

# FOREIGN AID AND DECENTRALIZATION: LIMITATIONS ON IMPACT IN AUTONOMY AND RESPONSIVENESS

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## SUMMARY

Donor support for decentralization comes in two main categories: policy support to increase the autonomy of subnational governments (SNGs) and project/program activities to improve the responsiveness and accountability of those SNGs. In the former, donors advocate for reforms that increase the extent or ‘quantity’ of decentralization, whereas in the latter, they aim at the ‘quality’ of decentralized governance. Drawing upon this distinction, this paper’s argument is twofold. The principal argument is that donors have had modest causal impacts on the quantity of decentralization because the preexisting political incentives of central governments are sufficient to explain decisions for major reforms. Decentralization advances farthest when there are regime-level incentives to decentralize, a moderate amount when there are government-level incentives, and minimally when donors (or other actors outside the central state) are leading champions of decentralization. The second argument of the paper is that donor efficacy is further complicated by partially conflicting emphases that sometimes tradeoff local autonomy with accountability. Implications include support for those programming efforts that pair autonomy with responsiveness at the local level. © 2014 The Authors. *Public Administration and Development* published by John Wiley & Sons, Ltd.

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## INTRODUCTION

Decentralization has been one of the leading governance initiatives advocated by donor agencies over the past three decades, especially in regions that have historically had centralized states, such as Africa and the Post-Communist world. Because of its theorized ability to stabilize volatile polities, promote more inclusive grassroots participation, and enhance governmental efficiency, decentralization has been popular with both left-leaning and right-leaning advocates and institutions, even as many acknowledge that decentralization is not a panacea for governance. But how successful has donor support for decentralization been? This paper examines the linkage between decentralization and aid effectiveness, examining the limitations of donor action with a view toward identifying propitious conditions for future programming.

This paper’s argument is twofold. The first argument is that donors have had modest causal impacts on the *quantity* of decentralization where they have promoted policy reform. Although donors have participated in policy advocacy processes and offered technical support, their efforts rarely transform governance. Most substantial cases of decentralization occur where donor efforts align with preexisting political incentives of partner governments, and these incentives explain major policy changes. Decentralization advances farthest when there are regime-level incentives to decentralize, a moderate amount when there are government-level incentives, and minimally when donors (or other actors outside the central state) are the leading champions of decentralization. A second argument of the paper is that the efficacy of decentralization programming is compromised by partially conflicting donor emphases that tradeoff local autonomy with subnational governments (SNG) accountability to central governments and civil society. Identifying these challenges allows for modifications to prevailing analytical frameworks that can support future programs.

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## DECENTRALIZATION: WHAT DO WE KNOW?

As the literature on decentralization has accumulated over recent decades, several lessons and elements of conventional wisdom have been established. This section outlines some main conceptual and empirical findings from this literature and looks toward areas where further theoretical contributions are needed.

*Conceptualizing, defining and measuring decentralization*

A first-order issue is conceptualizing, defining, and measuring decentralization. The term decentralization is slippery, and many scholars have lamented its conceptual confusion and proliferation of definitions (Cheema and Rondinelli, 2007). In this paper, decentralization is defined as a *process by which central governments confer powers and resources to subnational government units*. This can be to local governments or to intermediate levels of SNG, such as regions, states, or provinces. It occurs in three dimensions: political (by promoting subnational elections), fiscal (by promoting SNG access to revenue sources), and administrative (by conferring responsibilities to SNGs in managing expenditures and planning responsibilities). This paper focuses on devolution, which involves decentralization to elected SNGs, and not on deconcentration, which entails central governments decentralizing to subnational field offices under central control.

This definition sets the scope conditions for the topic and universe of cases under consideration, so variations can be examined. The relevant cases are those countries that have, at a minimum, initiated some degree of decentralization in the political, fiscal, and administrative dimensions. That is, to be considered part of the conversation on decentralization, countries must have instituted subnational elections, transferred some public service responsibilities to these elected SNGs, and established some revenue base to cover this spending (whether in the form of SNG own-source taxes, revenue transfers from central government, or both).

Variation in the amount of decentralization, then, arises from the extent to which SNGs actually have autonomy, especially in the fiscal and administrative dimensions. In developing country contexts, variation might be typologized as follows, considering the 'extremes' first:

1. *high* degree of autonomy when SNGs are undertaking about 20 per cent or more of total government spending; this would typically correspond to SNGs having major responsibilities in such areas as health and/or education, in addition to such conventionally local responsibilities as minor roads and waste/sanitation.
2. *low* degree of autonomy when SNGs are undertaking less than about 5 per cent of total government spending; this would typically correspond to SNGs having responsibilities and spending autonomy only over issues such as local roads and waste/sanitation and basic civil registry functions.
3. *moderate* degree of autonomy when SNGs are undertaking about 10 to 15 per cent of total government spending; this would typically correspond to SNGs having some portion of responsibilities in such areas as health and/or education in addition to such issues as local roads and waste/sanitation.

