

## Analyzing Good Governance and Decentralization in Developing Countries

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### Abstract

This paper provides an analysis of the strategies of the neo-liberal economic paradigm operating through good governance and decentralization programs emanating from the global centers of power. The strategies of neo-liberalism can be found in the narrative of participation, empowerment, and civil society. It is argued that these narratives act as depoliticizing discourse. While it is true that developing countries have been integrated into a global capitalist order the logic of capitalism has still to gain ground and be fully embedded in the less-developed world. Owing to the fact that these developing societies are still run on the bases of hybrid economic systems (a mix of tribal, agrarian and capitalist systems) and practices, and the fact that the spread of capitalism around the world does not provide equal opportunities to all, the result is that these countries present a significantly distorted picture of good governance and decentralization.

**Keywords:** Development; Governance; Decentralization; Neo-liberalism; Civil society; Globalization

### Introduction

This paper critically reviews major debates and literature around 'good governance' and 'decentralization' (local governance). The purpose is to provide a global picture of the theory and practice of these concepts. It will be argued that the agenda of decentralization promoted under the rubric of 'good governance' essentially reflects the dominant aspirations of neo-liberalism that characterizes the international financial institutions and donor countries. It will also be shown that when translated into practice, this agenda has typically been a failure in terms of the stated objectives of increasing democratic participation and fostering robust emerging markets.

The paper is divided into three parts. Part I analyses and defines the terms 'good governance' and 'decentralization'. It also discusses why decentralization has become an important concept in recent times. This is analyzed in light of a brief history of the governance since 1945. Part II examines the politics of aid conditionality and discusses the international financial institutions and donor countries' assumptions that, through aid and aid conditionalities, they can export modernization and development to less-developed countries. Part III reports the actual experiences of decentralization in various less-developed countries. In light of empirical evidence across countries in the less developed world, this part of the paper endeavors to determine whether the expectations created by the neo-liberal agenda for decentralization are realistic. The paper ends with a brief conclusion.

### Part I: Defining Good Governance and Decentralization

#### Good governance: What is new in the concept?

The idea of decentralization, once introduced by the donor nations, became an essential part of academic discourses as well [1]. It was after the failure of structural adjustment policies for economic growth that the concept of good governance was added to the agenda of the donor community [2]. It was thought that the failure was due to bad institutional arrangements, corruption, and lack of accountability of state institutions, or in short bad governance. In this context, it was claimed that unless more inclusive, appropriate and modern market-oriented institutions were introduced in the less-developed world, economic growth and poverty reduction would not be possible [3]. Strengthening local governance and making it more responsive, transparent and democratic through various decentralization and

devolution plans was, therefore, considered an important component of aid based on good governance [4].

According to Morten Boas, before being studied at the international level, the term governance was employed in a broader sense within academic literature [3]. For example, it was widely used in relationship to the micro-behaviors of firms within business studies literature [5]. More recently, the term referred mainly to running governments and other public agencies or private agencies with social purposes [6].

Rosenau argues that governance encompasses the activities of the governments, but it also includes non-state channels through which policies are pursued and implemented [5]. Amongst many other channels, the most important are the civil society and the market [7].

Aubut held a view that defining governance is problematic as there is no single agreed-upon definition available [8]. It can convey 'different meaning depending who uses the term'. Whatever meanings different writers attribute to the concept, there is a general tendency to assume that western concepts of governance are universally applicable. Warning against such a trend, Doornbos asserted that the applicability of the western notions of good governance might not be applicable universally [9]. The cultural contexts, therefore, should be taken into consideration. The following discussion further reviews the different approaches to good governance.

Knack understood governance in a limited sense as applying to institutions only (state as well non-state). This is because during the 1980s there was a significant emphasis on the role of institutions in development within the policy debate [8]. North in this context stated that 'institutions are the rules of the game and the incentive structure of society [10]. It is believed that economic growth and development depend upon the quality of institutions fostered by the government. Thus the confidence of economic agents is raised and they see more incentives to invest in the future [10]. As Stern *et al* pointed out,

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'countries that have combined institutional improvements with market-oriented policy reforms and greater engagement with the world economy saw their per capita incomes grow in the 1990s at the rapid pace of 5 percent per year' [10].

