

Analyzing Good Governance and Decentralization in Developing Countries

Dr. Gurdev Singh

Associate Professor, Head of the Department of Political Science, Gandhi Adarsh College, Samalkha, Panipat (Haryana)

Abstract

The techniques of the neo-liberal economic paradigm acting through initiatives for good governance and decentralization coming from the world's centers of power are analyzed in this essay. The narrative of participation, empowerment, and civil society contains neo-liberal tactics. These narratives, it is suggested, serve as depoliticizing discourse. Although it is true that developing nations have been included in a global capitalist order, the less developed world still needs to advance and completely adopt capitalism. Due to the fact that these developing societies continue to operate on the basis of hybrid economic systems and practices (a combination of tribal, agrarian, and capitalist systems), as well as the fact that the globalization of capitalism does

Keywords: Development; Governance; Decentralization; Neo-liberalism; Civil society; Globalization

Introduction

This essay critically examines key discussions and works on "good governance" and "decentralization" (local governance). The goal is to present a comprehensive picture of these notions' theory and application. The agenda of decentralization that is being advocated under the banner of "good governance" will be argued to essentially represent the neo-liberal aspirations that dominate the international financial institutions and donor nations. It will also be demonstrated that, when put into action, this agenda has often failed to achieve its claimed goals of promoting strong emerging markets and enhancing democratic participation.

There are three sections to the paper. Good governance and decentralization are examined and defined in Part I. It also explains why decentralization has been a key idea in recent years.

Part I: Defining Good Governance and Decentralization

Good governance: What is new in the concept?

After being introduced by the donor countries, the concept of decentralization quickly gained traction in scholarly discourse [1]. The idea of good governance was introduced to the donor community's agenda after structural adjustment plans for economic growth failed [2]. The failure was seen to be the result of poor institutional arrangements, corruption, and a lack of accountability on the part of state institutions, or to put it another way, poor governance. In this context, it was argued that economic progress and the eradication of poverty would not be feasible without the introduction of more inclusive, appropriate, and contemporary market-oriented institutions in less developed countries [3]. So, it was believed that strengthening local governance and enhancing its responsiveness, transparency, and democracy through various decentralization and devolution initiatives

Prior to being researched on a global scale, the term "governance" was used more broadly in academic literature, claims Morten Boas [3]. For instance, it was frequently utilized in business studies literature in reference to the micro-

behaviors of corporations [5]. In more recent times, the phrase mostly applied to managing governments and other public or commercial organizations with social objectives [6].

Rosenau contends that while government actions are included in governance, non-state channels via which policies are pursued and carried out are also included [5]. The two most significant routes, among many others, are civil society and the market [7].

According to Aubut, there isn't a single definition of governance that everyone can agree upon [8]. Depending on who uses the term, it might mean different things. There is a general propensity to believe that western conceptions of government are relevant everywhere, regardless of the connotations that other writers assign to the concept. Doornbos issued a warning against this trend, claiming that the universal applicability of western ideals of good governance may not be the case [9]. So, it is important to evaluate the cultural settings. The various methods of effective governance are reviewed in more detail in the discussion that follows.

Knack had a narrow definition of governance that applied primarily to institutions (state as well non-state). This is due to the fact that the role was heavily emphasized in the 1980s.

On the other hand, authors like Manor and Crook [11] have asserted that, while recognizing the significance of institutions, politicians and bureaucrats are also responsible for the quality of governance. They emphasize that the outcomes are heavily influenced by how politicians and bureaucrats use their positions of authority and power inside the system. So, effective government is dependent on both the integrity and skills of the politicians and bureaucrats as well as the quality of the institutions. Since the early 1990s, the World Bank has actively promoted this concept of good governance. So, according to Aubut, the World Bank's definition of governance, which is "the manner in which authority is exercised in the administration of a country's economic and social resources for development," is the most widely used definition of governance [10]. Also, the World Bank

Decentralization: the linchpin of good governance

Decentralization of power and authority is viewed by policy analysts, international financial institutions, and donor countries as a means to establish more democracy at the grassroots level in light of the aforementioned criteria, which are the result of global trends in governance. This is a crucial prerequisite for international donors' development contributions. Democratic decentralization has gained more significance since democratization as a whole has become a key idea presented by donor nations and international financial institutions in the developing world in both reality and international donor thought. Democratic decentralization is typically regarded as a technique that enhances the central government's responsiveness to citizens' needs, brings service delivery closer to consumers, and generally falls under the umbrella of "good governance."

