

Decentralised Planning and Participatory Development: The Indian Scenario

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ABSTRACT

Decentralisation initiatives have moved forward under the dual banner of democracy and development. It is advocated on the grounds of enhancement of efficiency, promotion of economic growth, increasing accountability, desired transparency and alleviation of poverty. Decentralisation has, however, a number of issues. Planning is essential for systematic development along with social justice. Decentralised planning also is confronted with a number of constraints, the most important finance and participation of people for whom development efforts are initiated. Participatory development has thus become the goal of development policy. It is also confronted a variety of issues. The present paper seeks to address some of the issues of decentralised planning and participatory development in Indian context.

Keywords: *Decentralised planning, democracy, economic growth, participatory development.*

During the last decade of 20th century there has been dramatic flowering of decentralisation initiatives in the developing countries of Asia. In the last two decades decentralisation has been at the stage of policy experiments in a large number of transitory economies of Latin America, Africa and Asia.

Decentralisation as a process of moving away from the centre where foci and loci of power and authority are shifted to the local units and people has undoubted merits and strengths. It is more market-friendly process of development having accent on individual freedom and is posed against the bureaucratization of the government leading to government failure. Decentralisation initiatives have moved forward under the dual banner of 'democracy and development'. It is advocated by international institutions like World Bank, UNDP of the United Nations, on the grounds of enhancement of efficiency, promotion of economic growth, increasing accountability, desired transparency and alleviation of poverty. The World Bank has embraced it as one of the major governance reforms on its agenda (for example, World Bank 2000, Burki, Perry and Dillinger 1999). Take also the examples of the two largest countries of the World, China and India. Decentralisation has been regarded as a major institutional framework for the phenomenal industrial growth in the last two decades in China, taking place largely in the non-state, non-private sector. India ushered in a landmark constitutional reform in favour of decentralisation around the same time it launched a major program of economic reform in the early 1990s.

On account of its many failures, the centralized state everywhere has lost a great deal of legitimacy, and decentralisation is widely believed to promise a range of benefits. It is often suggested as a way of reducing the state in general, by fragmenting central authority and introducing more inter-governmental competition and check and balances. It is viewed as a way to make government more responsive and efficient. Technological changes have also made it somewhat easier than before to provide public services (like electricity and water supply) relatively efficiently in smaller market areas, and the lower levels of government have now a great ability to handle certain task. In a world of rampant ethnic conflicts and separatist movements, decentralisation is also regarded as a way of diffusing social and political autonomy. Decentralisation enables a better perception of the needs of local areas, makes better decision-making possible, gives people a greater voice in decision concerned with their development and welfare, ensures effective participation of the people, builds up self-reliance by mobilising resources of the community in kind or money, makes development self-sustaining and enables better exploitation of local resources and growth potentials of the local areas for improving productivity and increasing production. The Development and welfare programmes concerned with the needs of the people can be integrated and coordinated in a better way through decentralised planning.

The potential benefits of decentralisation have attracted a very diverse range of supports. For example, free-market economists tend to emphasise the benefits of reducing the power of over-extended or predatory state. In some international organizations pushing structural adjustment and transitional reform, decentralisation has sometimes been used almost as a synonym for privatisation; similarly in the literature

on mechanism design, an informational decentralised system of individual decisions coordinated by a price mechanism is pitted against a system of central commands and plans. Even those who are convinced of the pervasiveness of market failure are increasingly turning for their resolution to the government at the local level, where the transaction costs are relatively low and the information problems that can contribute to central government failures are less acute. They are joined by diverse array of social thinkers: post-modernist, multi-cultural advocates, grassroots environmental activists and supporters of the cause of indigenous peoples and technologies.

The traditional literature on decentralisation, even though not impervious to issues of distribution, is usually preoccupied with those of efficiency in public provision. When a major goal of decentralisation in developing countries is to effectively reach out to the poor (or to diffuse unrest among disadvantaged minority groups), often in remote backward areas, targeting success in poverty alleviation programs is a more important performance criterion than the efficiency of inter-regional resources allocation. Some redistribution to advantaged groups or regions-say in the form of decentralised delivery to health, education or infrastructural services-need to be at the expense of efficiency and may even improve the potential for productive investment, innovation and human resource development on the part of communities long by passed by the elite or the main stream.

