Decentralisation, Local Development and Social Cohesion: An Analytical Review

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Introduction

This analytical review explores the links between decentralisation and service delivery, economic development and social cohesion. It is not a comprehensive literature review, and only draws on material published post 2003. Instead the review seeks to define the nature and extent of the impact of decentralisation on service delivery, economic development and social cohesion, and identify factors that influence the effects of decentralisation in developing countries. Various types of literature have been reviewed, including academic journal articles, donor reports and empirical case studies from Asia, Africa and Latin America. Policy implications can be found at the end of each section, outlining key issues in how decentralisation reforms could be designed to improve local development and social cohesion.

The review has been divided into four main parts:
- Part I: General Findings
- Part II: Decentralisation and service delivery
- Part III: Decentralisation and local economic development
- Part IV: Decentralisation and social cohesion.

Types of decentralisation

At this point it is worth outlining the different definitions of decentralisation. There are three distinct elements of decentralisation[1]:

- Fiscal decentralisation, entailing the transfer of financial resources in the form of grants and tax-raising powers to sub-national units of government
- Administrative decentralisation, (sometimes referred to as deconcentration), where the functions performed by central government are transferred to geographically distinct administrative units
- Political decentralisation where powers and responsibilities are devolved to elected local governments. This form of decentralisation is synonymous with democratic decentralisation or devolution.

The majority of papers included in this review focus on the third type: political decentralisation or devolution. Over the last two decades it is this type of decentralisation which has been primarily emphasised in developing countries.

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[1] These definitions are taken from Robinson 2007b, p.7.

PART I: General Findings

There is generally a lack of quality research in this area. In particular there is a paucity of empirical research. This is partly because of the difficulty of acquiring reliable data from before decentralisation reforms were implemented. However, it is also due to the difficulty of linking a complex issue like economic development with decentralisation when so many other variables are also involved.

The main finding of this analytical review is that there is a vast chasm between the benefits that proponents of decentralisation have claimed that reforms can have on service delivery, economic development and social cohesion and the reality, according to empirical research. It has generally been found that decentralisation has not delivered service delivery improvements, primarily for political reasons. The expected benefits of decentralisation for economic development have similarly not been realised, although the difficulty of researching this area means that it is hard, if not impossible, to draw a definite conclusion on the matter. Finally, there is a similar lack of consensus on the effect of decentralisation on social cohesion. Whilst some experts claim that decentralisation can improve social cohesion, this has not been systematically verified by empirical research. In fact, several authors argue that decentralisation can exacerbate long-term conflicts in fragile, socially divided contexts which indicates that a comprehensive rethinking of development policy in this area is needed.

Each part of this review emphasises that decentralisation is not a panacea. It cannot cure all the ills of developing countries in terms of poor service delivery, weak economic development, low social cohesion and high levels of conflict. Instead decentralisation reforms are always affected by the political context in which they are implemented. Ultimately, decentralisation is not a technical activity that takes place in a political vacuum. Instead it is a highly controversial and contested activity that determines the loci of decision making power and disrupts established power relations. It is therefore vitally important to engage in political economy analysis and understand the context of reforms to fully appreciate how they can be designed appropriately from a developmental perspective.

It is important to note that because the literatures on these topics are so deeply contested, there are a lack of operational tools and guidelines available to donors and governments embarking on decentralisation reforms. Schou and Haug note that "with respect to specific models for decentralisation, the literature does not offer effective guidance for donors or governments" (p.5). Academics and experts are still at the stage of clarifying links between decentralisation, service delivery, economic development and social cohesion, and sufficient research has not yet been carried out to allow the development of appropriate tools or specific approaches.

PART II: Decentralisation and Service Delivery

Research on decentralisation and service delivery

There is not a large body of literature on the impacts of decentralisation on service delivery in developing countries, although there have been some significant academic contributions to the debate in the last few years (see bibliography). Several articles note the lack of rigorous empirical research on the topic and call for further research. However, it is interesting to note that there is an emerging consensus on the impact of decentralisation on service delivery and the factors of importance in ensuring effective local provision of services.

