succeed needs to be modified in many instances to include bureaucratic acquiescence and blessings at the various levels.

***Incentives structure.*** The success of a given reform also depends on availability of an effective incentive system that would secure the positive contribution of ‘agents’ within the system. This is needed to help: a) overcome some of the principal-agent problems that can plague large organizations and bureaucracies (see Box 3, below); and b) bring about, in the most efficient manner, the production, allocation and consumption of goods and services in line with people’s preferences.

One advantage claimed for the effectiveness of private sector organizations is that the rewards and penalties of the market system, in the form of profits and the possibility of bankruptcy for owners, and bonuses and the threat of dismissal for employees, imposes a requirement for efficiency often missing in public sector organizations. Other types of rewards and penalties are however also important for the proper functioning of the economic and political system of a country. A special role in the system of incentives (or disincentives) is that of bureaucratic procedures (more commonly known as ‘red tape’), which may stifle private initiative and discourage private enterprise. This is a matter of direct concern to decentralization policy designers.

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<sup>14</sup> The concepts of constituency and accountability are closely linked. Accountability is the process whereby the people who represent a constituency are made to respond to the constituency for their action on its behalf.

**Box 3 - Principal-agent problem and system of incentives**

A principal-agent problem refers to how party a can motivate party b to act for a's interest rather than b's own self-interest. Party a, tends to be the employer, and b the employee. Or a, may be a member of a rural cooperative and b the cooperative chairman.

A system of incentives is the set of rewards and penalties (financial, social, political or administrative) which governs the demand and the production and distribution of goods and services.

Rewards: prices, profit, power, status, promotion, winning the elections

Penalties: costs, bankruptcy, shame, demotion, marginalization, transfer to posts with no career prospects, losing the elections.

**7 PRINCIPLES AND CONDITIONS FOR DECENTRALIZATION**

The above shows that the process of decentralization can be a complex and highly empirical exercise. Worth reiterating is that various forms of decentralization can be employed in tandem, while both decentralization and centralization can and should co-exist as complementary approaches to achieving desired development objectives. There is thus no single blueprint on how to undertake decentralization. A number of principles and conditions are nonetheless available to guide decentralization decisions, of which the following have general applicability in the agricultural and rural development context:

- a clear articulation of decentralization goals and outcomes;
- selection of the appropriate form of decentralization;
- ensuring an appropriate mix of basic conditions are present.