On the other hand, writers such as Manor and Crook [11], while acknowledging the importance of institutions, have argued that the quality of governance also depends on politicians and bureaucrats. They stress that politicians and bureaucrats' use of power and authority through available institutions significantly determine the end results. Good governance, therefore, not only depends on the quality of institutions but the integrity and capacity of the politicians and bureaucrats. This idea of good governance has been greatly promoted by the World Bank since the early 1990s. Aubut therefore argued that the most common definition of governance is the World Bank's: 'the manner in which power is exercised in the management of a country's economic and social resources for development' [10]. The World Bank also refers to good governance as 'sound development management' and sees it as 'central to creating and sustaining an environment which fosters strong and equitable development and it is an essential complement to sound economic policies' [10].

The OECD's definition reflects the same ideas as the World Bank but has more emphasis on democratization and reduction in military spending in developing countries [8]. For OECD rule of law, public sector management, control of corruption, and reduction of military spending within developing countries are important aspects of good governance [8].

While the 'definitions of governance preferred by different institutions and countries vary to some degree, they do convey the notion that quality of institutions and public management is a key to successfully developing the less-developed countries' [8]. The common thread that runs through all these definitions is that 'good governance' involves institutions, channels, and networks from outside the government in the provision of public goods. Civil society in this picture of governance stands prominent, and is a significant part of the 'good governance' paradigm. Its role is not merely to monitor state activities and act as a watchdog, but also to help create social capital considered important for participation, empowerment and economic growth [11].

Vibrant civil society has become a symbol of democracy in this context. Graphical representation of the 'good governance' model, according to the aforementioned definitions, can therefore be represented by a triangle, with the state, the market and civil society each occupying one side. This picture of 'good governance' is quite different from the 'good government' paradigm that represented the era of the centralized state during the Cold War period. During this period centralized governance and state was considered to be the engine of growth; now it is the same centralized governance and state that is considered to be the main obstacle towards economic growth [11]. However, such a model is entirely endogenous and ignores exogenous factors such as the world economy and international politics.

### **Decentralization: linchpin of good governance**

In light of the above definitions that are an outcome of global trends in governance, decentralization of power and authority is considered to be a key to achieving more democracy at the grassroots level by policy analysts, international financial institutions and donor countries. This is also a major condition for development aid provided by the international donors. As democratization generally has become a central concept introduced by the donor countries and international

financial institutions in the developing world in both reality and international donor thinking, democratic decentralization has also taken on increased importance. Being a major component of the 'good governance' package, democratic decentralization is generally defined as a strategy that brings service delivery closer to consumers, improves the responsiveness of the central government to public demands and thereby reduces poverty, improves the efficiency and quality of public services and empowers lower units to become more involved. Most importantly, it significantly adds to a democratic culture at the local level [11].

Decentralization has been classified into four types: privatization; delegation and de-concentration, or administrative decentralization; fiscal decentralization; and devolution or democratic decentralization. Most scholars, governments and aid agencies particularly favor the devolutionary form of decentralization these days, and its popularity arises from interrelated factors [12]. It is believed people are becoming disillusioned with the existing centralized systems of governance that could not deliver. They believe them to be inequitable, unrepresentative, poorly performing, and failing to provide them with a voice to influence decisions that affect them. Decentralization, therefore, is seen as effectively addressing these issues. Secondly, decentralization is an outcome of what Huntington called the 'third wave' of democratization. This third wave saw a doubling of the number of democracies in the world during 1974-1995, and has since continued [13]. This trend shares with decentralization the idea that the decision making power should be devolved to the local officials and elected representatives who are closer to the people being served. Furthermore, officials should be accountable to the people, primarily through popular elections at the local level. The United Nations Development Program reflects this sentiment in the statement that decentralization is an integral part of the logic of democratization [12].

Thirdly, the argument from economics and the managerial sciences that dates back to Adam Smith concerning the efficiency of local government strongly recommends devolutionary forms of decentralization [11]. According to this argument, an improved supply of goods and services to individuals is achieved through aggregation of local preferences in small, devolved units of government. The claim is that local governments are more responsive to local demand compared to supply-driven central bureaucracies, and are in a better position to mobilize local resources and populations [14]. Once increase in productive efficiencies is achieved it will result in allocative efficiency secured through increased accountability of local governments to citizens, fewer levels of bureaucracy, and better knowledge of local costs. All these factors converge in the notion of good governance that has become so pervasive in recent years [11]. Getting the policies right is not enough. Getting the institutions right is also important. This, however, is not possible without decentralization of power and authority.

Before the end of the Cold War, the centralized/commandist paradigm of governance was regarded as 'good governance' [11]. The reasons were diverse; however they all, in some ways, related to the interwar years and the post-World War II economic and political situation. The countries that fought the two world centralized power and resources, and the one's victorious after the Second World War 'in close collaboration with large-scale industry and the unions, carried on a war economy with spectacular results', gaining more confidence in the centralized form of governance [11].