Levels of subnational responsibility may need to be higher in advanced, industrialized countries to consider a country moderately or highly decentralized, but in states that have recently undertaken decentralization, this tripartite categorization may serve as a first empirical cut to establish meaningful variations.

Conceptual challenges proliferate when the analysis shifts to causal arguments. This is because decentralization operates as both cause and effect from the perspective of donors and advocates of decentralization theory: it can *cause* desirable outcomes, such as development and democratic governance, but decentralization itself is also the intended *consequence* of many donor programs. Foreign aid seeks to promote decentralization, which in turn (theoretically) contributes to greater development, improved governance, and stability. Each of these end goals has its own theoretical logic to underpin why decentralization is advantageous. According to theory, decentralization can improve economic development by requiring subnational jurisdictions to compete with one another for residents (corporate and individual) in a market-like environment; enhance service provision through greater government access to local information and shorter response times; deepen democracy by facilitating grassroots participation for more local residents and historically underrepresented groups; and even generate social stability

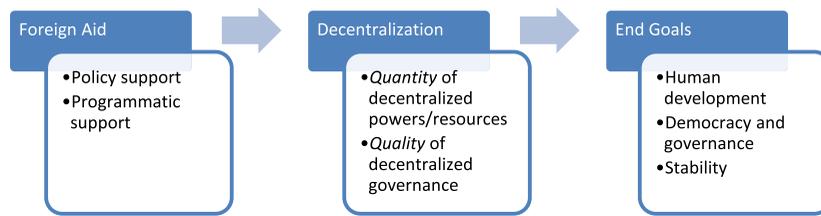


Figure 1. Foreign aid and decentralization: a two-step process.

by providing a stake in the governing system to ethnic or regional minority groups that hold grievances about the central state (see Connerley *et al.*, 2010). Given these possibilities, we can situate decentralization in the middle of a causal chain, as seen schematically in Figure 1 in the succeeding text.

### *Empirical trends*

Despite the promise of decentralization, empirical findings have generally been that its extent and impact has been rather limited in most developing countries, albeit with variations. Decentralization has lagged partly because it requires action in each of the three aforementioned dimensions—political, fiscal, and administrative—for SNGs to have a meaningful degree of autonomy (Falleti, 2010). SNGs must be elected independently from the center (political decentralization), have guaranteed access to tax bases and/or revenue transfers (fiscal decentralization), and have the ability to establish their own plans, budgets, procedures, and control their own human resources (administrative decentralization).<sup>1</sup> Limitations in any single area can constrain the entire process. For instance, top-down administrative centralism has hindered SNG autonomy even in countries where subnational elections have been held and revenues transferred.

As a result of the various ways the center can retain authority, scholarship by and for donor agencies has found that decentralization has advanced farther *de jure* than it has *de facto*, at least in those countries that were historically centralized. A major World Bank review (2008) found that decentralization progressed in areas of legal frameworks, intergovernmental fiscal relations, and subnational fiscal management, and was less successful in the areas of devolving functions and mobilizing own-source revenues at the subnational level. Similarly, a United States Agency for International Development analysis showed that many countries have started holding regular subnational elections, established legal frameworks to transfer expenditure responsibilities, and created rules for intergovernmental transfers; on the other hand, subnational autonomy is limited politically by the prevalence of top-down (often dominant) political parties, fiscally by low own-source revenue bases for SNGs (which leaves SNG spending circumscribed by central mandates placed on intergovernmental transfers), and administratively by the political culture of top-down state administrations (Dickovick and Riedl, 2010).

This limited transfer of power demands explanation, given the salience of decentralization in the donor community, and recent statements have begun to examine two major challenges confronting donor support that are elaborated upon in this paper. First is the issue of incentives facing central governments. A recent analysis sponsored by the World Bank found that the extent of decentralization must be understood as dependent upon the domestic political economy of central government decision making (Eaton *et al.*, 2011). The next section of this paper scrutinizes these incentives further. Second is the issue of potentially counteracting donor initiatives. Reviews of foreign aid have noted that in the area of democracy and governance (which includes decentralization), there is a potential for either complementarity or conflictual relationships between donor initiatives (Resnick and van de Walle, 2013). For instance, some donors interested primarily in economic development outcomes may provide direct budget support for central governments to strengthen central ministry capacity for oversight and monitoring of SNGs, whereas other donors institute local-level democratic governance programs to establish

<sup>1</sup>Indeed, Falleti (2010) finds that the degree of autonomy depends upon the sequencing of these dimensions of decentralization, with autonomy increasing the most when political decentralization comes first, followed by fiscal, then administrative.

Table 1. Foreign aid and decentralization: two categories of intervention

Operational level for donor initiatives	Policy level	Programming/projects level
Outcome of interest	Decentralization	Development and governance
Ends vs. means	Decentralization as end in itself	Decentralization as means to an end
Causal question	What are causes of decentralization?	What are effects/consequences of decentralization?
Key attribute sought	Autonomy (powers and responsibilities)	Responsiveness (capacity and accountability)
What to promote	Promote decentralization of governance (quantity)	Promote improved decentralized governance (quality)

greater autonomy from the center for those same SNGs (Resnick and van de Walle, 2013). As elaborated upon in the succeeding text, these are not necessarily contradictory, but may often end up so.

