

How Can Local Governments be Enabled to Deliver Services to the Rural Poor?

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Despite its remarkable achievements in economic growth and in fighting poverty, developing Asia still faces a major challenge posed by the problem of poverty. The most recent estimate of poverty, by the Asian Development Bank, revealed that nearly 690 million Asians were living on less than \$1 a day in 2002 (ADB 2004). Further, ADB's estimates of poverty clearly show that rural poverty rate is higher than urban poverty rate throughout the region. Moreover, a large proportion of population in developing Asia live in rural areas, suggesting that, across the continent, the number of rural poor is by far larger than the number of urban poor. For example, in South and Central Asia over 70% of the total poor live rural areas, but in Thailand and Vietnam, where rural poverty incidence much higher than urban poverty incidence, rural poverty accounts for almost 90% of total poverty.

The evidence suggests that the disproportionate fraction of public spending in services goes to the non-poor. The rural poor have uneven access to critical services, such as education, health, water, sanitation, and electricity (World Bank 2003). Overcoming poverty tends to be more of a problem when poor have inadequate access to basic services. This concern presents policymakers in the development community with some important policy challenges. The past decade of development practice and research have produced substantial evidence identifying specific policies that empower the rural poor and provide them with improved access to services. In this regard, decentralization is considered as an important institutional development strategy for improving the service provision for the poor.

Linking Decentralization with Service Delivery to the Rural Poor

Decentralization – the transfer of authority and responsibility for delivery of public goods and services to local governments – is widely considered as one governance reform that can improve provision of services to the rural poor. Decentralization may be considered in terms of (1) political, administrative, and fiscal decentralization; (2) deconcentration, delegation, and devolution (Box 1). The most common arguments in favor of decentralization are that it promotes the allocative efficiency of public resources and creates opportunities for a more accountable government. The efficiency of public resource allocation can be raised if expenditure decisions are made at lower levels of government because local governments are closer to the poor people than higher levels of government and, probably, are more informed about the local problems than by central or provincial governments. This closeness between resource allocation decisions and their beneficiaries can help to correct government failures in service delivery by ensuring greater access to local knowledge. Decentralization may create opportunities for a more accountable government by introducing competitive local government elections,

strengthening political participation, and creating mechanisms to hold the politicians accountable between the elections.

Box 1. Decentralization: Dimensions and Degrees

Decentralization involves transfer of decision making power and responsibility for provision of public goods and services to local governments. Definitions important to understanding decentralization include three dimensions of decentralization:

- *Political decentralization* transfers decision-making power and resources to lower levels of government, encouraging citizens and their elected representatives to participate in policy decision-making. Under political decentralization, the selection of key local government officials made by local elections rather than by central government appointment.
- *Administrative decentralization* shifts planning and policy implementation responsibility to locally-based civil servants, who work under the jurisdiction of elected local government or central government ministries or agencies.
- *Fiscal decentralization* involves transferring substantial revenue-generating and expenditure allocation power to local governments. Under fiscal decentralization, local governments may have access to inter-governmental transfers and local borrowing.

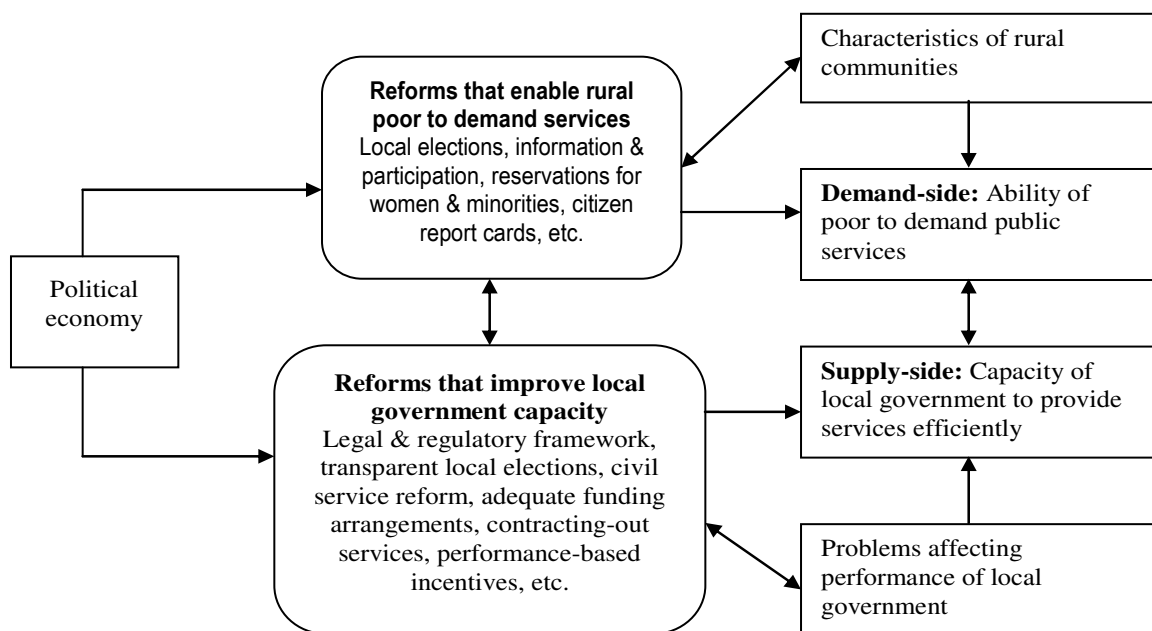
The extent of decentralization is measured by the degree of local government autonomy from the national government:

