Chapter 20
Decentralization and Subnational Governance:
Theory and Praxis

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ABSTRACT

A trend towards decentralized systems of government and the strengthening of subnational governance is underway globally. However, decentralization has many different meanings, and it is frequently left undefined, even while it is being implemented. This chapter argues that enhanced understanding of concepts and theories can contribute to improved practice during decentralization reforms, and consequently be of benefit both to governments and their citizens. Drawing on the theoretical, research and public administration literature, an approach is adopted that aims to inform decentralization praxis, that is, the interplay of policy, strategy, implementation and review. The material is used as a foundation for presenting a synthesis-framework for praxis that draws attention to: appreciating the theoretical scope of fiscal decentralization; focusing on the country and its goals; considering the design of the system of multi-level governance; focusing on central and local capacity; and adopting flexibility, supported by feedback mechanisms, in the process of decentralization.

INTRODUCTION

"Decentralization" is both a structure and a dynamic process that relates to questions of authority, responsibility, and power, as well as to the functions and resources, of different levels of government. Arguments in favor of decentralized systems of government focus on the role they have in making governments of nation-states more efficient in the provision of public goods and services (Letelier-Saavedra & Sáez-Lozano, 2015; Rodriguez-Pose & Ezcurra, 2010). The central economic value of multi-level government is considered to be its ability to improve allocative efficiency (Oates, 2005). It is argued

that decentralization allows for more effective and inclusive decision-making (White, 2011), reduces the distance between bureaucrats and economic agents (Buehn, Lessmann, & Markwardt, 2013), and may also be able to enhance economic growth (Martinez-Vazquez & McNab, 2003). Decentralized governments are seen as being more responsive and accountable to the citizenry by enabling government to perform closer to the people it is meant to serve (Kwon, 2013), thereby improving public sector performance and democratic accountability (Pina-Sanchez, 2014). Efficiency, responsiveness, and accountability to the citizenry are presumed to enhance the legitimacy of government authority through promoting the welfare of individuals and communities.

A global trend towards decentralization is evident over the past few decades (Sepulveda & Martinez-Vazquez, 2011). At the same time, many different meanings are assigned to the concept, and it is frequently left undefined, even while it is being implemented (Dubois & Fattore, 2009). This chapter[1] argues that enhanced understanding of concepts and theories can contribute to improved practice during decentralization reforms, and consequently be of benefit to governments and to their citizens. Decentralization has also been an aspect of public policy and administration enjoying international research interest, and this chapter reviews this growing evidence base, focusing on what has been learned about the both the complex processes and the multifaceted impacts of decentralization. In the search for research literature, the emphasis was on large-scale studies that adopted cross-country and longitudinal research designs, and quantitative analysis.

Drawing on the theoretical, research and public policy and administration literature, an approach is adopted that aims to draw benefits from this literature for public policy and administration. The material in the chapter is used as a foundation for presenting a synthesis-framework for decentralization praxis (policy, strategy, implementation, and review) that draws attention to: appreciating the theoretical scope of fiscal decentralization; focusing on the country and its goals; considering the design of the system of multi-level governance; focusing on central and local capacity; and adopting flexibility, supported by feedback mechanisms, in the process of decentralization.

CONCEPTUALIZING DECENTRALIZATION AND SUBNATIONAL GOVERNANCE

Decentralization

There is strong evidence in the literature that many different meanings have been assigned to the concept of decentralization and also that it is frequently left undefined (Dubois & Fattore, 2009; Kim, 2008, Sharma, 2006). Part of the difficulty arises from the concept being used by scholars from different disciplines – Public Administration, Political Science, and Economics, amongst others – with "too little interaction between their respective bodies of work" (Hutchcroft, cited in Pina-Sanchez, 2014, p. 12).

Many, but by no means all, authors refer to decentralization as "fiscal decentralization" when debating the issues discussed in this chapter. This is possibly to distinguish the concept from discourse in which it is used, not to theorize governance, but to consider the distribution of population in a given territory. The focus here is on the balance of population in the "center" and the "periphery," and particularly on the dispersal of people from the center. Although strong arguments can be made that the level of decentralization of a population is a key factor in shaping governance of that population, this aspect of the concept will not be explored in this chapter.

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