Understanding Decentralization processes: The RED-IFO model and Territoriality

Decentralization has, not only an administrative value, but also a civic dimension, since it increases the opportunities for citizens to take interest in public affairs; it makes them get accustomed to using freedom. And from the accumulation of these local, active, pernickety freedoms, is born the most efficient counterweight against the claims of the central government, even if it were supported by an impersonal, collective will.

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CONTENT

I. Introduction ........................................................................................................................................... 3

II. Major Trends in Decentralization and Rural Development ................................................................. 4
   1. A new distribution of responsibilities: from centralization to deconcentration .............................. 4
   2. Disengagement of the State, Economic Liberalization, and Decentralization ............................... 5
   3. Accountability and Institution Building for Local Jurisdictions and Civil Society Organizations: Participation, Consultations and Partnerships ........................................................................ 7

III. The risks of Decentralization .............................................................................................................. 8
   Risk 1. The giving priority to local demands can undermine the overall logic of a country’s strategies ........................................................................................................................................ 8
   Risk 2. Information asymmetry between partners can lead to the absence of coherence between them ........................................................................................................................................ 9
   Risk 3. Expecting assistance can result in a decline of support services for farmers ...................... 9
   Risk 4. Traditions of clientelism favour the most influential actors in dominating decentralized structures ........................................................................................................................................ 9
   Risk 5. The institutional rigidity of the governing system can slow down the pace or even block of decentralization processes .................................................................................................. 10

IV. The RED-IFO Model for Decentralization ....................................................................................... 10
   1. Regionalization and Differentiation Methodology (RED) ................................................................. 10
   2. Support Policies: Information, Training and Organization (IFO) .................................................. 11
      The Role of Access to Information .................................................................................................. 11
      Training to avoid Institutional Voids .............................................................................................. 11
      Organizational support for local actors ........................................................................................... 11
   3. Conclusion ........................................................................................................................................ 12

V. The Framework of Decentralization .................................................................................................. 13

VI. The intermediate level of the political system and territoriality ....................................................... 18
I. Introduction

Decentralization policies are part of vigorous initiatives to support rural development. In its most basic definition, decentralization is the transfer of part of the powers of the central government to regional or local authorities. Centralization is in response to the need for national unity, whereas decentralization is in response to demands for diversity. Both forms of administration coexist in different political systems. There seems to be a consensus since the 1980s that too much centralization or absolute local autonomy are both harmful and that it is necessary to put in place a better system of collaboration between the national, regional and local centres of decision-making.

The renewed interest in a decentralized structure of the state, comes from the recognition that less centralized decision-making would make national public institutions more effective, and that it would make local governments and civil society more competent in the management of their own affairs. Recent research by different international organizations confirm this point of view:

Decentralization has kept its promise as far as the strengthening of democracy at the national level is concerned, as well as the central government's commitment in favour of rural development. It has thus contributed toward moving away from the bias toward urban areas in matters of development; to better management of the coordination of integrated rural development projects, and ensuring their sustainability. Decentralization has also reduced poverty which results from regional disparities, in paying more attention to the attendant socio-economic factors, in facilitating the gradual increase in development efforts, and the promotion of cooperation between the government and NGOs, while increasing transparency, accountability, and the response capacity of institutions.

These observations have led some states to turn to the decentralized approach to development, especially so with the strong democratic processes in vogue, and the demands of new organizations of civil society that they participate in decision-making. The local level ceases to be the point of implementation of development policies decided by external actors, to become the place where local actors themselves determine the direction of their development, and implement them. Also, public policy decision-makers accept the necessity of citizen participation in order to make government action more effective and sustainable.

The aim of this chapter is to trace the history of the ongoing processes to the current situations so that they could be better understood. Three major trends relating to decentralization can be identified:

- the gradual appearing of a new distribution of responsibilities among the national, regional and local levels of government through the process of deconcentration (an initial and limited form of decentralization);

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1 For a general survey of the periods when different Latin American and African countries started to experiment with decentralization, see the Country Profiles section in the Online Sourcebook on Decentralization and Local Development.

2 World Bank, "Decentralization, Fiscal Systems, and Rural Development".
the disengagement of the state and economic liberalization, which favoured a new wave of decentralization through devolution;
increased involvement of local jurisdictions and civil society in the management of their affairs, with new forms of participation, consultation, and partnerships.

II. Major Trends in Decentralization and Rural Development

The aim here is to retrace the trends which made it possible to move away from the interventions of highly centralized states, providing a large part of services to rural populations, to first of all, the disengagement of the state and the redefinition of its mandate, and the reinforcement of the roles and responsibilities of civil society and the different forms of local government.

1. A new distribution of responsibilities: from centralization to deconcentration

The first major trend in decentralization was administrative deconcentration. In the context of deconcentration processes, different ministries transfer their functions and authority to regional and/or local out-posts. This limited form of decentralization only concerns relations between central level organs and their lower tiers. Deconcentration means that decision-making remains at the center, the other levels of government being limited to transmitting orders and implementing decisions. Though decisions regarding crucial issues are made at the center, the levels with deconcentrated authority can by delegation, make decisions concerning less important issues.

When they initiate a deconcentration process, governments seek mostly to bring their services closer to citizens either by moving part of their personnel to a particular location, or by assigning some responsibilities to regional or local authorities, while retaining administrative control over decisions taken locally.

