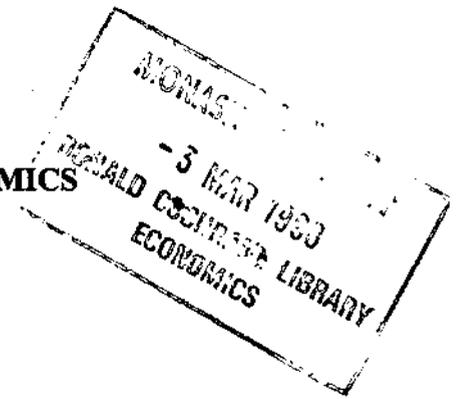


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**DECENTRALISATION AND
DEVELOPMENT: PARTNERS IN THE 21st
CENTURY?**

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Abstract

This article examines the problems of centralisation in developing countries in the post independence era. It also evaluates the role of decentralisation, which has been the focus of much recent attention in development literature. Attention is given to different forms of decentralisation, and experiences in developing countries which have had a profound impact on implementation of decentralisation policies. The centralisation and decentralisation dichotomy with the distinction between federal and unitary states is also discussed. It also emphasises the future directions of research in decentralisation within the present market economy framework.

DECENTRALISATION AND DEVELOPMENT: PARTNERS IN THE 21st CENTURY?

INTRODUCTION

Centralisation was the catchword in most of the nations, developed or developing, throughout most of the twentieth century. In the 1950s, the governments of many countries emphasised centralisation as a means of making rational and optimal public policies for efficient use of scarce resources to promote efficiency in output. The World Bank also emphasised centralisation as a way of rapid promotion of employment creation, assuring suitable social and political changes needed, and encouraging further investment (Rondinelli & Cheema 1983:10-11). The basic observation of many academics is that in industrial societies centralisation is largely responsible for technological and political development (Walker 1991:114; Myrdal 1970: 175).

In the 1970s, it became widely recognised that centralisation had not achieved its goals as predicted, much research indicates that the centralisation policy model had severe shortcomings as regards development. In many developing countries economic growth was far below the expected level, even where growth rates were relatively high, unequal distribution of income and wealth remained unchanged. Political dominance of elite groups seems to be the most prominent.

The objectives of development had changed, and the importance of equity with a sustainable growth rate was emphasised. Policy makers recognised that one essential feature of development is a basic transformation in social, economic and political structures, rather than an increment in economic growth. Hence, limitations of centralisation came to be recognised with mounting pressures from the local people. Once the limitations of centralisation were recognised, the governments searched for possible alternative strategies.

In many developing countries, importance of decentralisation, as an alternative strategy, has been identified. Since then, the governments in developing countries have been adopting decentralisation in clearly different forms, for clearly different reasons in their recent reforms. Decentralisation seems to be a better strategy for developing countries, although it has its own limitations.

In the 1990s, the public sector has been changing throughout the world. Most prominent changes are the relationships with politicians and the public, reducing the scope of government and performance based on output. In this new era, more research is needed to examine how far and how efficiently decentralisation can be used as a strategy for development in developing countries.

CENTRALISATION: HERITAGE OF DEVELOPING COUNTRIES

In the post-industrial countries, many factors served to strengthen centralisation in policy formulation and implementation. These included technological innovations in communication and transportation as a result of industrial revolution which led to a growing integration of national territories and ethnic groups. Also, the presence of multinational corporations and big unions prompted greater 'international activism in the form of government assistance, regulation and frequently both'. Dominant groups in the political arena in the developed countries supported the idea of centralised policy formulation and implementation in the light of their own individual programs and interests. The rising popularity of centrally financed social welfare programs, the presence of war and economic crises have made an effective path to centralisation (Walker 1991:114).

Centralisation was the role model for political, and administrative organisations in the developing countries, most of them formerly colonies. Long-standing centralised political and administrative structures inherited from the colonial rulers have been left untouched by the new national leaders in these countries (Rondinelli, Nellis & Cheema 1983:5). The reason for this continuity may be that the new political leaders of these countries have benefited from centralised political and administrative structures, which the former colonial powers designed for their own purposes. The duality of the societies in these countries, the gap between the western educated economically strength elite and the masses, further encouraged centralisation. As Mawhood (1983:5) has explained, 'In general, the elite supplies all the national (political) leaders (after independence), and has a near monopoly of influence over the allocation of government resources'. After independence these political leaders introduced a number of development policies in order to solve the major problems of poverty, unemployment and concentrated income and wealth, but without changing the inherited political and administrative structures.