On the economic front, the success of centralized governments in the West in overcoming the great economic depression of 1930

enhanced their confidence in centralized governance. The economic boom after the Second World War and successful creation of widely popular new social welfare systems; the incredible economic growth of the USSR between the 1930s and the 1960s; the experience of economic war planning in Nazi Germany and the United States; Keynesian demand management guarantees in Europe after the war: these factors all created a sociopolitical environment in which there was widespread consensus around belief in the efficacy of centralized approaches to governance [11].

Such an outlook was quite obviously adopted by many countries in Asia and Africa, especially in colonized countries gaining independence after 1945. For example, in the case of the Indian subcontinent, the leadership of both the Indian National Congress and the Muslim League essentially believed in centralized governance. The case of Pakistan seems to be even extreme. The Pakistani state, unlike European nation-states, became an overdeveloped authoritarian state [15].

In the post-World War II period, economic security became a new security paradigm, not only in USA but the world over. In the period after 1945, the state was still powerful enough in the First World to regulate capital, as capital had not yet transcended the state. The Keynesian economic paradigm was still prevalent [11]. However, in the latter phase of globalization that started after Soviet disintegration (characterized by increased internationalization of production, the 'information revolution' and the pre-eminence of neo-liberal social policy), the importance of a centralized state apparatus started diminishing; consequently, the neo-liberal economic paradigm gradually replaced Keynesian models.

In a new world situation much more complex in nature than what prevailed during the Cold War, it became difficult for old centralized governance approaches to deal with the challenges of managing and governing new trends of economic development. This was a time when governments in the developed world came up with decentralized patterns of governance, endorsed by the neo-liberal economic paradigm that was already opposed to the Keynesian concept of state intervention adopted by centralized governments.

The World Bank, after supporting a centralized concept of governance for about four decades and financing military rulers in the Third World, also came up with the idea that decentralization of governance was an important aspect of 'good governance'. It was claimed that the economic crises of most Third-World countries in Asia and Africa lay in their practices of bad governance. It was therefore considered important to link decentralization as an important condition of future aid [16].

## Part II: Aid, Political Conditionality and the Assumptions behind

### Good governance, decentralization and development

Doornbos [9] argues that although state formation per se is not a new concept, state formation under external supervision surely is. External involvement in the processes of state formation in Third World countries has been present since colonial times, more recently in the form of conditionalities for development aid that became very detailed and severe under the IMF's Structural Adjustment Program. State formation, the posing of demands on theoretically sovereign states regarding the manner in which they should organize their administrative structures, policy-implementation procedures, and indeed their political systems, is new in recent history.

The historical shift in direction relating to aid and political

conditionality towards 'good governance' is straightforward. In the Cold War period, developing countries' support for the West was a key condition of aid for the regimes concerned. These externally oriented conditions did not specify how the government concerned should structure their administration and policy-making processes, what priority they should assign to certain policy initiatives, or how they should handle a range of matters that might now typically come up in policy dialogue. Authoritarianism and dictatorship thrived in those years in Africa, Asia and Latin America. However, after the Cold War, in the late 1980s, it seemed justified to set conditions on the manner in which client states managed their governmental affairs. Rolling back state systems and reducing political weight within the very same countries became a key element in the thinking of global institutions.

As mentioned earlier, Doornbos [9] has pointed out that emergence and evolution, as well as the possible eclipse of, notions of good governance might be considered in the light of a question of how universal the standards designed by the Western donor community of good governance are. In this regard he argues:

The standards do not seem to go very deep; thus, it could be argued, their universality may not reach very far either. More important, standards of good governance in principle are conceivable within quite different social-cultural and political contexts, and would constitute a rich field for comparative political anthropology or political science. But it is unlikely that the world's donor community wants to borrow its standards from comparative political anthropology or different socio-cultural contexts. Rather, donor standards are likely to be derived from the way donors perceive and handle the world around them: from their own particular – cultural – perspective, even though, in the end, these may be presented as having universal value”.

The policy of aid provision for good governance according to Doornbos reflects a contemporary discourse of hegemonic essentialization of Western models of development as universal. The underlying philosophy is to modernize developing countries. Some of the architects of the modernization project [17,18], representing the circumstances of the Cold War, advocated the central role of the state; the neo-liberals today advocate exactly the opposite. However, in the light of what Doornbos has argued regarding the universality of Western development models, 'good governance' seems to be a reincarnation of the old modernization project enunciated in the mid-20<sup>th</sup> century.