It is possible to conclude that deconcentration is not a variant of decentralization but that deconcentration and decentralization are two distinct processes: deconcentration is, for the central government, the transfer of decision-making powers to its own local agents, whereas in decentralization in the strict sense, it is the transfer of power to organs or people elected by local populations. In other words, decentralization involves the management, by citizens and their elected officials, of matters that concern them the most. To get to decentralization in the strict sense of the term, it has been necessary to go through the experience of putting in place a new configuration of responsibilities between national institutions and their regional or local units. Though it is limited in scope, deconcentration makes it possible to involve citizens in decision-making.

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3 Analysis of decentralization processes shows that in the majority of cases, the processes have not gone beyond this stage.
4 An example of deconcentration is the delegation of functions to semi-public and semi-autonomous entities: partial transfer of functions and authority to regional or sectorial agencies.
It has also brought to light the necessity of true decentralization and the strengthening of democracy at local level. Experiments with deconcentration followed by advancement or not toward decentralization have been tried in both developed and developing countries, though at different times in history. Except for a few countries, the nation-state at its beginnings was strong and highly centralized. Since the 19th century, in most developed countries, and during the second half of the 20th century in the developing countries, many waves of deconcentration have come to serve as a counterweight to these two characteristics of the nation-state, giving rise to a new distribution of decision-making between the central government and its regional and local outposts.

Deconcentration was seen at first as a more efficient way of organizing the work of public administrations, which would make it possible to appreciate the usefulness of each category of citizens. It was thus considered a condition for the efficient functioning of the state. But it was also admitted that the necessity for coordination and that of having the general interest prevail in government action, meant that the state could not cede all its powers to local jurisdictions. Other considerations associated with democratization came to reinforce the trend toward deconcentration, which appeared to be a means of reducing the dissatisfaction of citizens toward local jurisdictions.

Nevertheless, the transition from deconcentration to decentralization did not occur, in the context of the economic reconstruction of the after-war years, and the building of the new nation-states after decolonization, both situations requiring unwavering and highly centralized policies relating to town and country planning and economic development. Hence deconcentration was given preference though subnational jurisdictions demanded decentralization through devolution.

As far as the agricultural and rural development sector is concerned, the principal method of intervention by the states during the 60s and 70s was the launching of huge integrated rural development projects. They are characterized by a high degree of public intervention and limited delegation to semi-public agencies with well defined functions, like marketing, inputs, sales, agricultural credit, or irrigation infrastructure. These methods of intervention were unsatisfactory and the viability of equipment could not be ensured. In spite the deconcentration of some of the huge projects, the centralized management style was one reason which rendered them unsuitable. The lessons from these experiments indicate the difficulty of obtaining significant results through heavily centralized methods. Their principal drawback is that they are unable to mobilize rural populations because their goals do not necessarily correspond to the priorities of these populations, being part of long-term plans incompatible with the pressing needs of producers.

2. Disengagement of the State, Economic Liberalization, and Decentralization

The failures of the centralized forms of state intervention and the realization that deconcentration had its limits, and the renewal of free-market theories embodied by structural adjustment and

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5 It was expected that deconcentration by increasing the responsibilities of regions and departments, would lead to increased importance of local jurisdictions in the eyes of citizens, especially in areas directly affecting citizens (health, assistance, education).
macro-economic stabilization policies, are all reasons for adapting public service in the direction of true decentralization.

During the 80s, and more intensely during the 90s, governments have tried to overcome the flaws of deconcentration by transferring decision-making powers, not to local levels of central government organs, or to semi-autonomous public agencies, but rather to elected officials of local jurisdictions, and to civil society organizations. Decentralization by devolution is therefore, the transfer of functions, resources and decision-making to citizens themselves, who would exercise the powers ceded to either their local government, or to their representative organizations.

If one accepts that deconcentration is a variant of decentralization, we can then say that this trend toward devolution is a transition from administrative decentralization to political decentralization. There is political decentralization when the subnational jurisdictions have independent revenue sources, and their leadership is elected by universal suffrage. Administrative decentralization on the other hand, means that the decentralized jurisdiction remains under the supervision of the state, that its leadership is generally appointed, and that it does not have enough autonomy in the use of its resources. Administrative decentralization is thus associated more with the notion of deconcentration, while political decentralization involves a true devolution of powers.

In other words, the transfer of functions and resources between the different levels of the national government (deconcentration), becomes more significant with the transfer of decision-making powers and resources of the central government to civil society (devolution). These new reforms by devolution are characterized by four major changes, which seek to make the objectives of effective administration and local democracy compatible:

- The creation of new subnational jurisdictions at regional or local level;
- The generalization of elections by universal suffrage to cover all subnational jurisdictions;
- The transfer of authority with sufficient financial resources for subnational jurisdictions to carry out functions assigned;
- The removal of the a priori supervisory role of state representatives, and the institution of legal administrative control (administrative tribunals), and a posteriori control of budgets.

Decentralization by devolution or territorial decentralization makes it possible for inhabitants of a town, a department, or region to settle their administrative affairs through their elected representatives. All the same, during the first wave of this type of decentralization, local jurisdictions were placed under the supervision of a representative of the national government, with the task of making an a posteriori check on the legality of their decisions. New waves of decentralization gradually improved the representation of citizens in the process of decision-making. Representative democracy was limited, nevertheless, especially with local elite capturing the decentralized functions. This situation made it necessary to strengthen the process with participatory democracy, based on civil society organizations.