- *Deconcentration* entails national government shifting administrative workload to local offices without changing the rules for authority and control.
- *Delegation* transfers responsibility for delivery of public goods and services to lower levels of government or other organizations, which act on behalf of the central government.
- *Devolution* involves full power and responsibility for delivery of public goods and services residing with local governments, having legislative, revenue-raising, and decision-making powers.

Theory and evidence suggest that decentralization carries some serious risks. If not thoughtfully designed, decentralization can cause loss of scale economies, generate unnecessary duplications across various levels of government, and lead to even greater government failure in delivery of services to the rural poor. Another principal concern with decentralization is the possibility of elite capture of local government, which may deteriorate the responsiveness to the needs of the rural poor (Bardhan and Mookherjee, 2006). Therefore, policymakers and development practitioners need to assess rigorously these risks by addressing political economy of reform, evaluating the background support and local conditions, and problems affecting performance of local governments. This assessment should help them to identify appropriate dimensions and degrees of

decentralization for different types of public services and to find good-fits for their specific country conditions for demand-side and supply-side reforms that necessary to enable the rural poor to demand services and local government to deliver public services (World Bank 2007, Figure 1).

Figure 1. Good fits to country-specific conditions for demand-side and supply-side approaches are needed to enable local governments to deliver services to the rural poor



Adopted from World Bank 2007.

When Decentralization Can Produce Benefits in Practice

A large number of developing countries throughout the world, including many Asian countries from Kyrgyzstan to Indonesia, have experimented with decentralization. The results of decentralization concerning delivery of public goods and services to the poor have been mixed. The literature and country experiences show that decentralization may create an enabling environment for local governments to efficiently delivery services to the rural poor, but only under specific circumstances. What do we know – or think we know – about these specific circumstances?

Design and sequencing in implementation influence reform success

The literature suggests that design and sequencing of reform measures in the implementation stage affect the outcomes of decentralization (Guess, 2005). In 2001, Indonesia and Pakistan introduced comparable comprehensive devolution reform plans, implementing new laws that changed the assignment of functions and roles of local government. These reforms are similar in that both devolved political, fiscal, and administrative authority and responsibility over core public services to district-level governments, largely bypassing the provinces (table 1). They similarly held local elections for councils and mayors (by indirect elections) to hold local government accountable and transferred large group of civil servants to the districts to provide them with capacity to govern. Both countries followed an approximate sequence of major activities: ensuring macroeconomic stability and control over treasury operations; establishing legal and regulatory frameworks, addressing local capacity weaknesses, establishing facilitation networks to support and sustain reform, etc (for full list of activities with details, see Guess, 2005).

Table 1. Comparing decentralization design and implementation in Indonesia and Pakistan

Component	Pakistan	Indonesia
Organizational design		
Supervisory structure & Civil society feedback	Top-down & narrow	Less narrow
Legal & regulatory framework	Few comparative inputs	Comparative inputs
LG elections	Direct elections for council/District nazim (mayor) by council	District mayor by council
Local revenue base	Yes	Yes
Dedicated & rule-based fiscal transfers	Yes	No
Capacity-building	Some emphasis	Strong emphasis
Implementation		
Local revenue sufficiency	Weak	Weak
Restructuring local offices	Marginal efforts	Marginal efforts
Performance management and budgeting	Superficial interest	Some interest
M&E	Inconsistent	Inconsistent