The modernization project, having its roots in a Weberian-informed model of the western state, has always been intent upon implementing the same in the entire less-developed world. The underlying argument is that less-developed societies are at an immature or 'childlike' stage of development compared to developed societies that have already matured [19]. If the former have to grow they have to follow the path of 'adults' under their supervision. Apart from this general assumption, it can be argued, however, that such supervision becomes problematic because of some specific assumptions made by the donor countries and the international financial institutions (who are supposed to monitor and supervise development) about the development of the less-developed societies. These specific assumptions are:

1. Development is a process of modernization of less-developed societies on the pattern of development historically experienced by the developed world. This entails industrialization, technical advancement, rapid growth of material production and rising living standards. Conversely, underdevelopment is both an income deprivation as well as a social reality connected to ancient philosophies and old social institutions.

2. To improve economic and social conditions in the less-developed world, the state structures of these countries need to be transformed according to the principles of governance evolved in the developed world<sup>1</sup>

The above assumptions require critical analysis. Samudavanija [20] suggests that Western political thought is essentially based on an Aristotelian concept of politics, which was rendered permanent by the influence of the positivist behavioral scientists of the 1960s, and which incorporated structural-functionalism<sup>2</sup> into the study of comparative politics. The Aristotelian concept of 'Dynamic Nature'<sup>3</sup> leads to attempts to classify and typologize societies and political systems. Such classification, according to Samudavanija [20], has some major consequences when comparing the political systems of different societies. First, 'it promotes a tendency to conceive of political development in terms of two general dichotomies; that is, 'modern' versus 'traditional' societies, and 'democratic' versus 'non-democratic' political systems'. It is also a-historical. Second, in terms of political change, it is based on the assumption of the possibility of completely replacing the existing political values, structures and functions by the new ones.

The above tendencies have been further strengthened by the project of globalization, characterized by internationalization of production via flexible accumulation, the ascendance of neo-liberal social engineering, the telecommunications revolution, the hegemony of global finance and the overall compression of time and space, since 1945 [21]. It is believed that in the era of globalization traditional value systems and institutions will disappear and institutions around the world will become alike within the developed world [22]. This is because the industrial organization and market practices of a country becoming globally competitive are learnt and adopted by other countries [22].

Institutions in the Third World are not unaffected by these phenomena. The encounters of traditional societies with modern goods and services have significantly expanded in the era of globalization and this will weaken and diminish traditional forms of social organization [23]. In his article Griffin asserts that: 'globalization has made cultural interchange more frequent than in the past, deeper and more rapid... We are witnessing the emergence of a "global culture" with local cultures being submerged under an irresistible tide of Western influence. Culture worldwide is becoming more homogeneous [23]. However, there are others who argue that globalization has actually increased the importance of the state, as it is the nation state that is the only agent that can deliver on multilateral negotiations about matters of common interest or guarantee the political and social conditions of accumulation in far-flung corners of the world capitalist systems [21]. From this perspective it is also argued that globalization has increased the sense of cultural identity amongst local communities within nation states, instead of making cultures homogeneous.

The critics of modernity, however, disagree with the thesis that

<sup>1</sup>See e.g. President Truman's 1949 speech, as cited in Escobar: 1995, and UNDP's Poverty Report 2000. both these documents convey the above mentioned ideas.

<sup>2</sup>Rationality was one of the concepts essential to maintaining well-managed bureaucracies; there was little disagreement about using a framework based on Western characteristics. Theories such as the structural-functional theory, the systems theory, and the theory of bureaucracy, were widely accepted as the theoretical framework for conducting comparative and international studies to explain the administrative and functional differences and similarities among countries. When a particular theoretical framework was used in comparative research, it was assumed that non-Western countries could adopt Western methods in order to improve their administration.

<sup>3</sup>Aristotle, in his Politics, talked about the whole organized political community being capable of growing, as well as decaying, declining, degenerating. It however, depends on 'Dynamic Nature'(see Samudavanija 1991)

modern development in industrially developed countries and the encounters between their products/services and traditional societies will diminish the latter's forms of social organization [24]. Since 'every country has its own regional peculiarities, it has certain embedded beliefs, which operate within its socio-cultural framework'. Krishna [22] in this regard argued that:

Institutions are valuable human constructs that embody deeply held ideas about right and wrong and about appropriate and inappropriate public behavior. Institutions are efficient and effective only insofar as citizens comply voluntarily with their rules and their decisions. Since individuals do not bind themselves readily to any and all decisions, only institutions that are deeply rooted within a particular society, which reflect and embody widely held notions of legitimate authority, can command allegiance and attract compliance. Imitative best-practice institutions brought in from elsewhere are not always well understood or well regarded by the local population, so compliance may be hard to achieve in practice, and enforcement can become a very costly affair. Transplanted institutions will not always reproduce the efficiencies they display in their countries of origin

The framework of decentralization initiatives sponsored by such donors as conditionalities for aid also resides within the modernist view institutional convergence. Concern is expressed, however, that decentralization projects are often guided by a narrow, technocratic vision that severely limits the choice of local institutional arrangements. Decentralization is most often equated in these projects with the task of designing appropriate institutions at the local level, the structure of which is often derived from Western knowledge of public administration, finance and planning [25,26].

Decentralization projects have been grounded in a fundamental belief that it is flaws in the planning and execution of decentralization programs, and not the social, economic, cultural or political environment in which these programs are set, which ultimately determine their success or failure [27]. Therefore, differences and variety in local institutions due to different cultural, political and social conditions have been largely ignored [22].

Modernity and the introduction of a modern way of life and institutions is an undeniable reality. Even to think in terms of 'alternative modernities' is to admit that modernity is inescapable and to desist from speculations about the end of modernity. It can be argued, however, that the modernity born in and of the West some centuries ago under relatively specific socio-historical conditions cannot be transplanted to the less-developed world through imposition of policy articulated by dominant countries in the developed world.

### Part III: Decentralization in Practice; Comparative Experiences

This section has two parts. Part A deals with the actual motives behind the recent wave of decentralization and part B analyzes the literature that evaluates the impact of decentralization projects across various developing countries.

#### Actual motives for decentralization

Shah and Thompson [28] have identified various and often mixed motivations for decentralization, most of which depended on a particular political situation and political decisions of high-level politicians and technocrats (Table 1).

Viewing the above table, in the case of less-developed and developing countries, one might add another row representing

Motivation	Countries and/or regions
Political and economic transformation	Central and Easter Europe, Russia
Political crisis due to ethnic conflict	Bosnia-Herzegovina, Ethiopia, Yugoslavia, Nigeria, Sri Lanka, South Africa, Philippines
Political crisis due to regional conflicts	Indonesia, Madagascar, Mali, Senegal, Uganda, Mexico, Philippines
Enhancing participation	Argentina, Brazil, Bolivia, Colombia, India, Pakistan, Philippines
Interest in EU Accession	Czech Republic, Slovakia, Hungary, Poland
Political maneuvering	Peru, Pakistan
Fiscal crisis	Russia, Indonesia, Pakistan
Improving service delivery	Chile, Uganda, Cote D'Ivoire
To centralize	China, Turkey, European Union
Shifting deficits downwards	Eastern and Central Europe, Russia
Shifting responsibility for unpopular adjustment programs	Africa
Prevent return to autocracy	Latin America
Preservation of Communist rule	China
Globalization and information revolution	Most countries

Source: Anwar Shah and Theresa Thompson, *Implementation Decentralized Local Governance: A Treacherous Road with Potholes, Detours and Road Closures*, World Bank Policy Research Working Paper 3353, June 2004.

Table 1: Motivations for decentralization.

another major motivation of 'pleasing the donors', as decentralization is a major condition for the provision of foreign aid. The above table, however, shows that the actual motives of decentralization are quite different to what the theory says: 'the quest for the right balance', i.e. appropriate division of powers among different levels of government. This, however, has not been the primary reason for implementing decentralization programs.

Table 1 shows that on the domestic front, political considerations have been a major catalyst in initiating a process of decentralization. This argument based on empirical evidence is in line with many other writers [29]. Amongst formerly centrally planned economies, apart from a consideration to develop politically and economically, the aspiration was to get European Union membership [28]. In other countries the decentralization reforms were pursued due to ethnic and regional conflicts and fiscal crisis. In countries like Indonesia and Pakistan, 'decentralization processes that had been stuck in the mud for a long time got a big boost by political and fiscal crises'. In Peru and Pakistan, the basic motivation behind recent decentralization moves was attempts by ruling powers to sideline or weaken potential opposition.

According to Table 1, the motivations behind decentralization vary from country to country and in many cases have been based on mixed motives. Here it can be argued that, in light of an international climate ripe for decentralization, and pressure from international financial institutions such as the World Bank and the IMF and other international donors to decentralize, decentralization seems to suit the political elites in many countries and has served well to fulfill their own agendas.