Some elements of conventional wisdom have emerged with respect to these two points on central government incentives and donor coordination. On the first, national governments must be substantially incorporated into the decentralization process. In general, donors agree that central governments must commit to fiscal transfers, facilitate coordinated action between SNGs and across sectors, develop management and administration systems to which donor support can be aligned, and so on (see OECD, 2004; World Bank, 2008; Smoke and Winters, 2011). Different observers vary on how much national governments should be ‘central’ to the process, but nearly all embed decentralization in a broader, functioning system of intergovernmental relations. Making decentralization work is about more than just supporting local governments, it is about strengthening the intergovernmental system in which decentralized government units take part (see Connerley *et al.*, 2010). On the second theme, donor coordination clearly matters for aid effectiveness. This consensus in the donor community implies some harmonization of efforts across agencies to avoid duplication and reduce transaction costs (Smoke and Winters, 2011). Proper coordination also means ensuring donor agencies do not work at cross purposes, which has occurred at several points, as discussed later.

#### FOREIGN AID AND DECENTRALIZATION: ANALYTICAL FRAMEWORK

To understand donor efficacy, it is useful to disaggregate decentralization initiatives into two principal areas. The ‘Policy’ column of Table 1 treats decentralization as a potential outcome of foreign aid. This reflects policy support by donors to enhance the amount of autonomy that SNGs have, in terms of powers, resources, and responsibilities. For donors here, the relevant causal question is the following: what causes decentralization? The ‘Programming/Projects’ column treats other end goals as the outcomes of foreign aid intervention—namely development and improved governance—with decentralization an instrument or intervening variable in the process. In this type of intervention, donor programming or projects aim to improve the responsiveness of subnational actors to their constituents in the form of greater capacity for action and accountability to the citizenry.<sup>2</sup> The key question for this type of intervention is the following: what are the effects or consequences of decentralization?

To make claims about the effectiveness of decentralization initiatives, one must distinguish between those programs that support subnational autonomy and those that support responsiveness. The relative importance of each depends upon the existing gaps or deficits in governance in a given country. Figure 2 illustrates this in a decision tree that begins with autonomy. The desired outcome follows the top path, in which SNGs have adequate autonomy and are ‘willing and able’ to respond to citizen needs. Where this outcome already exists, aid to support decentralization is less necessary. The next outcome is where SNGs have autonomy but lack responsiveness at the second node in the tree. In these cases, programming and project support is needed because decentralized governance performs poorly in practice. Conversely, if SNGs do not have autonomy, but are responsive to local

<sup>2</sup>It is possible to support policy for responsiveness, of course, or programming for autonomy. This simply captures the broad trend in donor action.

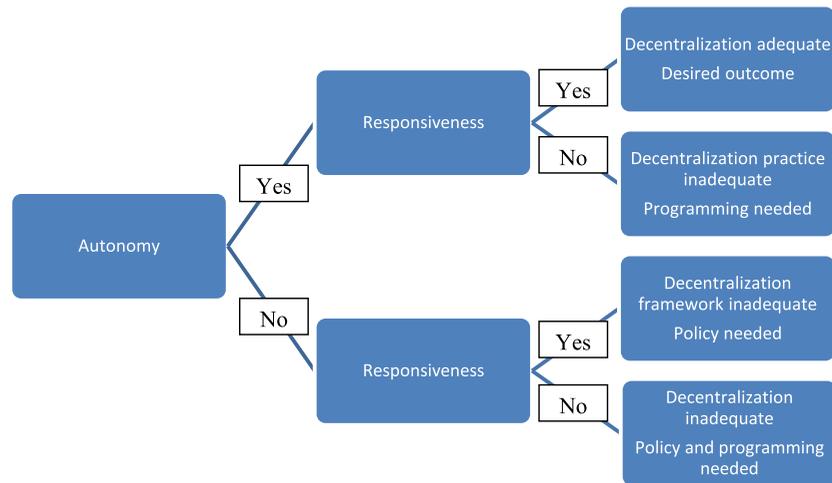


Figure 2. Promoting autonomy and responsiveness: a framework.

needs, then the emphasis should be on policy reform to empower local actors. Finally, where both autonomy and responsiveness are lacking, the task is larger, with both policy and programming needed to alter the pattern of governance.

