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Decentralization Dilemma: Measuring the Degree and Evaluating the Outcomes.

Chanchal Kumar Sharma

Though decentralization for past one and half decade or so has become the most favoured policy priority among the policy makers yet the countries around the world differ dramatically in the degree of decentralization that is accommodated. While diversity in degree of decentralization across the world is a fact yet there is no consensus in the empirical literature over the questions like 'which country is more decentralized?' This is because decentralization is defined and measured differently in different studies. In fact, a true assessment of the degree of decentralization in a country can be made only if a comprehensive approach is adopted and rather than trying to simplify the syndrome of characteristics into the single dimension of autonomy, interrelationships of various dimensions of decentralization are taken into account. Thus it is to be realized that there is no simple one dimensional, quantifiable index of degree of decentralization in a given country. As there is wide diversity in the studies on degree of decentralization so is the case with the literature on outcomes of it. Outcome varies not only because decentralization can appear in various forms and combinations across countries but also because different instruments may have very different effects in different circumstances. Thus arriving at the precise definition of decentralization and associating it with particular outcomes is neither possible nor desirable for the simple reason that generalization of any kind can create pitfalls that can obscure rather than clarify the facts. What is more important is the need for a strictly contextual yet comprehensive approach while going beyond the blunt measures like expenditure decentralization and taking politics and institutional arrangements of the specific case under investigation also into account.

Introduction:

The question of degree and design of decentralization has gained much significance as there is an increasing trend toward more and more decentralization across the world. Both federal and unitary countries, whether industrialized or developing are moving toward more decentralization. Though decentralization has become the most favoured policy priority among the policy makers yet the countries around the world differ dramatically in the degree and extent of decentralization that is allowed and accommodated. Thus the question arises, how to measure decentralization so that the difference in degree of decentralization may be quantified. But it is seen that different studies come to different conclusions regarding comparative estimate of the degree of decentralization in different countries.

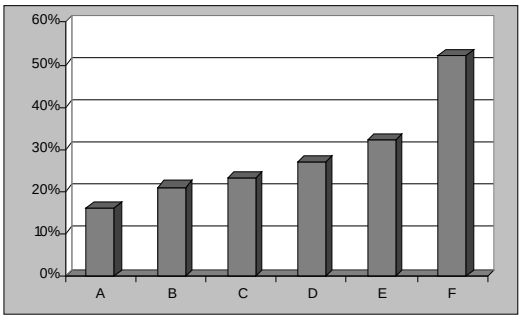
Section I looks into this question of measurement of the degree of decentralization. It is understandable that there is 'diversity' in degree of decentralization across the world but the concern here is that there is 'disparity' in its measurement. In fact, how decentralization is measured depends partly on how it is defined. It is argued that there is no consensus on precise definition of decentralization which increases the possibility of the use of competing measures of decentralization.

The literature reviewed in section II reveals that not all scholars agree that decentralization invariably produces desirable or intended outcomes. It is argued that the impact of decentralization depends on specifics of the case and one has to look into the whole range of factors that affect the behaviour of the people who are involved in public policy making and service provision. The concluding section summarizes the central arguments.

I

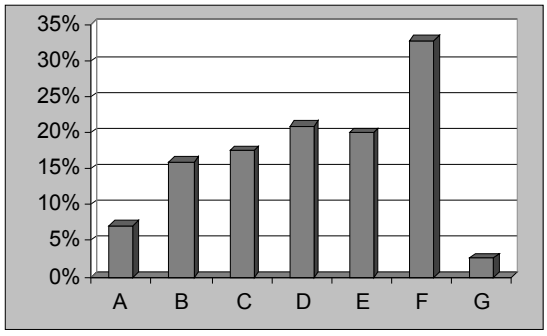
Isabelle Joumard and Per Mathis Kongsrud (2003) have shown in their study that degree of decentralization (as measured by the share of sub national governments in general government spending and revenue) varies significantly across OECD countries. They have also shown that degree of decentralization is not always encouraged by a federal structure and not always restrained by unitary institutional structure. In their study they found that some unitary countries (Denmark and Sweden) were more decentralized than the countries identified as federal (Germany, Mexico and United states). In this working paper of OECD Economics department, it has been shown that the degree of decentralization does not correspond directly with the fact- whether a country is recognized as federal or not. Differences in the degree of decentralization as given in Government Finance Statistics Year Book 1998, IMF are shown in Figure 1.