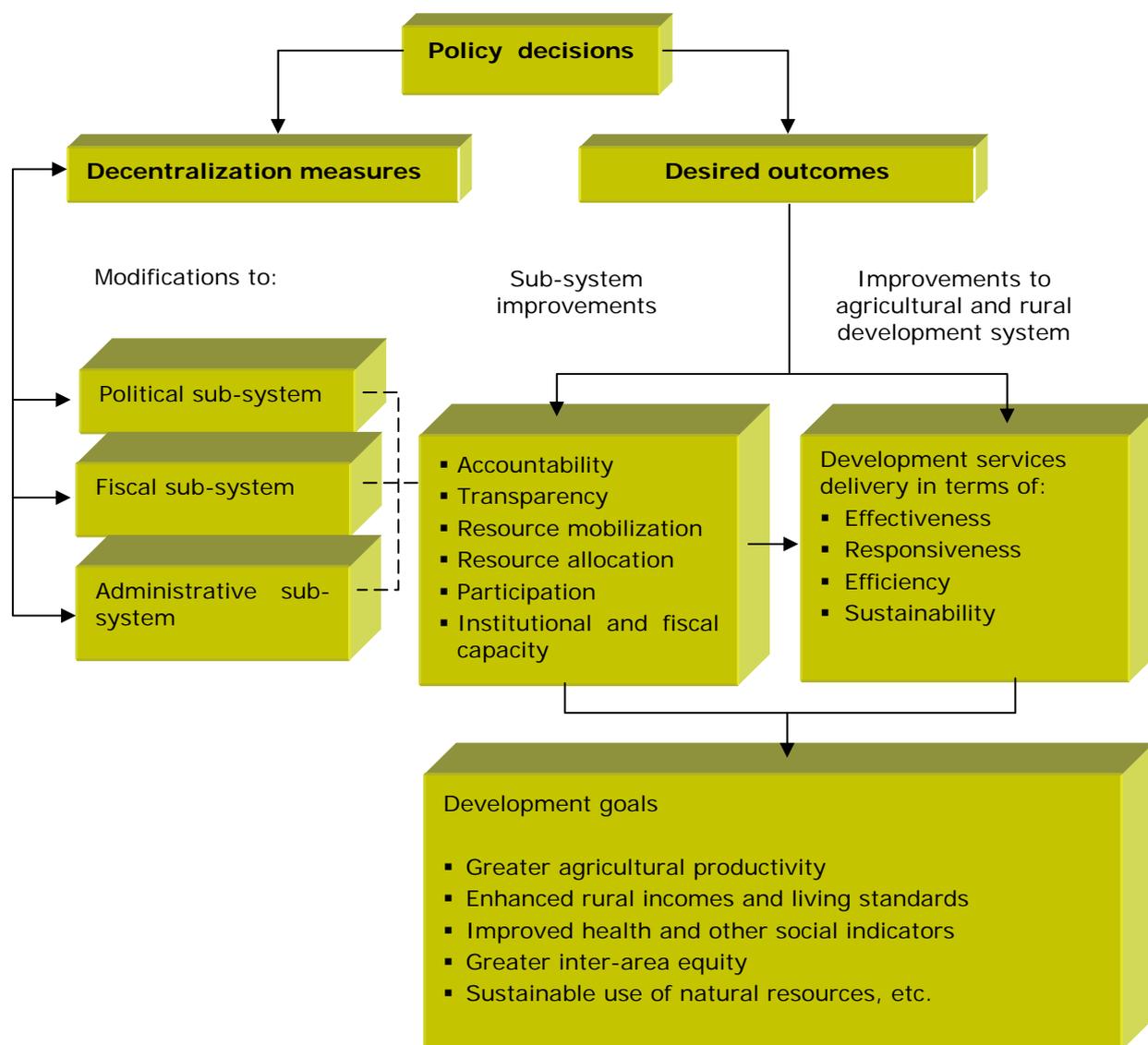
**7.1 Goals and outcomes of decentralization**

Whilst decentralization may be a desirable end in itself, we must not lose sight of the fact that it is also a means to achieving certain agricultural and rural development goals. The hierarchy of cause-effect relationships between a given type of decentralization (be this political, fiscal, or administrative in nature) and development objectives provides a useful framework to assist in the design as well as in assessing the progress and results of reforms. A conceptual model for identifying and categorising the system outcomes and their links to development goals is given in Figure 4<sup>15</sup>, below.

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<sup>15</sup> Adapted from A. N. Parker, 1995.

**Figure 4 - Conceptual model of decentralization outcomes and goals**



## 7.2 Three key principles for decentralization

What constitutes appropriate forms and level of decentralization may be guided by three key principles, namely that of: a) subsidiarity; b) jurisdictional spillover; and c) specialization.

**a) Subsidiarity** is the principle whereby administrative responsibilities are assigned to the lowest level of governance capable of carrying out these responsibilities competently.

This principle can help in deciding which functions are best provided by central government, by different levels of local government, by civil society or private sector organizations. For instance, provision of a service like domestic water supply, may be

the responsibility of a national organization. Subsidiarity may indicate that operational responsibility for supplying specific townships or locations be entrusted to local offices. These would be better placed to serve the location, take routine operational decisions, undertake maintenance, and quickly intervene in case of breakdowns.

Similarly, this principle may require that a large irrigation scheme be subdivided into those sections that can be managed by local autonomous units (e.g. operation and maintenance of tertiary canals), separate from the agency responsible for the parts (dams and main canals) of the scheme which serve all the sections<sup>16</sup>.

**b) Jurisdictional spillover** is the principle whereby a service should be controlled and financed at the jurisdictional level where there are no spillovers or externalities on neighbouring jurisdictions.

The impact of externalities can vary enormously in terms of the geographical area or number of people affected. This is an important consideration in decentralization because economically-efficient delivery implies that the service should be controlled and financed at that scale where there are no spillover effects. This reduces the extent of 'free riding'. Thus, a service should only be controlled and financed at the district level if there are no significant spillovers into surrounding districts.