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6 The renewal of decentralization experiments in the context of structural adjustment programs, and democratization, appears clearly in the experiences of Colombia, Niger and Mali.
7 Bolivia and Mali are examples of the most advanced processes.
Also, the excessive and disorganized tapping of natural resources was another reason to put in place decentralization by devolution through the creation of intermediate structures that function according to the subsidiarity principle. According to this principle, each level of government must be given full consideration in government action. It was thus advisable to let local governments undertake all the functions they were capable of carrying out as well as, or better than higher levels. In these circumstances devolution is seen as the best basis for country planning and natural resource management that would be mindful of local interests and national duties.

The recent trends toward the disengagement of the state and political decentralization, with greater attention for the sustainability of projects, have contributed to what's come to be called decentralized rural development, or especially in Latin America, the municipalization of rural development. Contrary to the huge projects that characterize integrated rural development, decentralized rural development is based on small projects closer to rural populations, and on varying degrees of accountability. This makes it possible to identify more realistic proposals, with a greater chance of being sustained.

The last factor in decentralization by devolution is the desire to respond to regional aspirations, which reflect the awareness of a community of interests at this level, and the desire of citizens to participate in the management of their affairs. Hence the region appeared in the debates on decentralization as the most appropriate level where reinforcement of institutions, and the coordination and coherence of actions could be ensured. Regions are the subnational jurisdictions, which in recent years, have become the principal focus of economic development, and the most fitting administrators of public equipment.

3. Accountability and Institution Building for Local Jurisdictions and Civil Society Organizations: Participation, Consultations and Partnerships

Devolution is the most advanced yet the least generalized form of decentralization. It involves the transfer of powers to a local institution or association, with broad autonomy, legal status, and which is representative. To take its full meaning, this form of decentralization has to be accompanied by mechanisms which institute popular participation in the process of decision-making. It means also that accountability of civil servants and elected officials to citizens should be integrated into the process.

If decentralization is viewed as a means of establishing citizen participation, then it cannot be said to have led to concrete results and the challenges toward achieving this goal remain great. Significant reforms in this regard have been tried in different countries but at a different pace: some reforms seem to have reached a point of no return (Bolivia), whereas others seem to have hardly started (Mali and Colombia), or are at the stage of declaration of intent (Guinea-Bissau).

Devolution involves participation, and participation in turn leads to the search for new forms of association or partnerships between local actors. Partnership is the most recent trend in

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8 With the notable exception of Bolivia and Colombia, where the local level was given priority.
9 Mauritania and Niger in Africa, and Bolivia and Mexico, in Latin America, are interesting exceptions in this regard; see a list of in the Country Profiles.
decentralization, which has started to establish itself as the new deal in rural and local development. This approach recognizes that besides public institutions and their new functions, other local actors (professional or representative organizations, private sector, or other NGOs) should be included in decision-making processes and accountability.

Overall decentralization based on devolution, participation, and partnership, appears today to be the major challenge for governments seeking to specialize different levels of government in the accomplishment of specific tasks. Governmental and spatial specialization implicit in the new decentralization tasks, would on the one hand, make the local levels of government proximity and solidarity jurisdictions, and on the other, make intermediate levels such as regions turn toward the future through their activities in economic development, country planning, and sustainable development of natural resources.

The building of roles and responsibilities for civil society and local level governments should further the objective of popular participation and the desire to establish consultations at all stages, by ensuring that decentralization is geared toward more citizen participation in local public life. The foreseeable trends of these actions are:

- The replacement of force by contract, in other words, the identification and implementation of local micro-projects, the establishing of contractual relations between the different actors in rural development, and the promotion of conditions that enable effective participation.
- Priority to local jurisdictions governed by elected councils, as an expression of the desire of the state to decentralize and to provide institutional framework for citizen management of their own affairs in a partnership approach.

III. The risks of Decentralization

The disengagement of the state, and decentralization, entail certain risks resulting from the centralizing policies which were formerly in effect. The RED-IFO model which will be explained in detail below starts with a concise analysis of the legacy of centralization, which helps it to identify five major risks of decentralization.

Risk 1. The Giving priority to local demands can undermine the overall logic of a country’s strategies

Centralizing policies were completely supply-driven, consisting of a general development strategy designed at the top by central government authorities, and not taking into account the demands of local populations. These policies did not adapt their instruments to the specific problems of each region or each social group. The risk of this legacy is that in the face of the inefficiency of supply-driven interventions, governments would resort to purely demand-driven

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10 One of the most interesting trends in the country profiles is the diversification of actors providing agricultural support services in most countries. The public sector is no longer the sole provider of these services.
policies. This approach would certainly have the merit of taking into consideration the specific circumstances of each locality or type of producer, but at the risk of dispersing interventions, and the loss of an overall view in the determination of rural development strategies. There is no empirical evidence showing that taking local solutions into consideration produces the best overall results for rural development.

**Risk 2. Information asymmetry between partners can lead to the absence of coherence between them**

In centralized administrations, information is centralized. The concentration of information at the central level of government takes away from local populations the possibility of knowing the institutional, economic and technological context in which they live, and participating effectively in policy determination. At decentralization this becomes a problem: even though local actors in development have a voice, they are unable to select their demands and problems from a general, national, perspective, or coordinate their activities. Development strategies targeting the local level even though based on precise knowledge of local problems, may not be coherent from a regional perspective, and even less so from a national perspective, of development. The possibility of formal participation made possible through decentralization is not enough. It is necessary to create the conditions for this participation. Therefore, symmetry in the access to information is a condition for the coordination of activities.