Figure 1: Differences in Degree of Decentralization



(a) Sub national Share of Expenditures

A. Sub Saharan Africa (4)
B. East Asia and the Pacific (4)
C. Latin America and the Caribbean
D. Europe and Central Asia (13)
E. High Income, OECD (18)
F. South Asia (1)



(b) Sub national Share of Revenues

A. Sub-Saharan Africa (5)
B. East Asia and th Pacific (7)
C. Latin America and the Caribbean (13)
D. Europe and Central Asia (15)
E. High Income, OECD (21)
F. South Asia (1)
G. Middle East and Northern Africa (1)

Note: Simple average of most recent observations in available countries. Numbers in parenthesis indicate number of countries represented.

Source: International Monetary Fund. Government Finance Statistics Year Book 1998, Country Tables.

Though diversity in degree of decentralization across the world is a fact yet when decentralization literature is looked more closely it comes to light that there is no consensus on definition and measurement of decentralization. "Simplifying the syndrome of characteristics into the single dimension of autonomy becomes more complicated when we consider other aspects of decentralization at the same time. For example, the level of autonomy becomes unclear when we compare a local government with significant resources (fiscal decentralization) and deconcentrated authority (administrative centralization) to a local authority with few resources (fiscal centralization) but devolved authority (administrative decentralization). Correct measurement of autonomy requires taking into account the interrelationship of the dimensions" (Schneider 2003).

Reliability and usefulness of the favoured indicators of decentralization as composite measures of decentralized authority come into question when findings of two studies regarding extent of decentralization in a particular country contradict each other or results challenge the very commonsense, for instance, in an OECD study quoted above, Denmark, where central government tightly regulates virtually every aspect of local government finance is shown as more decentralized than United States. Figures sometimes are misleading. For instance, consider the given table:

Table 1: Tax Allocations among Levels of Government

(Percentage of Total Tax Collected)

Country	Federal	Region/State	Local
Brazil	45.6	47.4	7.0
China	52..1	47.9*	
Germany	50.2	37.4	12.4
India	46.6	53.4*	
Japan	60.0	40.0*	
Korea	79.0	21.0*	
Russia	46.3	53.7*	
United States	59.5	25.3	15.2

*Local tax revenues are included in the state totals.
Source: James Edwin Kee (2003).

J.E. Key explains, "It is somewhat surprising that the U.S. appears more centralized than any of the other federal nations studied. This first glance, however, is somewhat deceptive. State and local tax revenue in the U.S. is all "own-source" revenue; that is, state and local governments rely on their own taxing powers to raise their tax revenue. For the other countries, a substantial percentage of the regional/state share of taxes is the result of

constitutional or legislative decisions to allow regional governments to share national tax revenues".

One can draw on this observation to imply that it is in fact the basic structure of intergovernmental fiscal relations and more specifically how sub national levels are financed (revenue sharing or independent local taxation [1]) that is the real measure of the quality of decentralization. It is generally upheld that subnational governments can be said to be fiscal sovereigns only if they depend on independent subnational taxation. Omar Azfar and others (1999) in contrast give less importance to the devolution of tax power. In view of the authors, "The most sensible form of decentralization primarily devolve expenditures rather than taxes (using transparent and formula driven fiscal transfers) because devolution of power to tax can create vertical externalities in terms of tax rates that are too high." Burki et.al (1999) also argue that in area of revenues, whether states raise most of their own revenue is less important than whether transfers to states are non-discretionary.