Decentralisation has its own issues like level and form of decentralisation, exclusion of large number of people from the benefits of decentralisation and marketisation etc. In this context planning as a process of conscious, systematic, organized and concerted development efforts is needed to correct market imperfection, to save the economy and polity from public disaster and to promote economic development and social justice. Hence decentralisation is integrated with planning. Both decentralisation and planning constitute instruments for development defined as a change for the better. Decentralised planning has thus become the order of the day where individual freedom forms the basis of collective decision-making for development. It empowers local units of planning and people. Decentralised planning also, however, has its issues like selection of basic planning unit, authentic and sound database, finance, integration and coordinator, monitoring and evaluation and follow-up activities.

Most of these issues may be addressed through active and conscious participation of people in all stages of planning for development. This is what is called participatory development in a democratic framework, which aims at ensuring development and governance 'of the people, for the people and by the people'. This process gives the people entitlements of public goods and services and empowers the poor.

But this integrated process of decentralisation; planning and participatory development is also confronted with various issues. In a class-and caste-divided society conflicts and clashes of interests arise and this leads to what is known as 'community failure' as coined by eminent economists like Bardhan, (2002). He is of the view that the "community failure" may be as serious as the market failure or government failures that economists commonly analyse. This occurs when the local government led by elites tends to over-provide the service to local elites at the expense of the non-elite.

It needs to be mentioned that decentralisation literature typically assumes different levels of government having similar levels of technical and administrative capacity. This assumption is questionable for all countries. On account of agglomeration economies in attracting qualified people central bureaucracies attract better talent. But the problem is especially severe in many developing countries, where the quality of staff in local bureaucracies-including basic tasks like according the record keeping-is very low. Even their more professional and technical people suffer from the disadvantages of isolation, poor training and low interaction with other professionals. As Bird (1995) puts it, information asymmetry thus works both ways: the central government may not know what to do: the logical government may not know how to do it. Of course, this problem is differential importance in different services. Providing for street cleaning or garbage collection may not require sophisticated expertise, but power production and transmission, bulk supply of clean water and public sanitation do. Decentralisation to the local level will often work better in the former kind of services than the latter.

The conventional wisdom in the fiscal federalization literature, as in Oates (1972), is that decentralisation is to be preferred when tastes are heterogeneous and there are no spillovers across jurisdictions. Bardhan and Mukherjee (2000) develop an analytical framework that formalises the trade-off between the conflicting aspects of centralized and decentralised delivery systems. Decentralised, by shifting control right from the central bureaucrat (who otherwise acts like an unregulated monopolist) to a local government, typically needs to extend service deliveries authority goes those more responsive to user needs. But with capture of local government, in the sense elites receiving a larger weight in the local government's maximand of a weighted sum of welfare, there is a tendency for the local government to over-provide the service to local

elites at the expense of the non-elite. The extent of such inefficient and inequitable cross-subsidisation will depend on the extent of local capture and on the degree of fiscal autonomy of the local government.

In both Kerala and West Bengal, it has also been observed that theft and corruption at the local level are more effectively resisted if regular local elections to select representatives in the local bodies are supplemented by insitutionalised system of periodic public hearings on items of major public expenditure. But even that monitoring device is inadequate if the complains made in public are not acted upon by the ruling party. There is evidence that sometimes the opposition parties or minority factions stop attending the village council meetings or the public hearings, as they perceive that they cannot do much about the ruling party's spending on public funds that takes the form of widespread distribution of patronage-like "jobs for the boys, which sometimes consolidates its electoral advantage. It is important to install public accounts committees at the local legislative level with their leading members taken from the opposition party, as is the case at central parliamentary committees in India or Britain. In general, the auditing process at the local level is extremely deficient, not always by design, but by the sheer dearth in the villages of technical capacity for accounting record keeping and auditing.

In considering the theory of decentralisation in developing countries, it is important to move beyond the traditional trade-off of how centralisation is better for dealing with spell-over and decentralisation is better for dealing with heterogeneity. It is necessary to delve into political economy issues of institutional process and accountability at both the local and central levels.