Privatization, delegation and de-concentration, administrative decentralization, fiscal decentralization, and devolution, or democratic decentralization, are the four categories into which decentralization has been divided. The devolutionary form of decentralization is currently preferred by the majority of academics, governments, and aid organizations, and this preference is a result of several interconnected causes [12]. It is thought that people are losing faith in the current, failed centralized systems of governance. They consider them to be unfair, unrepresentative, underperforming, and incapable of giving them a voice to effect decisions that will have an impact on them. Therefore, it is believed that decentralization successfully addresses these problems. Second, what Huntington referred to as the "third wave" of democratization has led to decentralization. From 1974 to 1995, during this third wave, the number of democracies worldwide doubled.

Finally, the Adam Smith-era argument from economics and the managerial sciences about the efficacy of local governance strongly recommends devolutionary types of decentralization [11]. This argument is

predicated on the idea that small, decentralized units of government can pool local preferences to increase the availability of goods and services for people. The claim is that local governments, as opposed to supply-driven central bureaucracies, are better able to mobilize local resources and populations because they are more responsive to local demand [14]. As an increase in production efficiencies is realized, more local government accountability to citizens, fewer levels of bureaucracy, and a better understanding of local expenses will ensure allocative efficiency. All of these components come together to form the concept of good.

The centralized/command paradigm of government was viewed as "excellent governance" prior to the conclusion of the Cold War [11]. The causes varied, but they were all connected to the post-World War II economic and political climate and the interwar period in some way. The nations that fought in the two world wars centralized power and resources, and those that emerged victorious after the Second World War "conducted a war economy with spectacular results in close collaboration with large-scale industry and the unions" [11], increasing confidence in the centralized form of government.

On the economic front, centralized governments in the West gained more support since they were able to recover from the 1930s Great Depression. following the Second World War, there was a successful economic boom.

Numerous nations in Asia and Africa, particularly those that had been colonized before 1945 and gained independence afterward, rather obviously adopted such a viewpoint. For instance, in the case of the Indian subcontinent, the leaders of both the Muslim League and the Indian National Congress fundamentally supported the centralized government. Pakistan's situation appears to be far more terrible. In contrast to European nation-states, the Pakistani state grew to be an excessively authoritarian one [15].

In the decades that followed World War II, economic security became a new paradigm for security, not just in the USA but also everywhere else. The state in the First World was still able to manage it in the years after 1945 because the capital had not yet overtaken the state. One of those was the Keynesian economic theory.

The issues of managing and governing new patterns of economic development were tough for previous centralized governance techniques to handle in a new world environment that was considerably more complicated in nature than that which predominated during the Cold War. Governments in the industrialized world created decentralized governance structures during this time, supported by the Keynesian-rejecting neo-liberal economic worldview.

Part II: Aid, Political Conditionality, and the Assumptions behind

Good governance, decentralization, and development

According to Doornbos [9], state formation under external supervision is unquestionably a novel idea, even though state formation as a whole is not. Since the time of the colonial era, there has been external involvement in the processes of state formation in Third World nations. More recently, this involvement has taken the form of development aid conditions that have become extremely stringent and detailed as a result of the IMF's structural adjustment program. Recent history has seen a new phenomenon known as state formation, which involves placing demands on nominally autonomous governments regarding how they should set up their administrative structures, policy-implementation processes, and even their political systems.

The historical turn away from "bad governance" in terms of aid and political conditionality is obvious. Support from developing nations for the West was crucial during the Cold War.