The impact of decentralisation on service delivery

Robinson summarises the views of many researchers when he states that

> *"Many claims are made in favour of decentralisation, ranging from the democratising potential of increased scope for participation and accountability through to poverty reduction and improved service delivery. Much of the literature and evidence centres on the intrinsic value of decentralisation as a desirable goal in its own right. But the arguments for the developmental significance of decentralisation rest principally on a series of assumptions and theoretical justifications (p.7, 2007a)".*

The assumptions, or theoretical arguments, for how decentralisation can improve the efficiency and equity of basic services, are summarised as follows:

- Locally elected governments will be more responsive to their citizens' preferences when designing service provision and allocating resources.
- Citizens will have a better system for articulating their needs and wants and will be able to hold officials to account over breaches in service.
- Extra finances will also be available to local government via local taxes.
- Central government will be willing to devolve full power and responsibility for services to local government.
- Central government will ensure that local governments have adequate financial resources to ensure excellent service provision.
- Local administrative capacity will be adequate to deliver improved services.

Unfortunately, these assumptions do not appear to hold true in the majority of cases. The general consensus amongst the empirical research on the impacts of decentralisation on service delivery is that "there are very few cases where equity or efficiency outcomes have improved as a result of decentralisation…. In most cases reported from Africa, Asia, and Latin America the quality of public services has either declined or remained unchanged as a consequence of democratic decentralisation (Robinson, p.2)." Conyers emphasises this finding for Sub-Saharan Africa: "The main impression gained from the limited data on the actual impact on service delivery is that decentralisation has done little to improve the quantity, quality or equity of public services in the region (p.21).

Factors influencing the impact of decentralisation on service delivery

So, what are the factors that have led to this dramatic difference between the alleged potential benefits of decentralisation for service delivery, and the actual gains realised on the ground? The following three factors are the most commonly cited throughout the literature:

1) Political incentives at central and local levels

The primary factor influencing how decentralisation impacts on service delivery is the political context in which reforms are made, both at the central and the local level. At the central level it is naïve to assume that officials benignly devolve power and responsibility to lower levels of government, when there is often little incentive to do so. Most authors are sceptical as to central governments' motives in pursuing decentralisation, citing the following as the real reasons officials implement reforms:

- To strengthen power bases in rural areas
- Because of pressure and the promise of funding from external donors
- Because of political, fiscal and economic crises
- To off-load responsibility for basic services
- To compensate for undemocratic practices at the top

Several case studies show how governments have subverted decentralisation policies to ensure that no real transfer of power takes place and that centralisation is actually strengthened (Scott, Jackson). This obviously impacts upon the potential for decentralisation to bring about improvements in service delivery.

The local political context is also highly significant. A critical assumption in the literature is that a local politician will be more responsive to their electorate and more accountable to citizens than a geographically distant central government official. However, political analysis fundamentally questions this assumption. Several authors indicate the danger of elite capture within local government and the entrenchment of patronage politics. Ahmed *et al* cite evidence from Indonesia and India of the impact of political capture on local services, and Conyers identifies similar evidence from across Africa. "The problem stems from the manner in which elected local government representatives achieve and maintain their political power, which in turn reflects the 'patronage-based' nature of both national and local politics (Conyers, p.23)." If services are being delivered in an environment of political patronage then decisions that could benefit efficiency and equity will be corrupted, and instead be made in favour of a few elites for personal financial or political reward. Ahmed *et al* note the irony that

> *"political agents at approximately decentralised levels may have greater credibility to voters at large because of their proximity, or reputation developed through community interactions over an extended period of time. However, these same features may allow clientelist promises to be easier to make and fulfil at more local levels due to closer social relations between the elected representatives and their clients, at the expense of broad public goods (p.16)."*

2) Limited administrative capacity

A second commonly cited factor that impedes the ability of decentralisation reforms to result in significant improvements in service delivery is limited administrative capacity at local levels. Conyers comments that 'the main impression from the literature is that administrative performance under decentralised systems of governance is poor' (p.26). This can be a problem of literacy, for example in Ethiopia where some 'woredas' lack enough people who can read and write for local government to function adequately. Financial literacy is a far bigger problem, for example in Uganda and Tanzania where too few people at the local level had the ability to manage public finances and maintain proper accounting procedures, resulting in fiscal transfers that were lower than before decentralisation (Ahmed et al, 2005).