In fact on the basis of 'decentralization instrument' there are two strands in the literature that argue for two different approaches to measure fiscal autonomy. One gives more weightage to devolution of tax authority as an instrument of decentralization and hold it crucial for subnational autonomy, the other gives more weight to the nature of intergovernmental transfers (discretionary or not) as an instrument impacting upon the subnational behaviour and effecting their autonomy and accountability.

Thus former choose to focus on fiscal policy i.e., the relationship between expenditures and allocated revenues (vertical imbalance) while latter pay attention to regulatory or financial mechanisms i.e. the nature of intergovernmental transfers (for instance Nice 1987, Ahmad 1997). Out of these two approaches, it can be observed, that when it comes to the measurement of fiscal decentralization 'the share of subnational expenditures and revenues' is considered the best indicator. This is because fiscal instruments are easier to measure while regulatory and financial instruments are extremely complex and difficult to measure statistically because nowhere transfers remain strictly confined to the technical objectives. Transfers pursue a mix of objectives and politically motivated transfers remain key part of the intergovernmental relations across the globe and moreover, as Rojas (1998) argue that the attempts to eliminate them have simply demonstrated their resilience. According to Auron Schneider (2003), "Revenues and expenditures offer the best measures available without detailed study of each and every country. Second, errors are not likely to be correlated with other variables of interest thus they introduce no bias into estimation". The choice of focusing on fiscal instruments however is not just methodological but also substantial because "by using both expenditures and revenues, we tap into the main attributes implied by the concept of fiscal decentralization" (Schneider, 2003, p21). It must however be added that measurement of fiscal instruments is not free from limitations. Reliability and validity of the best data source for the purpose i.e. IMF's Government Finance Statistics (GFS) is not entirely incontestable. For instance Byskov (2001) points out, "While various expenditure patterns can be assessed by the GFS data, less can be said about expenditure autonomy. Expenditures that are mandated by the central government appear as sub-national expenditures, even though subnational governments may have no autonomy in these spending decisions…… Shared taxes appear as sub-national revenue, although the sub-national government has no autonomy in determining the revenue base or rate…..Vertical imbalance -- measured by intergovernmental transfers as a share of sub-

national expenditures, does not distinguish what proportion of transfers is conditional versus general purpose. GFS data do not provide this information".

Burki et.al (1999) use the classical definition of decentralization according to which decentralization may be defined as " the extent to which power is held by autonomous elected subnational government capable of taking binding decisions in at least some policy areas". On basis of this definition the authors identify four variables to measure the extent of decentralization which they use to rank eight Latin American countries according to their degree of decentralization. The four variables are : (a) Electoral Autonomy (b) Independence of subnational party organization (c) Subnational share of total spending and (d) Functional responsibilities in major sectors.

Thus, there is a reason to believe that in different studies decentralization is defined and measured differently and this difference may account for wide divergence in the empirical literature over the questions like which country is more decentralized (two studies using different indicators and methods of measurement arrive at different results). Yilmaz and Ebel (2002) while discussing competing measures of decentralization in a single case observe that decentralization is surprisingly difficult to measure and possibility of use of competing measures of fiscal decentralization makes the estimation results extremely fragile. They study the fragility of estimation results depending on how one measures fiscal decentralization (and, therefore, the danger in drawing sweeping conclusions) that often has important policy implications.