Examples can illustrate the four possibilities (Table 2). Some of the better known models of the most desirable outcomes are in Brazil, where the major city of Porto Alegre adopted participatory budgeting practices and the state of Ceará developed a reputation for effective governance in the 1990s (Tendler, 1998; Goldfrank, 2011). In Africa, similar responsiveness has emerged even in Nigeria, in Lagos State. These examples are both from federal contexts where SNGs have considerable political and fiscal autonomy from the center. At the same time, many other SNGs in these federal countries have exhibited much poorer responsiveness and accountability; this was true in much of northeastern Brazil especially up to the mid-1990s, and remains true in many Nigerian states today. The other two scenarios—where autonomy is low—are more common and unsurprising, because unempowered SNGs often struggle to respond effectively to local needs. Examples abound from francophone African countries such as Burkina Faso (Englebert and Sangare, 2014). More intriguing (and rarer) are cases where local government autonomy is low, and yet local governance remains responsive. This can occur when local governance is led by non-state institutions. In selected communities in Chad, for instance, communities have used independent institutions to correct for the inadequacy of formal local governments (Fass and Desloovere, 2004). Hometown associations, village development organizations, and other such entities will often coordinate public action and provide public services in rural areas. Such actors respond to local needs and are accountable to local populations, even if they are not local governments. Explaining the limitations of donor efforts to move up from the ‘lower forks’ of Figure 2 is the task of the remainder of this paper.

Table 2. Autonomy and responsiveness: a matrix

		Responsiveness	
		High	Low
Autonomy	High	Porto Alegre (city) and Ceará (state), Brazil Lagos State, and Nigeria	Other Nigerian states Brazilian states (1980s/1990s)
	Low	Chad (NGOs)	Burkina Faso

NGO, non-government organization.

## CAUSES OF SUBNATIONAL AUTONOMY: CENTRAL GOVERNMENT INCENTIVES

Decentralization is paradoxical in that it requires a sovereign political actor (the central government) to willingly give up power, resources, and/or authority.<sup>3</sup> Political actors rarely give these up voluntarily, regardless of their ideological persuasions toward political-economic liberalism or good governance. Yet there are ways central governments would have *incentives* to decentralize. Principally, decentralization may be instituted made under some form of political duress, most notably a threat to national stability, when a government or regime might prefer to keep authority centralized, but recognize that failing to decentralize might make matters worse. Or, a central government may actually foresee advantages from decentralization, such as allowing increased central government footholds at the subnational level, for future electoral purposes or for extending patronage down to actors at the local level (see O'Neill, 2005). This can explain why decentralization may occur even in a dominant-party system (Riedl and Dickovick, 2013).

The argument here is that the extent of decentralization relates directly to the extent of central government incentives to decentralize, and only indirectly with the efforts of donors. Causal inference requires a characterization of these incentives. Conditions that facilitate more or less decentralization can be grouped into three types, two of which reflect the aforementioned central government incentives to decentralize. The first and greatest impetus for decentralization is when it addresses a stability or security imperative; these circumstances constitute a *regime-level incentive* in that a failure to decentralize could engender fundamental challenges to a regime's legitimacy. The second category is decentralization as *government-level incentive*. This occurs when decentralization presents a short-term contingent opportunity to a standing government. Decentralization in these circumstances might not be an existential issue to a regime, but the option to decentralize may reap gains for governing parties or elites. A third possibility is, crucially, much less likely to result in robust decentralization: it is when motivations to decentralize are held mainly by *non-state actors*, including donors. These possibilities, schematized in Table 3, are considered in order in the succeeding text, using evidence mainly from Africa, and with specific reference to donor roles in each case.

*Regime incentives: stability imperative and robust decentralization*

The principal factor behind most non-trivial cases of decentralization has been a stability imperative facing a central regime. In several countries in the developing world (such as Brazil, Argentina, and Indonesia), decentralization addressed a matter of basic governability under democracy in large states whose geographies and political histories necessitated recognition of regional power bases and bosses. Recently in Africa, ethnic and regional conflict has driven the imperative to promote national stability, and has driven the strongest instantiations of federalism and decentralization. Africa is characterized by many multi-ethnic states with deep social tensions and low levels of development, and the most deliberate moves toward decentralization have occurred when central governments have faced imperatives to stabilize a country's ethno-regional balance.

The clearest African examples of significant autonomy come from federal countries, though the logic extends to unitary states. This can be seen in Ethiopia, Nigeria, and South Africa, all of which decentralized for reasons of stability in multi-ethnic (or multi-racial) societies. Both Ethiopia and Nigeria instituted their forms of federalism in the wake of nationwide civil conflict that had explicit ethno-regional overtones. Ethiopia's occurred with the victory of a coalition of ethno-regional forces (notably Eritrean and Tigrayan liberation fronts accompanied by groups from the Amhara and Oromo peoples) over a centralized regime in the early 1990s. Nigeria's steady accretion of decentralized governments followed the country's bloody civil war (the Biafra War) of the late 1960s that pitted the southeastern Ibo against other ethnic groups, and decentralization still reflects the imperative to manage north-south tensions in the country. In South Africa, decentralization and federalism was indispensable to the transition from apartheid in the early 1990s, as it guaranteed the departing National Party some political redoubts in a country that came foreseeably to be dominated by the African National Congress. In Africa's three most significant instances where decentralization took a constitutionally guaranteed form, national stability was thus central to the logic, and donors were not.