**Risk 3. Expecting assistance can result in a decline of support services for farmers**

From the point of view of centralized policy makers, only state interventions could correct the failures of the market, and open the way for development. This paternalistic approach maintained that rural populations could not effectively use the institutions of the market because they had neither the capacity to do so nor the resources to find solutions to their own problems. It hindered independent action by rural populations and governments. This legacy has enormous consequences because if the transfer of functions to local actors is not followed by a transfer of sufficient powers and resources, decentralization will lead to diminishing support services for small and medium size agricultural units, reinforcing the polarization between different types of producers, and the gap between commercial farmers and peasant farmers.

**Risk 4. Traditions of clientelism favour the most influential actors in dominating decentralized structures**

Typical resource allocation in centralized policy, nourished clients of the state. These were those who were the most capable of clearly communicating their needs in terms of projects and programs, and had a level of organization enabling them to put pressure on the state to obtain the lion's share of public expenditure set aside for rural development. Clientelism gave rise to attempts at capturing institutional income and de facto solidarity between central governments and large producers, who being the sole interlocutors of the state, were the only beneficiaries of its interventions. The asymmetry in levels of organization in rural populations could translate into the capture of functions and resources transferred under decentralization, by local elite, municipalities, and the most organized and richest organizations.
Risk 5. The institutional rigidity of the governing system can slow down the pace or even block of decentralization processes

The local and intermediate levels of centralized institutions were designed to implement policy decided somewhere else. They are inflexible and find it difficult to adapt themselves to a changing environment. Their inflexibility and that of civil society organizations do not allow them to adapt themselves in the required time frame to the challenges of decentralization policy. It is not enough to adopt decentralization: it has to take effect immediately and must be implemented in a coherent fashion. Therefore, the question of the suitable pace of decentralization must be raised.

IV. The RED-IFO Model for Decentralization

In order to overcome the problems posed by the legacy of centralization, the RED-IFO model proposes, first of all, a methodology of decentralization which consists of the regionalization of the needs of rural populations, and the differentiation of policies (Risk 1); then three support policies dealing with information (Risk 2); training (Risk 3); organization (Risk 4); and finally full consultations on the modalities of the most appropriate schedule for the implementation of decentralization (Risk 5).

1. Regionalization and Differentiation Methodology (RED)

To overcome the first problem of decentralization (Risk 1), decentralization policy makers must create a forum for interaction between, on the one hand, the actors in development who have an overall view, and general policies to offer, and on the other, actors who have a knowledge of local circumstances and specific project or program support proposals. This forum would be the place for the formulation of a strategy for decentralized rural development. In other words, so that proposed policy is not too broad, it must be varied, given on the one hand, the special problems of each region, produce, and type of producer, and on the other, the support most adapted to the various development actors. At the same time, to avoid the request by local actors being too narrow, and for interventions not being too dispersed, the preferences of rural populations have to be regionalized to broaden their scope, and give them an appropriate level of coordination and coherence.

The combination of regionalization and differentiation would facilitate the transition from centralized policies to policies more reflective of local reality, but having a level of coordination and coherence that makes them a lever for development. And so the state can redirect its action toward suitable policies, that would make it possible for the agricultural and rural sector to be the foundation for a development strategy, creating employment, and diversification between agricultural and non-agricultural revenue, while helping the poorest segments of the population to increase their chances of fitting into the various markets.

Differentiation of policies and regionalization of preferences can be crucial so that actors in development can agree through consultations on an effective and transparent rural development strategy. The aim of these consultations would be to coordinate the actions of the actors; for each
actor to recognize the strengths that other actors can bring to bear on decentralization. Support policies for decentralization would be designed and implemented within this general framework.


For the expected impacts of decentralization to materialize, three support policies for regionalization and differentiation are necessary, according to the RED-IFO model to facilitate access to information, training and organizational support.

The Role of Access to Information

It has been pointed out above that asymmetry in the access to information doesn't facilitate the coordination and coherence of activities. Policy for access to information has a two-fold objective: on the one hand, the production of information necessary for the formulation of a rural development strategy, and on the other, the creation of conditions for the flow of this information to all actors in rural development. Access to information for all is a condition for dialogue between the state and the other actors in development, without which there cannot be a participatory and decentralized development strategy. For this dialogue to be established, it is necessary for interlocutors to have the same quantity and quality of information on the problems and opportunities (institutional, macroeconomic, technological) that affect local development. Production of information and its flow can let rural populations have some control over development action, and guarantee the coherence of interventions to the extent that local actors would have information beyond that pertaining to the circumstances of their lives. This is a priority for decentralization to have an economic, technological and participatory content.

Training to avoid Institutional Voids

The long period of centralized government hindered rural populations from acting independently. The technical capacity of all actors in development must be ensured or strengthened so that decentralization does not give rise to diminishing support services, and that decentralized functions could be carried out. It is necessary therefore that the transfer of functions be followed by a transfer of powers to technical services, local governments and civil society organizations. The necessity for training also comes from the fact that decentralization emphasizes the demands of local populations. But then municipalities and civil society organizations have varying degrees of capacity to formulate their demands. All depends on the accumulated social capital and organizational experience of any particular entity. Without a significant training policy, decentralization would favor the richest and best organized local governments and organizations, at the detriment of those that have the most need for support but do not have the capacity to formulate their demands in terms of development projects and programs. Therefore, priority in training has to be directed to these levels of government and civil society organizations.