The policy of aid provision for good governance according to Doornbos reflects a contemporary discourse of hegemonic essentialization of Western models of development as universal. The underlying

philosophy is to modernize developing countries. Some of the architects of the modernization project [17,18], representing the circumstances of the Cold War, advocated the central role of the state; the neo-liberals today advocate exactly the opposite. However, in light of what Doornbos has argued regarding the universality of Western development models, 'good governance' seems to be an incarnation of the old modernization project enunciated in the mid-20th century.

The modernization effort has always aimed to impose the same across the entire underdeveloped world. Its roots are in a Weberian-informed model of the western state. The underlying claim is that, in comparison to more developed cultures that have reached adulthood, less developed societies are still in an immature or "childlike" stage of development [19]. The former must follow the route of "adults" under their supervision if they are to mature. Despite this broad supposition, it can be claimed that some specific assumptions regarding the growth of less-developed societies have been made by donor nations and international financial organizations, who are tasked with monitoring and supervising development. These particular presumptions are:

Less developed societies are modernized through the process of development, which follows the historical pattern of progress experienced by the industrialized world. Industrialization, technological development, a quick increase in material production, and growing living standards are all necessary for this. On the other hand, underdevelopment is a social reality rooted on outdated ideologies and social structures as well as a lack of income. The governmental structures of these nations must be changed in accordance with the ideas of governance developed in the developed world in order to enhance the economic and social situations.

The above assumptions require critical analysis. Samudavanija

[20] contends that structural-functionalism² was introduced into the study of comparative politics and that Western political thinking is fundamentally built on an Aristotelian notion of politics, which was made permanent by the influence of positivist behavioral scientists in the 1960s. The Aristotelian idea of "Dynamic Nature"³ motivates classification and typology efforts in social and political structures. According to Samudavanija [20], such categorization has some significant ramifications when comparing the political systems of various nations. Secondly, it encourages a propensity to view political progress in terms of two broad contrasts, namely "modern" against "traditional" cultures and "democratic" versus "non-democratic" political systems. It lacks historical context. Second, political reform is predicated on the premise that the current system may be entirely replaced.

The project of globalization, which began in 1945 and is characterized by the internationalization of production through flexible accumulation, the ascent of neo-liberal social engineering, the telecommunications revolution, the hegemony of global finance, and the overall compression of time and space, has further strengthened the aforementioned tendencies [21]. In the age of globalization, it is predicted that old institutions and value systems will disappear and that developed-world institutions will become universal [22]. This is due to the fact that other nations learn from and copy the industrial organization and market practices of a country that becomes globally competitive [22].

The Third World's institutions are not immune to the effects of these events. In the age of globalization, interactions between traditional societies and contemporary commodities and services have considerably increased, which will weaken and degrade traditional forms of social structure [23]. Griffin claims in his article that "globalization has made cultural exchange more frequent, deeper, and more fast... Local traditions are being swept away by an unstoppable wave of Western influence as we watch a "global culture" grow. The world's cultures are growing more similar [23]. Some, on the other hand, contend that the state's significance has expanded as a result of globalization because the nation-state is the only actor capable of delivering in

multilateral discussions about issues.

The critics of modernity, however, disagree with the thesis that modern development in industrially developed countries and the encounters between their products/services and traditional societies will diminish the latter's forms of social organization [24]. Since 'every country has its own regional peculiarities, it has certain embedded beliefs, which operate within its socio-cultural framework'. Krishna [22] in this regard argued that:

Institutions are valuable human constructs that embody deeply held ideas about right and wrong and about appropriate and inappropriate public behavior. Institutions are efficient and effective only insofar as citizens comply voluntarily with their rules and their decisions. Since individuals do not bind themselves readily to any and all decisions, only institutions that are deeply rooted within a particular society, which reflect and embody widely held notions of legitimate authority, can command allegiance and attract compliance. Imitative best-practice institutions brought in from elsewhere are not always well understood or well regarded by the local population, so compliance may be hard to achieve in practice, and enforcement can become a very costly affair. Transplanted institutions will not always reproduce the efficiencies they display in their countries of origin

The framework of decentralization initiatives sponsored by such donors as conditionalities for aid also resides within the modernist view of institutional convergence. The concern is expressed, however, that decentralization projects are often guided by a narrow, technocratic vision that severely limits the choice of local institutional arrangements. Decentralization is most often equated in these projects with the task of designing appropriate institutions at the local level, the structure of which is often derived from Western knowledge of public administration, finance, and planning [25,26].