<sup>3</sup>This point has been made by many, but I am thankful to Paul Smoke for his clear articulation.

Table 3. Central government incentives and decentralization outcomes

Central government incentive	Champions	Restraining factors	Outcome: autonomy	Cases
<b>Stability imperative</b>  Decentralize to avoid regime collapse	Central regime	Some persistence of centralism (fiscal and administrative) Dominant-party politics	High	Post-conflict federations (Ethiopia, Nigeria, and South Africa) Kenya post-2010 (subject to reversal as cases in the succeeding text)
<b>Contingent political motivation</b>  Decentralize for partisan or electoral advantage	Central government elites and/or parties (at time 't')	Decentralization partial or not implemented (at time 't + 1') Decentralization not 'locked in' by federalism or other strong institutional features Decentralization subject to reversal or recentralization as incentives shift	Medium	Andes 1990s (Bolivia, Colombia, Ecuador, and Peru)  Mexico  Ghana
<b>Respond to donors</b>  Good governance  Decentralize for theorized governance advantages (moral suasion)	Donors  Civil society  Local officials  Opposition party  Non-state actors	Decentralization limited from the outset Decentralization <i>de jure</i> not <i>de facto</i> Persistence of centralism (economic, fiscal, political, and administrative)	Low	Francophone Africa (Benin, Burkina Faso, and Niger)

Similarly, other African regimes have decentralized, though somewhat less than those noted earlier. There are many unitary states where relatively robust decentralization has been a response to a national stability imperative (such as Kenya after ethno-regional violence in 2007-2008), whereas stability questions have also led to more modest decentralizing reforms in other countries such as Mali and Uganda (Seely, 2001; Lambright, 2010). A threat to stability does not necessarily lead to robust decentralization in all cases, but it is the factor that best explains major increases in autonomy in Africa and several other countries in recent years (see Brancati, 2009).

From the foreign aid perspective, a noteworthy feature of these decentralizations is the relative absence of donor influence. In some aforementioned countries, donors accompanied and participated in the decentralization processes, but to argue that their actions influenced outcomes would have the causal arrow backward. Decentralization decisions in Nigeria pre-dated donor support, whereas those in South Africa and Kenya reflected domestic bargaining arrangements (with donors supporting the latter process, but the domestic conflict being both necessary and sufficient to explain the decision to devolve). And the experience of Ethiopia is a clear case of decentralization happening in tandem with efforts to restore central control by regimes that become dominant; donors have undertaken significant development programs in Ethiopia, but the historical sequence began with a regime's decision to decentralize. The principal lesson is that when robust decentralization occurs, it is parsimoniously explained without reference to donor agencies.

#### *Government incentives: partisan contingency and moderate decentralization*

In established regimes, political institutions affect actors' incentives and thereby shape behavior. For instance, patterns of electoral representation matter for whether legislators and national executives will support decentralization, with electoral rules and the fates of political parties being especially important here. A politician whose future nomination depends upon satisfying constituents in an electoral district will be more likely to support localized

interests than one whose electoral future depends upon placement on his/her party's list of candidates, because the latter's votes will usually reflect the interests of national party leaders (Willis *et al.*, 1999). Incentives also operate for entire political parties as well as individuals: a party with a strong base at subnational levels will likely be more favorable to decentralization than another that is set to dominate the national level (O'Neill, 2005).

There are several possible motivations for decentralization in established regimes that are relatively stable and secure (i.e., not subject to severe forms of the stability imperative noted earlier). One issue is the establishment of subnational power bases. As O'Neill (2005) noted, decentralization in five Andean countries could be explained mainly by accounting for the future electoral prospects of a given government at the national and subnational levels. We can also observe electorally pessimistic central governments using decentralization to engage in 'portfolio diversification' under uncertainty. Where governing parties face democratically competitive national elections and have secure subnational bases, they may choose to decentralize to ensure some representation under multiple possible future outcomes, even if this involves conceding some power in the event of a future national-level victory. Such rationalist interpretations can explain the systematically political decisions by central governments in Ghana to decentralize in ways that correspond directly to national political cycles (see Ayee, 2012). In other circumstances, such as Mexico in the 1980s, political parties decentralized as part of an attempt to shore up their national political prospects (Rodriguez, 1997). Yet, another possibility is that regimes that dominate nationally may seek to project their authority down to the local level; this is decentralization-as-state-penetration, and can be seen in Ethiopia's second wave of decentralization to the local (woreda) level after 2002.<sup>4</sup> Finally, elected officials may support decentralization to 'offload' responsibilities to the subnational level if the central government has inadequate resources to fulfill responsibilities (Prud'homme, 1995). These forms of political incentives are not likely to prove as robust in supporting decentralization as the stability imperative, but they do provide propitious 'entry points' for donor support of decentralization reforms that central governments are motivated to enact.

