Is Decentralization at Odds with Democracy? : The Implications of Decentralization in the Democratization Process of Developing Countries

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Dedication

This thesis work is dedicated to my mom, Narda, whose hard work, personal sacrifice and unconditional love have shaped the person I am today. I am truly thankful for all your support. This work is also dedicated to Breakthrough Austin, who has empowered me and many other first generation students to turn a dream into a reality. Your role in my pursuit of higher education has been invaluable. I hope this achievement will inspire others and complete the journey we embarked on together all those years ago.
Abstract

Decentralization has been recognized by scholars such as Kent Eaton and Ed Connerley as a policy trend for post-authoritarian developing countries in their pursuit of democracy. However, as Tyler Dickovick and other scholars have indicated decentralization efforts have not yielded the expected results, such as: reduced corruption and increased civil engagement. In spite of its shortcomings developing states continue to adopt decentralization policy and international organizations continue to sponsor decentralization efforts. How do we understand and explain this paradox of post-authoritarian developing states pursuing decentralization despite its failures?

This thesis explains that decentralization is a political tool for the host state to gain political legitimacy with its citizens, as well as a political tool for international actors to protect their sphere of influence and economic interest in developing countries. In order to understand these implication of decentralizing in post-authoritarian developing countries three case studies will be evaluated: Ghana, Indonesia and Ethiopia. Each of these case studies will be examined on two fronts: 1) initial motives for pursuing decentralization and 2) an evaluation of the decentralization process. Each states motives will be described with historical context; each evaluation will be based off of Tylor Dickovick’s model breaking down decentralization into: authority, autonomy, accountability and capacity. By putting initial motives in dialogue with an evaluation of decentralization this thesis hopes to prove that it is being used as a political tool not as a transition mechanism to democracy. The theoretical context for which this argument is based comes from the following schools of thought: theory perfection, political incentives, internal pressure and external pressure. First this thesis will introduce each school of thought and its implications; then each case study will be evaluated on its motives and according to Dickovicks model; finally the schools of thought, motives and evaluation will be put in dialogue with each other to describe decentralization as a political tool.
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Introduction

In July of 2014 Indonesia took the media spotlight as it held its fourth peaceful democratic elections after 31 years under Suharto’s authoritarian regime: “There is no doubt that Indonesia is now Southeast Asia’s most democratic nation, and this is something no one would have predicted in 1998”¹ (Marcus Mietzner. 2014 NYT interview). Roughly 12,758 Km away and a year later Ghana was named one of “Africa’s Democracy Stars”². Underneath the headlines for these “model democracies” in post-authoritarian states is the framework for which they have all pursued democracy: decentralization.

As Kent Eaton and Ed Connerley assert in “Making Decentralization Work”, decentralization has been accepted as a “trend” in the pursuit of democracy by post-authoritarian states despite its “(failure) to solve the problems that motivated its adoption, created qualitatively new problems, or both”³. In other words, decentralization has not met expectations in promoting democracy and in some cases “generates new forms of conflict”⁴. Expectations for decentralization are that it “would promote civic empowerment, diminish corruption, enhance efficiency, and improve public service delivery”⁵. States that pursue decentralization perceive it as a means to “bring government closer to the people”⁶ thus, generating the expectations from donors and civilians within these states that civil engagement will increase, corruption decrease

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and better distribution of public services will follow. Donors, such as the World Bank, support these expectations providing host states with the confidence that decentralization can achieve its expectations as well as providing fiscal incentives to support the pursuit of decentralization. However, these goals of promoting civic empowerment, diminishing corruption, etc. are seldom met in post-authoritarian developing countries that pursue decentralization. A paradox thus emerges; pursuit of decentralization policy to promote democracy in post-authoritarian developing countries is continued when it has not met expectations elsewhere. Thus, two questions emerge from this paradox: why do states pursue decentralization and is decentralization at odds with democracy? This thesis will attempt to address these two questions by establishing different schools of thought explaining why states pursue decentralization and identifying where decentralization is effective and ineffective to reveal underlying motives of decentralization. The schools of thought, outcomes and motives of decentralization will then be put in dialogue with one another to determine if decentralization is at odds with democracy. In order to understand why decentralization is pursued the following schools of thought will be used for analysis: theory perfection, political incentive, internal pressure, and external pressure. According to the first school of thought, the paradox is described by demonstrating a flaw in the implementation of decentralization rather than in the theory, thus, later attempts at decentralization and scholarly work has been used to demonstrate flaws in implementation and emphasize a specific and strict adherence to theory, namely path dependency theory and sequential theory. In other words, it has failed because it has not been implemented properly, thus, decentralization should still be pursued to show that it does work (when done in a specific manner). The second school of thought, political incentives, describes decentralization policies as the means of a state to distance itself from the previous (authoritarian) regime thus, appeasing
fear of oppression of citizens and gaining legitimacy as a new government. The third school of thought, internal pressure describes decentralization policies being a response to claims for regional autonomy and a means to address regional/ethnic conflict. The fourth and final school of thought, external pressure explains decentralization policies as a result of donor pressure.

First, the decentralization process will be described, then the schools of thought explaining why states chose decentralization will be elaborated on. After establishing the ways in which these fours schools of thought states transitioning out of authoritarian rule pursue decentralization, another layer of complexity will be added by analyzing why decentralization has yet to work in comparison with the goals of decentralization. Then the schools of thought will be put in dialogue with the evaluation of decentralization in attempt to explain the paradox of developing countries pursuing decentralization when it has yet to work. The goals of decentralization will be measured by applying the standards indicated by J. Tyler Dickovick and James S. Wunsch: Authority, Autonomy, Accountability, and Capacity, to the three different levels of decentralization: administrative, political and fiscal. Dickovick and Wunsch’s model will help to isolate variables and identify where the misconception of decentralization lies. This thesis puts incentives for pursing decentralization into dialogue with its implementation and failures in an attempt to account for the commitment states and donors have had to decentralization. This thesis also examines if it is inconsistent with the goals it promises and with democracy. Tools used to measure authority, autonomy, accountability and capacity are: voter turn out statistics, grant transfer statistics, transparency and civil right statistics as recorded on Afrobarometer and Freedom House, as well as patterns of government authority and public opinion information. Voter turn out statistics aid in measuring the amount by which

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administrative government has been encouraged by demonstrating to what extent citizens engage in formal government; in other words has the decentralization brought the government to the people. Grant transfer statistics are key in measuring the extent of capacity building of local governments, regional autonomy and fiscal decentralization. Transparency and civil rights statistics are useful in gauging capacity and accountability and general freedom levels that are markers for democracy. Finally public opinion will help us understand how decentralization policies are viewed by the citizens and could help explain the origin and benefit of policies. For example, does decentralization benefit government officials, donors, or ethnic groups?

The case studies to which these measurements will be applied are Indonesia, Ghana and Ethiopia. These three case studies have been chosen because they have all pursued democracy through decentralization. Furthermore, these cases all control for diversity, all three states have high ethnic and religious diversity, post-authoritarian regimes, and are all developing countries. Additionally, these states represent both post-colonial and not colonized states, this difference is important because it demonstrates that developing and transitioning states that have not been colonized and pursue decentralization have the same problems as those that have been colonized, allowing room for broader application. Geographic distance also allows broader application by identifying trends and similarities in states despite region.

This topic is of interest because it raises issues of the ways in which democracy is being promoted abroad for post-authoritarian developing countries. It also demonstrates what is valued in a post-authoritarian developing democracy by exposing the priorities of the state. Furthermore,
it allows us to address weaknesses in emerging democracies and consider ways to strengthen them. For example, low civil society, corruption, and high poverty.

Despite the lack of consistent measurement trends decentralization has gained merit in its ability to solve the problems of developing countries and has been highly promoted by new governments and international institutions in the transition of post-authoritarian developing countries to democracy. However, decentralization’s goals of promoting civic empowerment, diminishing corruption, etc. are seldom met in countries that pursue decentralization. While there has been literature addressing the capacity of decentralization to fulfill expectations and evaluate its long-term durability, this thesis explores the reasons why decentralization is pursued by developing countries in their transition to democracy after an authoritarian regime in light of its limitations, and identifies the causes of these limitations, examining what insight they can give us about decentralization’s role in democratization.

The four schools of thought are addressed in order of least compelling on its own to most and will each be analyzed on their strengths and weakness in answering the question of why post-authoritarian developing states pursue decentralization when there is not an existing model of it succeeding in meeting expectations. It is important to also note that the timeline of decentralization amongst these case studies is relatively close, Indonesia was the last to implement decentralization but otherwise there has been no reason to assert that past failures of decentralization were known. In terms of the initial implementation of decentralization policies this is important because it indicates that decentralization was in fact a new international trend.

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10 Rossi, Marco. "Decentralization Initial Experiences and Expectations of the SDC."
Since developing states had no reason to pursue decentralization because they did not know of its possible short comings, the initial pursuit of decentralization must be examined carefully in order to tease out other reasons aside from being a trend. However, we must also take caution with this argument to prevent questioning other intentions. Furthermore, in the cases of Ghana and Ethiopia, decentralization was seen as driven more by domestic actors than international thus, discrediting the trend argument because it was not going with the flow but responding to demands.

**Theory Perfection: Path Dependency and Sequential Theory**

Theory perfection explains that decentralization is consistently pursued and promoted for post-authoritarian developing countries in establishing a democracy because it emphasizes a flaw in the implementation not the theory, thus prompting actors to pursue decentralization in attempt to show that can work. The key feature for literature in this concept has been promoting path dependency and sequential theory to show why decentralization has failed and how it should be pursued in order for it to reach all its expectations. These approaches are the least convincing to answer why developing states pursue decentralization policies when transitioning from an authoritarian regime to democracy because they ignore influences of globalization and question the predictability of any theory.

Path dependency theory is a political, social and economic processes that emphasizes the importance of history. It explains “how decisions and choices that are made today and in the future are dependent on decisions and choices made in the past”. 11 As Paul Pierson states “relatively small events, if they occur at the right moment, can have large and enduring

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consequences”\textsuperscript{12}, thus contingency is identified as a key self-reinforcing feature of path dependency. In other words the possibility of one event occurring is either enabled or disabled by events that occurred before it; outcomes are not independent of influence rather a series of dependent ones. Another self-reinforcing feature of path dependency theory is the concept of cost and benefits. That is the benefit of staying on a particular path can remain the same or relatively low however, but requires less resources than switching paths even if benefit is higher on the new path. Thus, the cost of switching paths is greater than the cost of staying on the same path making it less likely for a state to change its course of action due to the effort and resources put into their chosen path. Given these features of path dependency it demonstrates both how important timing is for events as well as the unpredictability of how much an event can effect the future path of an institution.

The application of path dependency theory is limited as it over emphasizes individual events. It is also unable to pick out which events will be most influential until retrospective analysis, thus, limiting theory’s predictive aspect. Since path dependency theory does not specify how to distinguish which actions will shape the future or how to gauge timing, it offers absolutely no predictive measure that can be used to decide which strategy to pursue. Not only does it not offer a predictive measure, but the framework of path dependency theory also limits the dialogue it can have with more predictive based theories because its emphasis on dependency and overthinking of each actor and event. Thus, path dependency theory is limited to only being a useful retrospective tool for analysis. In other words it is useful in to identifying key events in history, and is limited by a relational view.

Sequential theory is used by Awortwi (2011) and Falleti (2005) to reinforce the timing feature of path dependency theory and apply it specifically to decentralization policies. According to sequential theory not only does the timing matter to institutions but also the specific order to which certain choices are made. In terms of sequential theory and decentralization, sequence and “timing of each reform is crucial”\(^{13}\) in order to ensure an “evolution of intergovernmental balance of power”\(^{14}\). In other words for a transitioning country to achieve a democracy that has a system of balance of power the steps to which political, financial and administrative decentralization is pursued are crucial. According to their theories decentralization should be pursued in the following order: political decentralization, financial decentralization, and administrative decentralization.

Political decentralization (P) increases power to local government (LG) actors because it strengthens citizen participation and political accountability by establishing a local representative government\(^{15}\). Fiscal decentralization (F) is aimed at increasing local authority over revenue in order to build the local economy and increase capacity of LG to serve local communities\(^{16}\). Administrative decentralization (A) is concerned with redistributing administrative authority such as infrastructure building: schools, housing authority, etc\(^{17}\). According to Awortwi and Falleti, pursuing decentralization in the order of P, F, A will create the most balanced institutions in terms of power because P and F focus on empowering, adding accountability and increasing capacity, this type of capacity building is essential to give LG in order for it to be able to execute administrative tasks. Conversely, they offer the perspective and example of Argentina, Ghana

\(^{13}\) Awortwi, Nicholas


and Uganda where decentralization was pursued in either A→F→P or F→P→A and thus led to institutional weakness since local governments did not have adequate capacity to either execute their responsibilities or appropriately handle funds and minimize corruption\textsuperscript{18}.