Adopted from Guess, George M. 2005. Comparative Decentralization Lessons from Pakistan, Indonesia, and the Philippines. *Public Administration Review*, Vol. 65. No.2

The evidence suggests that service delivery to poor people has not improved (might be even deteriorated) after Indonesia decentralized in 2001, and the country still faces low efficiency of public spending, low quality of services, and inequalities in access

and outcomes (World Bank, 2006). For example, inefficiency in education is exemplified by high rate of teacher absenteeism and lack of teachers in remote areas despite an overall national surplus. Perhaps, these problems existed before the reforms and increased openness have made them more visible. However, confusions over the roles and responsibilities of different levels of government have caused significant additional inefficiencies (World Bank, 2006). The effective monitoring and evaluation would have been able to identify those deficiencies and make corrections in implementation stage. Unfortunately, policymakers made no major efforts in this area, even available evidence about local capacity was not utilized by them in reform planning or implementation. Likewise, Pakistan also made largely inconsistent efforts in this area (Guess, 2005). Thus, policymakers should remember that successful decentralization requires an embedded monitoring and evaluation system to effectively measure and assess results, to find deficiencies in reform design, and to make necessary adjustments during implementation.

Local government elections that take into account local conditions may improve rural service delivery

The most obvious political institution that promotes accountability is elections. Literature on decentralization points to the importance of competitive local government elections as an institutional mechanism to enable the rural poor to demand services as well as to improve local government capacity. The local government elections are obviously one but an essential step in the accountability chain that links public with elected officials. This can be a primary tool for citizens to hold their governments accountable. Through turning out to vote rural people can send signals to government about their preferences and problems. On the other hand, local elections have important implications because broad electoral participation provides greater legitimacy and authority to local government and the policies it enact. Nevertheless, policymakers should recognize that decentralization and local elections without accompanying changes at the local level to ensure functioning democratic governance may simply increase the power of local political elites rather than enable the rural poor to demand services.

China has introduced local government elections across tens of thousands of villages in rural areas in the early 1990s. The central government instituted a wealth of measures, in addition to institutionalizing local government (village) elections, to enable villagers to protect their interests. The most important are allowing local protests and media coverage of egregious violations and permitting lawsuits against officials responsible for grievance. The evidence suggests that elected local governments tend to tax rural people less and provide them with higher levels of public services than local governments with appointed cadres (Zhang et al, 2004).

Another effort to make local governments to work for the rural poor is mandated political reservations for disadvantaged groups (women, minorities and scheduled casts).

Reservation policies clearly have an important impact on disadvantaged groups' representation in local government. Chattopadhyay and Duflo (2004) studied the policy consequences of mandated representation of women in India, where one-third of Village Council head positions are randomly reserved for a woman². Their results suggest that mandated reservation affects policy choices³. Specifically, it influences policy decisions in ways that appear to better reflect women's preferences. The evidence suggests that, in West Bengal, women's major concern appear as drinking water and roads, and there are more public investments in drinking water and roads in gram panchayats randomly reserved for women. Likewise, in Rajasthan, women are more concerned about drinking water than men but less about roads, "and there are more investments in water and less investment in roads in GPs reserved for women" (Chattopadhyay and Duflo, 2004).

Policy coherence is important

The literature suggests that decentralization might be effective in improving service delivery to the rural poor only if other policy changes are implemented simultaneously and the reform does not contradict other programs and policies undertaken by government (Jutting et al, 2005). One important pitfall associated with decentralization is that existing inequality and lack of credible political competition allow local elites to capture local governments. In this kind of environment, decentralization might be effective only if pre-existing inequalities are addressed simultaneously and appropriately. For example, in West Bengal (India) decentralization reforms have been linked to comprehensive and successful land reform, and provisions for rights of women and less-powerful groups of people. This cohesive and participatory reform process improved information flow and created awareness among the rural poor, enabling them to demand services. The power of traditional rural elite was diminished as a consequence of both regular local elections and successful land reform. Rigorous evaluations by different researchers have shown that access to water and sanitation, the provision of agricultural input kits and rural credit to the rural poor improved significantly (Jutting et al 2005, Bardhan and Mookherjee, 2006).

Improving information matters

One of the important problems in developing countries in general, and rural areas in particular, is that policymakers as well as people have very limited access to information. In this kind of environments increasing the amount of information available may help. E-government potentially can impact decentralization by improving government's interactions with citizens, providers, employees and intra-governmental and inter-governmental relations. Thus, local governments can improve service delivery

² 73rd Amendment to the Constitution of India, enacted April 1993, calls on the states to devolve power to village governments (Gram panchayats), which must stand for election every five years. It reserves proportion of the posts of village government chief (pradhan) and village council member for women and scheduled casts.

