

*“... democracy is not freedom; it is one of the most important safeguards of freedom”  
(Hayek in Gunning 2003:22).*

# **1. Introduction**

## **1.1. Decentralization as a Better Way for Regional Development?**

### **1.1.1. Problems Concerning a Centralized System of Government**

After the Second World War, the centralized governments were viewed as playing a pivotal role in planning and industrialization, especially in developing countries which were attempting to emulate the growth patterns of Western nation-states. International institutions of development and aid focused on the central state as an important actor in transforming social relations, and most aid was channelled through the state. By the late 1970s analysts began to recognize that the state was not necessarily the best agent to pursue development as a universal good, or to deal with the problems of poverty, unemployment, and inflation. The decline of the state as the agent of development took place at the same time as the decline and fall of socialism as a political and economic system. Since the 1980s the new development paradigm has been widely accepted with emphasis on participation as well as decentralization of decision-making (Agrawal and Ostrom 1999:4).

Centralized government systems usually face huge problems in the countries with large land area and/or high population density. The top-down approach of the centralized government system creates a large gap between planning and implementation. It is too difficult and too costly to govern effectively from the center when the population and land area are very large. Large countries are likely to have large variation among regions in climate, geography, and economic base, so that centrally-mandated uniformity in the provision of government services is likely to be quite inefficient. Moreover, there are diseconomies of scale in trying to govern large countries which relate to the manpower costs of bureaucracy, the time required to

approve local decisions, and the problems of communications (Alm and Bahl 1999:2).

There are many examples of inadequate and unsustainable resource use by central governments and large private interests alike from both the developed and developing worlds. In developing countries, where governments are often distant from the resource base and have both poor facilities and human resource capacities, some nature reserves exist only on paper and have been exploited and converted into other land uses. Furthermore, natural resources management by the private sector has been equally questioned about its sustainability due to short-term economic interests. Because of these failures, decentralization has been viewed as a promising way of achieving a more sustainable use of natural resources (Anderson 2000:11).

In the forestry sector, centralized forest policies had a number of effects, such as forest land alienation from the forest users, commercial over-exploitation, over dependency on technocracy, and the adverse reaction of forest dependent people. They have caused and are still causing tremendous forest damage, such as a reduction in the extent of the forests, the deterioration of their quality and the loss of biodiversity (Banerjee 1997:8-9).

### **1.1.2. Decentralization as a Recent Trend in Developing Countries**

Interest in decentralization as a mechanism for transforming government authority is not new. In the second half of the twentieth century, many countries have experimented with some forms of decentralization or local government reform with varying aims and outcomes (Cheema and Rondinelli 1983 *in* Parker 1995). Many of the world's largest developed and developing countries have adopted decentralized forms of governance and finance (e.g. the U.S., Canada, Australia, Germany, Russia, Nigeria, India, Brazil, and Argentina). China has not formally decentralized, but it operates under a de facto decentralized fiscal system. Based on its size and geography, one would predict Indonesia to be governed under a decentralized structure (Alm and Bahl 1999:2).

While in many developed countries decentralization has been practiced since the middle of the last century, the wave of decentralization in many developing countries just began in the last few decades and is continuing. In developing countries which are characterized by a high and diverse population, or those whose regional economies are diverse enough that there are distinct regional preferences for government services, there is a strong case for decentralized governance. "Diversity" might mean a number of different things; examples of the kinds of diversity that typically lead to cries for decentralization are variations in ethnic, religious, and cultural backgrounds, isolation from the governing centers, and distinctive economic bases (Alm and Bahl 1992:2). Decentralization takes place when a central government formally transfers powers to individuals and institutions at lower levels in a political-administrative and territorial hierarchy. Almost all developing countries are undertaking decentralization reforms. At least 60 countries are decentralizing some aspects of natural resource management, though motives for decentralizing vary greatly (Ribot 2002:3).

### **1.1.3. Decentralization Offers a Better System of Government?**

The ideas of decentralization and increased local autonomy follow the well-accepted and benign principle of bringing government closer to the people. Although practices of decentralization have had different results in many countries, it is widely believed that decentralization promises more advantages than do centralized system of government. The objectives of decentralization may be many but the more laudable ones are to mobilize local resources, improve implementation, promote participation of the local people and, last but not least, to encourage equity in regard to distribution of wealth (Banerjee 1997:2).