Decentralization projects have been grounded in a fundamental belief that it is flawed in the planning and execution of decentralization programs, and not the social, economic, cultural, or political environment in which these programs are set, which ultimately determines their success or failure [27]. Therefore, differences and variety in local institutions due to different cultural, political, and social conditions have been largely ignored [22].

Modernity and the introduction of a modern way of life and institutions are undeniable realities. Even to think in terms of 'alternative modernities' is to admit that modernity is inescapable and to desist from speculations about the end of modernity. It can be argued, however, that the modernity born in and of the West some centuries ago under relatively specific socio-historical conditions cannot be transplanted to the less-developed world through the imposition of policy articulated by dominant countries in the developed world.

Part III: Decentralization in Practice; Comparative Experiences

This section has two parts. Part A deals with the actual motives behind the recent wave of decentralization and part B analyzes the literature that evaluates the impact of decentralization projects across various developing countries.

Actual motives for decentralization

Shah and Thompson [28] have identified various and often mixed motivations for decentralization, most of which depended on a particular political situation and political decisions of high-level politicians and technocrats (Table 1).

Viewing the above table, in the case of less-developed and developing countries, one might add another row representing another major motivation of 'pleasing the donors', as decentralization is a major condition for the provision of foreign aid. The above table, however, shows that the actual motives of decentralization are quite

different to what the theory says: ‘the quest for the right balance’, i.e. appropriate division of powers among different levels of government. This, however, has not been the primary reason for implementing decentralization programs.

Table 1 shows that on the domestic front, political considerations have been a major catalyst in initiating a process of decentralization. This argument based on empirical evidence is in line with many other writers [29]. Amongst formerly centrally planned economies, apart from consideration to develop politically and economically, the aspiration was to get European Union membership [28]. In other countries, decentralization reforms were pursued due to ethnic and regional conflicts and fiscal crises. In countries like Indonesia and Pakistan, ‘decentralization processes that had been stuck in the mud for a long time got a big boost from political and fiscal crises. In Peru and Pakistan, the basic motivation behind recent decentralization moves was attempted by ruling powers to sideline or weaken potential opposition.

According to Table 1, the motivations behind decentralization vary from country to country and in many cases have been based on mixed motives. Here it can be argued that, in light of an international climate ripe for decentralization, and pressure from international financial institutions such as the World Bank and the IMF and other international donors to decentralize, decentralization seems to suit the political elites in many countries and has served well to fulfill their own agendas.

Table 1: Motivations for decentralization.

Motivation	Countries and/or regions
Political and economic transformation	Central and Easter Europe, Russia
Political crisis due to ethnic conflict	Bosnia-Herzegovina, Ethiopia, Yugoslavia, Nigeria, Sri Lanka, South Africa, Philippines
Political crisis due to regional conflicts	Indonesia, Madagascar, Mali, Senegal, Uganda, Mexico, Philippines
Enhancing participation	Argentina, Brazil, Bolivia, Colombia, India, Pakistan, Philippines
Interest in EU Accession	Czech Republic, Slovakia, Hungary, Poland
Political maneuvering	Peru, Pakistan
Fiscal crisis	Russia, Indonesia, Pakistan
Improving service delivery	Chile, Uganda, Cote D’Ivoire
To centralize	China, Turkey, European Union
Shifting deficits downwards	Eastern and Central Europe, Russia
Shifting responsibility for unpopular adjustment programs	Africa
Prevent return to autocracy	Latin America
Preservation of Communist rule	China
Globalization and information revolution	Most countries

Source: Anwar Shah and Theresa Thompson, *Implementation Decentralized Local Governance: A Treacherous Road with Potholes, Detours and Road Closures*, World Bank Policy Research Working Paper 3353, June 2004.