For example, an access track to a single village, or a micro-irrigation project whose beneficiaries are members of a single community, or a health dispensary that serves only one village, is a *community* affair. A feeder road linking several villages or an irrigation scheme involving an area controlled by several villages or a health centre serving several villages, is a *municipal* or sub-district affair because the impact of these initiatives *spills over* the territorial boundary of a single community.

Spillover effects can impact negatively on others outside a particular jurisdiction, leading to potential for conflicts between communities and regions within a country. This may require intervention at the central government level where sub-national or private entities are not able to resolve the problem among themselves<sup>17</sup>.

**c) Specialization** is the principle whereby limits are imposed on the domain within which an organization has authority to assume responsibility for autonomous decision-making.

By 'domain' we mean the agendas for which an organization has responsibility to take independent decisions and the means to implement them. Each level of governance is defined by its domain, that is by *the agendas for which an organization has responsibility to take independent decisions and means to implement them*. the domain may refer to:

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<sup>16</sup> See, for instance, the following EASYPol Module 013: [Decentralization and Agricultural Development: Decentralization of Agricultural Services](#).

<sup>17</sup> Conflict management issues are further discussed in the EASYPol Module 014: [Decentralization of Agricultural Services: Decentralization of Rural Financial Services](#).

- a specific agenda concerning the entire territory of a country, for example: to produce electricity, build and maintain trunk roads, collect taxes, run the judiciary system; or
- a set of agendas in a selected part of the territory, for example, run schools, set and enforce traffic regulations, manage health centres, etc., *within the territory of a municipality*.

Defining agendas according to the principle of specialization is not straightforward. However, some domains appear more easily defined according to the specialization principle. For example, primary schools are often the responsibility of municipalities; middle schools that of the provinces/districts; higher education of the regions; and universities of the central government.

Where clearly identifiable general interests are involved, such as utilization of scarce national resources (say, water), or prevention of contagious diseases (with respect to animal and human health), there is little doubt that it is the central government's responsibility to set the rules and devolved organizations must comply. Devolution of authority to perform a function would include the obligation to respect higher authority ruling in those matters, thus establishing a boundary of the domain.

### 7.3 Basic conditions

Experience has shown that in order for decentralization to be effective and sustainable, the right combination of factors and conditions must be present. Its pace should not be too rushed, to allow for adaptation, nor too slow, to allow the process to forge ahead<sup>18</sup>. Some general rules of thumb (necessary though not sufficient conditions) which ought to be followed include the following:

- Sufficient *financial resources* to ensure the accomplishment of the tasks under the responsibility of the local and decentralized institutions.
- Actual *empowerment* of decentralized institutions and enough power to influence the political system and the development activities.
- *Accountability mechanisms* such as local elections to improve transparency and representation, as well as public access to information on costs of services, delivery options, funding sources and performance levels.
- *Legal and institutional framework* clearly specifying the powers and responsibilities of local governments to avoid interference and overlapping with central government.
- Adequate *capacities* of local institutions to ensure delivery of the appropriate services.

These conditions can be summarized into three main points spanning political, administrative, and fiscal dimensions:

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<sup>18</sup> FAO, 1997, *FAO Experience on Decentralized Rural Development*, Rural Institutions and Participation Service, SDA, Rome, Italy.

- Decentralization must be accompanied by a real *political will* at the central level and actual transfer of legislative and policy powers (political dimension).
- Local institutions ought to be given the *responsibility* for delivering and managing services at the local level (administrative dimension).
- Clear definition of the mechanisms, *authority*, and responsibility for spending funds obtained either from direct taxation or from central government (fiscal dimension).

In the absence of the above, the success of any decentralization process could well be jeopardized.

## 8 INTERNATIONAL EXPERIENCE AND FAO CONTRIBUTION

Experience of decentralization around the world shows that achieving an appropriate combination of political, fiscal and administrative elements is vital to a successful programme of decentralization. It also reveals many opportunities for redefining roles and responsibilities amongst government as well as private and civil service organizations.