In two successful cases of decentralisation in Latin America, there is some evidence available on the "before after" comparison of service delivery outcomes. One is widely noted case of participatory budgeting in municipal government in the city of Porto Alegre in Brazil; the other is the less well-known but quite dramatic success of the post-1994 decentralisation initiative in Bolivia. In Porto Alegre, where assembly meeting of local citizens and neighbourhood associations in different regions discuss investment priorities, review accounts and elect representatives to a citywide council that allocates available resources across wards, impressive results have followed: between 1989 and 1996, access to basic sanitation (water and sewage) as well as enrollment in elementary or secondary schools nearly doubled, while increasing revenue collection by 48 percent (Santos 1998). Although it is difficult from this study to isolate the impact participatory budgeting reforms from those of other ongoing changes, it seems likely that there has been a substitution impact on the pattern of resources allocation across localities, particularly to poor ones, and in the lessening of the misappropriation of resources compared to the past and to other areas in Brazil.

The World Development Report, 1994 on infrastructure cited several cases of quality improvement and cost savings in infrastructure project after local communities were given part responsibility in management. A review of World Bank data for 42 developing countries found that where road maintenance was decentralised, backlogs were lower and the condition of roads better. Data for a group of developing countries revealed that per capita cost of water in World Bank funded water projects were four times higher in centralised than fully decentralised systems. A study of 121 completed rural water supply projects, financed by various agencies, showed that projects with high participation in project selection and design were much more likely to have the water supply maintained in good condition than would be the case with more centralised decision-making.

In Qian and Weingast (1997) and Qian and Roland (1998), decentralisation of information and authority and inter-jurisdictional competition in China have been considered as commitment devices on the part of the central or provincial government to provide market incentives, both the "positive" incentive rewarding economic success at the local level and the "negative" incentive in terms of punishing economic failure. The local government-run township and village enterprises that served as the engine of growth in China in the last two decades have been cited as a major example of the outcome of a successful "market-preserving federalism". In terms of positive market incentives, the township and village enterprises had full control over their assets and were largely left alone (as a dual claimant) to "get rich gloriously", and the limited knowledge of the upper-tier governments about the extra-budget and off-budget accounts of local governments acted as check on the upper-tier interventionism. In contrast, an economics study of the fiscal relations between local and regional governments in Russia by Zhuravskaya (2000) on the basis of a panel dataset for 35 large cities shows that the local governments could retain only about 10 per cent of their revenues at the margin, thus providing only weak incentives to foster local business development and thus to increase their tax base. In terms on the "negative" incentives, Chinese upper-tier governments, by denying bailout to many failing township and village enterprises, enforced a dynamic commitment. Having no access to state banks and facing mobility of capital across jurisdictions raised the opportunity costs of local

governments for rescuing inefficient firms, thus leading to the endogenous emergence of hard budget constraint.

It is thus quite plausible to argue that in the matter of service deliveries as well as in local business development, control right in government structures should be assigned to people who have the requisite information and incentives and at the same time will bear responsibility for the political and economic) consequences of their decisions. In many situations, this insight calls for more devolution of power to local authorities and communities.

But at the same time, it is important to keep in mind that structure of local accountability are not in place in many developing countries, and local governments are often at the mercy of local power elites who may frustrate the goal of achieving public delivery to the general populace of social services, infrastructural facilities and conditions conducive to local business development. This means that decentralisation, to be really effective, has to accompany serious attempts to change the existing structures of power within communities and to improve the opportunities for participation and voice and engaging the hitherto disadvantaged or disenfranchised in political process. After all, the logic behind decentralisation is not just about weakening the central authority, nor it is about preferring local elites to central authority, but it is fundamentally about making governance at the local level more responsive to the felt needs of the large majority of the population. To facilitate this, the state, far from retreating into the minimalist role of classical liberalism, may sometimes have to play certain activists roles: enabling (if only as a catalyst) mobilization of people in local participatory development; neutralising the power of local oligarchs; providing supra-local support in the form of pump priming local finance; supplying technical and professional services toward building local capacity; acting as a watch dog for service quality standards, evaluation and auditing; investing in larger infrastructure; and providing some coordination in the face of externalities across localities.

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