Whilst some of the weaknesses in administrative capacity can be attributed to generally low levels of education and training, some authors believe that central governments often deliberately seek to maintain low administrative capacity by not training local counter-parts adequately or by not transferring adequate funds to either recruit suitable staff or train up existing personnel. It is important to note that central governments often have little political incentive to improve poor administrative capacity at the local level as it allows them to continue operating control, and can be used as a smokescreen for not fully devolving power. Central government can also make unnecessarily onerous administrative requirements of local government as a way of retaining a measure of control. Shankland and Athias argue that this was the case in Brazil where "control operated not through direct political command, but rather by hemming in the outsourced service providers with arbitrarily imposed budget ceilings, standardised prioritisation criteria, centrally defined targets and complex, initiative-stifling planning and accounting procedures" (p.86). Conyers concludes that the following factors have led to weak administrative performance under decentralisation (p.26):

- inadequate devolution of power, particularly over finance and staff
- vague and / or inappropriate systems and procedures
- inadequately qualified, underpaid and unmotivated staff
- political 'interference', corruption and abuse of power
- lack of 'downward' accountability

3) Financial constraints

A third factor that constrains the potential of decentralisation to improve services is a limited supply of financial resources. Proponents of decentralisation argue that it can increase resources by opening up new sources of tax revenue, improve the collection of taxes and other contributions like user fees, and reduce the cost of service provision via increased efficiency. There is little evidence to support these claims although some authors argue that the expected tax revenue has not materialised as the tax base in most developing countries is particularly weak to start with, so local taxes could never result in significant revenues. The only undisputed fact is that local governments often have to operate in severely resource constrained environments, which hinders their ability to improve service delivery. This may be because central government is financially constrained itself, or it may be that local government is kept purposely under-resourced as a political strategy to enable the centre to retain control. Local governments are mainly reliant for funding on central government transfers. Ahmed *et al* cite evidence from India that even when transfers are supposed to be formula-driven they are still subject to political influence. They comment that 'resource distribution across sub-national governments cannot be explained by efficiency and equity considerations alone… political variables representing the incentives of central political agents are additional and significant determinants (p.7).'

The importance of the wider context

In conclusion then, it is important to recognise that although the empirical evidence suggests that decentralisation has not led to significant improvements in service delivery, this appears to be primarily because of the wider political and socio-economic context rather than because of intrinsic problems in the concept of decentralisation. Conyers comments that "one should not blame decentralisation for the poor quality of service provision in many African countries. As most commentators point out, the problems stem from more fundamental characteristics of African states, which hamper any form of service delivery,

whether centralised or decentralised (p.22)…. It is not fair to blame decentralisation for the poor quality of service delivery in much of the region because most of the weaknesses of local governments – including their lack of power – are a reflection of the problems of governance in general (p.28)."

Ahmed *et al* also argue that decentralisation *per se* is not to blame for poor service provision, arguing that "we must begin with the question of why any level of democratic government in developing countries, where politicians presumably depend upon support from the majority of poor people, fail to provide the basic social services from which poor people benefit (p.12)." It seems unlikely that lack of physical proximity between citizen and government official is the predominant reason for service delivery failures. Green asks similar questions in his study of decentralisation in Uganda: 'If central government failures are driven by attitudinal or behavioural factors, then why would we expect individuals from the same population to perform differently at lower levels of government? Must decentralisation be the solution whenever a centralised system does not perform for whatever reason? (p.10).'

Policy implications

There are a number of policy conclusions that can be drawn from the above analysis on decentralisation and service delivery.

- **Do not assume that decentralisation will solve problems with service delivery.** Donors and governments must be aware of the weak capacity, financial constraints and political economy in a given country and adjust their expectations of decentralisation reforms accordingly. "The problems of decentralisation cannot be addressed in isolation from wider problems of governance… and therefore have to be addressed as part of a slow and gradual process of state-building (Robinson, p.3).'
- **Political commitment is critical.** Gaining the support and commitment of central government officials for decentralisation is critical.
- **More research needs to be done on this topic** as 'the relationship [between decentralisation and service delivery] is complex and far from being fully understood' (p.24, Ahmed et al). In particular, research needs to be done to identify accountability mechanisms that have been successfully initiated at a local level to circumvent patronage politics, and to identify ways of changing the incentives of both central and local level politicians.

