

# Handout

## Module I

# DECENTRALIZATION

## Perspective of Decentralization

### 1- What is Decentralization?

Decentralization is the transfer of authority and responsibility for public functions from the central government to intermediate and local governments or quasi-independent government organizations and/or the private sector.

- Decentralization is usually referred to as the transfer of powers from central government to lower levels, within a political-administrative and territorial hierarchy.
- The term decentralization is used to cover a broad range of transfers of the "locus of decision making", from central to regional governments, municipal or local governments.
- Decentralization is the means to allow for the participation of people and local governments.

### Decentralization (Ministry of Interior)

The Royal Government gives sub-national councils the ownership of government functions, authorities and resources (finance, property and human) in order to respond to local needs. The council must be accountable to local residents.

For example, the Royal Government has transferred 40 million riel to the budget of an administration's district for the purpose of development. The district council has ownership over the management and use of this budget to respond to prior needs of the district, based on the district's investment program and development plan, which are approved by the council. These needs might include digging clean water well, trail repair and a domestic violence prevention campaign.

### 2- Types of Decentralization

- **Political Decentralization:** *Autonomy, Democratization, Elections*
- **Administrative Decentralization:** *Delegation, De-concentration and Devolution*
- **Fiscal Decentralization:** *Revenue generation/sharing and Expenditure*
- **Economic Decentralization:** *Deregulation, Privatization or Corporatization*

### 2.1 Political Decentralization

#### Definition

Political decentralization normally refers to situations where political power and authority has been partially transferred to sub-national levels of government. The most obvious manifestations of this type of decentralization are elected and empowered sub-national forms of government, ranging from village councils to state-level bodies.

#### Rationale

The rationale behind political decentralization is that citizens or their representatives should have more power in public decision-making. Decisions that are made with greater participation would be better informed and more relevant to the diverse interests in society. It would also lead to efficient and effective public services. Political

decentralization is therefore about creating the spaces for local governments to understand and act on the needs and preferences of the people.

To achieve political decentralization, the following would have to be undertaken:

- *Constitutional or statutory reforms to adapt the concept of decentralized;*
- *The development of pluralistic political parties;*
- *The strengthening of legislatures;*
- *The creation of local political units; and*
- *The encouragement of effective public interest groups.*

## **2.2 Administrative Decentralization**

### **Definition**

Administrative decentralization refers to the full or partial transfer of decision-making authority, resources and responsibilities. This transfer would foster the delivery of selected public services from the central government to the lower levels of government agencies and the field offices of central government line agencies.

### **Type of Administrative Decentralization**

- **De-concentration:** De-concentration is often considered to be the weakest form of decentralization and is used most frequently in unitary states. De-concentration is the transfer of power to an administrative unit of the central government usually a field or regional office. With de-concentration local officials are not elected.
- **Delegation:** Delegation is a more extensive form of decentralization. Through delegation central governments transfer the responsibility of decision-making and administering public functions to semi-autonomous organizations not wholly controlled by the central government, but are ultimately accountable to it. With delegation the local officials are not elected. Governments delegate responsibilities when they create public enterprises or corporations, housing authorities, transportation authorities, special service districts, semi-autonomous school districts, regional development corporations, or special project implementation units.
- **Devolution:** Devolution is the strongest form of administrative decentralization. When governments devolve functions, they transfer authority for decision-making, finance and management to quasi-autonomous units of the local government with corporate status.

Devolution usually transfers responsibilities for services to municipalities that elect their own mayors and councils, raise their own revenues and have independent authority to make investment decisions. In a devolved system, local governments have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions.

### **Rationale**

If local governments and private organizations are to carry out decentralized functions effectively, factors other than adequate finances play a role. There must also be people (functionaries) who have the required capacities (the know-how) to undertake this transformation decentralized functions. This would involve a reform of the civil services.

## **2.3 Fiscal Decentralization**

### **Definition**

Fiscal decentralization involves a level of resource allocation to local government, which would allow it to deliver decentralized functions. Fiscal decentralization rules regulates four areas: (i) expenditure assignment; (ii) revenue assignment; (iii) intergovernmental transfers, and (iv) sub-national borrowing.

### **Rationale**

If local governments and private organizations are to carry out decentralized functions effectively, they must have an adequate level of revenues that are either raised locally or transferred from the central government. They must also have the authority to make decisions about expenditures.

## **2.4 Economic decentralization**

### **Definition**

Economic or market decentralization is the transfer of functions exclusively performed by government to the private sector.

### **Rationale**

This type of decentralization promotes the engagement of businesses, community groups, cooperatives, private voluntary associations and other non-government organizations.

### **Kinds of Economic Decentralization**

- **Privatization** can range in scope. It can involve leaving the provision of goods and services entirely to the free operation of the market or to a "public-private partnerships" in which government and the private sector cooperate to provide services or infrastructure.
- **Deregulation** reduces the legal constraints on the private sector in the delivery of services previously monopolized by the government. In recent years privatization and deregulation have become more attractive alternatives to governments, within developing countries. Local governments are also privatizing by contracting out service provisions or administration work.