This category of decentralizers may result in 'moderate' decentralization, but it presents two complications for foreign aid initiatives. The first is the relative paucity of donor policy influence; as with the stability imperative, domestic political conditions account for moves to decentralize, with donor participation buttressing government decisions rather than altering them. The second principal problem with decentralization in these instances is the endogenously determined weakness of pro-decentralization institutions. When decentralization is undertaken in regimes with contingent incentives, it is less locked-in than would be the case with the establishment of federal institutions. Contingency-motivated decentralization happens generally in unitary states or to the local level in federal states, where the subjects of decentralization do not enjoy constitutional privileges and authority. Thus, in some instances where a government acted upon time-sensitive incentives to decentralize, changes were susceptible to reversal (recentralization) or undermining in practice (central government 'taming' of decentralization through top-down central standards) once the bargaining moment passed. In addition to Ghana and Ethiopia, examples in Africa of limited decentralization that was later tamed or reversed including Mali, Mozambique, Senegal, and Uganda. Each of these had some decentralization following a period of instability, but decentralization was not locked-in with strong constitutional supports and ultimately proved limited once the regime consolidated.

#### *Missing incentives: centralized systems and weak decentralization*

By contrast with outcomes in cases where central governments have incentives to decentralize, increases in autonomy have tended to be lower when decentralization has been championed primarily by donors or other actors outside of central government. Many actors—from donors to opposition parties to civil society groups and non-state/non-governmental actors—have reasons to tout decentralization, some of which relate to effective governance, and others of which relate to certain groups' own preferences for more resource access. Yet, there are few instances of significant decentralization being impelled by these actors, unless one of the aforementioned

<sup>4</sup>The country experienced two distinct waves of decentralization, the first of which corresponded to the regime stability imperative earlier. In the second wave, Ethiopia decentralized further to the local (woreda) level. This latter decentralization was much less thorough-going than the former, as a function of the limited incentive to provide SNGs with autonomy. In the later instance, the governing EPRDF regime retained greater degrees of central control over administration and fiscal matters.

two conditions (a stability imperative or a contingent political incentive) holds and already compels a central government to act. That is, rarely do actors outside of a sovereign government successfully demand decentralization unless central governments have preexisting, compelling reasons to supply it. To be sure, there are many instances where donors and civil society groups push for decentralization of power and where decentralization results, but this correlation must not be mistaken for causation. Where donor-advocated decentralization has taken root, it has generally been instances of actors outside of a state ‘pushing on an open door’, supporting a process that a central government itself already had reasons to initiate or undertake. The likely outcome when external actors are the top champions of decentralization is a modest (at best) decentralization *de jure* that means little *de facto*.

Many donor initiatives to support decentralization have occurred in smaller, lower-income countries that were formerly centralized states. In Africa, these countries have resisted decentralization in practice, and long-standing centralism has proved difficult to break. Several factors overdetermine continued centralism: post-colonial state-building that neglected municipal government; long periods of single-party or military rule; three decades of economic decline, state dysfunction, and neopatrimonial rule; and the geographic concentration and distribution of wealth, including social conflict over the division of national resources, among others. Most commonly, states with centralized political economies have continued to tightly limit SNG activities, regardless of legal frameworks for decentralization.

Central governments have used many tactics and strategies to retain authority. Scholars have referred to ‘repertoires of domination’ even in such democratic countries at Botswana, for instance (Poteete and Ribot, 2011). Examples of top-down administrative and fiscal institutions operate in centralized countries from Latin America (Paraguay, e.g.) to Central Asia (Kyrgyzstan, e.g.) and other regions. There are also indications that policy reform in some cases has been formulated to appease donors, with little intent to transform governance practice (see van de Walle, 2001). After recent decentralization reforms in Africa, most former French and Portuguese colonies in particular retain statist, centralized authority. This has played out clearly in such cases as Benin and Burkina Faso, where the *tutelle de l'état* (state tutelage) or top-down governance prevails (see Englebert and Sangare, 2014). The implications for foreign aid are that decentralization is often meager when it is ‘championed’ by donors and implemented in an uneager and centralized state.

#### *Implications for donor support: limitations and propitious environments*

Central government incentives to decentralize are crucial. Where central governments have incentives to retain authority, donors may be able to support a modicum of decentralization on paper, but should not expect to transform governance. Whether a stability threat exists or the opposition is increasing in power is often beyond the control of donors, and even some central governments, in the short-run to medium-run. In many African countries that are low-income, historically (and economically) centralized, and feature a dominant political party, efforts to support decentralization are unlikely to enhance SNG autonomy. Even with the passage of decentralization framework laws, SNGs will likely face considerable impediments in practice.

