



ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Committee on Poverty Reduction

Second session
23-25 November 2005
Bangkok

POLICY DIALOGUE: DECENTRALIZATION FOR POVERTY REDUCTION

(Item 4 of the provisional agenda)

DECENTRALIZATION FOR POVERTY REDUCTION

Note by the secretariat

SUMMARY

The popularity of decentralization can be seen from the fact that it is being considered or attempted in almost all developing countries as well as countries with economies in transition. Decentralization in most countries of the region has not been carried out for the sole purpose of poverty reduction. However, the institutions it establishes can lead to improved delivery of services to the poor, participatory planning and implementation of development activities and programmes particularly for the benefit of the poor, opportunities for the poor to articulate their needs and preferences and improved governance at the local level, all of which can help in poverty reduction.

Since the institutions and framework of decentralization are conducive to poverty reduction, these should be strengthened for the design and implementation of pro-poor policies. The institutional, technical and managerial capacity of local governments should be built in order to carry out the tasks of poverty reduction. Decentralization also entails various costs, and adequate provision should be made for such costs. The idea that decentralization, if implemented appropriately, can play a major role in poverty reduction should be promoted. More research needs to be undertaken in the future to further explore and enhance linkages between decentralization and poverty reduction.

Countries may wish to share their experiences in decentralization and help to develop recommendations to enhance the positive impact of decentralization on poverty reduction. The Committee may wish to provide guidance to the secretariat as to any further work in the area of decentralization and poverty reduction.

CONTENTS

	<i>Page</i>
Introduction.....	1
I. VARIOUS FORMS OF DECENTRALIZATION	2
A. Administrative decentralization	2
B. Devolution or democratic decentralization	2
C. Fiscal decentralization.....	3
II. OPPORTUNITIES, CHALLENGES AND POLICY OPTIONS	4
A. Opportunities.....	4
B. Challenges and policy options	6
III. POLICY CONCLUSIONS AND RECOMMENDATIONS	14
Table. Major decentralization reforms in selected countries	3

Introduction

1. The popularity of decentralization can be seen from the fact that it is being considered or attempted in almost all developing countries as well as countries with economies in transition. This is in sharp contrast to the period immediately after the Second World War, when the Bretton Woods institutions (the International Monetary Fund and the World Bank) were established and many developing countries were gaining political independence. At that time, the typical development approach emphasized central government plans and programmes and this approach remained in the forefront until perhaps the early 1990s. As a result, the scope of central government expanded.

2. Most countries have made progress in terms of economic growth, adult literacy, child and infant mortality rates, life expectancy and other socio-economic indicators. However, many problems remained and some of those became acute. Despite economic growth, poverty is still a major problem being faced by many countries. The provision of basic services such as clean water, sanitation, education, health and housing is far from adequate. Problems of lack of good governance and environmental deterioration have become serious. Within many countries, development across regions was not uniform. Certain areas, especially remote and far-flung ones, remained deprived of the fruits of socio-economic development. Backward and rural areas lacked basic services. These disparities prompted calls for improved resources for marginalized groups and less developed areas. At the same time, the people wanted a greater say in how those resources were to be utilized for their development. The idea that decentralization could help in solving several problems, including poverty, led many countries to take new, or strengthen their existing, decentralization initiatives. In sum, decentralization has been motivated by political imperatives as well as the economic rationale of improving the efficiency of the allocation of resources and the responsiveness of policymaking to the needs of the poor.

3. The main objective of this document is to analyse the opportunities and challenges of decentralization for poverty reduction in the light of the experiences of countries in the region. Decentralization is bound to occur in all the countries sooner or later, although its speed and intensity may vary from country to country. Therefore, this document aims to suggest measures and policy options to maximize the benefits and minimize the risks of the decentralization process and make it conducive to poverty reduction. The document is structured as follows. Since decentralization is a multidimensional concept, section I explains various forms of decentralization. Section II attempts to examine and analyse in detail the opportunities and challenges of decentralization for poverty reduction. The opportunities are in the form of improved provision of services to the poor and good governance. The challenges are many, including financial and human resource costs, fears of fiscal instability, the designing of intergovernmental transfers, the overlapping of the responsibilities of various levels of government, proper sequencing of decentralization measures, major fiscal data

requirements and capacity-building of local governments. Section III contains policy conclusions and recommendations for making decentralization successful, particularly for poverty reduction.

I. VARIOUS FORMS OF DECENTRALIZATION

4. Decentralization is a multidimensional concept and at least three types¹ can be identified, as follows:

- (1) Administrative decentralization
- (2) Devolution or democratic decentralization
- (3) Fiscal decentralization

These forms of decentralization can take place simultaneously and this is often the case. However, any particular form of decentralization can occur in isolation or in combination with another form.