In fact decentralization is not easy to define as it encompasses a wide variety of institutional arrangements and institutional reforms. "Decentralization seems often to mean whatever the person using the term wants it to mean" (Bird, 1993; p208). Ostrom, Schroeder and Wynne (1993, p23) also emphasize that a precise meaning for decentralization does not exist. Though one can observe that different authors working on decentralization are in fact talking about a broadly similar idea, but they use different labels in quite different ways which do result in different interpretations of the conclusions drawn from the empirical studies. According to Richard Crook and James Manor (2000) decentralization is a general term for "transfer of powers and resources from higher to lower levels in a political system" Decentralization according to the authors, can take three forms. "These forms can stand alone or work together: • Deconcentration, or administrative decentralization, occurs when agents in higher levels of government move to lower levels. • Fiscal decentralization occurs when higher levels of government cede influence over budgets and financial decisions to lower levels. • Devolution, or democratic decentralization, occurs when resources, power, and often tasks are shifted to lower-level authorities who are somewhat independent of higher authorities, and who are at least somewhat democratic" (p, 1). Thus according to the authors decentralization is an umbrella term for all different methods of decentralization used for different purposes. Peter Whiteford (2001) however, considers devolution as an umbrella term that "covers all forms

of transfers of responsibility" (p112). In fact there is a vast literature on different meanings and types of decentralization. To quote the most significant ones; Theorists like Rondinelli and Nellis, (1986) have identified four popular typologies of decentralization: devolution, delegation, deconcentration, and divestment (or privatization). Deconcentration[2] occurs when the central government disperses responsibilities for certain services to its regional branch offices. This does not involve any transfer of authority to lower levels of government and is unlikely to lead to the potential benefits or pitfalls of decentralization. Delegation[3] refers to the situation in which the central government transfers responsibility for decision making and administration of public functions to local governments or semi-autonomous organizations (local governments are not wholly controlled by the central governments but are ultimately accountable to it). Finally, devolution, refers to a situation in which the central government transfers authority for decision-making, finance, and management to quasi-autonomous units of local government. Divestment is the transfer of public services and institutions to private companies and firms. Cohen and Peterson (1999) identify six major approaches to classify decentralization[4]. First is Historical approach (Types: French, English, Soviet and Traditional decentralization). Second is Hierarchy and Function approach of Berkely Decentralization project (Types: Territorial and Functional decentralization). Third is Problem and Value centered approach (Types: Devolution, Functional devolution, Interest organization, prefectoral deconcentration, ministerial deconcentration, delegation to autonomous agencies, philanthrophy and Marketization). Fourth is Service delivery approach presented by United nations in 1962 (Types: Local level government systems, Partnership systems, Dual systems and Integrated administrative systems). Fifth is Objective Based Approach (Types: Administrative (deconcentration, devolution & delegation) Political, Spatial, Market decentralization) and Finally there is Single country experience approach. Similarly, Deniel Tiersman, (2000), defines five types of political decentralization (namely structural decentralization, decision decentralization, resource decentralization, electoral decentralization and institutional decentralization) and outlines five arguments about how specific types may affect governance. He basis his arguments on statistical tests, using newly collected data on up to 154 countries. He argues that it is quite possible that some types of decentralization improve governance while others impair it. It is in the similar sense that Weingast (2000) has argued that there is a possibility that some federal systems foster growth, while others are likely to hinder it.

Thus it is clear that decentralization is a multifaceted complex issue. It has many shades depending on how different kinds of decentralizations mix with each other in a particular context. Thus no one type could be studied in isolation. For instance, fiscal decentralization cannot be analyzed without taking into account as to which particular shade or variant of it we are attempting to investigate depending on how it mixes with other kinds of decentralizations such as political, administrative and market decentralization in a particular historical-cultural-institutional context. Therefore a true assessment of the degree of decentralization in a country can be made only if a comprehensive approach to measure decentralization is adopted as "….there is no simple one dimensional, quantifiable index of degree of decentralization in a given country" (UNCDF, 1999, p167).

II.

As there is wide diversity in the studies on degree of decentralization so is the case with the literature on outcomes of it. It is shown that the positive gains that are conventionally attached to decentralization (efficiency, transparency, accountability) are not always directly proportional to the degree of it (i.e., with more decentralization more benefits do not always come). Rather sometimes negative outcomes are associated with decentralization. It is generally argued that decentralization of government in terms of devolution, can improve governance by fostering accountability, participation, and transparency But devolution in itself does not guarantee better governance. Indeed, ineffective or improper devolution creates more problems than it solves. Therefore, it is vital that decentralization efforts be carefully crafted keeping in view that problems entrenched in the system by virtue of the existence of legacies of centralization which could distort the intended outcomes of the decentralization process. Legacies of centralization (such as paternalism, clientelism, institutional rigidity, asymmetry in information and supply driven interventions) often persist to impede the realization of core objectives of decentralization and thus are required to be addressed first in order to ensure effective local institutions.