PART III: Decentralisation and Economic Development

Research on decentralisation and economic development

Little research is available on the links between decentralisation and economic development or economic growth. As with the sections above and below, there is a particular lack of empirical analysis in this area, with publications tending to rely on theoretical assumptions or anecdotal evidence.

How does decentralisation impact on economic development?

A likely reason for the lack of research in this area is the difficulty in linking decentralisation and economic development as so many other factors also play a role in economic growth. For example, service delivery directly impacts upon economic growth in multiple ways, by providing services to business premises, by educating people in business related activities, by ensuring the health of the workforce etc. As seen above, it is difficult enough to ascertain whether and how decentralisation has impacted service delivery, without also trying to then analyse how service delivery has impacted economic growth. There are many other factors, besides service provision which also indirectly impact on economic growth. Matinez-Vazquez and Rider demonstrate this in their analysis of fiscal decentralisation in China and India. They argue that

> *"…no consistent empirical patterns emerge from these studies [on the links between decentralisation and economic growth]. Whether a direct relationship exists between the two therefore remains an unanswered question. However, there are a multiplicity of potential effects through which decentralisation could indirectly affect growth, such as the regional allocation of resources, macroeconomic stability, and corruption. There are indirect forces or effects at work that may link decentralisation to economic growth. For example, suppose that decentralisation leads to increased macroeconomic stability and reduces official corruption; then, such improvements in the economic environment may increase the rate of economic growth. However, these forces also may work in the opposite direction (p.7)."*

Matinez-Vazquez and Rider's study on China and India demonstrates the difficulty of explicitly linking decentralisation and economic growth. They conclude that decentralisation has not been carried out effectively in either country although they are both experiencing strong economic growth. However, they can only hypothesise that growth could have been even higher had decentralisation reforms been more effectively implemented.

We have already observed a dichotomy between the assumed benefits of decentralisation for service delivery and the actual experience. In the same way, we can see across the literature on decentralisation and economic development a marked difference between the theory of how decentralisation should benefit economic development and how it actually plays out in real contexts. Once again the potential of decentralisation is not always effectively realised.

The literature on this subject generally asserts that decentralisation is good for economic development for the following theoretical reasons:
- ✔ Decentralisation will increase public sector efficiency therefore improving service delivery and regulation. This will create a more conducive business environment and greater incentives for investors.

✓   Local officials will have better local knowledge and business contacts making them more able to make locally relevant, appropriate decisions.

✓   Decentralisation can reduce the opportunities for corruption, particularly large scale corruption. This has a beneficial effect on national economic growth.

However, each of these assumptions has a counter-argument. Other authors, with practical examples from decentralisation case studies, argue that decentralisation can have a negative impact on economic growth:

X   Decentralisation can reduce public sector efficiency. Administrative capacity at a local level is often extremely constrained with too few staff, inexperienced personnel and/or inadequate financial resources.

X   Local economic development is reliant on efficient, reliable service provision, for example roads, electricity and water. As noted above, decentralisation does not always improve service delivery.

X   Decentralisation carries with it a danger of elite capture. This is not to say that central government is not also susceptible to elite capture, but to emphasise that "while local governments may have better local information and accountability pressures, they may be more vulnerable to capture by local elites" (Bardhan, p.14). Elite capture undermines effective business development as decisions are made to benefit certain individuals rather than to promote general economic growth (Matinez-Vazquez and Rider, 2005, Bardhan, 2004). Local government activities that could benefit economic development, such as planning, regulation and business licensing, become ineffective in protecting the public interest and are exploited as rent-seeking activities (Devas).

Approaches and tools for local economic development

Local governments only have a limited number of tools available to encourage business development and economic growth. Figure 1 below sets out these tools in more detail and identifies their limitations.