### Decentralization in Practice: Comparative Experiences

There is a host of literature available on decentralization based on technical issues pertaining to redistribution of authority, responsibility and financial resources for the provision of public services among different levels of government [30,31]. There are other writers [32] who argue that these processes need to be seen through a political lens, if the purpose of evaluating decentralized projects is to evaluate the extent of democracy being promoted by decentralization at the local level. Since the focus of this paper is also to study the political dynamics of local governance, the following review of literature focuses mainly on the relationship of democracy to decentralization and how they strengthen participation and empowerment.

The state of Karnataka in India is cited as a success story of decentralization. The secret behind its success, according to Manor [11] is Karnataka's strong governance based on a competitive party system, free press, a professional civil service and a sustained mechanism of public scrutiny of those in power. In short Karnataka has a public culture of accountability [32]. However, it is important to note that the above prerequisites for successful decentralization were present in Karnataka prior to decentralization reforms and were not an outcome of the latter. Despite its strengths, Karnataka's case also had its shortcomings: for example, the legally required twice-yearly council meetings with residents (*Gram Sabhas*) were abandoned after the first year or two, thereby failing to serve as an effective formal device to promote grassroots participation.

In places like Cote D'Ivoire and Ghana, where pre-conditions comparable to Karnataka were not present, the process of democratization and decentralization has been weak [33]. Awortwi [34] argued that in the case of Ghana a weak local government was created, as fiscal and political decentralization did not accompany the administrative reforms. This initial path of mere administrative decentralization 'made LGs so subordinate to the central government that CG politicians and executives who benefited from weak LG systems did not have any desire to break free of the path'. Decentralization, therefore, eventually led to recentralization.

In the case of Cote D'Ivoire the weak links between elected councilors and the population resulted in an enhancement of the public profile of the commune at the expense of local development [33]. In both Côte d'Ivoire and Ghana major issues stem from central government controls over local government revenue raising making decentralization ineffective [35]. Interestingly, Crook and Manor argued that without a strong will (which seems to be absent in most cases) of the central political force, establishing strong local governments is not possible. This raises the question: what characterizes decentralization beyond neo-liberal austerity and increased economic competition [11].

Heller [36] presents a similar case for Kerala (India) and Porto Alegre. According to him a strong and efficient central state, a well-developed civil society, and highly organized political forces, in the cases of Kerala and Porto Alegre, have given birth to exceptional political and institutional opportunities, rarely seen in the less-developed world; such opportunities in turn have produced successful local governance. Similar conditions in South Africa, however, have not produced the

same results, he opines, as, 'a once strong social-movement sector has been incorporated and/or marginalized by the political hegemony of the ruling ANC'. Decentralization in Argentina, and Ethiopia could also not deliver, as according to Paul [25] these countries rushed to do too much too quickly.

In South Asia, decentralization in countries such as Bangladesh and Pakistan also present a gloomy picture. Crook and Manor's [11] work on Bangladesh shows the disappointing performance of local governments. They argue that decentralization has significantly increased corruption. It is estimated that sub-district chairmen as well as many junior-level bureaucrats stole between 30 and 40 percent of development funds. The Ershad regime was so preoccupied with using the system to obtain political allies in rural areas that it gave council chairmen enormous freedom to do whatever they wished. As a consequence the local leadership was more active in establishing their links with the central government than strengthening their links in their respective constituencies. This seriously eroded the principle of accountability to voters. This precisely happened because the central government closely supervised and controlled finances, and could wield power by reducing or increasing grant-in-aid to local bodies [37]. On the other hand, the best example of decentralization in Pakistan during General Musharraf's period also could not fulfill its promise. Modern local government institutions, instead of serving ordinary villagers, had further strengthened the prestige and power of the local landowners [38]. This was because in most cases the local mayors elected were not ordinary citizens but powerful landowners. Since local government are provincial subject, in 2015, the new civilian governments at provincial levels abandoned Musharraf's Devolution Plan, and resorted to old local government systems devoid of any meaningful, fiscal or political powers.

The picture of decentralization in Brazil, and South Africa were also not encouraging. In Brazil, the constitution that came into effect with the end of the military regime gave a powerful role to local governments [39]. However, Brazil eventually experienced significant limitations on decentralization. Dickovick [1] noted that:

In Brazil, overt recentralization has occurred, following economic crisis that gave presidents unique opportunities to reduce sub-national power. This has defied the expectations of many Brazilianists who view the country as a case of decentralism run amok, a federation where the states (*estados*) dominate politics and the central government is chronically weak.