While sequential theory does focus more on decentralization and offer a more guided way to predict effectiveness and outcome of decentralization, it is also limited and not very compelling because it focuses exclusively on state actors: the central government and local government. Both Falleti and Awortwi focus on how the pursuit of decentralization in an order other than P→F→A can “further augment distributional conflicts and foster subnational authoritarianism”\textsuperscript{19}. However, this analysis is limited to the internal structure of a state and how they pursued decentralization thus, ignoring the effects or role that external actors have in how decentralization is pursued. Furthermore, sequential theory also limits the window for which decentralization can be applied, for instance if the timing is wrong then policies should not be pursued. Thus, not offering a solution of when a policy should be pursued and rather can act as a scapegoat for when policy fails allowing governments to blame a variable they cannot be accountable for: timing.

Path dependency theory and path sequential theory focus on the flaws in implementation and the importance of particular steps to which decentralization should be pursued. Further attempts to decentralize are motivated by a certain optimism to perfect the theory of decentralization rather than critique it offering one of the reasons for why decentralization is pursued when there is no model of it meeting its expectations. These theories also create an idea of commitment to a certain path and promote the idea that it is too late to change or not worth


changing paths or critically analyzing how one might pursue options in a different direction. This type of thought and analysis is not only unconvincing but also dangerous because it provides an acceptable excuse for a state to continue forgoing democracy all together.

**Political Incentives:**

The political incentives for a developing state to pursue decentralization are tied directly to the political transition from an authoritarian regime to a democracy. This materializes in two forms of incentives: the first incentive is for the new government to gain legitimacy by distancing itself from the previous authority; the second political incentive is that the state does not know what other route to take and thus, follows the advice of internationally known practices. As developing countries transition out of authoritarian rule there is a need for the new government to distance itself from the oppressive and aggressive policies of the old regime. Thus, in order to appease the fear of oppression and gain legitimacy as a new democratic state decentralization policies are appealing because they are the exact opposite of the central rule practiced by the authoritarian regime. This reason for pursuing decentralization is more convincing than the previous because it accounts for the relationship between the state and the citizens but also expands to the international community and role of other actors in decentralization; however, it is still very broad and ignores more tangible or specific reasons to decentralize such as economic factors or history. According to this school of thought a state decentralizes simply because it is different and they do not know what else to do besides follow international norms. This over generalizes the decentralization process and ignores other variables and thus, is unable to stand on its own.
First, literature, for example Maribeth Erb, Priyambudi Sulistiyanto and Carole Faucher’s *Regionalism in Post-Suharto Indonesia*, focuses on decentralization as a first response of the state as a way to gain legitimacy and distance itself from the previous authoritarian regime. The pursuit of decentralization is goal driven. The goals are: transferring responsibilities to subnational governments to promote economic development, improve quality of goods and service offered, enhance welfare services, and making improving intrastate security and stability a goal.  

Given these state goals, the main reason for pursuing decentralization is to facilitate a more peaceful transition to democracy. Transferring power to subnational levels is thus motivated by the fact that it is different from the past regime because unlike the central policies of the authoritarian regime “sub-national governments are thought to be more responsive than national governments” thus, increasing the accountability of the government and reducing corruption and the abuse of power. Accordingly, decentralization is an appealing option for a government to distance itself from the oppressive policy of the authoritarian regime. Similarly to the previous school of thought, this reason cannot stand on its own because it also excludes the direct role of external actors and international politics that effect a state’s decision to pursue decentralization.

The second type of political incentive, pursuing decentralization because it does not know what else to do, is also not an adequate answer on its own. This political incentive takes away agency from the state and overshadows both domestic and international intentions. This political incentive ignores the interest of the central government to protect its economic and political dominance; the use of an obscure solution can make it easier to maintain power. It also

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ignores the role of international actors protecting their interests. This school instead pushes away interest and assumes innocence parties promoting decentralization.

**Internal Pressure**

Internal pressure is described as a response to regional or ethnic violence and a means to appease it. Literature on internal pressure for decentralization focuses on grassroots incentives and the promotion of civil society for a successful decentralization process and creation of a strong democracy. While internal pressure does do an adequate job of describing the relationship between the CG and LG it also overlooks external factors, along with the previous reasons to describe why states continue to seek decentralization when there is not an example of it meeting its expectations.

Literature on the internal pressures for transitioning states to decentralize focuses on: “strengthen(ing) local governance capacity and promoting social integration and harmonization”\textsuperscript{22}. A variety of methods within the decentralization process are suggested to achieve this goal and meet the demands of internal pressure and resolving ethnic conflict: government leadership, area-based approach, multi-stakeholder process and collective benefits, building capacities for peace and development\textsuperscript{23} - with a focus on economic empowerment of LG. In other words the administrative capacity of LG’s is strengthened; the means of which the issues decentralization focuses are pursued are made area specific to a the individual needs of different communities; the multi-stakeholder process describes increasing representation of the community and LG through increasing transparency of the LG and increasing avenues of


\textsuperscript{23} Hadi, Suprayoga. 2005.
expression such as the presence and strength of NGOs as well as promoting greater community engagement; collective benefits, building capacities for peace and development refer to identifying capacity needs within a region, identifying the regions priorities, and “allocating technical and financial resources”\textsuperscript{24}. With the goals of solving regional conflict it is emphasized that there is a “need for considerable local input in designing the overall development strategy”\textsuperscript{25}. As described by Owusu, grassroots decentralization is a process that includes “involving local people in all decision making processes”. However, the relationship between the LG and CG and its impact of the success of regional autonomy and grassroots organization is also given attention by academics. In other words, in order for a LG to support the needs and request of the communities it needs to have financial independence from the CG. Theorists have concluded: “the true measure of regional autonomy is the degree of fiscal independence a region enjoys”\textsuperscript{26}. Thus, explaining that since decentralization in theory is supposed to empower and give regions their own autonomy this would decrease national competition over resources and over political domination, since each region would be represented and in charge of their own funds. Following that theory ethnic/regional conflict would be reduced. The relationship between the LG and CG as well as ethnic split is important not only for the implementation described above but also because at the heart of the implementation is devising a method that appeals to domestic pressures such as conflict and calls for autonomy. It is important to note that this theory also only applies to the extent that the regions are ethnically related.

While this theory does an adequate job in describing different national issues and points of contention in pursuing decentralization it also ignores the influence of globalization, external

\textsuperscript{24} Hadi, Suprayoga. 2005.
actors, NGO’s and donors in the promotion of decentralization. Additionally as Elliot Green\textsuperscript{27} points out, regionalism and the “ethnicization” of decentralization can also lead to further conflict due to diverse relationships between different regional actors and the state and could lead to a continuation of previous patterns of exploitation. Furthermore, measuring the success of decentralization solely on the economic distribution ignores the social services goals of decentralization and generates the question of does fiscal decentralization guarantee that social goals will be met? Thus, in order to have a more holistic account for why post-authoritarian developing states pursue decentralization other reasons must also be looked at in conjunction.

External Pressure

External pressure describes why post-authoritarian developing states pursue decentralization as a response to donor pressure or non-state actors, such as the International Monetary Fund (IMF), World Bank (WB), multinational corporations or non-governmental organizations. This school of thought is the most adequate in incorporating globalization and other factors into why a state is inclined to make certain decisions regarding domestic and international policy. However, it falls short in the fact that international/external actors tend to be “more concerned with national politics and less about LGs”\textsuperscript{28}.

While external pressure has also been described as promoting similar goals: the redistribution of power and increasing efficiency of both LG and CG\textsuperscript{29}; external actors also have


a tendency to be focused on developing means for their own economic gain and interest. However, unlike internal pressure which monitors economic empowerment of LG, external pressure theory spends more time focusing on external actors concern with the economic strength of the state as a whole as well as securing their own economic interests. Furthermore, the standards and definitions of decentralization also derive from international organizations. Thus, not only is the CG inclined to pursue decentralized policies in order to maintain their international ties and further integrating into the international economy but the CG is also adopting the culture and norms of international organizations by using international standards; for instance, in order to maintain international funding a state will yield to the stipulations put on that funding such as adopting decentralization policies. These conditions are linked to funding packages from the World Bank and IMF to promote development.

The relationship between the global economy and the state economy is thus the emphasis of this school of thought. This is displayed on economic regulations or constraints put on the CG of a state pursuing decentralization and how that effects their domestic fiscal distribution. Furthermore, the presence of multinational corporations (MNC) acts as an example in which decentralization is limited because while the MNC does not necessarily push for decentralization policies they further complicate external pressure theory because they often maintain close ties with the CG of the “host” state. This creates incentives for the central government to limit fiscal decentralization. In other words, the central government benefits from not pursing fiscal decentralization because then they can make a large profit from the investment of MNC. If they were to decentralize the LG would have more autonomy over their finances and the state would have limited means of revenue generation. Additionally, the presence of MNC limits the social
goals of decentralization because they are allowed to exercise economic exploitation and thus creating conflict between the CG and LG over their presence. The presence of MNC in developing countries is also usually one of exploitation in the form of labor or natural resources, both of these do not agree with the democratic goals of decentralization of reducing poverty, empowering the community and having a strong civil society. The presence of a civil society raises the risk of the rise of labor unions and opposition to the presence and actions of MNC, thus threatening their profit.

Aside from MNC, other international organizations (IO) such as the WB and IMF have a binary relationship of WB-CG cutting out LG to form another binary relationship with CG (see figure below).

![Figure 1: Relationship Between the Local and Central Government in the Presence of International Organization](image)

In diagram 1, the LG does not have a direct relationship with international organization; however, these are the organizations that also promote social services on the local level. Thus, the needs of the LG are communicated to the IO’s by the CG. This in theory should give the LG representation but does not guarantee it and often causes IO’s to measure decentralization based on the success of the CG or success as reported by the CG.
These international standards fall short because they are not only in the interest of the state pursuing decentralization and since they do not originate from the transitioning state they are seen as outsider policies, which makes the integration of decentralization policies into the political culture of the host country difficult. Furthermore, the external pressure explanation does not allow room for internal incentives since in both types of relationship the LG is silenced. However, putting the internal and external incentives in conversation with each other allows for a more complete view of why developing states decentralize.

**Dialogue Between Schools**

Each of these schools of thought is useful to a certain extent in determining why post-authoritarian developing countries pursue decentralization. Next this thesis will focus on how each school can be put in dialogue in order to gain a more holistic understanding of why decentralization is pursued.

Theory perfection encourages scholars to look at the timing and context by which decentralization policy is being pursued and also speaks to certain interest of those encouraging decentralization. Putting this in discussion with external and internal pressure we can analyze actors and the political context of the time, the psychology of the state and of the international actors.

Political incentives also allow for a window into the psychology of leaders at the time decentralization is being pursued. Furthermore, it can help explain why some LG have a different relationship with the CG than others in terms of pursuing decentralization. It can also help to explain why the relationship between IO-CG differs as well. Already the complexity between the
relationships of different schools can be seen and viewed as adding multiple layers to analyzing why these states chose to pursue decentralization.

In looking at why post-authoritarian developing countries chose to adopt decentralization when transitioning to democracy it is not useful to answer this question exclusively with one school of thought. As has been demonstrated each of the schools of thought: theory perfection, political incentives, internal pressure and external pressure, all fall short and have a limited scope. Thus, it is most useful to look at these schools in dialogue with each other.

While looking at these four schools of thought together further complicates the relationships and means of analysis, it is the most accurate means by which to understand why states pursue decentralization. When in dialogue with each other a balance between universal theory and relative theory can be found and a more holistic answer to why states pursue decentralization given. Furthermore, when looking at these schools individually the problem of a false dilemma presents itself: decentralized government or centralized government. However, putting these schools into dialogue with each other suggest that states are not necessarily choosing between the two but rather finding a middle ground in the implementation of decentralization.

**Case Study: Ghana**

Ghana has a long history of political instability including: authoritarian rule and a democracy plagued by coups. In addition to political struggles, Ghana has also endured a history of ethnic conflict and regional tensions[^30]. However, despite Ghana’s turbulent history it has also been credited by Freedom House as having made great strides in democracy with a civil liberties rating of 2 and political rights rating of 1 where 1 is the best score a state can achieve[^31].