Besides the legacies of centralization, there are some other circumstances in which decentralization not only fails to bring about the desired outcome but can actually reduce the quality of governance. For instance, in a very small state, decentralization and creation of autonomous local entities can lead to loss of economies of scale and can bring about macroeconomic instability. Additionally, fiscal decentralization can drain central revenues when the national government is unable regulate public spending. Local governments may also lack the capacity and the expertise found in national institutions. These challenges reinforce the importance of effective planning and design in undertaking decentralization.

In literature it can be seen that there are studies establishing both negative and positive correlation with traditionally assumed positive impacts of decentralization. For instance, Zhang and Zou (1998) reported negative effect of decentralization on provincial growth in China. Jin et al. (1999) showed that this relationship is positive once one filters out cyclical effects. Lin and Liu (2000) confirmed this result. Akai and Sakata (2002) reported positive effect of decentralization on growth of US states in early 1990s. Xie et al. (1999) showed no long-term relationship between these variables in the US for 50 years. Woller and Phillips (1998) found no link between decentralization and growth in developing countries. In contrast, Davoodi and Zou (1998) reported negative, marginally significant, relationship in developing countries and no effect in developed countries. Robalino et al. (2001) found negative cross-country relationship between decentralization and infant mortality. Zhuravskaya (2000) reported positive effect of marginal decentralization on healthcare and education outcomes in Russian municipalities.

Main arguments of the scholarly works that associate positive outcomes with decentralization are:

1. It potentially improves macroeconomic management (Shah, 1997)

2. Decentralization leads to good governance (Hayek 1939, Tiebout 1956, Rubinfeld 1987 and Mc Kinnon and Nechyba 1997).

3. It limits the size of the public sector (Marlow,1988; Grossman,1989; Ehdaie, 1994)

4. It has a negative effect on corruption (Fisman and Gatti 2002 and de Mello and Barenstein 2001)

5. Local Governments under constituent pressure are managing resources and delivering services effectively (Putnam, 1993)

6. Public scrutiny forces elected officials to appoint competent staff (Fiszbein, 1997)

7. Fiscal decentralization enhances political autonomy which in return motivates participation at local Level (Inter-American Development Bank, 1997)

8. Decentralized systems are responsive to citizens' preferences (Huther and Shah, 1998)

9. Decentralization strengthens accountability because it increases proximity between representatives and electorate. (Seabright 1995 and Bardhan and Mukherjee,1998)

Similarly many scholarly works assert that there could be certain dangers inherent in the process of decentralization. Their main arguments are:

1. It is Inherently destabilizing (Prud'homme, 1995; Tanzi, 1996)

2. Spillovers, common pool problems and problems from soft budget constraints result in efficiency losses associated with decentralization (Inman and Rubinfeld 1997, Sanguinetti 1994, Rodden 2000, Stein 1998, Wildasin 1997 and Willis, Garman and Haggard 1998).
3. It is Associated with slower growth (Davoodi and Zou, 1998; Xie, Zou and Davoodi, 1999)

4. Local Governments are more corrupt & decentralization leads to greater state capture (Goldsmith, 1999, Bardhan and Mookherjee, 2000).

5. It has been argued that there is no significant relationship between fiscal decentralization and public sector size (Oates, 1985; Nelson, 1986). Thus the assertion that it limits the size of public sector is not true.

Not withstanding the confusion that above literature create, its main contribution is that it tears apart the myth of decentralization as a universal remedy for ills of governance and

shows that it does have potential disadvantages (under certain conditions) and a clear cut value judgment of decentralization per se can not possibly be made.