In the case of East Asian countries such as Indonesia and the Philippines, decentralization could not fulfill the expected goals predicted by the most optimistic theories. In Indonesia, the initial impact on perceptions of governance and selected outcomes was not positive [12]. It is widely believed that decentralization has significantly increased corruption and policy uncertainty across different levels of government [40,41]. Hadiz [40,41] noted that:

Centralized systems of patronage – which extended from the Presidential palace in Jakarta down to the provinces, towns and villages – have largely survived and remain intact [41]. They have reconstituted themselves through new alliances, nationally and locally, and captured the institutions of Indonesia's democracy to further their own objectives, through control over parliaments and political parties, and via business alliances and assorted instruments of political violence – a confusing array of paramilitary groups and crime/ 'youth' organizations – they are establishing newly decentralized, competing, and sometimes overlapping networks of patronage. In short, decentralization is

facilitating the emergence of more localized patronage networks that are relatively autonomous of central state authority.

Decentralization in Indonesia has thus promoted organizations/groups that are not accountable and evade the rule of law. Further Hadiz [42] has argued that the design of institutional change results in unintended consequences. Many post-authoritarian societies have adopted decentralization--effectively localizing power--as part and parcel of democratization, but also in their efforts to entrench "good governance. Hadiz [42] talks about accompanying tensions and contradictions that defines the terms under which the localization of power actually takes place. In this process the social and institutional change has led to social conflict in local arenas of power [42].

The Philippines Local Government Code (LGC) is considered to be providing a strong framework for local government discretion and downward accountability [43]. It allocates 40 per cent of the national taxes to local government, and mandates the institution of participatory planning and budget processes up to the *barangay* level. However, the culture of patronage and subservience to hierarchy obstructed the discretion on paper to translate into downward accountability. This has resulted in weak implementation of decentralized government where political, administrative and fiscal discretion and accountability systems become vulnerable to the instability cause by the excessively politicized system of rewards and allocations.

There are of course limits to the way that the examples above can be generalized across all countries within the less-developed world. Local officials can certainly be found who have performed relatively well as the case of Karnataka shows. However, in most cases the reforms that took place, in the absence of any reforms in the power structures, did not allow for them to be sustained. They are dissipated under pressures of money politics and political thuggery, which have underpinned the working of democracy in most of these countries at the local and national levels. In some cases this has led to recentralization of governance.

What the empirical evidence suggests is that the key element of decentralization is that predatory interests have managed to reinvent themselves in the new democracy. Thus, decentralization is unlikely to produce 'good governance' idealized in the neo-institutionalist scheme of the international financial institutions and the donor countries. With few exceptions, this is most vividly illustrated by the rise of political gangsters in the leadership of parties, parliaments and executive bodies at the local level in most countries.

The observations above contradict the assumptions of neo-liberal literature on decentralization. Contrary to the assumptions of neo-liberal policy that envisaged strengthening of 'choice', the evidence depicts that the choices available to the policy makers are constrained by real constellations of power and interest. Moreover, in contrast to neo-liberal theory that social capital serves as a driving wedge of social development and economic growth—the 'third way' along the path to development—the actual practice and empirical evidence provided above suggest that not all forms of organization in civil society are the same. Organizations built around patron-client relationships, drug cartels, and predatory networks of corruption encompassing both state and non-state institutions have proved to be stronger than the so-called voluntary networks that are supposed to resolve the problems of collective action for social benefit. The predatory networks also tend to hinder the so-called market growth.

The World Bank's 'Decentralization Net' declares that the success of decentralization frequently depends heavily on providing training

for national and local officials in decentralized administration<sup>4</sup>. This 'training for success' explanation is in fact an admission that a neo-liberal agenda is not going to be driven by a so called progressive civil society, but must be enforced by technocratic and managerial interests constructed within the state bureaucracy. Clearly there is much in common here with old-style modernization theory that relied on the rationality, good will and intelligence of Western-trained, modern, technocratic and bureaucratic elites and a belief that success or failure is ultimately determined by the quality of the planning and execution of decentralisation programs, and not the economic, cultural, or political environment (systems, structures, traditions) in which these are set. .

## Conclusions

The debate on good governance and decentralization cannot be fully comprehended without analyzing the interconnected concepts, theories and practices. The most important concepts that connect to the idea of good governance are: development, modernization, the free market, civil society, and globalization. On social and political levels the trajectory of these concepts is rooted in modernization theory, and on the economic level in the neo-liberal economic paradigm. It can be argued therefore that, today, the dominant political economy that industrially developed countries in the North are exporting to the less-developed countries stands on two pillars: modernization theory and the neo-liberal economic paradigm. Previously, up till the 1970s, the determinants of political economy being exported to these countries were modernization theory and the Keynesian economic model.