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Evaluations of Ghana’s development and democracy often mention the role of decentralization and its positive impact on the development of democracy.

While the strides Ghana has made in democracy through decentralization have been large they have also come at a sacrifice of three of the main goals in which it was first implemented: community development, poverty reduction\textsuperscript{32}, and “power to the people”\textsuperscript{33}. As a result of Ghana’s turbulent history regional and high conflict over resources and political representation, thus, the Ghanaian Constitution aimed to protect and promote the democratic freedom of civic engagement and promise financial empowerment. This chapter aims to explain why Ghana has continued to push decentralization policies despite its failures to meet its key goals and expectations. In order to do this, first it will be explained why Ghana initially decided to pursue decentralization by giving a brief history and analyzing the motives, driving force and essence of decentralization in Ghana. Then the limitations and effectiveness will be evaluated using Dickovick’s system of evaluation: authority, autonomy, accountability and capacity. This evaluation will aid in determining to what extent decentralization enables democracy to flourish or if it is at odds with democracy. Lastly the limitations will illuminate our understanding of why decentralization continues to be pursued despite its shortcomings. The limitations are perceived as a small sacrifice compared to the success of decentralization.

Accounting for the Pursuit of Decentralization

Ghana’s decentralization policies began in 1988 under President John Rawlings, who came into power in 1981 after a series of coups. Rawlings used economic stagnation and frustration as justification for his overthrow of the government and soon after in 1983 after consulting with the IMF and World Bank Rawlings adopted an Economic Recovery Program reflecting market liberalization in devaluing the currency, privatizing state enterprises and adopting fiscal austerity measures. Both the fiscal and decentralization measures taken by Rawlings in the 1980’s are significant in that they identify two key factors in the origin of decentralization: legitimacy and donors.

Economic reform in Ghana initiated by Rawlings was an attempt to gain legitimacy for his term as president and draw distinction from his reputation as a dictator who overthrows governments he disagrees with. When Rawlings took office in 1981 was the result of a coup against Hilla Limann, who in 1979 was made president after Rawlings was forced to step down. In 1981 Rawlings promised a democracy that meant: “not just paper guarantees of abstract liberties. It involves, above all, food, clothing, and shelter, in the absence of which life is not worth living. . . . [T]he time has now come for us to restructure society in a real and meaningful democratic manner so as to ensure the involvement and active participation of the people in the decision making process”.

Thus, economic reform was a priority for his term in order to create a legacy that was not one of aggressive overthrow rather, one of economic empowerment not only for Ghana as a country but also for individuals. This platform allowed his presidency to be widely accepted in 1981 as well as lead to reelection in 1996 especially Ghana’s economic

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34 “Ghana Profile Timeline.” News: World- Africa. BBC.”
36 IMF- Economic Development in a Democratic Environment. quoted in Shillington, 1992, p. 82
situation where inflation was between 75%-100%. Thus, due to the financial situation, Rawlings used economic liberalization as a means to gain legitimacy. Since this economic liberalization was not only a means to fix national financial problems but economically empower individuals, this set the foundation for 1988 decentralization policies by showing the success could come from liberalizing and limiting the influence of the central government.

Additionally, Rawlings’ fiscal liberalization also initiated the involvement of the World Bank and IMF in not only economic policies but also national policies of Ghana. While Rawling’s 1988 decision to decentralize and the inclusion of decentralization policies in the 1912 constitution did not derive from international donors they were perpetuated and used by international actors to assert dominance in Ghana’s finances and politics. This set the foundation of which external actors could enter Ghana, under the guise of development as seen in the Poverty Reduction Papers.

The promotion of decentralization policies in 1988 included the creation of district assemblies and inclusion of the protection and promotion of decentralization in the new constitution of 1992; legal measures were put into place ensuring that local governments could be created and would maintain certain authority, which the central government could not take. In 1996 Rawlings was democratically elected as President of Ghana demonstrating that his political strategy worked to distance himself from authoritarian practices and gain legitimacy. Other efforts by Rawlings included abolishing public holidays that celebrated his coup and

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authoritarian achievements\textsuperscript{39}. Decentralization served as a medium to achieve greater efficiency in distribution of resources most notably the economic empowerment and increase active participation of the citizens. Other structures of Ghana’s democratic government included a parliament, which was above the district assembly, to ensure accountability of local governments, enhance capacity of local governments, ensure effective control as well as create districts\textsuperscript{40}. While literature indicates that the idea of implementing decentralization in Ghana originated with Rawlings, the IMF however was the driving force of the inclusion of a parliament and protective policies of decentralization in the constitution\textsuperscript{41} as a stipulation of their Structural Adjustment Program (SAP). Such policies included “local provision services to be met from local revenue sources”\textsuperscript{42}. Aside from the importance of decentralization providing Ghana’s new democratic government with legitimacy, this also indicates that the international community also has an interest in the promotion of decentralization as a means of privatization, deregulation\textsuperscript{43} and a protection of economic interest as can be seen in the 1999 Poverty Reduction Papers sponsored by the World Bank and IMF as well as the Debt relief program of 2001 amongst many other initiatives. This suggests that decentralization is integral to poverty reduction and will be one of the units of evaluation.

\textsuperscript{39} “Ghana Profile Timeline.” News: World- Africa. BBC.”
\textsuperscript{43} Owusu, George. “Small Towns and Decentralised Development in Ghana: Theory and Practice”.
Evaluation of Decentralization in Ghana

In order to deduct why Ghana has continued to pursue decentralization it is useful to evaluate the effectiveness and limitations of decentralization. In conjunction with why decentralization was initially pursued these two factors will contribute to explaining why the international community is committed to the idea of decentralization to enhance democracy and analyze the intentions and nature of decentralization. The case study that will be used to measure decentralization in Ghana is the Komenda-Edina-Eguafo-Abrim (KEEA) District. This district has been chosen due to the availability of data and extensive research done on KEEA’s decentralization.

The effectiveness of decentralization will be measured in: authority, autonomy, accountability, and capacity to achieve the stated goals of decentralization; in Ghana’s case increasing participation, economic empowerment, and poverty reduction, as was stated previously. These units of measurement are derived from Tyler Dickovick’s model of analysis in his book “Decentralization in Africa: The Paradox of State Strength” and have previously been shown to be an effective form of evaluation and adequately cover the goals of political, fiscal and administrative decentralization. Authority is described as “the legal right to undertake actions in the name of the government”\(^4\). In order to measure authority in Ghana the structure of district assemblies and the responsibilities distributed district assemblies by the constitutions will be used and evaluated. Autonomy refers to the ability of sub-national governments to exercise its authority and take action without the oversight or permission of the central government.\(^5\)

Autonomy in Ghana will be measured using the breakdown of local government responsibilities

and the process by which it goes through to enact responsibilities, such as social services. Questionaries’ will also be used to gauge autonomy and how representatives in public sectors rate the efficiency of local government responses to needs. Accountability is a means of checks and balances either by institutions or individuals and civil society; upward accountability or downward accountability. Lastly, capacity is the ability of sub-national governments (SNG) to fulfill their responsibilities in regards to resources, such as financial resources, professional resources, etc. In order to measure capacity the District assembly’s composite budget will be examined, looking for origination and distribution of funds. Furthermore, efficiency surveys will also be used to determine if sectors feel they have the capacity to function efficiently.

Authority

The Ghanaian Constitution of 1992 has decentralized authority built into it on two levels: ensuring a parliament and creating/maintaining district assemblies (DAs) as the highest local level political authority. Parliament is composed of a minimum of 140 elected officials whose responsibilities include the creation of District Assemblies, the management of DAs, the regulation of trade and business. They also create and appoint committees and to impose taxation acts.

In Chapter 20 of the Constitution of Ghana46, District Assemblies are established and recognized as the highest regional authority and are given “executive, legislative and deliberative, powers as well as administrative technical support to articulate the view and

aspirations for the people with in the district." Each DA consists of a District Chief Executive, who is nominated by the national President, one-third of the DA is appointed by the central government and the other two-thirds is locally elected. As George Owusu points out the DA’s generate revenue in two ways internally- land tax, licenses and fees, as well as externally- grants and funds from the central government. Funds given to the DA by the central government are dispersed into a DA common fund and are distributed according to a formula generated by parliament. Ghana’s decentralization plan also included sub-district level councils and assemblies. The sub-district structure includes: “urban, zonal and town councils, and unit committees". The sub-district governmental level is given the authority over basic “services in education, health, water supply and sanitation to public safety and revenue collection”.

Parliament, District Assemblies and various sub-district structures, demonstrate an effort to formalize the decentralization of authority to ensure local participation. While the legal framework for the creation and maintenance of districts and sub-district government indicate an effort for administrative and political decentralization, the authority of districts is also subject to limitations of autonomy, accountability, and capacity as will be described later. A few key points to highlight in the limitations of authority are that responsibilities distributed to the local governments are limited to basic services and are subject to the provisions of the DA and overall the parliament since the parliament oversees the functioning of the DA. Thus, the DA is held accountable to the central government since it is managed by parliament. Furthermore, the ability

48 Owusu, George. “Small Towns and Decentralised Development in Ghana: Theory and Practice.”
49 Dickovick, James Tyler, and James S. Wunsch. *Decentralization in Africa: The Paradox of State Strength*. Page 96
50 Dickovick, James Tyler, and James S. Wunsch
of both the parliament and President in Act 462\textsuperscript{51} to create new districts limits the legitimacy and trust that local governments have in the districts because they are more susceptible to political changes. The number of district assemblies varies widely across years as they are not created on a timeline, rather they are usually created during time of political benefit such as after presidential inauguration or before an election and are often met with public dissent\textsuperscript{52}. The variation of districts in Ghana can be seen in the table below.

Table 1: Creation of Districts in Ghana

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Ashanti</td>
<td>10</td>
<td>8</td>
<td>18</td>
<td>3</td>
<td>21</td>
<td>6</td>
<td>27</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>Brong Ahafo</td>
<td>8</td>
<td>5</td>
<td>13</td>
<td>6</td>
<td>19</td>
<td>3</td>
<td>22</td>
<td>5</td>
<td>27</td>
</tr>
<tr>
<td>Central</td>
<td>8</td>
<td>4</td>
<td>12</td>
<td>1</td>
<td>13</td>
<td>4</td>
<td>17</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>Eastern</td>
<td>9</td>
<td>6</td>
<td>15</td>
<td>2</td>
<td>17</td>
<td>4</td>
<td>21</td>
<td>5</td>
<td>26</td>
</tr>
<tr>
<td>Greater Accra</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>6</td>
<td>4</td>
<td>10</td>
<td>6</td>
<td>16</td>
</tr>
<tr>
<td>Northern</td>
<td>7</td>
<td>6</td>
<td>13</td>
<td>8</td>
<td>21</td>
<td>2</td>
<td>23</td>
<td>6</td>
<td>29</td>
</tr>
<tr>
<td>Upper East</td>
<td>4</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td>8</td>
<td>1</td>
<td>9</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Upper West</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>-</td>
<td>5</td>
<td>4</td>
<td>9</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>Volta</td>
<td>8</td>
<td>4</td>
<td>12</td>
<td>3</td>
<td>15</td>
<td>3</td>
<td>18</td>
<td>5</td>
<td>23</td>
</tr>
<tr>
<td>Western</td>
<td>5</td>
<td>6</td>
<td>11</td>
<td>2</td>
<td>13</td>
<td>4</td>
<td>17</td>
<td>7</td>
<td>24</td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
<td>45</td>
<td>110</td>
<td>28</td>
<td>138</td>
<td>32</td>
<td>170</td>
<td>46</td>
<td>216</td>
</tr>
</tbody>
</table>


Overall, measuring Ghana’s decentralization efforts in terms of authority demonstrates strong political and administrative decentralization, which is protected by the constitution.

\textsuperscript{51} Owusu, George. 2004.

\textsuperscript{52} Dickovick. 2014. Page 106

However, local government and DA having legal rights in their territory, the ability of them to undertake their authority are also subject to the limitations of the CG and parliament; while LG is proficient, it is not adequate on its own to account for decentralization as whole. Furthermore, the efficiency of decentralized authority in Ghana is also limited by lack of legitimacy of the sub-national governments and extreme division of powers making it difficult to have oversight and accountability over all the subdivision.