Many political and economic reasons in favour of centralisation have been put forward by dominant political groups. Political stability, unitarism and welfarism have been those given most frequently. The political survival of dominant groups might be the real reason. Two critics argue that 'Hence, the Government (of Sri Lanka) in the immediate postwar years had a strong desire to further expand welfare services and thereby deprive the left of popular support' (Athukorale and Jayasuriya 1994:7). Rondinelli, Nellis & Cheema (1983:6) further point out that 'policies promoting centralisation usually pay off, at least in the short run, in material and political returns for the dominant elites'. Many developing countries, however, have already proved that, even in the long run, centralisation favours dominant groups rather than the poor majority.

Besides all of the above mentioned reasons, 'the internal logic of the bureaucratic development of the state has been a powerful factor of centralisation' (Slater 1989:503). These new bureaucrats from elite groups have found themselves a comfortable place among the national political leaders. In Sri Lanka, for instance, after independence, 'the top civil servants had been recruited as a sub-elite of the ruling elite' (Wijeweera 1988:29). Their similarities of background and interests made them an ideal group to maintain centralisation policies. The desire for centralisation can also be interpreted as a protective measure, in the face of youth unrest and deep-rooted ethnic problems in these countries where political stability is threatened.

The benefits of centralised planning were supposed to be trickle down from the centre to periphery automatically, and benefit the majority by alleviating poverty. As a consequence, the development centres in urban areas would be expected to absorb the surplus labour in rural areas (Rondinelli & Cheema 1983; Snodgrass 1966).

From the beginning leftist political parties supported the idea of a centralised approach to development, through nationalisation of private enterprises and land reforms (Slater 1989:504-505). Caiden & Wildavsky (1974) point out that, in the 1960s, development policies in many developing countries in Asia, Africa and Latin America were influenced by the socialist tradition of central planning and both socialist and marxist strategies for development have been of a top-down nature. In these countries, decision making was centralised during the struggle for liberation and parties maintained centralisation after independence in order to spread their political and economic ideologies.

PROBLEMS OF CENTRALISATION

In the 1970s, it became widely recognised that centralisation had not achieved its goals as predicted, and much research indicates that the centralised, hierarchical, bureaucratic planning model had severe shortcomings as regards development (Walker 1991; Mutahaba 1989; Mawhood 1983; Rondinelli, Nellis & Cheema 1983; Rondinelli 1983; Hyden 1983). In many developing countries economic growth was far below the expected level. Even where growth rates were relatively high, the unequal distribution of income and wealth remain unchanged. The result was that the majority of the population were left in absolute poverty while an elite group of the society exercised economic and political power at the centre. The conflict between elite ruling groups and the masses has increased over time, as most development policies fulfil the interests of ruling elite groups rather than of the majority of the people. The support needed for development plans was rarely obtained. Rondinelli and Cheema point out that:

In most developing countries it was difficult to mobilise support for centrally plan courses of action even among the national leaders who officially endorsed the plans. Ministries and agencies in most countries continued setting and following their own priorities and pursuing their own interpretation of the national interest (1983:12).

As a consequence of the mounting pressure on governments, many analysts criticised centralised approach to formulation of development policies (Hicks & Kaminski 1995; Wunsch 1986; Wanasinghe 1985; Hyden 1983; Rondinelli & Cheema 1983; Rondinelli 1978; Fernando 1973; Seers 1972; UN 1972). Mawhood (1983:6) clearly captures the situation, saying that 'in the 1960s central decision making was often seen as the key to rapid socio-economic change. The results, however, were generally unhappy; development plans were rapidly abandoned, gross national product increases fell far short of expectations, urban growth was uncontrolled, and countryside stagnated'.

However, Hicks and Kaminski (1995:2) argue that 'centralisation destroys the institutional diversity' required to 'sustain public debate and legitimise decisions'. They also note that the administrative burden of the central government increased, destroying innovation and creativity. It also deprived central authorities of feedback. The attempt by the centre to control all activities from the top undermined consumer choice. Development policies in the government sector, consequently, were made by three leading elite groups; politicians, planners, and senior bureaucrats and not the people as a whole.