This paper has attempted to analyze good governance and decentralization in light of these interconnected concepts and theories. The journey of governance from 'good government' to 'good governance' and from 'local government' to 'local governance' actually reflects changes in the socio-economic and the socio-political context at the global level. It also reflects the emergence of new challenges compelling a shift in priorities within the social, political and economic policies of international financial institutions and donor countries to sustain their power and dominance over the world.

In the Cold War period centralized governance was considered to be the engine of growth; now it is the same centralized governance that is considered to be the main obstacle towards economic growth. However, the inner logic and the motive is the same, i.e. maximizing as much profit as possible. In an ideologically bipolar world the threat of the Soviet Union compelled the so-called free capitalist countries to ensure a centralized welfare state in the North and a centralized developmentalist state in the South. Since the threat of the Soviet Union has diminished, the neo-liberal capitalism to maximize profits is compelling the same states in the developed and the less-developed world to minimize their role, or at least reconsider their role in regulating markets. In other words, the purpose of the state is now to manage and not to regulate capital.

Good governance has become an important tool to fulfill these desired outcomes. It has become instrumental, as the 'good governance' paradigm essentializes the active involvement of extra-government institutions and forces, the most important being the civil society and the market. Decentralization in this new arrangement becomes a facilitating program, as it endeavors to connect 'on the ground forces' to global capitalism.

Given the rapid pace of economic and social change in the post-Cold War period, and the challenges and tasks that remain in reshaping

the world according to the principles of the neoliberalism, there seems to be hurry on the part of international policy makers to implement their social, political and economic policies. While the evolution of decentralization in developed countries spanned over centuries and accelerated in recent decades, in less-developed countries the 'process has been more recent, more rapid and more traumatic' [44].

This however is not producing desirable results. In this context, Paul's [45] observation that one of the many reasons behind the failure of decentralization in Argentina, and Ethiopia is that these countries tried to do too much too quickly seems pertinent. Here it is important to note that the modernization logic becomes paradoxical. The developed countries do not seem to be fair with the less-developed ones. The former are not leading not leading developing countries on the path they chose to develop themselves when they were at an early stage of development, but are rather (what Ha-Joon Chang calls) 'kicking away the ladder' [46].

It is important here to understand the strategies of the neoliberalism operating through good governance and decentralization programs emanating from the global centers of power. The strategies of neoliberalism can be found in the narrative of participation, empowerment, and civil society. Following Ferguson, it can be argued that these narratives act as depoliticizing machines, as they endeavor to make all non-economic behavior (such as trust, cohesion, harmony and cooperation) subservient to the laws and rationality of capital.

In the first instance, the neo-liberal strategy of employing concepts such as social capital and civil society and of conflating or mis-specifying the relations between social processes (e.g. focusing on trust or lack of it) in the context of decentralization escapes the analysis of where and how local conflicts arise and thus marginalize the forms and arenas of political contestation [47]. In this endeavor, the strategy quietly omits class relations regarding which the lack of cohesion, reciprocity and trust (social capital) is frequently analyzed by the critics of neo-liberalism.

In the second instance, the strategy is even more novel. It strives to convince the wretched of the earth that the problem of their poverty lies in their inability and incapacity to forcefully insert them into a certain economic order in an organized way. The problem lies with the victims of inequality and not the wider political economy perpetuating that inequality [48].

The above picture is one side of the story presented in this paper. The other side is the actual practices and motives of the states in the less-developed world in implementing decentralization programs. This side of the picture presents a tension between theory and practice [49]. While it is an undeniable fact that countries of the world, in one way or the other, have been integrated into a global capitalist order that is managed mainly through national and not local governments, the logic of capitalism has still to gain ground and be fully embedded in the less-developed world. Owing to the fact that these societies are still run on the bases of hybrid economic systems (a mix of tribal, agrarian and capitalist systems) and practices, the result is that these countries present a distorted picture of good governance and decentralization. Instead of opting for top-down instrumental means to strengthen local governance, policy makers will do better if they take in account the historical factors and economic, cultural, and political environment (systems, structures, traditions) in which local government institutions have to be established [50].

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<sup>4</sup>See the World Bank's 'Decentralization Net' at: <http://www.worldbank.org/publicsector/decentralization/Different.htm>.

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