**Autonomy**

One of the main challenges to decentralization in Ghana is fiscal autonomy of the sub-national governments. The fiscal autonomy of districts and local governments in Ghana are subject to the whims of the central government and macroeconomic demands. Due to Ghana’s limited capacity to generate internal revenue, as will be discussed further, the ability of local governments to execute their responsibilities relies on externally generated funds.Externally generated funds come from the central government, such as the District Assembly Common Fund (DACF), District Development Fund (DDF) and Government of Ghana Transfers (GOG), or other donors such as NGO or international actors that have establish grants that Districts in Ghana can apply to, such as the urban development grant (UDG) sponsored by the World Bank, and from the Ghana-Netherlands Wash Program (GNWP).

The dependence of local governments on the central government and other external actors for revenue does two things: indebts the local governments to the central governments because there is a need to seek out loans or extra revenue from the central government to keep

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the LG functioning and makes LG susceptible to conditionality from grants or the central government. For example, the DDF and UDG grants are controlled by the Metropolitan and Municipal District Assemblies (MMDA), which get their funding from the central government and international donors such as the World Bank and IMF. Furthermore, the central government “determines about 75% of MMDA expenditures”\textsuperscript{55}. Thus, the central government can control what sector the funds are invested in. Since decentralization also included the opening up of Ghana to privatization and foreign investment, this can also lead to the money being channeled back into the central government or to foreign investors. Thus, the fiscal autonomy of districts and local government is very limited and creates a cycle of dependency on the CG. Other funds are also subject to conditionality such as the GNWP which is specifically for the use of water sanitation and hygiene, as determined by the Netherlands. This limits the autonomy of the LG to channel funds where they need them to meet local demands for development.

Furthermore, the amount of the DACF and DDF are not reliable in amount or timing, as will be further elaborated later, thus in order to ensure revenue of the DA and local governments to cover basic cost of functioning loyalties to the central government are made and thus also limiting political autonomy. Overall, local governments have high “budgetary control” limiting their autonomy; as Dickovick points out this resembles delegated agencies rather than fiscally autonomous LGs as is prompted by decentralization.

\textit{Accountability}

One of the goals of decentralization in Ghana has also been to give power to the people and incorporate them in the political process; thus, upward accountability and downward

\textsuperscript{55} Dickovick, James Tyler, and James S. Wunsch. 2014. Page. 97.
accountability; mobilization of grassroots organization and civil society are a key means of measurement for accountability. While the DA structure and decentralization of authority to local governments is supposed to act as institutional upward accountability to ensure that the local governments can keep the CG accountable there are flaws in this system. 30% of MMDA is appointed by the president\textsuperscript{56} and thus is incomplete in upward decentralization because district level decentralization has alliances to the central government and those reporting to the central government on behalf of the LG are elected central government officials. From this process there is a clear conflict of interest that allows for corruption to breed and limits accountability.

In terms of downward accountability there are a few struggles that Ghana faces: literacy and low opportunity. Emmanuel Debrah points out that education is one of the main drivers in grassroots, civic engagement and upward accountability, as a means to increase accessible to government documentation and understanding decentralization\textsuperscript{57}. The inaccessibility of government documentation leads a misinformed public that is cut out of the political and administrative system because they do not have the education needed to engage in government structures. As Dickovick points out, civil engagement is limited to non-formal means such as radio and there have been some changes enacted by civil society organizations (CSO)\textsuperscript{58}; for instance the NGO, African Women International pushing for more women engagement in local governance of the KEEA district\textsuperscript{59}. Despite the feats of few CSOs they face many institutional challenges as well as engagement challenges due to high poverty and illiteracy rates. Thus, informal civil society organizations are not enough to sustain civil engagement and education is

\textsuperscript{56} Dickovick, James Tyler, and James S. Wunsch. 2014
\textsuperscript{58} Dickovick, James Tyler, and James S. Wunsch. 2014
also needed to attack the core issue of accessibility in order to improve accountability. Overall strides for accountability under decentralization in Ghana are still need to be made.

**Capacity**

Capacity building for District Assemblies and Sub-District governments in Ghana is one of the biggest obstacles because sub-national governments set up to fail in terms that they do not have the resources to perform their administrative responsibilities. This evaluation will focus on administrative and fiscal capacity for the following reasons: a) their data for fiscal capacity is the most accessible by the local governments as well as my international measurements and other academic research; b) since one of the goals of decentralization is to increase economic growth and empowerment of local governments and people, thus this is a key feature to devote analysis to; c) in his study on the effects of decentralization and economic growth Tobin Im proved that there were strong “negative relations between decentralization and economic growth” in developing countries that stem from the countries administrative capacity meaning that limited administrative capacity results in limited economic growth. Thus, limited financial and administrative capacity can generate a strong ripple effect that inhibits the extent to which decentralization can achieve its goals in other sectors and instead exacerbate existing issues in developing countries that pursue decentralization.

As scholars have noted fiscal capacity is one factor that has remained highly limited in Ghana; as seen in authority of the Parliament and DA over the funds distributed to the districts. District funds from the central government have thus been limited to the (DACF), which

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guarantees a minimum of 7% of the states revenue to be distributed between all 216 district assemblies. Furthermore, not only does the number of district assemblies fluctuate and has been on an increasing trend, but also the means by which the DACF is distributed is inconsistent and based on political trends.

Table 2: KEEA District Assembly, Sources of Revenue 2009-2013

<table>
<thead>
<tr>
<th>Revenue Item</th>
<th>2009 Actual</th>
<th>%</th>
<th>2010 Actual</th>
<th>%</th>
<th>2012 Actual</th>
<th>%</th>
<th>2013 Actual</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>IGF</td>
<td>248,409.27</td>
<td>9.2</td>
<td>272,920.00</td>
<td>6.5</td>
<td>291,263.62</td>
<td>27.5</td>
<td>158,067.98</td>
<td>7.7</td>
</tr>
<tr>
<td>Compensation</td>
<td>------------</td>
<td></td>
<td>------------</td>
<td></td>
<td>740,793.46</td>
<td>69.9</td>
<td>799,353.67</td>
<td>38.7</td>
</tr>
<tr>
<td>Goods and Services</td>
<td>------------</td>
<td></td>
<td>27,834.92</td>
<td>2.6</td>
<td>------------</td>
<td></td>
<td>------------</td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>------------</td>
<td></td>
<td>------------</td>
<td></td>
<td>------------</td>
<td></td>
<td>------------</td>
<td></td>
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<tr>
<td>GoG Transfers</td>
<td>1,313,725.6</td>
<td>48.4</td>
<td>2,255,958.99</td>
<td>53.8</td>
<td>------------</td>
<td></td>
<td>107,111.31</td>
<td>5.2</td>
</tr>
<tr>
<td>DACF</td>
<td>1,151,835.48</td>
<td>42.4</td>
<td>1,141,647.00</td>
<td>27.2</td>
<td>289,602.54</td>
<td>13.7</td>
<td>107,111.31</td>
<td>5.2</td>
</tr>
<tr>
<td>DDF</td>
<td>------------</td>
<td></td>
<td>524,949.17</td>
<td>12.5</td>
<td>289,602.54</td>
<td>13.7</td>
<td>107,111.31</td>
<td>5.2</td>
</tr>
<tr>
<td>UDG</td>
<td>------------</td>
<td></td>
<td>------------</td>
<td></td>
<td>436,419.29</td>
<td>21.1</td>
<td>107,111.31</td>
<td>5.2</td>
</tr>
<tr>
<td>Other Donor Funds</td>
<td>------------</td>
<td></td>
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<td></td>
<td>------------</td>
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<td>------------</td>
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<tr>
<td>Agric</td>
<td>------------</td>
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<td></td>
<td>------------</td>
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<td></td>
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<tr>
<td>Sister City support</td>
<td>------------</td>
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<td>-------------</td>
<td></td>
<td>------------</td>
<td></td>
<td>------------</td>
<td></td>
</tr>
<tr>
<td>GNWP</td>
<td>------------</td>
<td></td>
<td>275,500.00</td>
<td>13.3</td>
<td>275,500.00</td>
<td>13.3</td>
<td>275,500.00</td>
<td>13.3</td>
</tr>
<tr>
<td>Total</td>
<td>2,713,970.35</td>
<td>4,195,475.16</td>
<td>1,059,892</td>
<td>2,066,054.79</td>
<td></td>
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</tbody>
</table>

Source: KEEA District Budget Officer’s Office.

As seen in Table 1 DACF fund distribution is inconsistent in deliverance and amount as it was not distributed in 2012 (data on 2011 in the KEEA DA is incomplete and was thus excluded from the table). While decentralization has given the districts the power to implement internally

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generated funds (IGF) in the forms of tax, licenses, etc. however, IGF only accounts for on average of 7.8% of the district’s total revenue indicating that there is difficulty generating local funds to account for the districts expenses. Thus, districts are not internally generating enough funds to execute their responsibilities, such as education, health care and services, water and hygiene, etc. They have to rely on other sources of revenue such as grants and district pool funds determined by the central government for their main source of revenue. However, central government funding is not reliable in timing or amount because there is no standard to which it is distributed and the distribution process lacks transparency: thus inhibiting the long term planning and impact local governments can have. Similar findings for other districts in Ghana have also been found by scholars.64

Administrative capacity also demonstrates high limitations in Ghana on multiple levels: improperly trained staff in local government positions, human resource constraints, lack of commitment of staff to local government and ineffective coordination between subcommittees. These findings are supported in Godwin Ramous Kwame Egbenya’s Study of the effectives of decentralization policy in the KEEA and Abura-Asebu-Kwamankese (AAK) districts of Ghana. Egbenya’s study consisted of a survey given to policy administrators and stakeholders to the surveyed sectors. Grassroots stakeholders were also surveyed however, were few compared to directors and administrators surveyed. The sectors included health, education, and water sectors.

Dickovick, James Tyler, and James S. Wunsch. 2014
Overall limits to Ghana’s decentralization process are primarily in autonomy, accountability and capacity. Authority is the only sector in which seems to have been implemented fully; however, it is also subject to the constraints of the other sectors and cannot stand on its own to push decentralization forward to meet its stated goals of poverty reduction, community development, and democracy. Autonomy is limited by the central government’s minimal effort for fiscal decentralization and dependency between LGs and the CG. Accountability is limited by high poverty, illiteracy rates, minimal cooperation between committees, and lack of commitment to the LG by official because they are seen as inefficient and always struggling for funds as well as generally low civil engagement, which is hindered by institutional structures. Limiting factors to capacity are financial and administrative. The central government disperses only a marginal amount of its revenue to the local governments at the same time while controlling how that revenue is used; furthermore government funding is unreliable in timing and amount and LGs struggle to generate internal funds creating further dependency on externally generated revenue. In terms of administrative capacity the local governments struggle with human resources and proper training, further adding to the limitations of decentralization in Ghana.

**Linking Motives and Outcomes of Decentralization**

In Ghana decentralization has failed to reach the development, democracy and poverty goals on which it was promoted. This dissonance between the ideas of decentralization and the outcomes of decentralization policies expose that the implementation of decentralization is flawed; in agreement with theory perfection. So why is there a discrepancy between the implementation and the goals of decentralization? When the actual implantation methods of
decentralization are put into dialogue with the initial reason decentralization was pursued light is shed on this question. It was never about the values and ideals of decentralization to being with, rather it started off as a domestic political tool used by Rawlings to gain political legitimacy. Decentralization was then recognized as a tool to international actors as well as a means to be welcomed into developing countries by promoting of democracy, development and however, true intentions were to gain financial leverage within Ghana as was demonstrated in its aid conditionality. Thus, the capitalistic ventures of developed countries were masked by packages highlighting social justice utilizing the existing language of poverty relief, civil empowerment and democracy; however, they also ensured that the fine print was accepted to liberalize markets.

Accordingly, Ghana’s continued pursuit of decentralization despite its shortcomings in producing desired outcomes can be attributed to one large framework that has two forms of discourse: maintaining the political economic interests of the elite. The first is a domestic discourse of gaining political power and maintaining it; the second is an external effort at maintenance of global power dynamics and the economic dominance of developed countries. These exploitations were able to piggyback off of decentralization because the true intentions of pursuing decentralization were never about the ideals, but rather political gain, thus causing its failures. If decentralization as initial pursuit was about achieving the goals of democracy and development the implementation mechanism would match and be actively promoted.

**Case Study: Indonesia**

In the summer of 2014 Indonesia captured headlines as the presidential elections of that year were cited as “a crucial turning point in Indonesia’s democracy”(NDI)\(^6\) and a “role model

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for peaceful, democratic transfers of power in Southeast Asia"\textsuperscript{66}. After the peaceful democratic elections of 2014 resulting in Jokowi Widodo becoming president, the United States also displayed trust in Indonesia’s quickly developing democracy and competitive economy with the presence of Secretary of State John Kerry at president Jokowi’s inauguration (Editorial Board, NYT:2014)\textsuperscript{67}. As Sandra Hamid and several other scholars point out Indonesia’s quick strides in democracy in the past 18 years since the end of the Suharto dictatorship can be attributed to decentralization\textsuperscript{68}.