Organizational support for local actors

Though the availability of information and training can halt the trend toward the capture of decentralization by local elite, that may not be sufficient if there is no strong organizational base to give actors in development the possibility to participate in the design, the implementation and monitoring of policies. That's why the third support policy recommended by the RED-IFO model
is support for civil society organizations, recognizing them as interlocutors of the state, and the creation of an institutional framework favourable to participation. The importance of organizations has many dimensions:

- Organizations can guarantee the participation of rural populations in the formulation of the modalities for decentralization, and that they are not formulated solely by the central government. The objectives, the modalities and pace of decentralization can thus be discussed with local actors.
- Organizations facilitate institutional innovations that allow actors in development to actively participate in policy differentiation and in the regionalization of demands for support. It's through organizations that different social groups can become actors in their own development because they reinforce their ability to reclaim functions previously centralized.
- Finally, organizations are important because the success of decentralization depends on the existence of local structures of mediation and consultation, which transform social pressure into development projects and programs. But the important role of social pressure must be recognized. Centralized states had the tendency to see conflicts as nothing but opposition to their interventions, whereas often, conflicts were demands for intervention. These demands took the form of conflicts because there wasn't any forum for dialogue at the local level. With decentralized mediation mechanisms, social pressure could be a vehicle for structuring demands and synthesizing them into a rural development strategy.

The pace of decentralization is one of the first areas where dialogue between the state and other actors in development should take place. In determining the rate at which decentralization will be implemented, it has to be recognized that the situation of each region, production conditions, and the strategies of each actor, are all reasons for implementing decentralization on the basis of dialogue between national and local actors, and on the regionalization of the results of such dialogues. This would facilitate the variation of the pace of decentralization, taking into account the specific capacity of each region, each town or municipality, and each social group, to take on and develop the functions assigned to them. Overall, the RED-IFO model proposes decentralization as a gradual process of the transfer of functions, resources and decision-making powers at the rate suggested by institutional capacity.

3. Conclusion
The modalities for decentralization, and the support policies of the RED-IFO model are not compatible with a centralized state considering itself the only actor to deal with the beneficiaries of its policies. Differentiation and regionalization, on the contrary, suppose that there be dialogue between the multiple actors. In order for that to happen, it is necessary that the institutions of the centralized state give way to new institutions capable of creating the conditions for dialogue between the state and other actors in rural development. But these new institutions must not be seen as instruments bringing information, training and organization to rural populations. They must be to a large extent the creation of rural populations themselves, who would thus be providing the means to engage in dialogue with all their partners. That is why the strategic direction of the RED-IFO model is the creation, reorganization and building of institutions.
Decentralization centred on institution building would allow the state to be present across the nation and get closer to local realities, without losing the national perspective in its rural development actions. If the goal of the RED-IFO model is to enlighten actors in rural development on the risks and conditions for the success of a decentralization process, its keystone is the creation of institutional conditions that would enable the participation of citizens in the choice and implementation of actions affecting their future.

The model implicitly recognizes that the prospects of decentralization can only be realized if it is closely tied in with the building of democracy. The transition from supply-driven intervention to demand-driven intervention can be made in this manner: a) under the impetus of local actors in development, b) without decentralization producing voids, and c) in formulating a coherent, participatory, and overall strategy that works for all actors in development, not only for the strongest and best organized. Hence the model proposes the creation of a new alliance for sustainable and participatory rural development, toward which rural populations participate fully, and for the expansion of rural markets, savings, and investment, three key factors in any rural development process.

V. The Framework of Decentralization

In its most elementary definition, decentralization is a partial transfer of power and resources from the central government to institutions at the regional or at the local level. Following terms and concepts related to decentralization need to be clarified:

Decentralization can be limited to the spheres of the state. In this case, a transfer from national public institutions towards regional or local public institutions takes place (sub-national jurisdictions, local and/or regional and/or decentralized administrations). However, decentralization can also go beyond the sphere of the state when a transfer of power to semi-public organizations takes place (in which case one speaks of delegation of functions) or even to civil society bodies (decentralization then takes the shape of a devolution).

Decentralized administrations are local administrative offices that provide some parts of the central government services at the regional or local level (e.g. a ministry that transfers some of its functions and expertise to its regional and/or local subsidiaries).

Deconcentration therefore differs from decentralization insofar, as it does not transfer the power of decision-making but only some administrative and technical responsibilities to the regions while maintaining a strong control and decision-making power at the central level.

Transfer of power can also mean “transfer of expertise” or “transfer of functions”. To assess the degree to which power, expertise, or functions are transferred, it is necessary to consider:

- who formulates and makes the proposal;
- who takes the decisions;
- who provides financing;
- who manages the implementation;
who does the follow-up and evaluation.

Decentralization can encompass the transfer of some, or all, of these powers. The different types of powers are complementary and linked to each other. The division of powers and functions by institutions or different stakeholders at the local or regional level is often a sign of maturity in decentralization. The transfer of power presents itself in different ways at these two levels, being much more formal at the regional level, compared to the local level (see regional partnership and local partnership).

Decentralization is a transfer of power to different regional or local levels in accordance with the principle of subsidiarity.

Furthermore, Public resources are transferred from the government to a lower level that have to take place to achieve decentralization. If the transfer of power is not accompanied by a transfer of resources, decentralization risks remaining an empty phrase.

The transfer of resources means primarily financial resources. There are different ways to transfer financial resources from the central state towards the regional or local entities:

- One possibility is to transfer the collection of revenue from certain sources to regional and local levels. This applies especially to local or regional taxes that can be collected more efficiently at lower levels because evasion is lower than if the taxes were collected at the national level. The percentage of the locally collected taxes that has to be sent back to the central level can vary. (For example, in some provinces in northern Italy 80% of the fiscal returns appropriated at the regional level remain at the disposal of the provincial authorities providing them with ample room for intervention);

- The transfer of government funds towards local or regional entities’ budgets according to pre-established rules is another way. Most municipalities rely on financial resources transferred to them from the central government in addition to those from locally applied taxes;

- Finally, there is the possibility of an intergovernmental grant. This solution, which is part of the intergovernmental negotiation, presents several advantages in terms of local mobilization and vertical partnership.