Many other factors also contributed to the failures of centralised planning. First, planners in developing countries tried to set objectives and goals according to purely economic models which they had learned at western universities, ignoring the specific problems and thinking of their own people. The results were often tragic.

Secondly, the local knowledge and practical common sense of the local people were crucial to a participatory mode of development, but were not utilised. Local problems standing in the way of development were brushed aside in programs which included inappropriate paper plans, inequality among regions and under-utilisation of human and physical resources (Caiden & Wildavsky 1974).

The dichotomy between budgeting and planning has been another main obstacle to development under centralisation. The budgeting mechanism is meant to convert government plans to actions. Therefore, the budget is the expression of the government planning intentions and the preparation of the budget is central to the planning process. 'If the plan is to be meaningful it must be reflected in

the budget. If the plan goes one way and the budget another, the plan simply is ignored' (Caiden & Wildavsky 1974: 239).

However, development is by nature in conflict with traditional budgeting, because it implies investing and spending rather than saving. The traditional view of budgeting has emphasised financial control and accounting as objectives, rather than involving creative spending for development with highly controlled and centralised patterns of political and administrative power. Some participants in development have complained about this conflict, for example: 'Planning (in Ghana) wants to see development and expansion. Finance (budgeting) wants to hold all development expenditure down' (Caiden & Wildavsky 1974:242). Other developing countries had similar experiences.

With centralisation, both planning and budgeting are concentrated at the centre, and left without any room for innovation. But planning and budgeting share a common goal: the use of scarce resources to fulfil development targets. Therefore, effective coordination between these two functions has become a must for rapid development. As such, budget innovation should emphasise participatory development and 'facilitate, not hinder, planning'. It should also provide funds for development expeditiously and effectively.

The world recession in the 1970s, increased the pressure on governments in countries with severe financial problems coupled with decreasing levels of exports, to make an optimal use of their resources. The incompatibility of existing administrative practices, financial and legal arrangements with the requirements of a modern economy and democracy implied an urgent need of policies for transition. The critics said that 'the developments throughout the world in the 1980s buried the notion that centralisation is key to industrialisation' (Hicks & Kaminski 1995:1). Policy makers emphasised the importance of equity with a sustainable growth rate rather than an increment in economic growth and recognised that one essential feature of development is a basic transformation in social, economic and political structures.

THE NEED FOR A NEW STRATEGY : DECENTRALISATION

Once the limitations of centralisation were recognised, the importance of decentralisation became clear. Decentralisation is a central focus in much of the recent literature on development, for instance, 'decentralisation is a common theme of policy debates in almost all Western countries at present' (Bennett 1990:1).

In almost all developing countries, decentralisation, in at least one form, has been experienced. In that sense, decentralisation has been one of the most widely adopted

reforms in politics and administration since the 1970s. Silverman (1992) explains the African experience saying that:

African governments continue to adopt decentralisation policies in large numbers; a recent study by the world bank indicates two thirds of all the countries in Africa are either in the process of decentralisation or are already decentralised(quoted in Doan 1995:123).

Asian and Latin American countries followed the same experience.

Many governments in developing countries experienced changes of the relationships between political and administrative organisations and the process of policy formulation and implementation through decentralisation (Rondinelli 1983:77-78).

Many researchers have seen decentralisation as a remedy for many problems existing in developing countries (Mutahaba 1989; Rondinelli, Nellis & Cheema 1983; Rondinelli & Cheema 1983; Mawhood 1983; Conyers 1983, & 1981; Tordoff 1980). Current literature on development, for instance, increasingly identifies people's participation, one of the main objectives of decentralisation, as an important factor in the development process. Many international aid agencies also highlighted the importance of people's participation in their development projects (Blair 1994; Moser 1989). Decentralisation provides different kinds of institutions, politically and administratively, for participation at various local levels.

Decentralisation has been introduced in many countries for very different reasons. In developing countries, for instance, geographical variations and inequalities among regions combined with the inaccessibility of remote areas emphasised the need for decentralised policies (Maddick 1963:38). Smith points out that :

Cultural variation, uneven economic development, ethnic diversity and persistent primordial loyalties often produce irresistible pressures for decentralisation, though the political pressures may emanate from movements demanding complete separation from the state, that is, secession (1985 :48).