However, even as a member of the G-20 major economies in the world and despite the large strides found in their Freedom House ratings from partially free ratings averaging 5 on a scale of 1-7, with 7 the least free, in 1998 to an average freedom rating of 3 in 2015\textsuperscript{69}, 100 million Indonesians are living on $2 or less a day and “only 55% of poor Indonesia children complete junior high school” (Banyan, The Economist: 2011)\textsuperscript{70}. Press freedoms since 2002 til 2015 have had minimal change 53 to 49 on a scale of 0-100 where 100 is not free\textsuperscript{71}. These important measures of the success of democracy and decentralization in Indonesia have obscured the local goals and shortcomings of decentralization. These discrepancies between the larger


picture of decentralization and the local picture point to a dissonance between the intended goals of decentralization and the implementation of decentralization policies in Indonesia. This chapter explains why decentralization in Indonesia is not only regarded as an exemplary case but also explain why it continues despite shortcomings. This chapter will first explain and offer context on Indonesia’s initial goals and motives for pursuing decentralization. Then Dickovic’s model of evaluating decentralization will be used to determine where the short-comings are in authority, autonomy, accountability, and capacity. This evaluation as a whole will then be put in dialogue with Indonesia’s initial reasons for pursuing decentralization in order to help account for commitment despite failures and determine the implications of decentralization’s relationship with democracy: is at odds with democracy? Does it force certain goals to be prioritized higher while others are accepted as disposable.

**Historical Account for the Pursuit of Decentralization**

Indonesia did not start its decentralization process until 2001 making it a relatively late comer to the party, since decentralization took off in the 90’s. Scholars have attributed Indonesia’s pursuit of decentralization to three key factors: a means of gaining local political legitimacy as a democracy, political response to separatist movements and ethnic violence and following a global trend promoted by donors. Indonesia’s motives for pursuing decentralization thus, fall into two categories: domestic pressure and international pressure.

After gaining independence from the Dutch in 1945, President Sukarno enacted policies intended to unite the diverse population of Indonesia under the unitary state and central government Jakarta. After a failed coup in 1965, political suspicions around Sukarno’s Indonesian Communist Party (PKI) lead to Sukarno handing over “emergency power” to Major-
General Suharto who served as president of Indonesia from 1966-1998\textsuperscript{72}. Suharto’s New Order has been referred to as “one of the most brutal and corrupt (dictatorships) of the 20\textsuperscript{th} century”\textsuperscript{73} due to its wide spread corruption, militarized rule, targeted ethnic violence and human rights violations\textsuperscript{74}. During his rule Suharto set up a system of “political patronage linking him directly with political leader in the regions”\textsuperscript{75} as well as introducing laws that limited regional control over finances and local affairs. As scholars have noted these highly central policies under Suharto not only exacerbated regional tensions but also created tensions and distrust between the central government and the different regions. Thus, when B.J. Habibie became president in 1998 decentralization ideas had become popular amongst regions in Indonesia. Habibie’s one year term has thus been linked to the dismantling of the central government and introduction of decentralization laws. These laws gave autonomy to district and municipal governments, and replaced the appointed system of provincial governments with an electoral system by parliament and electoral system for local municipal and district governments\textsuperscript{76}. As Hamish McDonald outlines in detail in his book \textit{Demokrasi: Indonesia in the 21\textsuperscript{st} Century} Habibie made a conscious effort to distance himself from Suharto even rejecting attempts of Suharto to reach out, thus his efforts and concentration on political reform and decentralization can be seen as a political


From a larger political economic view of Indonesia’s shift to democracy using decentralization under Habibie, can also be attributed to international actors and the timing of events. Compared to Ghana and, as will be discussed later, Ethiopia, Indonesia is a relative latecomer to the game and did not start pursuing decentralization until the early 2000’s. Ghana and Ethiopia on the other hand were on one of the first waves of decentralization in the 1980’s and were founded in more homegrown responses. In other words decentralization in Ghana and Ethiopia derived from domestic pressures, no international influence. In Ghana and Ethiopia decentralization was later perpetuated by external influences but the initial pursuit was a domestic push. By the time Indonesia joined the game decentralization had become an international trend that donors had learned to utilized in aid packages to obscure their economic interest under the gauze of development. During Suharto’s regime Indonesia experienced large economic growth in resource rich regions such as Aceh, Irian Jaya (Papua), East Kalimantan, etc. However, economic benefits from these regions only went to the small elite and central government. The economic boom in these regions is attributed to opening up of these markets to the international community as well as foreign aid in the form of loans awarded to Suharto by other States such as the United States and Japan, who were interested in Indonesia as a financial resource and tool against the spread of communism in Asia; Suharto also received a bailout from the IMF in 1996. These instances of a foreign presence in Indonesia during Suharto’s regime are important because it set a precedent for international interference in Indonesia’s politics and economics. Thus, when Suharto’s regime fell after the Asian Financial crisis of 1997,

international actors were not only looked to for financial support but also for support for democracy. It was in the interest of these international actors/donors to take advantage of Indonesia’s transition and take a leading role in decentralization in order to protect their interests and influence. Thus, Indonesia’s pursuit of decentralization was a result of the state looking to international actors for ways to gain political legitimacy internally and address the domestic pressures of ethnic conflict and oppression left by Suharto’s authoritarian regime. The goals of decentralization through joint domestic and international cooperation became to strengthen capacity, create a strong civil society and create a credible democratic government in Indonesia.

Evaluation of Decentralization in Indonesia

In order to determine why Indonesia has stayed committed to decentralized policies and efforts this chapter will evaluate the effectiveness and limitations of those efforts. Decentralization in Indonesia will be evaluated by Tyler Dickovick’s model of authority, autonomy, accountability, and capacity; while his model has been predominantly used to examine case studies in Africa his model has also been proven to be effective in measuring the goals of political, fiscal and administrative decentralization efforts. Furthermore, Indonesia and African countries that have been measured using this model have the large similarity of being a post-authoritarian developing countries trying to pursue a participatory democracy. Evaluations and records kept on decentralization in Indonesia have been done by international institutions such as the World Bank, the case studies for Indonesia come in the form of a general country survey as well as general public expenditure data.

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The general country survey refers to the Government and Decentralization Survey (GDS) sponsored by the World Bank in 2006 and administered by the SMERU research institute at the University of Gadjah Mada in Jogjakarta Indonesia\textsuperscript{79}. The purpose of this survey was to evaluate the performance of three decentralization programs sponsored by the World Bank in Indonesia. It does so by using a survey to measure performance and satisfaction with the local government. The GDS consists of a random sample from different districts in Indonesia and included teachers, principles, heads of the target district (education, health, and public services) from North and South Sumatra, West, Central, and East Java, South Kalimantan, South Sulawesi and Aceh. Public responses to this series of surveys is sufficient for this study because the methods of randomization and cross sector evaluation gives a broad and more representative view of decentralization in Indonesia.

The public expenditure data comes from data collected by the World Bank on regional expenditures as well as revenue sources. Peter Haywood and Nidi Harahap\textsuperscript{80} have tracked the sources and flows of public spending from 15 districts in Java. Their study focused on expenditures in relation to public health, however, it is also useful for the purposes of determining fiscal capacity and autonomy since it demonstrates not only where funds come from but also shows any stipulations given with grants or money transfers. In addition to putting each measurement of analysis in dialogue with Indonesia’s motives for pursuing decentralization, they will also be compared against the initial goals of decentralization in the context of Indonesia. The expectations of the people were that decentralization would bring to Indonesia included “better

\textsuperscript{79} Widyanti, Wenefrida, and Asep Suryahadi. \textit{The State of Local Governance and Public Services in the Decentralized Indonesia in 2006: Findings from the Governance and Decentralization Survey 2 (GDS2)}. Jakarta: SMERU Research Institute, 2008. Print

government, better public services, more prosperity, more justice and more equality”81. However, as will be demonstrated this has not been the case in Indonesia.

Authority

While the Indonesian constitution does have an electoral system set up in terms of electing a president, unlike the constitution of Ghana, it does not emphasize decentralization, rather it emphasizes a unitary state. The Indonesia Constitution of 1945 does set up regional and provincial levels of administration; however, there are two important factors to note, in the constitutional structure direct authority of the regions was regulated by law according to the central government. Additionally during Suharto’s regime these features in the Indonesia constitution that reflected decentralization were ignored and the state practiced central control over all regional affairs using the Ministry of Home Affairs to manage all services, where district leaders were appointed by the state82.

Thus, the main laws implemented in Indonesia that advertise decentralization as a means to democracy are law no. 22/1999 and law no. 25/1999 enacted by President Habibie. Law 22/1999 gave broad authority to regional governments including the maintenance of social services such as education, hospitals and local elections; while the central government maintained jurisdiction over defense, justice, police and planning83. Law 25/1999 gave regions the authority to “collect local tax, fees, proceeds from public services, and profit sharing from joint ventures with private enterprises. However, despite the fiscal authority local governments

(LGs) were given as a result of Law 25/1999 the central government (CG) also maintained the authority to negotiate revenue sharing stipulations with joint ventures, foreign enterprises and international donors. Thus, LG did not have fiscal autonomy, since the CG could intervene and determine the amount of revenue regions could collect from foreign investors. This in turn also limits the capacity as will be touched on later.

Furthermore, authority of the LG has also been limited by Law no 32/2004 which “stipulates that all national civil servants are under the control of the central government”84. This law created a contradiction in the distribution of authority because it undermined administrative attempts at decentralization by creating a loyalist system of employees to the central government rather than to the LG. This was done by giving the CG the responsibility of determining social benefits for personnel working in municipality or regional government.

Thus, in terms of authority Indonesia’s decentralization demonstrates partial and contradictory efforts which limit the extent to which goals in local governments can be met. The contradictory aspect of authority efforts in Indonesia point to an unwillingness of the central government to fully pursue decentralization, suggesting that the goals initially stated in decentralization efforts to strengthen capacity, create a strong civil society and create a credible government were never intended to be achieved or were deemed disposable in comparison to other goals. Since the implementation does not reflect the goals this raises two key points: the intentions of decentralization policy were not to empower civil society and that in the pursuit of democracy some aspects are expendable. The expendable nature of some goals can be seen in the priority to appease local tensions and overall increase in the country’s GDP at the expense of civil society, economic equality and widespread attention to the quality of social services. In

other words decreasing violence is more important than promoting civil society or rights such as freedom of the press. Additionally, an internationally compatible GDP is prioritized over government transparency because a high GDP is one of the main international measurement of state strength and allows for corruption to persist in the country. Thus, decentralization became a political tool to maintain economic dominance of domestic elite by minimizing transparency and international investors have strong economic influence within Indonesia. The structure of a decentralized government is there, however it is limited by laws that create a hierarchy between the different levels of government that encourages loyalty to the central government.

Autonomy

According to Dickovick, autonomy refers to the ability of the LG to exercise its authority without interference of the central government. As was mentioned above the central government has limited the autonomy of LG in responsibilities relating to fiscal decentralization and political decentralization. The revenue sharing strategies of the central government highly limits the fiscal autonomy of LG because while the LG does have control of how much property tax to charge and the collection of other administrative fees, when it comes to collecting revenue the LG is subject to the intervention of the CG, since they have the authority to decide what percentage a district or province is entitled to. Table 3 below demonstrates this limited fiscal autonomy of regions in Indonesia.
Table 3 displays the percentage of revenue each level of government gets from different industries, which are decided by the central government\textsuperscript{85}. This demonstrates the limits of the local government’s autonomy in their fiscal control as well as the interest of the central government; the central government is more interested in certain industries than others and wants to maintain control over them, specifically the gas industry as can be seen above. This is due to the high amount of foreign investment in each industry and the large revenue the CG can get from it. Furthermore, this also causes tensions between the LG and CG because LGs have shown a desire to have control over the foreign investment in their region. Aceh is a case in which LG - CG tension over foreign investment can be seen with dispute over ExxonMobil’s presence and the protection the Indonesian CG has offered ExxonMobil. In short locals in Aceh have accused ExxonMobil of human rights violations as well as unfair employment opportunities. In response to a protest of ExxonMobil’s presence in Aceh the central government sent military troops to

stop the protest and protect ExxonMobil’s facilities\textsuperscript{86}. Thus, not solving the problem of separatist movements or reaching demands for more regional autonomy and rather further exacerbating tensions between LGs and the CG.