The ingenious articulation of these three ways of financial transfer can have a leverage effect lever of resource mobilization.

In quantitative terms, the transfer of financial resources from the central state toward the lower levels must agree on some principles, namely the principle of territorialization of public aid.

The transfer of resources can involve other types of resources, in particular human resources. Human resource transfer toward the regional and local levels, notably of executives, is also an element important for successful decentralization. People with higher training are often absorbed by the central administration, tend to remain in the large cities and refuse to settle in the small cities or in rural areas. The difficulty of access to some services in isolated areas is not the only reason for this attitude. The few opportunities for professional achievements at the local or regional levels are another reason. As experience shows in several countries, a well-driven decentralization can reverse this tendency, enabling a particularly interesting professional realization at local level with in the field contact, while having a large margin of manoeuvre in terms of proposals and decisions. For example, in countries such as Portugal or Greece, the European program in decentralized rural development LEADER, allowing local partnerships, involved, at the local level in rural areas, professional teams composed of engineers, agronomists, economists, sociologists, which was unimaginable 10 or 20 years earlier.
The definition of the **regional level** depends on which country is considered. In general, region means a substantial administrative territory including between 500,000 and 5,000,000 inhabitants. At this level, direct fieldwork is not possible but rather general planning in order to define the broad outlines for development strategies as well as town and country planning is carried out.

The definition of the **local level** also depends on the country under consideration. But, whatever its definition the local level distinguishes itself fundamentally from the regional level by the fact that a direct link between local bodies and participants is possible and desired which radically changes the working logic of institutions. On this organizational level project realization, mobilization of actors and village soil management are carried out.

At the administrative level the local level mostly corresponds to municipalities/communities (or sectors/districts for large cities). However, for some investments (for example in infrastructure) or for ensuring local actor mobilization around common projects (in order to have a critical mass) the moving up to a higher administrative level might be needed.

**Local and/or regional jurisdictions** are representative institutions elected on these two levels. At the local level, these are normally municipalities or townships, and at the regional level regional governments. The existence of sub-national jurisdictions, regional and/or local, as elected authorities, is a basic condition for decentralization. Indeed, as long as regional and/or local public administrations are merely representations of the central government, it cannot be spoken of a transfer of power, but rather of a deconcentration of power.

Local jurisdictions often regroup (and form associations of townships, inter-community unions, etc.) to solve problems at a higher territorial level (e.g. the building of some types of infrastructures).

Formally, **partnerships** can be defined as simple agreements of association. Beyond this purely formal aspect there are two stronger concepts; namely of collective engagement around a common objective or project and of complementarities between different stakeholders which help reaching this objective or project.

A **horizontal or territorial partnership** is an alliance between several stakeholders (public and/or private) from the same area, resulting in the creation of a legal entity that unites the partners (an association, an agency, etc.). However, an agreement of association only takes the form of partnership in its true sense if participants share the formulation and implementation of a common project and every participant is regarded a necessary member for its achievement. A horizontal partnership requires time to be forged. It is necessary that partners know each other, come to appreciate the value of working together and each member discovers her/his specific role. This is far from straightforward since frequently public and private stakeholders are ignorant of each others goals and even work against each other, being convinced theirs is the only right approach.

In most cases, horizontal partnerships can only be built as a reaction to a specific outside motivation. The process of decentralization, of transfers of power and transfers of resources specific to horizontal partnerships, is found in the form of intergovernmental grants. The transfer of powers and resources to a horizontal partnership (regional or local) is an advanced form of decentralization insofar as it combines the delegation of functions and devolution.
A horizontal/territorial partnership can equally well be established at the regional or local level. In the first case, it will be a **regional partnership**, in the second case a **local partnership**. These two levels follow different logics and consist of different partners (see the two definitions).

The horizontal/territorial partnership is highly interesting in terms of mobilization of human and institutional resources. It allows:

- To mobilize the partners and to create a consensus around common objectives linked to the development of their territory;
- To create, by the various awareness junctions, ideas, capacity of mobilization and ability, a real territorial engineering, which opens some new perspectives in relation to a merely administrative approach of development.

The quality of a partnership depends above all on the quality of the relations between the participating partners. If it is taken into consideration that a partnership develops over time, it is difficult to assess its quality at any single point in time from a snapshot; rather the entire process has to be evaluated. Whereas in a bad partnership some partners would cling to their supremacy and control while others would not participate in decision making, a good partnership is dynamic and rebounding and fosters the mobilization of local actors and the emergence of territorial engineering.

A **regional partnership** is made up of partners with a voice at the **regional level**.

Those can be:

- In the public sector: regional authorities (*regional jurisdictions*; deconcentrated administrations at the **regional level**);
- In the **private sector**: regional entrepreneurial associations or large enterprises which strongly represent a key sector of the region;
- In the third sector, organizations representing a certain sector (e.g. consular chambers, unions, etc.), NGOs present at the **regional level**, etc.

These regional partnerships establish general strategic plans for the area that serve as reference for regional policies. For example, in the European Union, regional partnerships produce "DOCUPS" (Documents Unique for Programming) that serve as a general framework for financing development actions in different sectors.

At the regional level, the division of power and functions is especially desirable since forms of direct control are absent. The European Union, for example, distinguishes in the procedures of regional programming, between the programming committee (function of proposal), the operations committee (function of analysis and decision), the funding entity (function of financing) and the follow-up committee (function of follow-up and constant evaluation).