Decentralisation, however, has a significant limit in the face of demands for total independence. 'National governments may be assisted in their negotiation of a compromise, involving political decentralisation in some form or other, by factions within the nationalist movement which are prepared to accept less than complete political autonomy and independence'(Smith 1985:49). In Sri Lanka, for instance, the central government has been considering a devolution package within the existing unitary framework rather than having a separate state for the Tamils as a solution to the ethnic problem between the Sinhalese majority and the Tamil minority groups. In that sense, one can argue that decentralisation is a countervailing force for many regionalist movements with separatist tendencies.

On the other hand, demands for regional autonomy put forward by the ethnic minorities in developing and developed countries encouraged decentralisation. Regionalism is different from nationalism, with the latter demanding autonomy for national territories. Regionalism focuses on a politically devolved powers to local government bodies with a larger decision making powers than existing municipalities. Regional decentralisation, therefore, always encourages governments to organise activities at the local level rather than at the centre. Such organisation at local level urgently needs 'an extension of the political culture which requires certain parts of the localised administrative apparatus of the state to be placed under the control, albeit incomplete, of a locally political leadership'(Smith 1985:54). This transition emphasises transfer of power from ruling elite groups at the centre to those who have control at the local level.

The needs of different regions emphasise the differentiation of policy formulation and implementation at regional level. Uniformity of service provision can also exacerbate inequalities by ignoring crucial factors affecting the level of need for services. Burns, Hambeiton & Hoggett (1994:4) point out that decentralisation 'offered possibilities not only for improving the quality of local public service delivery, but also new opportunities for enhancing local democracy'. However, many local government bodies are 'incapable of developing a strategic approach to the needs of

particular areas within their jurisdiction' because of the existing dependency on departments. In the framework of decentralisation, strategic management can take place with a broader view of the issues.

Many communist countries have experienced a transition to market-based democracy which includes a process of decentralisation. Hicks and Kaminski point out that 'in the economy, it (the process of decentralisation) involves the transfer of property rights to economic actors and creating an environment enabling competition and enhancing efficiency'. Politically, it emphasises 'the transfer of power to the people and creating an environment protecting individuals against the state, as well as protecting the state from being captured by narrow interest groups or a dictator'. Thus, decentralisation plays a much more vital role in post-communist countries performing a 'wide variety of functions, going beyond assuring a match between local preferences and public services or improving the implementation of centrally design policies'. In Poland, 'the consolidation of democracy and economic prosperity critically hinge upon the design and implementation of decentralisation policy' (Hicks & Kaminski 1995:1).

UNDERSTANDING OF DECENTRALISATION

Decentralisation is a very complex idea with many dimensions, with the result that it has different meanings for different people, regions and countries (see Blair 1995; Burns, Hambelton & Hoggett 1994; Bennett 1990; Slater 1990; Smith 1996 & 1985; Conyers 1983; Rondinelli & Cheema 1985; Rondinelli 1981; Furniss 1974; Fesler 1965). Therefore, it is difficult to define. It has been widely accepted that decentralisation mainly focuses on two main aspects: decentralisation of governance between levels of government federal/central and state/local; and second, decentralisation from government to market and non-governmental organisations. The process of decentralisation, by definition, leads to 'radical change in constitutional, financial, and other structures in many countries' (Bennett 1990:1). Perhaps, one can argue that 'centralisation-decentralisation is a continuum rather than a dichotomy' (Wolman 1990:30).

From a political view point, decentralisation refers to the 'territorial distribution of power'. Smith (1985:1) defines decentralisation as involving 'the delegation of power to lower levels in a territorial hierarchy, whether the hierarchy is one of governments within a state or offices within a large-scale organisation'. Political decentralisation, therefore, mainly focuses on political power needed for public policy formulation, collection or generation of revenues and the allocation of available revenues to implement the policies.

In both unitary and federal states, governments have undergone political decentralisation. In unitary governments, major subdivisions have been used in order to exercise decentralised political power at the local level. Provinces and districts of Sri Lanka, counties and districts of England or areas and districts of Kenya could be taken as examples. These subdivisions have been delegated political power by the central government under provisions of existing constitutions. According to Wolman (1990: 30), to what extent or how widely governments can disperse its political power to subdivisions mainly depend on economic or efficiency values, governance values, and political or distributive values. He argues that 'the greater the number of political units to which political authority is decentralised, the lower will be the average divergence of individual preference from actual tax and service packages'. With that hypothesis, one can argue that economic efficiency can be maximised through 'highly decentralised political structures'. On the other hand, highly decentralised political structure may create a serious problem of lack of economies of scale, and undermines externalities.