Ribot (2002:3) stated that due to more accountable representatives as well as to local institutions, decentralization is key for equity, justice, and efficiency. Accountability of local decision makers to the people --that is, local democracy-- is believed to be the mechanism for achieving greater equity and efficiency. When locally-accountable bodies, such as elected local governments are chosen, democracy is strengthened. When self-interested, non-representative, or autocratic institutions such as interest groups, non-governmental organizations (NGOs), or

customary authorities, are chosen in the absence of overseeing representative bodies, there is a risk of strengthening their autocracy and weakening democracy.

Pluralism without representation favors the most organized and powerful groups and is characterized by insufficient transfer of powers to local institutions. Often, these local institutions do not represent and are not accountable to local communities. Decentralization reforms change the institutional infrastructure for local natural resource management and, in some cases, create an institutional basis for more popular and participatory management and use of natural and other public resources (Ribot 2002:3).

#### **1.1.4. Critical Views to Decentralization**

The advantages of decentralization are found more in the theoretical views; the empirical evidences are rare. Many of the cited reasons are claims that decentralization can improve information flow and make decision-making more efficient. But it is not clear why such advantages would motivate central government leaders to give up power, confusing the normative with the positive (Agrarwal and Ostrom 1994:14). It is common to find literature that argues on the one hand that decentralization is more efficient, and goes on to suggest that central government leaders did not decentralize because of a political desire to hold on to power. On the other hand, the empirical evidence is difficult to find. Thus, many analysts advocate decentralization on the basis of its greater efficiency or because it leads to meaningful democratic participation, but seldom do they indicate the conditions under which decentralization would not produce these outcomes and might, therefore, fail (Agrarwal and Ostrom 1999:14). They criticize that eventhough there were many studies on decentralization, most of them produced only a rhetorical strategy against centralization. First, those studies often talk of decentralization or devolution as a gross concept that signifies in authority structures but do not further investigate the specific dynamics of devolution, or its relationship to institutions through which it occurs. Second, the studies tend to follow much of the literature. They often try to show that decentralization or devolution is superior to a centralized solution by stressing the efficiency, equity or sustainability aspects of its outcomes. Thus, they defend and justify it on the basis of its effects. The rhetorical strategy emphasizes

why devolution should be pursued, but provides little insight into the actual conditions (Agrarwal and Ostrom 1999:3).

Moreover, though it contains promising elements, it is also important to note that decentralization cannot guarantee that communities will reap more benefits and be more interested in sustainable resources management. Experience shows that decentralization and devolution are complex processes and in themselves not sufficient to guarantee sustainable resource management (Anderson 2000). With decentralization, there is a substantial risk that local interests, through enactments of laws or through local executive action, could jeopardize national interests.

Decentralization can lead to conflict, particularly when it involves the transfer of natural resource management and the use of powers. Therefore, mediation mechanisms and access to recourse are needed. If local populations and authorities are to decide on the rights and obligations that come with decentralization, they must know the law. Civic education can inform people of these rights and obligations, raising their expectations for meaningful reform, representation, justice, and services (Ribot 2002:2).

It is also important to note that secure powers and accountable representation should go together. Ribot (2002:1) holds that “transferring power without accountable representation is dangerous. Establishing accountable representation without powers is empty”. Most decentralization reforms only establish one or the other. To date, the potential benefits of decentralization remain unrealized because government discourse has not resulted in the enactment of necessary laws, or where decentralization laws do exist, they have not been implemented (Ribot 2002:1-2).

In the forestry sector, devolution of forest management implies the transference of some types of rights to resources away from the central government towards more locally-based organizations (Agrarwal and Ostrom 1999:23). Furthermore, Mercado (2000:3) stated that “the purpose of decentralizing and devolving forest management from central to local authorities is more than a change in doing things. Foremost in the paradigm shift of forest management, or any natural resource management for that matter, is a change in thinking and attitude”.