Political autonomy has also been limited in Indonesia, by law 32/2004. This law not only takes away the autonomy and authority of the local governments to control regional employees but also creates a loyalist system within the regional government to the central government. Since the local government is in charge of administering benefits to district employees they are inclined to make decisions over the region that benefits the central government and protects the interests of the central government as opposed to the LG. Consequently this causes distrust in the CG and LG by the people since in practice the regional government does not represent LG interests, it represents CG interests which are focused primarily on economic advancement.

Overall, autonomy in Indonesia is limited by the central government’s hesitation to fully transfer control over select industries to the LG. The CG has instead put in place legislation that allows them to interfere with regional autonomy.

\textit{Accountability}

Scholars have described the structure of Indonesia’s decentralization as hierarchical resulting in limiting the accountability that can be achieved, especially since personnel in local governments are held more accountable to the central government than they are the local government due to the dependence of the regional government on CG. While the role of civil society and public participation is not only a goal stated by decentralization but a means of

ensuring bottom up accountability, it is also contingent on the institutional structure of the decentralized government. Indonesia’s rigid hierarchy of decentralization is not conducive to promoting civil society. It has made it difficult for civil society to engage in administration. The hierarchy of the decentralized government is see below in Figure 2.

Figure 2: Hierarchy of the central and local government

![Hierarchy of the central and local government]


Civil society is growing in Indonesia around religion, the press and non-government organizations however in an “ineffective way”; “such regions do not feel the need to be obedient to the government” leading to a lack of compliance to government regulations. This can be attributed to the perception of corruption of the local government, the limited autonomy of states, and lack of transparency. The lack of transparency and “checking out” of the system that Tikson

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describes regarding civil society doing is reflected in the Government and Decentralization Survey of 2006.

First, transparency issues arise in individual awareness of where capital comes from and the services provided, even when services have been delivered on smallest level, the village. Responses to GDS indicate that of all those surveyed an average of 55% of the population was unaware that their village was part of the development programs, around 23% was aware of the village participation and 21% responded “don’t know” interpreted as neutral. These development programs are sponsored by international donors and the central government; the knowledge of them on the local level is important in measuring accountability because it demonstrates the extent to which government structures interact with the people. In this case the population was not very engaged in development efforts and did not even know they were taking place thus, suggesting that the programs are not reaching the people and raising the question of who these development programs benefit. Furthermore, an average of only 15% of the respondents reported receiving information regarding the village budget. This indicates that even at the smallest local level information is not accessible to the public and transparency at the local level is minimal.

The means of obtaining an identity card (KTP) reflects citizens disobedience and disrespect of the system and using informal means of navigation. The GDS study shows that an average of 78% of those surveyed were aware of the official procedure to obtaining a KTP however, at the same time 48% of those surveyed obtained a KTP through informal means. The GDS study was able to conclude that “the use of informal intermediaries is not related to the

knowledge of the official procedure for obtaining a KTP and that the time difference between
the official procedures and unofficial procedures is not statistically significant. Thus,
explanations to this discrepancy can be attributed to lack of trust in the formal system of
governance and a sign of citizens functioning outside of regulations.

Structures, such as engagement of civil society and the government hierarchy, for bottom
up accountability in Indonesia are not strong and not inherent in the administrative system
established by decentralization. In terms of civil society accountability, action by civil society in
Indonesia revolves around social groups predominantly villages, however, instead of creating a
checks and balance system working with their local government they appear to have found ways
to work around them and thus, are not an effective means for ensure accountability.

Capacity

As has been introduced in table 1 with revenue sharing regulations, financial capacity of
the LG remains a large challenge to Indonesia. Signs of weak administrative capacity of the
various levels of government have not been cited in literature and have not been found to be
supported by data. This can be attributed to two reasons, the lack of literature on administrative
capacity and/or personnel in administrative positions are qualified and accountable to the central
government, thus, can not be measured as a representation of the capacity of the LG. However, it
has been noted that LG are low in human resources and coordination.

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89 Widyanti, Wenefrida, and Asep Suryahadi. *The State of Local Governance and Public Services in the
Decentralized Indonesia in 2006: Findings from the Governance and Decentralization Survey 2 (GDS2).* Jakarta:

90 Hadi, Suprayoga. "Enhancing Local Governance Through Decentralization Policy in Managing Conflict-Affected
Regions in Eastern Indonesia." *Regional Development Dialogue.* By United Nations Centre for Regional
Thus, in looking at the ability of LG to execute the responsibilities that have been given to them: ie providing public services including education and health services. Table 4, below, displays the revenue sources for all districts in Indonesia.

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount (Rp billion)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Source Revenue</td>
<td>12,530</td>
<td>9</td>
</tr>
<tr>
<td>Shared Taxes</td>
<td>15,122</td>
<td>11</td>
</tr>
<tr>
<td>Shared Natural Resource Revenue</td>
<td>17,488</td>
<td>12</td>
</tr>
<tr>
<td>General Allocation Fund (DAU)</td>
<td>79,843</td>
<td>56</td>
</tr>
<tr>
<td>Special Allocation Fund (DAK)</td>
<td>4,628</td>
<td>3</td>
</tr>
<tr>
<td>Other revenue (including dekon, tugas pembantuan, PTT, Askeskin)</td>
<td>13,196</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>142,807</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


Table two demonstrates that fiscal dependency of districts and cities on the central government since 59% (DAU + DAK) of LG revenues depend on the central government: the DAU is a General Allocation Grant, or discretionary grant, and the DAK is a Special Allocation Fund. Furthermore, 9% of the revenue generated by local governments is from NGO’s or external donors as listed in “other revenue” where the World Bank sponsors most of the listed programs. These figures in conjunction to those displayed in Table 1 demonstrate heavy dependency of the LG on the CG and externally generated funds as well as difficulty in generating local funds. Thus, demonstrating that decentralization has not succeeded in increasing capacity of local governments.
Linking the Motives and Outcomes of Decentralization

The discrepancy between the implementation of decentralization and the stated goals of decentralization in Indonesia can be accounted for in suggesting that the central government of Indonesia was actually not pursuing decentralization for all of the stated reasons of regional political and fiscal empowerment by the central government. Rather, some aspects of decentralization and democracy were expendable such as local empowerment, increased participation and economic equality. Instead true intentions behind the pursuit and maintenance of decentralization have been as a political tool both domestically and internationally since it seems to be “the natural extension of democratization”\textsuperscript{91} at the time decentralization was useful to promote government legitimacy after authoritarian rule. The rhetoric of equality, participation, democracy and development made it a welcomed remedy by the public and its effect on decreased ethnic and regional violence was seen as a success and overshadowed the control that the central government maintained over local governments.

Furthermore, the nature of decentralization in giving more regional autonomy creates an easy scape-goat and smoke screen for the central government. In other words, when development in an area has not met expectations the central government is not only void of responsibility but also does not perceive it to be in their responsibility. Thus, the failure of decentralization is blamed on the implementation rather than the larger structure and allows for the central government to maintain its discrete authority over funds and political aspects, letting the central government off the hook for not providing adequate resources and services.

Case Study: Ethiopia

Similar to Ghana and Indonesia, Ethiopia has a history of ethnic violence, authoritarian rule and has also utilized decentralization as a means to appease social and political tensions. However, unlike Ghana and Indonesia, Ethiopia has not been colonized, its decentralization resembles ethnic federalism and its Freedom House ratings have been more variable to change than Ghana and Indonesia. Ethiopia’s decentralization efforts have resulted in a government structure consisting of five levels of authority: federal, regional states, zones, woredas, and kebeles. The driving force for decentralization efforts in Ethiopia were to “enable the different ethnic groups to develop their culture and language, manage socio-economic development in their respective areas, exercise self rule and bring about equitable share of national resources among the regions,” thus, the structure of regional divisions in Ethiopia are based on ethno-linguistic lines. The division of regions on ethic and linguistic lines is important because it demonstrates that one of the goals and driving factors in implementing decentralization was to address ethnic conflict and achieve peace. Furthermore, Ethiopia’s democracy ratings on Freedom House and critiques by the press, especially after President Obama praised its democracy in 2015, have made the limitations of decentralization more apparent than in other states such as Indonesia and Ghana which have been reflected in a less critical light.

From 1998 to 2010 Ethiopia’s Freedom House ratings in freedom rating, civil liberties and political rights were all four out of seven, seven being the worst. Freedom House has attributed this growth in democratic freedoms to the homegrown decentralization efforts included in the Ethiopian constitution of 1994. While today Ethiopia has been identified by the

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IMF as “one of Africa’s top performing economies” and is optimistic in decentralization’s ability to “overcoming geographic and socio-economic barriers to inclusive growth and structural transformation”\textsuperscript{96}. However, as Freedom House, Democracy Now, Aljazeera America and many other sources point out in 2015 criticisms of President Obama’s hail of Ethiopia’s democracy, it has in fact made minimal progress towards “genuine democracy” \textsuperscript{97}. As of the end of 2015 Ethiopia’s Freedom House ratings in political rights, civil liberties and freedom ratings have had a dramatic change since 2010 and rank had fallen to six out of seven. Thus, in Ethiopia’s case it is clear that the decentralization has not achieved the promotion of liberties or been a catalyst for democracy. Rather questions arise in regards to decentralization acting as retarding force in the process to democratize, its role in exacerbating inequalities. Like Ghana and Indonesia, decentralization has been exploited to pursue the interest of the central government.

This chapter aims to account for decentralization’s role in the transition to democracy in Ethiopia. First, a historical account of why Ethiopia initially pursued decentralization and the main goals of decentralization will be explained, along with context of recent historical events that are significant in its recoil of progress. Then the weaknesses in the structure of decentralization in Ethiopia will be identified and evaluated using Tyler Dickovick’s evaluation system of authority, autonomy, accountability and capacity. Dickovick’s evaluation methods will help to identify where decentralization has failed and account for the drop in Freedom House ratings. Furthermore, when put into dialogue with Ethiopia’s reasons for pursuing decentralization this will identify what the relationship between decentralization and democracy


has become. This evaluation will also be useful in providing recommendations for what
decentralization needs to succeed and why it continues to be pursued.

**Historical Account for Decentralization**

Ethiopia’s decentralization efforts began in 1991 after the overthrow of the Marxist
dictator Haile Mengistu and were embedded in the foundations of Ethiopian governance in the
1994 constitution. Until 1974 Ethiopia had been lead by a series of emperors that held divine
status and maintained a separation of central government over peasants. In 1974 General
Teferi Benti became head of the state after a military coup overthrowing Emperor Haile
Selassie. General Teferi was then killed in 1977 and replaced by Colonel Mengistu Haile
Mariam, who was head of state and dictator from 1977-1991 in Ethiopia.

Under Mengistu’s rule Ethiopia experienced the purging of thousands of government
opponents in the “Red Terror”, invasion by Somalia which was later defeated with the aid of the
Soviet Union and Cuba, famine and military resistance. At the end of the cold war Mengistu’s
rule simultaneously came to an end when the Ethiopian People’s Revolutionary Democratic
Front (EPRDF) captured the capital Addis Ababa. The transitional government established by
the EPRDF began creating a democratically elected government focusing on Ethiopia’s
“multiethnic structure which translated into strong constitutional guarantees for the respective
ethnicities”. The recognition of Ethiopia’s diverse ethnicities was important for the solidarity

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100 Zewde, Bahru, and Siegfried Pausewang. 2002
of the Ethiopian state because historically southern populations in Ethiopia had been hurt by “Amharisation” causing an exploitative relationship between peasants of southern nationalities and the central state. Amharisation refers to the dominance of the amhar ethnic group in Ethiopian politics and in to culture by the nationalizing of the Amhar language. Furthermore, it is these peasants and minority ethnicities that often suffered from famines that struck Ethiopia as they did not have representation in the previous central government to address their needs\(^\text{103}\). Thus, after the end of the Mengistu regime peasants, local governments and underrepresented regions seized the opportunity to push for the emergence of different nations; the transitional government responded with decentralization and the empowerment of regional actors in administrative, political and fiscal abilities\(^\text{104}\).