In public administration theory, or from an administrative point of view, decentralisation means the transfer of power for planning, implementation and the raising and allocation of resources to local government bodies and non governmental organisations (Rondinelli & Nellis 1986:5; Smith 1985:2). Administrative decentralisation, accordingly, emphasises delegation of power to respective local organisations to carry out public functions assigned by the central government.

Hence, decentralisation means the transfer of legal, administrative and political authority to make decisions and manage public functions from the central government to field organisations of those agencies, subordinate units of government, semi autonomous public corporations, area-wide development authorities, autonomous local government, non governmental organisations or private organisations.

Objectives of Decentralisation

The main objectives of decentralisation are to maintain or improve democratic decision making , foster responsiveness and accountability, improve effectiveness and efficiency in government which lead towards self reliance, people's participation in government policy formulation and implementation. Accordingly, many analysts argue that decentralisation policies should mainly focus on the following three aspects:

- (a) decentralisation should increase the power of periphery by enhancing its ability to influence the government; to share in decision making and to understand the rights and obligations of the local people;
- (b) decentralisation should reduce poverty by encouraging an equitable distribution of available resources;
- (c) decentralisation should increase choice, emphasising the experience of cultural diversity and the sharing of knowledge (Ingham & Kalam 1992; Blair 1995; Mutahaba 1989; Oberst 1986; Rondinelli & Cheema 1983; Conyers 1983).

In the process of decentralisation, authority is transferred in different ways and to different degrees. It seems that many countries have experienced at least one form of decentralisation while some have tried more than one form simultaneously, or at least at different times (Rondinelli & Nellis 1986:5-6). It has been found that a number of developing countries have used various combinations of all four on the basis of rapid popularity of the concept and people's faith in decentralisation. Thus, decentralisation can take different forms, including deconcentration, delegation, devolution and, privatisation and deregulation (Mutahaba 1989: 70-72; Conyers 1983:102; Rondinelli 1983:189). These are looked at in turn.

Deconcentration

Deconcentration means transferring selected administrative authority to a lower level of government or to the non-government sector within the central government's territorial boundary. Within the central government policy framework, local bodies are allowed to make and implement policy decisions using available local resources in order to meet local needs. However, one can argue that shifting workload without reasonable autonomy is not a form of decentralisation at all (Fesler 1968:173). Indeed, Mutahaba argues that deconcentration involves a minimum degree of transfer of power (1989: 70). This may, on the one hand, merely involve transferring workload on an ad hoc basis, without shifting authority to decide how these delegated functions are to be performed.

On the other hand, there is a possibility of maintaining a greater degree of deconcentration through field administration. Within the central government policy framework, it creates a better opportunity for local people to make their own plans with necessary adjustments in implementation to suit local conditions. Field officers, however, are attached to the centre and work for the central government even they are available at the local level (Rondinelli & Cheema 1983:19). Deconcentration is more convenient for the public in developing countries, especially in remote areas without proper communication or transportation systems. Rondinelli and Cheema (1983:19) argue that, in developing countries, shifting the workload itself may have an impact on development as a first step towards decentralisation. 'Deconcentration has been the most popular form used in developing countries over the last (two) decades' (Rondinelli & Nellis 1986:6). The African and Latin American countries have been no exception. Communist countries followed the same experience in the post-communist transition (Hicks & Kaminski 1995: 5).

Delegation

Delegation, another form of decentralisation, involves the transfer of selected central government authority for specific functions to organisations or appointed committees outside the normal bureaucratic structure. They are not under the direct control of central government. Hence, delegation is a popular strategy for delaying action in the government sector through red tape. Delegation of authority is free from normal government administrative and finance regulations, and also attracts the most qualified personnel with high salary scales. In addition, compared to deconcentration, delegation gives governments a high degree of freedom to carry out their functions within the given policy framework. In many instances, the organisation where the authority has been transferred has a set time period to carry out its duty. Accordingly, it maintains a high degree of efficiency and effectiveness in policy formulation and implementation. It is a remedy for severe limitation of skilled personnel in developing countries. The ultimate responsibility, however, remains with the central government.