Figure 1

Operational tools and instruments available to local governments to promote economic growth[2]	
Instrument	**Limitations and experience**
Ensure proper provision of basic infrastructure and services including roads, electricity, water, waste services.	This is the way in which local government can most contribute to local economic development. However, it is not an easy task and requires adequate resources and political commitment.
Simplifying regulatory processes such as planning and licensing and making these processes more efficient.	In the context of deep-rooted political patronage, this is a difficult task as rent-seeking activities may be entrenched.
Direct investment in business ventures	Local governments rarely have the powers and resources to do this. Officials generally do not have the skills or experience to make good investment decisions or manage businesses successfully.
Tax breaks to attract investors	Local taxes are rarely significant enough to make a difference to investment decisions. Tax breaks also ultimately undermine local governments' revenue base, create divisions between businesses and encourage relocation of business within the country.
Establishment of enterprise or export processing zones which are free from all taxes and enjoy reduced regulation.	This undermines the revenue base and requires significant partnership with central government. Ultimately it may simply result in the relocation of businesses from elsewhere in the country, thereby undermining the national tax base.
Making land available for businesses, including the development of industrial estates with proper services.	This can work well but requires valuable resources which may be in short supply. Relocation may also damage informal businesses.
Provision of advisory and support services for businesses.	These can be helpful but may be better provided by more experienced business organisations than potentially resource constrained, inexperienced local government staff. They are also unlikely to benefit informal businesses.
Developing partnerships with the local business community to improve services, promote the locality and increase business confidence.	Such arrangements can benefit large formal sector businesses and can improve accountability between businesses and local government. However, they are unlikely to benefit the informal sector or the poor.
Improving education and skills training in business related subjects.	This may meet the needs of local businesses, but the benefits may not be retained locally.

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[2] Material included in this table is largely taken from Devas 2005.

Policy implications

From the material surveyed in this review then, it is possible to draw out some conclusions and policy implications.

- **There is not a clear link between decentralisation and economic growth.** Policy-makers should therefore not assume that decentralisation is a tool that can be relied upon to generate local economic development.

- **Local government has a limited number of tools for effective engagement in local economic development.** Donors must join with "local governments [who] generally realise that they are but one of many players involved in local economic development" (p.75, Helmsing, 2003). Not only are they only one of the players, but they may not even be the best placed or best equipped player to engage in local economic development.

- **Local governments can improve economic development by concentrating on service delivery.** Improvements in effective, reliable provision of basic services may be the biggest way in which local governments can foster local economic growth. This means that policy work on implementing decentralisation in a way that improves service delivery carries a double benefit of also enhancing economic development.

PART IV: Decentralisation and Social Cohesion

What is social cohesion?

At the outset of this section it is useful to outline what is meant by 'social cohesion'. We define social cohesion as the bonds or social networks that bring people together across a nation state, particularly in the context of high cultural diversity. Social cohesion reduces conflict, ethnic tension and inequality of wealth and of political participation. A fuller definition follows:

> "Social cohesion refers to two broader intertwined features of society: i) the absence of latent conflict whether in the form of income/wealth inequality; racial /ethnic tensions; disparities in political participation; or other forms of polarization; and ii) the presence of strong social bonds-measured by levels of trust and norms of reciprocity; the abundance of civic society associations and the presence of institutions of conflict management, (i.e. responsive democracy, an independent judiciary, an independent media)"[3] (SDD, 2008).

Research on social cohesion and decentralisation

Very little research has been done on the impacts of decentralisation that uses the explicit terminology of social cohesion. It is virtually 'unexplored territory' in research terms. A very limited amount of published research refers in passing to decentralisation and ethnic identities, or decentralisation and social polarisation but we were unable to find any major pieces of research in this area. However, a significant literature has recently begun to emerge on the effects of decentralisation on conflict. Much of this research looks at civil war and internal conflict in developing countries, in particular ethnic conflict. Given that ethnic conflict and civil war represent a total breakdown of social cohesion, and latent conflict or social tension are a sign of disintegrating social cohesion, this literature is very relevant to this review.