Thus it is clear that attempts to evaluate the impacts of decentralization have largely remained inconclusive. Though all the above works have evidence on their side in support of their respective arguments yet it is to be realized that most of them use the Government Finance Statistics (GFS) of the International Monetary Fund to measure decentralization which 'unfortunately, do not include information on the level of autonomy of subnational governments in terms of their revenues or expenditures, which is 'important information when analyzing decentralization' (Meloche et al, 2004, Yilmaz and Ebel, 2002, Byskov, 2001).

Despite above observation, in continuation with the concern regarding definition and measurement of decentralization (as noted in previous section) it is not to be assumed that whatever diversity and inconclusiveness exists is not only because of lack of agreement on accurate measure of decentralization and the resultant differences in data selection and interpretation. It is also because of overlooking and disregarding many other crucial 'mediating factors.' Therefore the question is not much of accuracy but more importantly of adequacy of decentralization indicator(s) in specific context.

Thus the literature survey is also tip off for investigating those factors that mediate with decentralization process to bring about different outcomes. By now the predominant argument is that the outcome of fiscal decentralization varies because it can appear in various forms and combinations (as noted in previous section) across countries, within countries and even within sectors making the assessment of its degree itself an arduous task in the first place. But taking a step further, it can be argued that even if one assumes two hypothetical cases of exactly similar design of decentralization, the outcome can still be expected to differ because "different instruments may have very different effects in different circumstances" (Litvek et al, 1999). This is because legal and constitutional framework, as well as institutional structure of the public administration system in each country has a bearing on the outcome of fiscal decentralization application. In fact successful implementation is generally recognized as a function of the existing institutions (whether they provide political and economic incentives to the local public officials for better governance and better implementation of fiscal decentralization or not). Such institutions however can not be imported and must be built domestically. The outcome of fiscal decentralization reforms is also inextricably tied to the question of "sorting-out" (Tiebout, 1956 and Breton and Scott, 1978) public sector responsibilities among different levels of government. Since there is no prescribed set of rules for "sorting-out" that apply to all countries, the specific aspects of fiscal decentralization process can be worked out in the context of each individual country. In addition to this, the issue of designing an effective intergovernmental structure also involves electing local government officials, having approved budget locally, keeping adequate books of account and monitoring, and finally in words of Ronald Watts (2002 p.8) putting in place a better system of procedures and institutions designed to facilitate intergovernmental collaboration (i.e., between the national,

regional and local centers of decision making) in cases of shared domains or inevitable overlapping of responsibilities.

Thus, outcome of fiscal decentralization in a federal or unitary country will depend on what kind or variant (s) of it is pursued with what objectives, under what political conditions, legal and constitutional structure, political processes, features of political institutions, political decision structures and public administration system and political and economic incentive structures. Balanchard and Shleifer (2000) have shown in their study that decentralization will bring advantages conventionally attached to it if there is a strong center but in case of a weak center the country will be confronted with all potential problems identified with decentralization. Empirical studies on outcome of fiscal decentralization in Brazil, for instance study by Dillinger and Webb (1999) concludes that greater fiscal decentralization in Brazil has resulted in budgetary and financial crisis. Academic literature on Brazil has delineated reasons for this by asserting that Brazil's democratic political institutions--including electoral rules, the political party system, federalism, and the rules of legislative procedure--are sub-optimal from the viewpoints of democratic representativeness and policymaking effectiveness. All these sub optimalities contribute to centrifugal power and multiple veto points, which in turn imply institutional ineffectiveness and ungovernability (Mainwaring 1999, Ames 2001, Shugart, and Carey 1992). In this context it is important to mention what Enikolopov and Zhuravskaya (2003) have tried to show. They have argued that the effect of decentralization strongly depend on two aspects of political centralization: (a) Strength of national party system (measured by fractionalization of parliament and age of main parties) and (b) subordination (whether local and state executives are appointed or elected). The authors have supported Riker's theory (1964) in developing countries, that the strong parties significantly improve the results of fiscal decentralization in terms of economic growth, quality of government and public goods provision. The authors assert that subordination of local to higher-level governments improves the effect of decentralization on growth (in both developed and developing countries) and government quality (in developing countries).