Decentralization in Practice: Comparative Experiences

There is a tonne of literature on decentralization that is based on technical concerns with the transfer of power, responsibility, and funding for the delivery of public services across various levels of government

[30,31]. Some authors [32] contend that if the goal of evaluating decentralized initiatives is to evaluate the degree of democracy being promoted by decentralization at the local level, then these processes must be seen via a political lens. The following literature review, which is primarily concerned with the relationship between democracy and decentralization and how they strengthen participation and empowerment, is done in light of the fact that the primary goal of this paper is also to examine the political dynamics of local governance. One example of an Indian state that has achieved success is Karnataka **decentralization**.

Manor [11] claims that Karnataka's robust governance, built on a competitive party system, free press, a professional civil service, and a persistent mechanism of public criticism of people in power, is the key to its success. Karnataka, in short, has a culture of public accountability [32]. It is crucial to remember that the aforementioned requirements for successful decentralization existed in Karnataka before decentralization changes and were not a result of them. Despite its advantages, Karnataka's case had some drawbacks. For instance, the Gram Sabhas, which were required by law twice a year council meetings with residents, were discontinued after the first year or two and were therefore ineffective as a formal tool to encourage participation at the local level.

The progress of democratization and decentralization has been sluggish in areas like Cote D'Ivoire and Ghana, where there were no pre-conditions equivalent to those in Karnataka [33]. Awortwi [34] claimed that because fiscal and political decentralization did not go hand in hand with administrative reforms in Ghana, a weak local government was produced. As a result of this initial road of purely administrative decentralization, "LGs became so submissive to the central government that CG politicians and executives who benefited from weak LG systems did not have any inclination to depart from the path," as stated in the article. Decentralization consequently resulted in more decentralization in the end.

In the case of Cote D'Ivoire the weak links between elected councilors and the population resulted in an enhancement of the public profile of the commune at the expense of local development [33]. In both Côte d'Ivoire and Ghana major issues stem from central government controls over local government revenue raising making decentralization ineffective [35]. Interestingly, Crook and Manor argued that without a strong will (which seems to be absent in most cases) of the central political force, establishing strong local governments is not possible. This raises the question: what characterizes decentralization beyond neo-liberal austerity and increased economic competition [11].

Heller [36] presents a similar case for Kerala (India) and Porto Alegre. According to him a strong and efficient central state, a well- developed civil society, and highly organized political forces, in the cases of Kerala and Porto Alegre, have given birth to exceptional political and institutional opportunities, rarely seen in the less-developed world; such opportunities in turn have produced successful local governance. Similar conditions in South Africa, however, have not produced the

same results, he opines, as, 'a once strong social-movement sector has been incorporated and/or marginalized by the political hegemony of the ruling ANC'. Decentralization in Argentina, and Ethiopia could also not deliver, as according to Paul [25] these countries rushed to do too much too quickly.

In South Asia, decentralization in countries such as Bangladesh and Pakistan also present a gloomy picture. Crook and Manor's

[11] work on Bangladesh shows the disappointing performance of local governments. They argue that decentralization has significantly increased corruption. It is estimated that sub-district chairmen as well as many junior-level bureaucrats stole between 30 and 40 percent of development funds. The Ershad regime was so preoccupied with using the system to obtain political allies in rural areas that it gave council chairmen

enormous freedom to do whatever they wished. As a consequence the local leadership was more active in establishing their links with the central government than strengthening their links in their respective constituencies. This seriously eroded the principle of accountability to voters. This precisely happened because the central government closely supervised and controlled finances, and could wield power by reducing or increasing grant-in-aid to local bodies [37]. On the other hand, the best example of decentralization in Pakistan during General Musharraf's period also could not fulfill its promise. Modern local government institutions, instead of serving ordinary villagers, had further strengthened the prestige and power of the local landowners [38]. This was because in most cases the local mayors elected were not ordinary citizens but powerful landowners. Since local government are provincial subject, in 2015, the new civilian governments at provincial levels abandoned Musharraf's Devolution Plan, and resorted to old local government systems devoid of any meaningful, fiscal or political powers.