A. Administrative decentralization

5. Administrative decentralization, sometimes referred to as “deconcentration”, deals with relocating officials in a higher level of government to the lower-level arena so that they perform their duties at the local level. In some cases, government officials at the local level are authorized to perform certain tasks which were being performed earlier by government officials posted at the centre. In other words, it represents the delegation of authority from an administrative headquarters to a field office. Administrative decentralization is carried out in some cases, especially when dealing with the public, for the convenience of local people so that certain jobs can be accomplished without delay. However, government officials working at the local level remain accountable to higher officials in the system. In this way, higher-level government is not giving up any of its authority. If government officials do not involve the local people in their decision-making in any way, administrative decentralization is not of much use. In order to achieve a degree of genuine decentralization, it is important for local people to be consulted in some way, especially when major decisions affecting them are being made.

B. Devolution or democratic decentralization

6. Under devolution or democratic decentralization, there is transfer of power, resources and often tasks from higher- to lower-level government within a political system.² The lower-level governments are democratic to a certain degree in the sense that local people are involved in decision-making in some way. The best form of democratic decentralization is when lower-level governments are elected by secret ballot. However, consultations with community leaders and voluntary associations for decisions-making can also bring some democratic content. The lower-level

¹ For a detailed discussion on various forms of decentralization, see James Manor, *The Political Economy of Democratic Decentralization* (Washington DC, World Bank, 1999).

² This form of decentralization is also known as “political decentralization”.

governments perform their duties with the participation of their communities, which results in greater accountability of government institutions, leading to improved welfare of the people.

C. Fiscal decentralization

7. Fiscal decentralization refers to cases where higher levels in a system grant influence over budgets and financial decisions to lower levels. There is a downward transfer of decisions on fiscal matters. Fiscal decentralization may accompany administrative decentralization only when government officials at the local level are accountable only to superiors at higher levels. For genuine fiscal decentralization, the involvement of people at the local level in decision-making concerning fiscal matters is essential. In most countries, there are various levels of government, such as central, provincial and local. Fiscal decentralization involves the transfer of authority for a fiscal decision from a higher to a lower level of government.

8. A number of countries in the region have implemented decentralization reform, covering various forms of decentralization. For illustrative purposes, major decentralization initiatives in selected countries of the region are highlighted in the table. All three forms of decentralization have been carried out simultaneously in most countries of the region.

Table. Major decentralization reforms in selected countries

Country	Decentralization reforms
China	China is a large unitary State with five levels of administration: centre, provinces, prefectures, counties and towns/townships. The governments at the lower levels form a strong system of local government. The present intergovernmental fiscal system of the country has evolved over more than two decades, with a major fiscal reform in 1994. The objective of these fiscal reforms was to simplify the tax system and raise the revenue-to-GDP ratio. Another major objective of fiscal reform was to make the intergovernmental fiscal system more stable by shifting from ad hoc, negotiated transfers to a rule-based tax assignment.
India	The seventy-third constitutional amendment in 1992 installed a local government system called <i>panchayati raj</i> as the country's third level of governance after the central and state governments. There are three tiers of local government in rural areas and each tier has its elected council called <i>panchayat</i> , which are at the district, block (<i>taluk</i>) and village levels. The elected council at each level has reserved seats for women and socially marginalized sections of society. The local governments are responsible for planning and implementing economic development and social justice schemes.

Indonesia	Two laws were enacted in 1999: law 22/1999 on regional governance and law 25/1999 on the financial balance between central government and the regions. These laws decentralized both political and economic powers from central to democratically elected regional governments. With new powers and responsibilities, regional governments (of districts and cities) obtained large quantities of funds, personnel and assets.
Pakistan	A three-tier federated local government system at the district, subdistrict (<i>tehsil</i>) and union levels was set up in 2001. These various tiers have their elected councils and heads to run the local governments. An important feature of elected councils is that women and other marginalized social sections have been given adequate representation at each level of local government. To improve governance, responsiveness and accountability, district administration and police are accountable to the elected head of the district government.
Philippines	The Constitution of 1987 embraced decentralization. Later, the revised local government code enacted in 1991 consolidated all existing legislation on local government affairs, providing the legal framework for the decentralization programme. The Devolution Master Plan (1993-1998) was formulated to further implement the process of decentralization. The implementation of the decentralization policy has led to more integrated services delivery, focusing on local priorities in a more cost-effective way.
Thailand	The 1997 Constitution of the country embraced decentralization. The legal framework is further elaborated in law and through parliamentary cabinet decisions.

II. OPPORTUNITIES, CHALLENGES AND POLICY OPTIONS

9. The main opportunities and challenges of decentralization for poverty reduction are discussed below.

预览已结束，完整报告链接和二维码如下：

https://www.yunbaogao.cn/report/index/report?reportId=5_8423