Conclusion:

The literature reviewed above in context of the degree, design and outcomes of decentralization shows that decentralization has been approached by a variety of intellectual traditions with little agreement. To quote Auron Schneider (2003) "The differences in kind and degree of decentralization have produced a conceptual muddle. The muddle has multiplied the conceptualizations of decentralization, imbued it with positive normative value, conflated it with other concepts and ignored its multi-dimensionality. There has also been an explosion of units of analysis in studying this concept" (p6).

A World Bank report [Burki ,Guillermo and Dillinger (1999)] finds that the impact of decentralization—its effect on the efficiency of public services, on equity and on macroeconomic stability—depends very much on the specifics of the case. The core argument is that one has to look beyond the question of whether a country has elections at the local level, whether a nominal transfer of functional responsibilities has taken place or whether intergovernmental transfers have grown to the whole range of factors that affect the behaviour of the people who are involved in public policymaking and service provision.

Thus arriving at the precise definition of decentralization and associating it with particular outcomes is neither possible nor desirable for the simple reason that generalization of any kind can create pitfalls that can obscure rather than clarify the facts. What is more important is the need for a strictly contextual yet comprehensive approach while going beyond the blunt measures like expenditure decentralization and taking politics and institutional arrangements of the specific case under investigation also into account. Analysis of the impact of decentralization on macro indicators thus requires qualitative as well as quantitative techniques that take into account the countries' institutional structures. It is to be realized that if more refined data are difficult to collect (a common excuse) then a more rounded data is difficult to rely upon.

NOTES:

1. Both approaches have their comparative advantages and disadvantages. In decentralization of tax responsibilities there is a trade off between increased autonomy and increased economic costs, because lower level taxes can introduce inefficiencies in allocation of resources across the federation and cause interpersonal and interregional inequities. Collection and compliance costs can also increase significantly. But this does not make the case for centralization of taxes and consequent reliance on central transfers and revenue sharing because in that case unrestrained credit access by subnational governments will pose a risk for macro stabilization policies of the central government as such an arrangement increases anticipation of bailout by higher level government in case of default. In developing countries , general revenue sharing are typically used to deal with fiscal gap. A number of countries including China, India, Malaysia, Pakistan and South Africa in past have tried deficit grants to fill fiscal gaps at subnational levels with unwelcome results in terms of mushrooming of subnational deficits. Problems posed by both the approaches can in fact be mitigated by the fiscal arrangements that permit joint occupation and harmonization of taxes.

2. While this kind of decentralization is most common in unitary countries where local field offices (not independent and accountable local governments) are simply used to improve efficiency and effectiveness of service delivery, yet deconcentration can also exist for some functions in federal countries when the central government maintains a strong interest in ensuring delivery of a particular service.

3.This form of decentralization can be characterized as a principal-agent relationship, with central governments as the principal and the local government as agent. From this perspective the main design issue is to ensure that a self interested agent (local government) faces incentive that induce it to act as closely as possible in accordance with the wishes of the principal (central government). Alternatively however, as in traditional economic theory of fiscal federalism (Oates, 1972), both levels of government could be seen as agents of different group of citizens. So long as local governments are hierarchically subordinated to

the central government, both approaches lead to the same conclusion ‘ central government preferences should dominate and the design problem remains as such (Seabright, 1996).

4. Cohen and Peterson (1999) while summarizing different forms of decentralization state that in the real world, as opposed to the analytical world, it is difficult to fully separate these different forms of decentralization. The analytical forms are useful in that they define a perspective but they are difficult to separate out because each affects the others in subtle ways that vary greatly from among task environments (pp 18-19).

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