The picture of decentralization in Brazil, and South Africa were also not encouraging. In Brazil, the constitution that came into effect with the end of the military regime gave a powerful role to local governments [39]. However, Brazil eventually experienced significant limitations on decentralization. Dickovick [1] noted that:

In Brazil, overt decentralization has occurred, following an economic crisis that gave presidents unique opportunities to reduce sub-national power. This has defied the expectations of many Brazilians who view the country as a case of decentralism run amok, a federation where the states (*estados*) dominate politics and the central government is chronically weak.

In the case of East Asian countries such as Indonesia and the Philippines, decentralization could not fulfill the expected goals predicted by the most optimistic theories. In Indonesia, the initial impact on perceptions of governance and selected outcomes were not positive [12]. It is widely believed that decentralization has significantly increased corruption and policy uncertainty across different levels of government [40,41]. Hadiz [40,41] noted that:

Centralized systems of patronage – which extended from the Presidential palace in Jakarta down to the provinces, towns, and villages – have largely survived and remain intact [41]. They have reconstituted themselves through new alliances, nationally and locally, and captured the institutions of Indonesia's democracy to further their own objectives, through control over parliaments and political parties, and via business alliances and assorted instruments of political violence – a confusing array of paramilitary groups and crime/ 'youth' organizations – they are establishing newly decentralized, competing, and sometimes overlapping networks of patronage. In short, decentralization is facilitating the emergence of more localized patronage networks that are relatively autonomous of central state authority.

Decentralization in Indonesia has thus promoted organizations/ groups that are not accountable and evade the rule of law. Further Hadiz [42] has argued that the design of institutional change results in unintended consequences. Many post-authoritarian societies have adopted decentralization--effectively localizing power--as part and parcel of democratization, but also in their efforts to entrench "good governance. Hadiz [42] talks about accompanying tensions and contradictions that define the terms under which the localization of power actually takes place. In this process, social and institutional change has led to social conflict in local arenas of power [42].

The Philippines Local Government Code (LGC) is considered to be providing a strong framework for local

government discretion and downward accountability [43]. It allocates 40 percent of the national taxes to local government and mandates the institution of participatory planning and budget processes up to the *barangay* level. However, the culture of patronage and subservience to hierarchy obstructed the discretion on paper to translate into downward accountability. This has resulted in weak implementation of decentralized government where political, administrative, and fiscal discretion and accountability systems become vulnerable to the instability caused by the excessively politicized system of rewards and allocations.

There are of course limits to the way that the examples above can be generalized across all countries within the less-developed world. Local officials can certainly be found who have performed relatively well as the case of Karnataka shows. However, in most cases, the reforms that took place, in the absence of any reforms in the power structures, did not allow for them to be sustained. They are dissipated under pressures of money politics and political thuggery, which have underpinned the working of democracy in most of these countries at the local and national levels. In some cases, this has led to the decentralization of governance.

What the empirical evidence suggests is that the key element of decentralization is that predatory interests have managed to reinvent themselves in the new democracy. Thus, decentralization is unlikely to produce the ‘good governance’ idealized in the neo-institutionalist scheme of the international financial institutions and the donor countries. With few exceptions, this is most vividly illustrated by the rise of political gangsters in the leadership of parties, parliaments, and executive bodies at the local level in most countries.

The observations above contradict the assumptions of neo-liberal literature on decentralization. Contrary to the assumptions of neo-liberal policy that envisaged strengthening of ‘choice’, the evidence depicts that the choices available to the policymakers are constrained by real constellations of power and interest. Moreover, in contrast to the neo-liberal theory that social capital serves as a driving wedge of social development and economic growth—the ‘third way’ along the path to development—the actual practice and empirical evidence provided above suggest that not all forms of organization in civil society are the same. Organizations built around patron-client relationships, drug cartels, and predatory networks of corruption encompassing both state and non-state institutions have proved to be stronger than the so-called voluntary networks that are supposed to resolve the problems of collective action for social benefit. The predatory networks also tend to hinder the so-called market growth.