³ Thorough evaluation of this randomized policy experiment was conducted using a unique dataset from 265 Village Councils in West Bengal and Rajasthan.

by transforming (digitizing) existing government processes so as to function more effectively and productively.

The transfer of primary school teachers is critical public policy issue in South Asia and affects service delivery to rural people significantly. Since demand for transfers is significantly higher than available opportunities, bad governance and influence play important roles in the decision-making process. There are many contradicting transfer orders, teachers are disgruntled, and the needs of poor people are often sacrificed. In two Indian states – Karnataka and Madhya Pradesh - the governments implemented a new system of computer-aided counseling of teachers for transfers, which identifies surplus posts and teachers for transfer to schools with a shortage of teachers, creates database of and publishes all openings, and helps to make a decision. This citizen-centric e-government innovation helped to modernize an existing institutional practice by improving information and introducing transparency, openness, fairness and rationalization into government decision-making, which helped to mitigate bad governance in public service delivery (Saxena, 2003).

Other evidence shows that e-government can improve land administration. Karnataka computerized over 20 million records of land ownership of 6.7 million farmers. As reported by Yong and Sachdeva (2003), introducing e-government in this area helped to modernize the entire process of keeping records of rights tenancy and crops by eliminating delays, harassment, and bribery, which was widespread before computerized record keeping was introduced. Now farmers can obtain a printed copy of online land record for a fee of Rs. 15 (US\$ 0.32) at computerized land record kiosks in more than 140 offices around the state.

Community Driven Development initiatives can help to create local capacity

The literature and field experience suggests that Community Driven Development (CDD) can enable both local governments and the rural poor by promoting greater civic participation, voice, and accountability in local governance, by delivering cost-effective services to the rural poor within decentralization, and by informing and formulating necessary corrections to decentralization process. Starting from the mid-1990s, the World Bank and other donors have been using CDD in Central Asian countries to improve the delivery of social and infrastructure services to the rural poor.

During transition, the collapse of most state and collective enterprises and the dramatic decline in public resources caused a sharp deterioration of most social and economic services, especially in the rural areas⁴. The government introduced a policy of gradual decentralization and looked to international donors for assistance in generating community-level capacity and commitment to resolve local problems. International donors⁵ provided both financial and technical assistance for CDD activities as well as

⁴ Nearly two thirds of the Kyrgyzstan's population lives in rural areas, and about 56% of them were poor in 2000.

⁵ Such as the World Bank, DFID, GTZ, KfW, ADB, UNDP, SECO, SDC/Helvetas, USAID/Urban Institute, and the EC.

structural and governance reforms. For example, the World Bank's the Village Investment Project (VIP) helped to improve governance and capacity at the village level and to strengthen the delivery of basic services.

These CDD activities helped the government of Kyrgyzstan to establish functioning community organizations for the country's rural population, and improved access to basic social and economic infrastructure services such as safe drinking water, health facilities, schools, irrigation, and road transport. Now local self-government is a right guaranteed by the Constitution and decentralization is an integral part of the political and economic transformation, and the overall development strategy of Kyrgyzstan. There are 487 local self-government bodies and the majority of the local government officials are elected. According to the new rules, local governments are entitled to have their own budgets and make resource allocation decisions. It is expected that the new system will make the local governments more accountable for managing their budgets and they will decide about revenues and expenditures they need. The new system also assumes the intergovernmental fiscal linkages and revenue sharing arrangements. While it remains to be seen whether decentralization will bring about any real improvements in access and quality of services for the rural poor, CDD efforts have definitely invigorated the public debate, created local government capacity, and enabled the rural poor to demand services.

Conclusion

As IFPRI's 2020 Vision for Food, Agriculture, and the Environment indicates, even if the MDGs for poverty and hunger is achieved, millions of the world's poor people, especially in rural areas, will be left behind; thus, the challenge to provide access to public services for the rural poor will remain. In this regard, the importance of decentralization reforms that aim to create and improve local government capacity and enable the rural poor to demand services will increase. By understanding when and how decentralization can produce positive impact in practice, policymakers and development practitioners can help local governments as well as the rural poor to develop necessary capacities to demand and provide services. It is crucial that central governments and international donors support policies that increase accountability and transparency of local government.

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