Rather than just ‘rolling back’ the functions of government, predicated are the enhancement and strengthening of certain government roles at various levels. This covers public institutions and local governments, and cuts across a wide range of administration and development support functions. At the same time, the importance of empowering and improving capacities of civil society is reaffirmed: this includes supporting and facilitating innovative approaches to agricultural and rural development at the local level.

Recognition of the above needs had led to a wide range of country and international initiatives. For instance, the World Bank has for some time now been engaged in research and training activities in decentralization processes, with particular emphasis on fiscal and public sector management aspects. Amongst UN agencies, UNCDF has been active in the areas of local development funding and planning, while UNDP has been supporting decentralized governance activities within the wider ambit of its governance programme.

FAO sponsored an *Inter-Agency Technical Consultation on Decentralization* in December 1997. It had, over the years, built up a valuable knowledge-base and experience in decentralized development, and had responded to country needs through its regular and field programmes. Technical support had been extended not only to civil society but also public institutions and local government organizations, by its many divisions and services, especially those in the technical cooperation, sustainable development, agricultural and forestry departments. These included *inter alia* the following:

- Enhancing and refining methodologies for gathering information on agricultural production systems based on interactive frameworks for popular participation, consultation and partnership.

- Training and methodological development in decentralized planning, based on didactical approaches of training needs assessment and supporting governments in targeting training actions in the decentralization process.
- Supporting the identification and definition of local government and community roles in rural development, including building of interfaces and exploitation of regional development potentials.
- Elaboration of a wide variety of people-centred activities which involved local communities in natural resource management, such as in village land/soil management and community forestry (forest, trees, and people programme), participatory approaches to agricultural extension, and peoples-participation-programmes which emphasised building of rural organizations.

For further information on past FAO activities, refer to: [FAO-SDA, 1997. FAO Experience on Decentralized Rural Development, Decentralization and Rural Development Coll. no 1, FAO-SDA, Rome, Italy.](#)

## 9 READERS' NOTES

### 9.1 Easypol links

This is one of several modules of a thematic overview nature in the training path [Decentralization and agricultural development](#). Issues addressed in this module are further developed in the following modules:

- EASYPol Module 013: [Decentralization and Agricultural Development: Decentralization of Agricultural Services](#)
- EASYPol Module 016: [Environment in Decentralized Decision Making: An Overview](#)

Each of the above which are further linked to modules covering Conceptual and Technical Materials. Another training path which has close technical linkages to the present one is: [Analysis and monitoring of socio-economic impacts of policies](#).

## 10 REFERENCES AND FURTHER READING

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## Module metadata

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**1. EASYPol module** 012

### 2. Title in original language

**English** Decentralized Development in Agriculture

**French**

**Spanish**

**Other language**

### 3. Subtitle in original language

**English** An Overview

**French**

**Spanish**

**Other language**

### 4. Summary

This module is a general introduction on what decentralization is about, its relevance to agricultural and rural development, and important conceptual and practical issues to be considered in policy decisions. It is meant to provide a basic understanding of the key principles and basic conditions involved, including the empirical nature of decentralization processes, and the importance of systematic analysis in decision making. It thus serves as an essential backdrop to examining wider policy reform agendas, cutting across such initiatives as rural income generation, poverty reduction, food security enhancement, and the management and protection of natural and environmental resources.

It is intended to precede, and used in conjunction with, modules covering topics on decentralization of agricultural services; environment in decision making; and decentralized planning and management. It has however wider applicability in a range of other training contexts, including those on rural development strategies; participatory approaches to development; sustainable livelihoods; local and regional development; and environmental analysis and planning.

### 5. Date

November 2005

### 6. Author(s)

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### 7. Module type

- Thematic overview
- Conceptual and technical materials
- Analytical tools
- Applied materials
- Complementary resources

### 8. Topic covered by the module

- Agriculture in the macroeconomic context
- Agricultural and sub-sectoral policies
- Agro-industry and food chain policies
- Environment and sustainability
- Institutional and organizational development
- Investment planning and policies

- Poverty and food security
- Regional integration and international trade
- Rural development

### 9. Subtopics covered by the module

### 10. Training path

[Decentralization and agricultural development](#)

### 11. Keywords