According to Rondinelli & Cheema (1983 : 20-21), 'Delegation of functions from the central government to such organisations as public corporations, regional planning and area development authorities, multipurpose and single purpose functional authorities, and special project implementation units represent more extensive form of decentralisation than administrative deconcentration'.

In developing countries, responsibilities have been delegated to 'public corporations, regional development agencies, special function authorities, semi- autonomous project implementation units and a variety of parastatal organisations' (Rondinelli & Cheema 1981: 21). As a result, in many developing countries during the decade of the 1970s, a the large number of public corporations existed which provided important public services such as transportation, electricity and marketing. For example, in Sri Lanka, public corporations, parastatal organisations, and semi-autonomous project implementation units have been responsible for a rational amount of economic activities.

Devolution

Devolution is the most important form of decentralisation from the political point of view. It 'involves the legal conferment of powers upon formally constituted local authorities to discharge specified or residual functions'(Mutahaba 1989:71). Devolution has some particular characteristics: a genuine intention to transfer power from the centre; sub units at local levels, local governments, institutions or units free from central government control; geographical boundaries and more importantly independent income sources for local governments or institutions. Local governments thereby develop as autonomous institutions, but local governments remain linked to the central

government (Mutahaba 1989 : 71-72). In the light of the above characteristics, devolution gives sufficient autonomy from the centre to the local institutions (governments), both legal and fiscal, to provide services which satisfy local needs and remain subject to the people's control, direction and influence.

However, most of the above features of devolution are more theoretical and have not been supported by evidence either in developed or developing countries. Mutahaba points out that 'very few developing countries have a system of formal devolution that meets the basic requirements'. The effectiveness of devolution mainly depends on the strength of the local governments rather than their legal status or independence from the central government. The strength of local governments depends on the availability of skilled officials at the local level, independent sources of funding and significance of the functions they perform (Mutahaba 1989: 72).

By contrast, Rondinelli and Cheema (1983:24) believe that 'the capacity of local governments to carry out programs and projects effectively through reciprocal relationships with other organisations may be more significant than their legal status as independent units'. Uphoff and Esman support the idea saying that 'local autonomy by itself provide little leverage for development' (1974: xii). Many countries have hesitated to use devolution for their own reasons such as ethnic problems, the interests of political leaders and elite groups, and the degree of development and historical prospective of a country. Despite all these reasons, some countries have experienced various degrees of devolution. Countries like Sudan, Kenya, Sri Lanka and Papua New Guinea are among the most prominent.

Privatisation

Privatisation, the final form of decentralisation, means transferring authority and responsibility to either private or voluntary organisations to perform various types of functions. As the concept of privatisation has gained popularity along with economic liberalisation trends, many goods and services produced by the government sector have been shifted to the private sector. Many governments, either developed or developing, have transferred functions to national, industrial and trade associations, private companies, professional groups, religious organisations, co-operatives and voluntary organisations through privatisation.

James points out that the Sri Lankan experience of voluntary organisations has played a vital role in delivering services to provide necessities for needy people (James 1982: 32). Co-operative organisations in many other Asian countries have also played an important role in providing credit for poor farmers (Bangladesh), and seeds fertiliser and credit (Egypt). Similar experiences could be found in other countries.

BUDGET INNOVATIONS

Many studies indicate that fiscal autonomy is the crucial element of decentralisation, in particular for devolution (Rondinelli & Cheema 1983; Mutahaba 1989). Recently, Wolman (1990:40) argues that resource dependency, the 'extent to which subnational governments are dependent on national government for their revenues', can be used as a measure of decentralisation. Therefore, it can be argued that greater independence of the budgetary process leads to the greater contribution of decentralisation to development. Accordingly, the lower the independent income sources at the local level, the lower the degree of decentralisation. It follows that budgetary innovations towards independent income sources at the local level are a major influencing factor in decentralisation.

Fiscal autonomy is one function of the budget that is almost absent or weak in most developing countries. It also highlights the urgent need of integration of planning and budgeting in development. Sri Lanka is one of the developing countries which tried to alter the traditional budgeting process by making available a lump-sum of money to districts since 1973, although the outcome was disappointing (Weerakoon 1976 :60).