In the years of between 1998 and 2011 Ethiopia faced on going border conflicts with Eritrea as well as domestic political struggles. Violent protest erupted in Ethiopia in 2005 over disputed multi-party elections\(^\text{105}\) and an election rerun was declared. In 2011 when Ethiopia’s Freedom House ratings dropped, it was accused of fraudulent elections, repression of opposition parties, and restrictions on media after the EPRDF won the majority of seats in the parliamentary elections\(^\text{106}\). In 2015 the EPRDF, yet again, won the overwhelming majority in the general election and was again criticized for the legitimacy of the elections. Recently in January 2016 human rights groups have raised concerns of deaths occurring during a protest and the occupation of the regional state of Oromia by the military\(^\text{107}\). These recent events in Ethiopia’s

\(^{103}\) Zewde, Bahru, and Siegfried Pausewang. 2002.

\(^{104}\) Zewde, Bahru, and Siegfried Pausewang. 2002


history have been the cause for criticism of its democratic status and indicates that decentralization has not succeeded in achieving its goals.

Overall, Ethiopia’s implementation of decentralization has been homegrown in regards that the ideas were not an imposed condition or taken from external actors. Rather, it was a natural response to demands for regional autonomy, a means to decrease ethnic tensions and create a democratic framework in which the government can respond effectively to the local needs. However, its shortcomings and failure to achieve its goals indicates that decentralization has not been pursued fully or has become a tool of exploitation and means to maintain political and economic dominance of one party.

Evaluation

Once again, using Dickovick’s model, we will evaluate decentralization in Ethiopia. Each level of analysis will be described as it relates to the ability to achieve the stated goals of decentralization as described by Zewde; in Ethiopia’s case ensure equal share of resources, increase participation, and allow ethnic groups to exercise self-rule, as was stated previously. These units of measurement have previously been shown to be an effective form of evaluation and adequately cover the goals of political, fiscal and administrative decentralization. The case study that will be evaluated is Oromia because it is one of Ethiopia’s largest regional states and has accessible data. Furthermore, Oromia has a history of tensions over the dominance of the Amhara state in politics and social affairs. The tension between Oromia is important because


Amhara has historically represented the interest of the central government and ruling party, while Oromia has fought for equality against Amhara.

As described by Dickovick, authority is the legal right for central governments to take action; to measure this the structure of Ethiopia’s five levels of governance as stated by the constitution will be used to evaluate legal authority. Autonomy is the ability of local governments to exercise authority over responsibilities without central government oversight. Autonomy in Ethiopia will be measured by a) comparing how local governments exercise their responsibilities and b) the central government’s role. Accountability refers to the ability to hold different levels of government accountable to performing their duties and ensuring there are mechanisms in place for liability. Interviews of government official and locals conducted by Marc Cohen and Mamusha Lemma for the international Food Policy Institute in 2011 will be used to evaluate accountability. Their study included rural areas and the representation of women in the different levels of local government and decision-making processes. These surveys have been chosen because the class of people surveyed not only come from the selected case study regions but also represent traditionally marginalized groups that decentralization is supposed to cater to and increase civil service delivery to. Capacity is the measurement of the local government’s ability to exercise the responsibilities that have been given to them including: financial, human resources, training, etc. In order to measure capacity regional budgets will be looked at to determine if they have the financial capacity to enact their responsibility. Satisfaction survey’s conducted by the World Bank will be used to gauge public content with service delivery and perception of capacity in the education and agricultural sectors. Furthermore, performance impact evaluations conducted by the International Fund for Agricultural Development will also be used to identify capacity issues and strengths.
Authority

The decentralization of political, fiscal and administrative authority in Ethiopia has been cited by scholars as one of the most “clearly established and secure” (Dickovick and Gabre-Egziabher. 7. 2010)\textsuperscript{109}. Decentralized authority in Ethiopia takes two main forms: a horizontal decentralization of the federal government and vertical decentralization of government to local levels of administration. The federal government consists of the House of Representatives, House of the Federation, the President, the Executive branch, and the Courts. The House of Representatives and House of the Federation for the Ethiopian parliament and are the highest authority in the federal government\textsuperscript{110}. The House of the Federation has authority and the responsibility of overseeing regional affairs in terms of functions and intergovernmental transfers\textsuperscript{111}.

Vertical decentralization refers to the local government structures that were created to address local needs and support bottom up accountability; the structure is as follows: Federal government, Regional states, Zones, Woredas, and Kebeles. The regional level of government is the most recognized level of local government because of the authority given to it, including the right to secede from Ethiopia as guaranteed in clause 1 of article 39 in the constitution. Other responsibilities of the regional government include “internal self-rule, authority to raise local


revenue, and administer their own budgets and development plans”\textsuperscript{112} and to create regional constitutions.

Zones are the next administrative unit in Ethiopia’s vertical governmental structure. Responsibilities and authority of the zones include “coordinating among the Woredas and monitoring Woreda compliance with regional prerogatives”\textsuperscript{113}. Furthermore staff at the zonal level of government is appointed by regional administration. While the implementation of zones does indicate an effort to further increase local representation at the same time the policy of zones appointing members is counter productive to the goal of representation because it creates a local government that is held accountable to the zonal government rather than people. While elected officials are not inherently the best choice, when a state is moving out of an authoritarian regime it is important for the local levels of government to represent the people through election in order to help prevent corruption and increase representation; however, representation alone is not enough and elected official should also have the individual and administrative capacity to navigate technicalities of government. Additionally, it increases the space in which corruption can be bred as well as a mistrust of the government by the people because it is not seen to reflect their needs.

The Woreda levels are comprised of elected officials and are most variable to change and divide based on population demands and needs. Additionally, Woredas were part of Ethiopia’s “second wave of decentralization” (Dickovick and Gabre-Egziabher, 75; 2014) in 2002 under the


District Level Decentralization Program\textsuperscript{114}, thus, their authority does not derive from the state constitution but rather from the regional constitutions. Authority of Woredas typically includes social services, development and collection of funds as dictated by the regional government; however, they generally depend on the regional government for funds. Social services and public goods that the Woredas are responsible for include: education, sanitation, utilities, roads, health, etc.\textsuperscript{115} The last level of governance is the Kebeles which has been described by scholars as the grassroots level of organization and is characterized by locally elected councils who then appoint executive members\textsuperscript{116}. The creation of Woredas and Kebeles can be seen as an effort to try and create more upward accountability and increase involvement and representation in of the people in the Ethiopian government. While these efforts are admirable they are also limited by their capacity and limited autonomy to enact their responsibilities.

Overall the legal structures of decentralization in Ethiopia reflect high levels of decentralized authority; however, this process is also subject to the unequal allocation of capacity to different tiers as well as contradictions in the autonomy of subnational governments, thus leaving room for faults in the system. Authority has been given to sub-national governments but due to constraints of restrictive policies and other institutions its effectiveness is limited.

\textit{Autonomy}

One of the main inhibiting factors of the success for decentralization in Ethiopia is autonomy of the sub-national governments (SNG). Limited autonomy of SNG in Ethiopia

\textsuperscript{114} Ayenew, Meheret. 2002.
contradicts the authority and capacity of SNG. While SNG are given authority to oversee administration and local politics their authority is also limited by a dependency on the federal government for capacity building. Thus, dependency on the central government for financial and administrative capacity gives the central government leverage over the SNG to decide how it functions, where/how funds are distributed and the management of Woredas. Thus, authority of the central government is able to trickle down to the lowest level of SNG contradicting the authority that has been given to these decentralized units of government.

Mulugeta Debebe Gemechu argues that the federal government has a role in determining how regional funds are distributed to the Woredas. The federal government sets certain principles indicating how their funds can be distributed to the different Woredas\textsuperscript{117}, since the federal transfer grants are the region’s largest source of income, the federal government has a say in how the majority of the regional funds can be used. Other scholars such as Dickovick and Gebre-Egziabher and Zewde and Pauswang have also noted the contingency of autonomy on the central government in Ethiopia.

Overall the limited fiscal autonomy and dependence on the central government limited the autonomy of both the regional government and Woreda level governments, as will be discussed later. Although they have authority their capacity is limited and dependence on the central government give the federal government financial leverage over SNG.

Accountability

An important aspect of decentralization has been to promote and improve accountability and transparency in order to fight corruption and create a more participatory democracy\textsuperscript{118}. However, this has not been the case in Ethiopia and processes remain vague in terms of the means by which administrative functions work, how fund distributions are determined and the roles of SNG.

In an evaluation conducted by the International Fund for Agricultural Development (IFAD) on the performance and impact of decentralization on the agricultural industry they found that community involvement in the “technical design, and traditional water user groups were ignored”\textsuperscript{119}. This suggests that the process and projects of decentralization within the LG are very technical and represent a top-down approach rather than homegrown efforts towards decentralization, thus not addressing the needs of the locals. Therefore, the efforts of decentralization are seen as imposed from the top-down and are not accessible because they are too technical and the process is not shared with the local populations affected by the efforts. IFAD promotes inclusion of the population in projects in order to give the public a voice within the administrative system as well as promote transparency and a civil society. However, since the process is inaccessible and imposed the public are removed and unengaged from political and administrative processes.

Furthermore, as was pointed out in the World Bank Working paper evaluating service delivery and decentralization in Ethiopia by Marito Garcia, a competitive democratic system


facilitates political forms of accountability\textsuperscript{120}. However, Ethiopia has not had a competitive political forum and instead has been primarily dominated by one party. In 2005, protests broke out over elections. Violence erupted between the police and protesters resulting in nearly 200 protesters being killed\textsuperscript{121}. Furthermore, the presidential elections of 2015 in Ethiopia have also caused controversy and have been characterized by intimidation and voting obstruction\textsuperscript{122}. Thus, it can be seen that not only are accountability measures not present but they are also suppressed in Ethiopia.

**Capacity**

As was identified earlier the regional government has “four sources of income available…: a) revenue collected from taxes allocated to them, b) grants given by the central government, c) domestic borrowing d) other sources of income” (Degefe, 67;1994)\textsuperscript{123}. Thus, fiscal capacity will be evaluated on two levels one examining the fiscal capacity of the regions and the other of the Woredas. This will be done because while the region is the officially recognized local government it is the Woredas that represent local communal needs and have the responsibility of providing social services. While the regional government has been given the authority to provide social services it has delegated this responsibility to the Woredas, thus, they are an important level of measure. Administrative capacity will be evaluated by using a survey conducted by the World Bank measuring the public’s perception of the efficiency of the


agriculture and education sectors. Additionally, the International Fund for Agricultural Development has conducted performance impact studies of Ethiopia’s agricultural sector, which will also be used.

While ensuring the fiscal capacity of regions has been a priority of the central government and guaranteed by the first round of decentralization efforts in 1992 in article 36 proclamation 7, which states that “grants are provided to finance basic social services and economic development programs”\textsuperscript{124}. However, the means for receiving a grant remain unclear and include a proposal process by the region and an approval process by the central government. The approval process lacks transparency and gives the central government the right to adjust the amount, proposal, and where the funds should be allocated. Furthermore, 88\% of the region’s revenue comes from external sources, namely from the federal government. In addition to demonstrating the dependence of the regional government on the central government the regional revenue for Oromia in Table 5 also indicates difficulty in generating local revenue within the region. Thus, while the regions receive large support from the central government it creates a system of dependency of the regions on the central government. Furthermore, since it is the region’s responsibility to request funds and the process is not clear this creates a sense of competition over resources between regions. Hence, the regional government is more accountable to the federal government in order to ensure revenue. Another important aspect of the regional financing for Oromia to note is that upon reviewing Oromia’s regional budget and calculating the total revenue values, I found that they are off by 350 million Birr; in other words they are claiming that they are making 350 million more than is accounted for on their budget, specifically in their regional revenue. The difference in what they claim to be making versus

\textsuperscript{124} Degefe, Befekadu. (1994) Page 69
what they are actually making can be attributed to a variety of reasons including: spending money they don’t have, unwilling to list a source of income, human error, corruption or lack in administrative capacity and inadequate skill level of regional financing administrators. All of these issues thus, can also reflect problems in the decentralization process in terms of authority, responsibility and administration delegation and training further indicating limited administrative capacity.