**Local partnerships** consist of different types of actors at the **local level**. Those can be:

- In the public sector: municipalities or groups of municipalities (inter-communal unions, etc);
- In the private sector: SMEs or associations of SMEs, craftsmen’s associations, farmers, etc;
- In the third sector: all kind of local associations and co-operatives such as cultural associations, agricultural co-operatives, mutual credit funds, etc;
- Local partnerships can also involve natural persons.

It is quite often the case that particularly dynamic local partnerships are solely made up of individuals representing public or private institutions. Actually, there is no precise rule for the
constitution of a local partnership. The initiative for creating a local partnership can come from municipalities, individuals or organizations of the civil society. The local development plans established by the local partnerships are a lot more precise than those at the regional level. They are real local action plans that are embedded in the general objectives formulated at the national or regional level. At the local level, the division of power and functions is much less formal than at the regional level. It happens at the core of the local partnership and depends on its level of development.

Decentralization processes encompass a transfer of power to the regional and local levels following the principle of subsidiarity. Subsidiarity describes the principle according to which all problems must be solved on the lowest level on which a solution is achievable and relevant. The concept of subsidiarity is mostly referred to in the context of relationships between supranational structures and national states or between a national state and its regions. The principle of subsidiarity was officially introduced in the texts of the European Union to ensure that the European Commission would only deal with those problems that could not be solved at the level of the member states.

In fact, the principle of subsidiarity concerns all levels down to the local, micro-local and individual level. For example, the problem of survival of a family must be solved at the family level as long as it is not linked to problems at another level such as children’s education and health which must be solved at other levels: village level, township or inter-communal for the construction of a school or health centre, regional or national levels for training of teachers, physicians, nurses, etc.

Subsidiarity and horizontal partnership are basic principles in democracy. They guarantee that the problems of every person or group of individuals and people living in the same area are solved by the people themselves.

The intergovernmental grant is a particularly interesting resource transfer instrument because of the leverage effect it can have. As opposed to other modes of financial resource transfer, the intergovernmental grant the object of a negotiation between the superior level which is the source of the transfer and the lower level that is the receptor of the transfer. This negotiation is based on a program formulation by the receiving level for which financing from the superior level is needed.

The negotiation necessarily has a general character as it is the entire program that is discussed and possibly reviewed before a financing agreement is concluded. The working modalities of intergovernmental grants are generally defined at the national or supranational level (federal, European, etc.).

Lower hierarchy levels have a great autonomy in the details of the use of funds coming from central government, hence the control is only exerted ex post.

The territorialization of public help consists in applying to territories the principle of the subsidiarity to the financial resource level and therefore to assign to every level the necessary resources to solve problems that can be solved at this level. It is a general principle that acts as guide in the transfers of resources.

Additionality to financing or co-financing signifies that a project at the local level can benefit from various complementary sources of financing, such as self-financing, other local or non-local private financing, local, regional and/or national public financing.
The additionality allows to involve several levels in the realization of a project. This is why it is often set in principle. For example, in the negotiation of the intergovernmental grants for a plan of local action, co-financing rates for projects by different levels are often defined. This different level implication is an inciting element of dialogue between the levels and therefore a catalyst in the building of vertical partnerships.

**Vertical partnerships:** If a partnership is a collective engagement around common objectives or projects between partners that are complementary to each other and needed to reach these objectives this principle can also be applied to the relationship between entities of different levels. Indeed different entities can have similar objectives and/or take part in a common project and therefore make a commitment to jointly achieve these objectives while being complementary to each other. Even though this might seem an ideal situation the different views and concerns on each level can lead to tough and arduous discussions. However, through dialogue and consultation, objectives can be brought into line. All elements that facilitate the dialogue between the levels are carriers of local partnerships. Tools such as the intergovernmental grant and the intergovernmental negotiation or the additionality of financing can play a key role in building a vertical partnership. Another crucial element is the joint evaluation, allowing to speak the same language, and to formulate the specific roles of different levels. The vertical partnership implying horizontal partnerships on the different levels is a sign of great maturity in decentralization. It allows efficiency of action by the cohesion and mobilization that it creates at all levels.

VI. The intermediate level of the political system and territoriality

The organization of a well-conceived decentralization process should recognise the existence of institutional actors other than the central State, endowed with their own organizations and financial autonomy, as well as structures led by elected bodies, to which responsibilities are transferred in the course of decentralization processes. Since there is no sense in recognizing these elected bodies if they do not have the rights or the means to express themselves, decentralization implies participation, and vice versa.

From a territorial and community perspective, decentralization is dependent upon three fundamental conditions: "i) recognition of the moral status of groups other than the central State with particular interests summarised in the concept of local affairs; ii) recognition of the community's right to manage its own affairs, through the intermediary of bodies designated by it; iii) State control over geographical communities' organisations and actions, which respects the community's autonomy, yet prevents it from going beyond its sphere of competence and jurisdiction".

In political terms, decentralization is seen as a deepening of the democratization process and, therefore, as a special type of "power sharing", notably decision-making power. This concept
does not imply a reduction of the power of the State, but rather a means "of laying the foundations for a more operational, efficient State", that will act as guardian of the general interest, while fuelling, encouraging, stimulating and protecting the implementation of local initiatives for which the new decentralized institutions will enjoy decision-making power”.

From the economic point of view, decentralization acts in conjunction with local partners, providing them with the means to develop, whether they be NGOs, community associations, producers’ organisations or other co-operative groups. They all benefit from decentralization since it permits them to fully utilise their powers and inventiveness.