As with the section above on the impacts of decentralisation on service delivery, it is important to emphasise at this point the dearth of empirical research on decentralisation and conflict. Whilst several papers exploring the theoretical links between decentralisation and conflict have recently been published, there is still very little in the way of empirical research and even less cross-country or cross-regional comparative studies. This large research hole is widely commented on (Schou and Haug, Siegle and O'Mahony) and is surprising given the high numbers of developing countries that have recently undertaken decentralisation measures in some form. With estimates of the number of developing countries who are or have implemented decentralisation reforms ranging from 80-95% (Siegle and O'Mahoney, Diprose and Ukiwo), it is alarming that more research on this area has not been undertaken. Ascertaining whether and how decentralisation impacts on social cohesion, ethnic identities and domestic conflict is therefore a critical policy question, with far-reaching implications. Unfortunately, it is a question that has not yet been adequately answered; "despite the large stakes involved, for a variety of reasons, definitive answers to these questions remain elusive" (Siegle and O'Mahony).

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[3] Coletta and Cullen 2002/0 'The Nexus between Violent Conflict, Social Captial and Social Cohesion: Case Studies from Cambodia and Rwanda', World Bank, Washington DC

How does decentralisation impact social cohesion?

Of the material that is available on this topic there is no consensus on how decentralisation impacts on social cohesion and conflict. Authors seem to fall into one of 3 conflicting camps:

1) Decentralisation mitigates conflict and strengthens social cohesion

2) Decentralisation exacerbates conflict by creating powerful new conflict drivers leading to the breakdown of social cohesion within a given territory

3) Decentralisation can either mitigate or exacerbate conflict, depending on many different factors relating to implementation and context

Green (2008) summarises this dichotomy of opinion:

> *"Despite a burgeoning literature on decentralisation and conflict, there has been no consensus among political economists about the relationship between these two phenomena. Bardhan, for instance has suggested that decentralisation may be a way to diffuse social and political tensions and ensure local cultural and political autonomy. However, Brancati argues that, while decentralisation may increase political participation it may also encourage a growth in regional and ethnic political parties, and thereby lead to more conflict rather than less. Treisman differs again, arguing that generalising about the relationship between decentralisation and conflict is impossible" (p.428).*

Generally the different theoretical arguments proceed as follows:

1) ***Decentralisation mitigates conflict and builds social cohesion*** as groups have a formal, legally enshrined, non-violent method of participating in political processes. As political participation of different groups improves, these groups are able to effectively articulate their needs to the state and build relationships with other social groups. A stronger sense of affinity with the state is therefore built and stronger ownership of national initiatives and identity results.

2) ***Decentralisation exacerbates conflict and reduces social cohesion*** as it accentuates difference between regions and can easily lead to scenarios where local leaders are elected along ethnic lines and continue to mobilise ethnic identities to consolidate their power. This encourages citizens to identify with ethnic or geographic groups rather than the state, and fosters genuine difference between regions. Locally elected politicians' incentives lie in defending local priorities, thereby deepening political polarisation and rifts with central government. Ever greater demands for autonomy ensue. In situations of entrenched patronage politics, the aims of decentralisation are subverted and non-democratic, non-participatory political values are reinforced, increasing the risk of conflict.

Figure 2 below summarises the different arguments put forward by both camps in the literature.

Figure 2
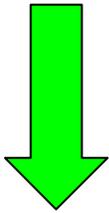
### Decentralisation can reduce conflict and strengthen social cohesion