Environments for supporting SNG autonomy are thus most propitious where donor preferences and central government incentives align. Where donors are ‘pushing on an open door’, they can bring technical capacity to bear in shaping and supporting decentralization frameworks backed by central governments. By contrast, decentralization has created less autonomy—notwithstanding donor efforts—where central governments have reason to resist it, or donors are pushing on a locked door. In such cases, donors may be able to support some legal changes or a degree of administrative decentralization, but should expect the retention of decision-making power in centralized states

### DONOR INITIATIVES IN TENSION: AUTONOMY-RESPONSIVENESS TRADEOFFS

Beyond the limited influence on autonomy, another major issue that limits donor efficacy in decentralization becomes visible when disaggregating the actions and preferences of different donor agencies about SNG autonomy and patterns of accountability. Donors supporting decentralization all seek subnational actors that respond to

citizen needs at the local level, but vary in terms of which institutions they deem most instrumental to that process. A tradeoff arises when some donors aim for downward accountability to local citizens by supporting the autonomy and capacity of SNGs, whereas others focus on strengthening upward accountability of SNGs to central government.

A central analytical point here is that the *quantity* of decentralization itself (or the amount of autonomy that SNGs have) affects the *quality* of decentralized governance (or responsiveness). Responsiveness in decentralized governance depends upon some meaningful degree of subnational autonomy. A key finding from Goldfrank (2011) is that where SNGs have scant resources and few responsibilities, citizens rarely sustain high levels of participatory engagement, whereas they participate more willingly when SNGs are more consequential. Central governments that dramatically limit autonomy may thus compromise SNG capacity to respond to local needs. Indeed, qualitative work from Africa has found that accountability continues to flow mainly upward to the central state, and Afrobarometer data suggests a continued lack of confidence in local government (see Ribot, 2002).

Donor-based decentralization programming can thus face tradeoffs between promotion of SNG autonomy versus efforts to enhance responsiveness and accountability when the latter involves tightening constraints on SNGs. This can happen in two ways. One is in the vertical dimension of accountability. This is when support for decentralizing functions contradicts sectoral efforts at central government coordination or national systems of public financial management (OECD, 2004; Smoke and Winters, 2011). Donor agencies can and do have different primary ministerial or sectoral interlocutors in their programming.<sup>5</sup> Across Africa, bilateral donors like United States Agency for International Development have often pushed to devolve sectoral decision making to local levels (such as through local school committees or local health councils). This typically involves substantial collaboration with ministries of local government. Meanwhile, multilateral lending agencies such as the World Bank—sometimes in collaboration with the International Monetary Fund—have invested in empowering ministries of finance to control intergovernmental transfers to local officials; this has also occurred with regional development banks (see Corbacho *et al.*, 2013).

The situation is further revealed within major public service sectors or line ministries. In these instances, donors advocating for autonomy may encourage devolution of responsibilities to the local level, whereas other donors focused on upward accountability may assist in developing budgeting and planning systems that emphasize central coordination. This is especially important in the area of sectoral personnel, where it is common for a single national civil service (say, for teachers or health workers) to coexist with attempts to decentralize human resource management. SNGs often have limited control over civil servants (Steffensen *et al.*, 2004). Central governments often limit decentralization of personnel because they wish to control patronage opportunities, defend their political prerogatives, or are genuinely concerned about the capacity of SNG administration and management. For their part, civil servants, including teachers and health officials, rarely wish to be SNG employees. Being part of a subnational civil service can result in reduced pay and benefits, and less control over postings, which is a major concern for many public employees whose ambitions are often to work toward higher posts at the national level (preferably in larger cities), rather than remain posted in remote rural areas. SNGs themselves are the only government actors with clear incentives to see administrative and human resource decentralization, and they generally lack the political power to make it happen. In addition, donors collaborating with central governments may note that human resource management and administrative systems often lack the capacity to execute revenue transfers efficiently. Competing preferences among actors and donors over these arrangements can contribute to lags in implementation after decentralization laws are passed.

These different donor initiatives for devolved authority and central oversight are not necessarily conflictual, and this paper does not advocate for one position or the other. Major recent statements have noted that undue autonomy for local actors can generate poor local governance in many localities, just as centralization can (see Grindle, 2009). Indeed, donor efforts may contribute on both sides of the intergovernmental equation because decentralization frameworks necessarily allocate power to different levels of government and ministries in ways that can create ambiguities regarding legal authority. The causal argument is only that these discrepancies can complicate implementation of decentralization. Although the more centrally-oriented ‘public financial management’ approach and the more autonomy-driven ‘decentralized power’ approach are both necessary, the possibility of contradiction

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<sup>5</sup>The author would also like to thank Danielle Resnick, Rachel Gisselquist, and an anonymous reviewer for their comments that helped with this formulation of the issue.

places a high premium on donor collaboration to identify whether, when, where, and how distinct donor activities are best reconciled.