Through decentralization, the State starts to mobilise and facilitate local development initiatives proposed by grassroots communities. The underlying idea behind economic reforms and decentralization is the same: to release initiatives so that they are able to satisfy their particular interests. This does not resolve the problem of how to guarantee fulfilment of the general interest, but demand regionalization and policy differentiation can offer a means to do so.

Too often, participatory development projects have meant the re-emergence of local elites, who assume representation of populations in order to organize, lead and, to a certain extent, appropriate for themselves decentralized, participatory approaches. From the very moment when decentralization is conceived, counterbalances and mechanisms to correct this trend towards the predominance of local authorities over local populations must be set in place. The main mechanisms for curbing this trend are the support policies proposed under the RED-IFO model.

The contractual, partnership approach is aimed at creating new relations between rural development partners, to replace vertical relations based on strategies defined in isolation from local dynamics which lack a regional overview. It would be advisable to extend and enhance this approach.

The first area in which dialog and consultations between the State and intermediate associations should be put into practice concerns the pace of decentralization. This pace must not be too swift so that the beneficiaries of decentralization can adapt. Yet, it should neither be too slow, since this would give the forces which are not interested in decentralization time to mobilize against it and bring it to an end. When it comes to determining the pace of decentralization, it is necessary to recognize that differing regional situations, production conditions and strategies by each category of producer, form constraints which require decentralization to be carried out on the basis both of multiple consultations between national and local actors and a regionalization of the results of the dialog based on consideration of the views of intermediate associations. This would make it possible to adjust the pace of decentralization to suit the individual capacity of each region, municipality and category of producer to assume and perform the decentralized functions.

Decentralization, then, should be understood as a gradual process of transferring functions, resources and decision-making powers from the State to intermediate associations and local levels of government, at a pace which the strengthening of the intermediate associations and the creation and consolidation of the instruments which the latter endow themselves with as they develop, permit. Clearly, the need for a gradual pace of decentralization also influences the timetable for transferring finance sources and mechanisms for the decentralized functions. In this
respect, each body which has been assigned a decentralized function or action should, in the medium-term, gain complete financial independence in order to be able to completely fulfil those functions.

The decentralization methodology (regionalization/differentiation), and its support policies are incompatible with a centralized State which considers itself as the sole development partner (an active supplier of strategies and services), and populations merely as passive beneficiaries of its policies. By comparison, with differentiation and regionalization the underlying assumption is that dialog occurs between partners whose operating philosophies are different. **Centralized State institutions must give way to new institutions capable of creating conditions for dialog between producer organizations and the other rural development agents.** However, it is equally necessary for these new institutions not to be - as in the past - designed by the central State in order to provide information, training and organisational assistance to rural populations. They should rather be a creation of the rural populations themselves, who decide on representative, technical structures to engage in dialogue with all their partners. **This is why the RED-IFO' model's strategic thrust consists in creating, reorganizing or strengthening intermediate associations.** The role of the latter is, therefore, fundamental, for three main reasons: i) they can guide State action by means of policy differentiation which must accompany decentralization; ii) they provide a capacity for summarizing and regionalizing rural populations' demands and desires; and iii) they can eventually gain sufficient maturity as agents to be able to forge partnerships with other rural development partners.

During the decentralization process, these intermediate associations will be encouraged to perform five functions, which are important to note.

- **Policy differentiation and demand regionalization** are aimed at taking account of the specific problems facing each type of producer, region and branch. It is, therefore, necessary for intermediate associations to have access to information about each of these three categories, so as to be able to present proposals on the desired content of the differentiated policies.
- **Intermediate associations shall identify the specific problems which exist for each agricultural and non-agricultural activity in its different stages:** credit, supply of inputs, production, manufacturing and packaging, and marketing and distribution. The intermediate associations would be in a position to identify the training needs arising from these problems, transmit information, and establish a dialog with a view to making known the constraints and potential of each activity.
- **In order to prepare for dialog with the State and the other rural development partners,** and **present proposals regarding the general thrust of rural development,** intermediate associations must have, and be able to provide rural producers with, global, relevant information on the economic, institutional and technological environment in which the rural populations are located. This task consists in classifying and collating information on: i) State standardization and regulation; ii) the comparative advantages of each region and branch in terms of the national situation and global markets; iii) market changes regarding leading products and price modifications; iv) availability of alternative technology for production specialization/diversification and technological modernization, and v) new income-generating activities.
A function which intermediate associations should perform is to **assist in strengthening rural populations’ skills** in order to permit them to execute decentralized actions, and also to build productive partnerships with the private sector and derive maximum benefit from the skills of NGOs. The basis for the performance of this function must be a strong local presence which allows them to tailor their response to the circumstances and specific problems of each type of producer and type of region.

Finally, apart from providing a framework for consultations between producers themselves, the intermediate associations should **foster types of dialog with local levels of government**, in order to curb trends towards clientelism and the appropriation of decentralization by local authorities. This dialog could take the form of consultation committees, which would be the main forum for dialog between these associations and local levels of government. At the same time, they would make it possible to deal with the specific problems of each branch in a concerted manner and to clearly and coherently present demands for support to the State and other rural development partners.

These organizational efforts on the part of the intermediate associations would make it possible to achieve an overall implementation of the decentralization process and of rural development action on the basis of a **continuous dialog among all the rural development agents**. In this way, the regional interface would gradually become the arena for mediation and arbitration, thanks to its creation of instruments for consultation and participation for rural populations at all levels.