- Creates a non-violent platform for inter-ethnic / inter-group discussion relating to local issues and allocation of resources.
- Fosters space to exercise local customs and religious beliefs without fear of persecution.
- Enables minority group political representation, preventing social exclusion. The promise of formal political power gives groups an incentive to engage with the state, thereby building state legitimacy and perceptions of citizenship.
- Reduces perceptions of 'horizontal inequalities' (or inequalities between groups) as groups are given some assurance that their priority concerns / needs will not be overlooked.
- Can bring improvements in service delivery, reducing grievances and dissatisfaction with the state and preventing inter-group conflict over services.
- Improvements in local government performance can weaken popular support for conflict
- Builds state legitimacy as groups see the state functioning effectively at a local level. This improves national political stability.
- Broadens political participation by providing more layers of government which reduces the likelihood of a scenario where one 'winner takes all'. Power is spread amongst a wider array of actors, reducing the chance of inter-group grievances.
- Can help to develop conflict resolution mechanisms and initiatives aimed at promoting social cohesion e.g. community forums, platforms for debate etc.
- Local government leaders can play a strong role in community reconciliation from their elected positions and seek to overcome ethnically based grievances.
- Local government mechanisms can formally address the local root causes of conflict.
- Establishes state outreach and control in remote areas that are at risk of domination by warlords or armed non-state actors, thereby reducing the risk of conflict.
- Builds trust between groups that are participating in the same institutions.
- Additional checks and balances are introduced into the political structure. This reduces incidences of 'grand' corruption which improves the legitimacy of the state and reduces frustration amongst aggrieved groups.
- Provides a 'learning laboratory' for people to acquire political and conflict resolution skills that can be used in different social arenas.
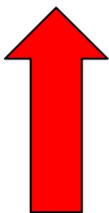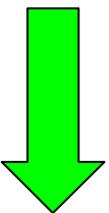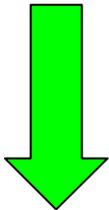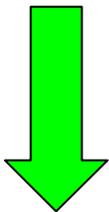
Decentralisation can increase conflict and damage social cohesion

- Domination of local government structures and positions by one group can increase feelings of marginalisation and grievance by other groups.
- Decentralisation can increase the chance of elite capture. This decreases the possibilities for political participation and increases the chance of inequality through inequitable allocation of resources and provision of services.
- Locally elected government officials are more likely to appeal to ethnic identities to ensure election and to continue to mobilise groups along ethnic
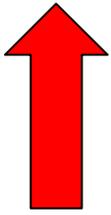
lines to ensure continued support. If political parties map directly onto ethnic divisions, social polarization can become entrenched.

➢ When decentralisation occurs without adequate administrative or fiscal resources it creates weak, ineffectual expressions of government, thereby undermining state legitimacy. Conflict is more likely to break out in contexts where the state fails to fulfil its functions and citizens see the government as having little legitimacy.

➢ Marginalised groups can feel under-represented if their candidate is not elected and this lack of representation in decision-making fuels exclusion and frustration.
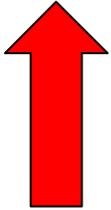
➢ In ethnically diverse contexts, implementation of decentralisation reforms can aggravate historical grievances, for example if a particular local language is chosen as the official language for local government communication.

➢ If the dominant group at a local level differs from those at national levels central/local tensions can be exacerbated.

➢ Increases competition between local and national powerholders and may result in sub-national groups attempting to break away.

➢ If reallocation of resources between regions is perceived to be unfair the chances of conflict are increased.

➢ Regions that are resource rich are particularly likely to seek separation from the central state.

➢ States with more tiers of government have higher perceived corruption which can lead to anger and disillusionment amongst the people.

➢ Some research links decentralization to higher inequality which breeds conflict.

➢ Local governments can be vulnerable to exploitation from external influences, particularly if they are resource rich and are close to a neighbouring state.

➢ Local government financial resources are more likely to be violently appropriated by irregular/armed groups than central financial resources and local leaders are thought to be less able to withstand pressure from locally based armed groups.
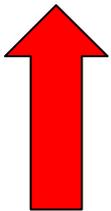
Whilst Figure 2 shows various arguments taken from the literature in support of decentralisation's conflict mitigating potential, we were unable to find substantial empirical evidence to support these theories. Virtually all of the empirical country case studies reviewed for this report concluded that decentralisation had exacerbated conflict or, at best, not contributed to peace (Green, Bigdon and Hettige, Sanchez and Chacon, Jackson, Lister, Lister and Wilder, Barron and Clark). For example, Bigdon finds that the Sri Lankan "local government system is not yet capable of contributing to conflict resolution but is rather aggravating tensions through politicization" (p.95, Bigdon and Hettige). One possible exception is Brinkerhoff and Mayfield's anecdotal study on Iraq. Although not an empirical research study, the authors argue that a USAID project on local government strengthening was successful in building social capital to mitigate conflict. They found that vertical social capital, which connects citizens to government, and bridging capital, that links different social, religious and ethnic groups were improved by the project. However, these positive outcomes were threatened by external factors meaning that local government would probably not fulfil its conflict mitigating potential i.e. level of violence and insecurity, hardening of societal and ethnic divisions, presence of outside Islamic extremist spoilers, popular rejection of the US military presence and the reassertion of central control by the government. This study therefore emphasises the primacy of context in enabling or disabling decentralisation as a conflict mitigating tool.