FEDERALISM OR UNITARISM

It is important to note that generally speaking federalism is a more decentralised form than devolution as lower-level authority comes from the constitution itself rather than from the provision of the central government (Smith & Stanyer 1976:92). Federalism, on the other hand, 'divides political power territorially in a specific constitutional way'. Smith (1985: 1-12) argues that two levels of governments in a federal system exercise their power independently but in a limited manner. The important point is that 'the centralisation-decentralisation distinction is not synonymous with the distinction between federal and unitary states'. Unitary governments, for instance, might employ decentralised policy formulation process while federal governments focus on centralised decision making (Wolman 1990:30).

Smith argues that it may be incorrect that levels of decentralisation can be inferred from the constitutional difference between devolution and federalism (1985:12). The comparative analysis of federalism and unitarism mainly reveals three main factors: federal power over the local governments; degree of interdependence between federal and local governments; and level of devolution of political powers within an unitary government (Smith 1985:14). King argues that the core feature of federalism is the constitutional incorporation of the regions into the centre's decision making procedure. He further points out that federalism limits the decision making power of the central government by constitutional means (King 1982 : 146). 'Federations are thus systems of government to alter the powers of the constituent units, their boundaries and their forms of government' (Smith 1985 : 16). Therefore, it is argued that federalism can be used to prevent the complete breaking up of a state.

By contrast, in a unitary state, even if special provisions of the constitution apply to one part of the country and it enjoys relatively greater autonomy, the supreme authority of the parliament of the country remains unaffected at the centre. In the constitution of a unitary government, it is clearly stated that the parliament at the centre could 'pass laws in any subject' and could 'disallow its laws' in that part of the country. In other words, within a unitary government all local or subnational governments are subordinate to the central government under the constitution.

In practice, however, much research indicates that in some countries the federal government maintains a more centralised structure through its federal power over state governments. On the other hand, there is much evidence that some unitary governments adopt a quasi-federal government structure through devolution. Therefore, distinguishing between federalism and unitarism is a matter of empirical observation rather than definition (Smith 1985).

FUTURE DIRECTIONS

When the new public management emerged in the 1980s, governments in many countries tried to find new ways of delivering public services. Neighbourhood decentralisation has been seen as the most radical form of means to achieve 'the way in which services were organised and managed'. Localisation, flexibility, devolved management and organisational culture change were among the

major objectives to be achieved through neighbourhood decentralisation (Burns Hambeiton & Hoggett 1994 : 85).

In recent years, managerialism or the introduction of market mechanism into the public services, has been emphasised by many researchers (Hughes 1994; Burns Hambeiton & Hoggett 1994; Pollitt 1990). One can argue that it is one form of decentralisation in that 'power, in theory at least, is 'decentralised' to the individual service user who can exercise choice between competing service providers'(Burns Hambeiton & Hoggett 1994: 5-6). Hughes (1994: 256) argues that managerial reforms means 'not only of public management' but also a complete change of relationships among government, bureaucracy and people.

The new market model of management, however, is mainly based on the user-pays approach. In order to achieve a new transformation in developing countries, there is an urgent need to provide a safety net for marginalised groups which make up a significant portion of the total population. It also emphasises result oriented approach, a substantial reduction of government scope and politicisation of the bureaucracy (Hughes 1996:5-6). In developing countries, the effectiveness of the new model mainly depends on the crucial role government could (not should) play to fill the gap between the needs of rich and poor. These radical changes call for drastic but constructive policy formulation and their effective implementation by government.

In many developing countries, governments try to adopt managerialism in the public sector in the recent past. Therefore, the new managerial outlook needs more research to find out how far and how efficiently decentralisation can be used as a strategy in the development process in developing countries.

CONCLUSION

The limitations of centralisation have been recognised and its failures have pointed to the importance of decentralisation. A large number of scholars have defined the concept of decentralisation in different conceptual ways, highlighting different aspects. The literature shows that many developing countries have adopted both political and administrative elements of decentralisation, in clearly different forms, in their recent reforms.

In the 1990s, many countries have experimented new managerial practices in the public sector as a result of continuous criticisms in efficiency. New public administration emphasises the changing relationship between government, bureaucracy and people. Therefore, it will be interesting to look at the importance of decentralisation in developing countries as a strategy for development within the new changing environment in the public sector.

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