Table 5: Oromia Regional State Financing Revenue (2006)

<table>
<thead>
<tr>
<th>Region’s Revenue Source</th>
<th>Amount (Birr)</th>
<th>Budget Revenue (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region Taxes Revenue</td>
<td>780,858,285.00</td>
<td></td>
</tr>
<tr>
<td>Region Non-Taxes Revenue</td>
<td>168,505,818.00</td>
<td></td>
</tr>
<tr>
<td>Region Capital Revenue</td>
<td>635,897.00</td>
<td></td>
</tr>
<tr>
<td><strong>Total Regional Revenue</strong></td>
<td><strong>950,000,000</strong></td>
<td><strong>11.9</strong></td>
</tr>
<tr>
<td>Claimed Regional Revenue</td>
<td>1,300,000,000.00</td>
<td></td>
</tr>
<tr>
<td>Federal Government Subsidy</td>
<td>6,406,460,000.00</td>
<td>80.5</td>
</tr>
<tr>
<td>External Assistance</td>
<td>354,790,000.00</td>
<td>4.5</td>
</tr>
<tr>
<td>Foreign Loan</td>
<td>29,670,000.00</td>
<td>0.37</td>
</tr>
<tr>
<td>From Retained Earnings</td>
<td>217,456,049.00</td>
<td>2.73</td>
</tr>
<tr>
<td><strong>Total External Revenue</strong></td>
<td><strong>7,008,376,049</strong></td>
<td><strong>88.1</strong></td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>7,958,376,049</strong></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td>Claimed Total Revenue</td>
<td>8,308,376,049</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Budget Proclamation. Oromia Bureau of Finance and Economic Development*  

The Woredas are also an important level of analysis in measuring capacity because these are the level of government to best represent the local populations as well has being responsible for the delivery of social services. Woreda’s budgets are based off of a transfer system from the regional government; the transfer system is however, determined by the federal government. Formulas for regional budget distribution follow principles set by the federal government are inconsistent and not transparent. The Woreda’s budget and financial capacity completely

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dependent on the regional government and subsequently the central government. Additionally, as was mentioned above, the central government maintains the right to direct where federal funds are allocated. Thus, while the regions have capacity it is not only limited and dependent on the federal government but heir autonomy is also limited and ultimately contingent on federal restriction. This creates a competitive environment over funds and thus, leaves room for corruption.

Table 6: Dendi District Budget

<table>
<thead>
<tr>
<th>Year</th>
<th>Recurrent</th>
<th>Working</th>
<th>Capital</th>
<th>Contingency</th>
<th>Transfer from Oromia</th>
<th>Own Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>8,012</td>
<td>876</td>
<td>63</td>
<td>122</td>
<td>6,654</td>
<td>2,419</td>
</tr>
<tr>
<td>2006</td>
<td>8,517</td>
<td>195</td>
<td>8</td>
<td>-</td>
<td>7,365</td>
<td>1,354</td>
</tr>
<tr>
<td>2007</td>
<td>11,503</td>
<td>975</td>
<td>598</td>
<td>721</td>
<td>12,150</td>
<td>2,646</td>
</tr>
<tr>
<td>2008</td>
<td>16,148</td>
<td>1,884</td>
<td>79</td>
<td>2,027</td>
<td>18,328</td>
<td>4,601</td>
</tr>
<tr>
<td>2009</td>
<td>18,991</td>
<td>1,561</td>
<td>60</td>
<td>1,420</td>
<td>15,773</td>
<td>6,258</td>
</tr>
</tbody>
</table>

Chart 1: Dendi Budget Distribution

Source: Dendi District Budget 2009 in Gemechu, Mulugeta Debebe, Decentralization in Ethiopia. 2012.

In terms of fiscal capacity of the Woreda level of governance the system of upward dependency continues; in other words the Woredas are financially dependent on the region and the region is dependent on the federal government, the low levels having large influence from the preceding level. Table 6 demonstrates the sources of revenue for the Dendi district in Oromia and its dependence on Oromia transfers for a large portion of its revenue. Furthermore, not only are these Woredas highly dependent on the regional government but their revenue is also relatively small for the large amount of services they are responsible for delivering, including daily office functioning of the Woredas such as maintenance, utilities, salaries, etc. in addition to providing local education, sanitary and infrastructure services127. As can be seen in chart 1 the overwhelming majority of the Dendi district’s budget goes to administrative expenses. This

127 Gemechu, Mulugeta Debebe. 2012.
suggest a few things: lack of financial capacity to keep the administration of Woredas to maintain basic functioning much less social services, misdistribution of funds, or low administrative capacity.

Administrative capacity has also been identified, by scholars and data, as being highly limited specifically in terms of training, qualifications and human resources. The limitations of administrative capacity of Oromia can be seen in a survey report conducted by Salem Development Consultants (SDC) in 2005 for the Ministry of Finance and Economic Development, sponsored by the World Bank and German Technical Cooperation Ethiopian Office, a partner of the International Labor Organization. One of the most telling figures found by SDC was a 26% vacancy average in Woreda administrative positions, of the other three regions sampled the vacancy average of Woreda administrative positions was not far behind ranging from 20% - 7.2%, with an average of 17% vacancy rate128. This supports other findings that indicate the Woreda administrative capacity lacks human resources. Furthermore, SDC notes that to help compensate for this lack in human resources many Woreda hire professional contractors suggesting that one challenge to recruiting is the lack of qualified personnel to take the jobs; in other words the Woredas lack human resources because there is a limited pool to draw from. Thus, while decentralization was “expected to lead to efficient and effective service delivery”129 it has instead hosted “projects operated with little enthusiasm for some of the concerns…for example empowerment, targeting, accountability, transparency and

It has been identified that Woredas face capacity challenges and there is need to develop skills build provisional knowledge and increase resources within the Woredas. In the Salem Development Consultants’ report he also surveyed major problems for staff recruitment in Woreda’s; his findings can be seen below in Table 7.

Table 7: Major Problems in Staff Recruitment 2005

Table 7 demonstrates that the two largest problems in staffing are in fact candidates not being qualified for the positions as well as low pay. Thus, it follows that capacity building in Woredas need to be strengthened and is one of the main shortcomings of decentralization.

**Interplay Between Pursuit of Decentralization and the Evaluation**

In Ethiopia administrative decentralization has been strongly enforced; however, it is limited by the centralization of resources and the power of the central government. Thus, decentralization efforts in Ethiopia seem to contradict each other suggesting that the central government is not concerned with reaching the goals of decentralization: equality, transparency,
community development and a strong civil society. Instead this suggests that its initial motives for pursing decentralization have remained the reason for which they maintain and continue to push it; decentralization has become a tool of political power and a means to diffuse interstate conflict.

The limits in Ethiopia’s decentralization can be understood by its priority to appease ethnic conflict and maintain the political dominance of one party by masking it in terms of development and inclusion. The empowering rhetoric of decentralization and democracy rather lend themselves as good platforms that are difficult to measure and track. Furthermore, the nature of decentralization empowering local governments allows for the central government to escape ridicule when goals are not met, thus being the perfect tool to maintain political power and avoid or brush off criticism.

Thus, from Ethiopia it can be seen that decentralization is not inherently at odds with democracy but is vulnerable to becoming a tool for further exploitation, which is why its effects have been seen to be the opposite of what it was intended to achieve. Furthermore, when put in dialogue with the reasons why Ethiopia has pursued decentralization to achieve a democracy the question is raised about prioritizing democratic values. Along with Ghana and Indonesia it seems stability and decrease of ethnic or regional violence are prioritized over organizing a civil society and building strong institutions on every level of SNG.

Conclusion

Overall these three case studies demonstrate that the flaws in decentralization are in the implementation process most notably in the legal framework of capacity and autonomy of sub national governments. Thus, despite efforts to distribute authority to local governments, the
success of decentralization is undermined by halfhearted efforts in capacity building and granting autonomy to sub-national governments. Furthermore, capacity building is an essential piece in stimulating democracy and has implications on autonomy. In other words financial capacity is necessary for sub-national governments to execute their responsibilities otherwise they are set up for failure. Additionally, capacity limitations effect the autonomy of local governments because it is usually the local government usually maintains control over LG financial capacity meaning that their autonomy is limited to the extent their capacity is dependent on the central government. Development of human resources, skills and provisional knowledge are also necessary to understand how government works and increase efficiency. Additionally forms of accountability are not well developed because administrative decentralization has been done in a top-down manner thus, limiting formal means of accountability and engagement of the people in government. Furthermore, the government is inaccessible, due to capacity challenges, and not transparent with its services and responsibilities. Thus, accounting for decentralization’s failures to increase civil engagement and curtail corruption.

The evaluation of Ghana, Indonesia and Ethiopia all demonstrate problems with autonomy and capacity building of local governments. Formal means of accountability in all three cases are scare and top-down; leaving the central government accountable to no authority and local governments loyal to the central governments. Decentralization of authority on the other hand was found to be high and protected by formal legal documents. However, decentralization of authority cannot stand on its own in promoting civil engagement and reducing corruption, thus it is limited by autonomy, capacity and accountability. Additionally all three case studies demonstrated specific capacity issues of human resources and a struggle to generate internal funds for regional budgets. Human resources are limited by funding available to
cover the cost of labor as well as a lack of qualified personnel and applicants to fill the positions needed. The financial capacity of local government in all three cases was also shown to be largely dependent on the central government thus, creating completion between regions over funds as well as creating loyalty of LG officials to the CG rather than to the people they are supposed to represent. Furthermore, in all three cases the autonomy of the local government was limited by the central government’s control over regional finances, giving it the ability to dictate programs. In addition to the decentralization of authority, the decentralization process in Ghana, Indonesia and Ethiopia has also appeased regional conflict and achieved political stability, in that there has not been a coup or violent outbreaks. Despite the diversity in region and timing of pursuit each of these case studies present the same shortcomings of decentralization.

The case study evaluations also demonstrate that in post-authoritarian developing countries the implementation of decentralization policies do not reflect the goals of decentralization. The common goals stated when states decentralize are poverty alleviation, increase civil accountability and alleviation of ethnic/regional conflict. Thus, the means of which decentralization has been implemented has limited the efficiency and extent to which democracy can be achieved. Instead decentralization has retarded the growth of social services, maintained widening inequality and increased completion over resources between regions.

However, despite decentralization’s failures to achieve its goal it is not inherently at odds with democracy rather, it is a tool that has been exploited by internal and external actors to assure their economic and political security. Internal actors such as political parties have used decentralization as a means to gain legitimacy as well as avoid criticism for program failures. External actors have used decentralization as a means of which to enter a state under the wing of development promotion, however, as a sub clause international actors also ensure their own
economic and political interests. Thus, decentralization is a tool that can be used to achieve different goals by different actors. When each of the evaluation of each case study was put into dialogue with the reasons each state decided to pursue decentralization it was determined that the true intentions of decentralization were either a) a political tool for domestic governments to gain legitimacy with citizens or b) a tool by external actors to maintain economic influence over the resources in developing states.

The fours schools of thought: theory perfection, political incentives, internal pressures and external pressure compliment each other in accounting for the use of decentralization as a political tool for domestic government to gain legitimacy. The three countries examines: Ghana, Indonesia and Ethiopia, all demonstrate strong political incentives to pursue decentralization. At the time of pursuit each of the states was transitioning from an authoritarian regime to a democracy; thus, there was a strong need to distance the new government from the old oppressive one. Decentralization was chosen as a political tool to gain domestic legitimacy. In dialogue with the evaluation of the case studies it is also suggested that the goal of decentralization was a means to achieve political legitimacy not promote reform or encourage civil engagement. Each case study displayed half-hearted attempts at decentralization that left local governments dependent and limited by the central government. Thus, decentralization was just a means to obtain legitimacy and maintain central government interest, as seen in limited autonomy and capacity of LG. Internal pressure accounts for the pursuit and failures of decentralization as a domestic political tool because under this school of thought the central government is responding to the demands of the public for regional autonomy to accommodate different ethnic groups. When a central government responds to the needs of the citizens it gains legitimacy as being representative and responsive. However, under the decentralized government
the central government is given the scapegoat of blaming implementation or the regions when social services or public demands are not met. Thus, a state can continue decentralization because the failures are seen as a failure of implementation on the sub-national level. Theory perfection also supports this by attributing the failures of decentralization as being in the implementation either in timing or order. According to this school of thought Ghana, Indonesia and Ethiopia all implemented decentralization in an order that created dependence of local governments on the central government thus, accounting for its failures and showing that its interest were to preserve powers of the central government. Lastly external pressure accounts for the opportunistic role of external actors. External actors utilized decentralization as a way to gain influence in developing states. External actors offered financial aid and development packages to states that had a high demand for them. While these packages used decentralization and democracy as headlines, the subscript included economic benefits to gain and ensure their economic and political interests in these states would be protected.

Despite its failure to meet its goals of promoting civil engagement and reducing corruption, decentralization is still pursued because it is useful as a tool to promote the interest of political elite domestically and protect the interests of international actors in developing countries. Additionally, the failures of decentralization are overlooked for its strengths, which include protecting certain interest groups as well as reducing ethnic/regional violence. However, the shortcomings of decentralization should not be ignored because they undermine the goals it does achieve and inhibit the long-term success; thus it is not surprising that goals of decentralization are not met.
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