The importance of political economy analysis

Ultimately then, the only concrete conclusion that we can draw is that decentralisation *does* have strong links with conflict and social cohesion. It is not a neutral actor but impacts upon conflict dynamics and social networks in a variety of ways. This is the argument given by authors falling into the 3rd camp mentioned above, those who believe that decentralisation can either mitigate or exacerbate conflict, depending on both the way it is implemented and the social, political and economic context. Ultimately, decentralisation is about changing the locus of power in a given territory – far from being a technical or administrative exercise it is a highly charged activity which will always have vast and far-reaching political and social impacts. Careful design and politically sensitive implementation of reforms can help to ensure that decentralisation builds social cohesion rather than increases conflict potential. As Diprose and Ukiwo comment in their in-depth study of Nigeria and Indonesia, "all told, it seems that it is particular forms of implementation rather than decentralisation *per se* that triggers violent conflicts" (Diprose and Ukiwo, p.27).   Green emphasises, using the example of Uganda, that the context is important. In Uganda, decentralisation did not act as a cure for conflict, it merely changed the nature of the conflict from being predominantly national in nature to local. Policy makers must understand that decentralisation alters conflict dynamics, it does not necessarily exacerbate or remove them.

Unfortunately, there are few clues in the literature as to how to implement decentralisation reforms in a way that is politically sensitive. Siegle and O'Mahoney, in their extensive literature review and case studies from Columbia, Ghana, the Philippines and Uganda, emphasise the importance of the context and design of decentralisation interventions. They find that

> *"decentralisation has highly differentiated effects on ethnic conflict…, initiatives that support increased levels of local government expenditures, employment and elected leaders have been less likely to succumb to ethnic conflict. Conversely, countries with higher level of local government taxes or designated structures of regional autonomy have been more susceptible to ethnic conflict. Contexts with previous ethnic conflict, weak central government control over the security sector, and disproportionate access to natural resource revenues are particularly vulnerable"* (p.1).

Schou and Haug note that governments in different types of states introduce decentralisation measures with very different aims in relation to social cohesion. They find that

> *"in unitary states governments often use decentralisation as a tool for eroding ethnic identity and solidarity. Federal governments often apply the exact opposite approach; they explicitly recognise the rights of ethnic groups in a national system of ethnic accommodation. They believe that accommodation of national minorities holds the key to stability and unity"* (p.4).

Policy implications

The literature that relates to decentralisation and social cohesion is particularly divided. Although it is therefore impossible to make generalisations, the following policy implications can be drawn:

- **Be willing to reassess decentralisation policy**. Many authors agree that "under certain circumstances decentralisation can undermine the desired effects and escalate conflicts instead. So by supporting decentralisation in very different countries, development cooperation runs the risk of inadvertently exacerbating conflict" (GTZ). The implications of this are clear: decentralisation should not be a standard policy pushed by donors in all development contexts. Because of the risks of igniting conflict and breaking down social cohesion donors should question whether there are contexts in which they should not pursue decentralisation and should reassess the prominent place that decentralisation plays in democracy promotion efforts (Siegle).

- **Undertake serious political economy analysis**. Decentralisation impacts on social cohesion. Many authors believe that it can be positive or negative depending on design and implementation. Decentralisation reforms must therefore be preceded by careful political analysis to see how they might ameliorate or exacerbate historic grievances concerning inter-group domination and horizontal inequalities (Diprose and Ukiwo). This should involve regular monitoring of the impacts of decentralisation projects, for example via conflict impact assessments (GTZ).

- **Support further research in this area**. Donors need to fund more research in this area, particularly given the extensive adoption of decentralisation practices throughout the developing world. Rather than more theoretical studies or literature reviewst, large cross-country, historically orientated comparative research need to be undertaken.

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