Beyond the first issue of vertical accountability, the second tradeoff can occur in local level politics, with support for ‘decentralization’ that alters relations between SNGs and civil society organizations (CSOs). Again, actors outside of SNGs are necessary to provide accountability and to countervail such issues as local rent-seeking or elite capture. But local non-state actors may also counter SNG autonomy. For instance, customary authorities in Mali earn greater trust than local governments, with the latter viewed as contributing little to local development, and in contexts like these, actors outside SNGs have carved out space for themselves in governance. This can be beneficial when the actors are public-service minded NGOs and CSOs, but they may also supplant or marginalize local governments, or stunt the development of local electoral accountability over time. Moreover, ‘CSOs’ can broadly include such actors as ‘development brokers’ seeking personal gain from project support, traditional elites looking to capture rents from local government, or even local vigilantes (see Bierschenk and Olivier de Sardan, 2003; Lund, 2007). Where donor preferences vary, even programming coordination may not eliminate the tendency to work at cross purposes.

Together, these elements give rise to a paradox of donor support for decentralization: there is a universal recognition about the need to incorporate central governments and on the need for donor coordination, yet there are potentially conflicting assumptions or worldviews among donors on how central governments should be involved in decentralization. Insofar as a substantial degree of autonomy is a requisite for responsiveness, conflicting donor initiatives may cut against the functioning of decentralization. In the terms of Figure 1, and in light of the empirical tendencies discussed earlier, the move toward autonomy may sometimes need to be sequenced before programming for responsiveness. Especially in the low autonomy environments where donors often operate, the emphasis on upward accountability and action by non-governmental actors at the local level may compromise SNGs’ ability to fulfill the promise offered in decentralization theory.

#### IMPLICATIONS: DONOR SUPPORT FOR PAIRING AUTONOMY WITH RESPONSIVENESS

In general, decentralized governance requires several interlocking features: the promotion of autonomy of SNGs from central government; state-building to ensure adequate autonomy of the SNGs from local civil society; empowerment of civil society actors to check SNGs; and central government ability to monitor, coordinate, and check those same SNGs. In short, decentralization programming requires *countervailing forces that balance the powers of three sets of actors*: SNGs, local civil society, and central governments. If any of the three dominates the relationship, local governance suffers. Donor initiatives should thus not simply look to empower SNGs but instead work to ensure this complementarity in the correlation of forces, which requires a balance between SNG autonomy and accountability to other actors.

Of special interest, therefore, are donor programs that can simultaneously support both autonomy and responsiveness, such as by developing SNG capacity and downward accountability. A unifying principle is co-participation or co-financing between public actors (at the subnational or local level) and private actors. One familiar approach that has received considerable scrutiny is the institutionalization of participatory practices in budgeting and planning.<sup>6</sup> In these instances, CSOs check SNGs but also work with them (Heller, 2001; Goldfrank, 2011). Another category of participatory approach is co-financing of public goods and services by social institutions, local governments, and central government funds. Ideally, this would take the form of CSOs collecting resources (human, physical, and financial) from contributing members for projects identified by the community, with the subsequent steps being complementary funding and support from local governments (which are often resource-poor), and finally, a matching of the required funding by central government institutions. Evidence supporting this proposition comes from programs requiring participatory planning and budgeting processes, such as the United Nations Development Programme’s former Rural Decentralization Support Programme in Senegal, or programs that require local governments to generate a percentage of a project before requesting central government funding, such as through the National Investment Agency for Local

<sup>6</sup>There are concerns about elite capture, but these are no greater in participatory practice than in any other form of decentralization.

Governments in Mali. Combining these characteristics—co-financing across levels of government with requirements for participatory planning and budgeting—could contribute to autonomy and accountability from the bottom up. Ample theoretical support and evidence comes from local efforts at institution building and public goods provision around the world, which contrasts markedly with the ‘failure of the centralized state’ (see Ostrom, 1990; Wunsch and Olowu, 1990).

In the medium term, co-financing and co-production have the further salutary effect of supporting own-source revenue generation by SNGs, the absence of which currently underpins continued centralism; insofar as SNGs have little access to autonomous revenue sources, they are tightly enmeshed in top-down fiscal and administrative systems. SNGs that rely heavily on intergovernmental transfers typically must comply with central government earmarks, standards, and requirements passed down through the administrative state. Own-source revenues imply greater SNG spending autonomy but are also superior mechanisms for downward accountability of SNGs to local residents because they reduce the ‘fiscal illusion’ in which local residents receive services paid for by national taxation that comes in part from residents of other jurisdictions (see Corbacho *et al.*, 2013).

Donor initiatives in decentralization have sought to promote decentralization as a means to an end and an end in its own right. This is appropriate, because effective local governance and local development require both autonomy for local governments and responsiveness from them. Central government motivations are often beyond donor control, but it is possible to promote greater SNG autonomy when and where government incentives present entry points. Donor programming will benefit from pairing autonomy with responsiveness, remaining cognizant that the latter depends upon the former, and that welcome constraints on SNGs (to avoid local malfeasance or inefficiencies in service provision) can also constrain the prospects for the advantages of decentralization. A concluding recommendation is a support for the *de facto* autonomy of SNGs through programming that enhances their linkages to civil society and their capacity to make demands on central governments, combined with checks on those SNGs from civil society and the center. Such changes build upon what has worked while acknowledging what is beyond donor control and emphasizing what can be changed.

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