The World Bank’s ‘Decentralization Net’ declares that the success of decentralization frequently depends heavily on providing training for national and local officials in decentralized administration⁴. This ‘training for success’ explanation is, in fact, an admission that a neo-liberal agenda is not going to be driven by a so-called progressive civil society, but must be enforced by technocratic and managerial interests constructed within the state bureaucracy. Clearly, there is much in common here with old-style modernization theory that relied on the rationality, goodwill, and intelligence of Western-trained, modern, technocratic, and bureaucratic elites and a belief that success or failure is ultimately determined by the quality of the planning and execution of decentralization programs, and not the economic, cultural, or political environment (systems, structures, traditions) in which these are set.

Conclusions

The debate on good governance and decentralization cannot be fully comprehended without analyzing the interconnected concepts, theories, and practices. The most important concepts that connect to the idea of good governance are development, modernization, the free market, civil society, and globalization. On social and political levels, the trajectory of these concepts is rooted in modernization theory, and on the economic level in the neo-liberal economic paradigm. It can be argued therefore that, today, the dominant political economy

that industrially developed countries in the North are exporting to the less-developed countries stands on two pillars: modernization theory and the neo-liberal economic paradigm. Previously, up till the 1970s, the determinants of the political economy being exported to these countries were modernization theory and the Keynesian economic model.

This paper has attempted to analyze good governance and decentralization in light of these interconnected concepts and theories. The journey of governance from ‘good government’ to ‘good governance’ and from ‘local government’ to ‘local governance’ actually reflects changes in the socio-economic and socio-political context at the global level. It also reflects the emergence of new challenges compelling a shift in priorities within the social, political, and economic policies of international financial institutions and donor countries to sustain their power and dominance over the world.

In the Cold War period, centralized governance was considered to be the engine of growth; now it is the same centralized governance that is considered to be the main obstacle to economic growth. However, the inner logic and the motive are the same, i.e., maximizing as much profit as possible. In an ideologically bipolar world, the threat of the Soviet Union compelled the so-called free capitalist countries to ensure a centralized welfare state in the North and a centralized developmental state in the South. Since the threat of the Soviet Union has diminished, the neo-liberal capitalism to maximize profits is compelling the same states in the developed and the less-developed world to minimize their role, or at least reconsider their role in regulating markets. In other words, the purpose of the state is now to manage and not regulate capital.

Good governance has become an important tool to fulfill these desired outcomes. It has become instrumental, as the ‘good governance’ paradigm essentializes the active involvement of extra-government institutions and forces, the most important being the civil society and the market. Decentralization in this new arrangement becomes a facilitating program, as it endeavors to connect ‘on the ground forces’ to global capitalism.

Given the rapid pace of economic and social change in the post-Cold War period, and the challenges and tasks that remain in reshaping the world according to the principles of neoliberalism, there seems to be a hurry on the part of international policymakers to implement their social, political, and economic policies. While the evolution of decentralization in developed countries spanned over centuries and accelerated in recent decades, in less-developed countries the ‘process has been more recent, more rapid and more traumatic’ [44].

This however is not producing desirable results. In this context, Paul’s [45] observation that one of the many reasons behind the failure of decentralization in Argentina, and Ethiopia is that these countries tried to do too much too quickly seems pertinent. Here it is important to note that the modernization logic becomes paradoxical. The developed countries do not seem to be fair to the less-developed ones. The former are not leading developing countries on the path they chose to develop themselves when they were at an early stage of development, but are rather (what Ha-Joon Chang calls) ‘kicking away the ladder’ [46].

It is important here to understand the strategies of neoliberalism operating through good governance and decentralization programs emanating from the global centers of power. The strategies of neoliberalism can be found in the narrative of participation, empowerment, and civil society. Following Ferguson, it can be argued that these narratives act as depoliticizing machines, as they endeavor to make all non-economic behavior (such as trust, cohesion, harmony, and cooperation) subservient to the laws and rationality of capital.

In the first instance, the neo-liberal strategy of employing concepts such as social capital and civil society and of conflating or mis-specifying the relations between social processes (e.g., focusing on trust or lack of it) in the context of decentralization escapes the analysis of where and how local conflicts arise and thus marginalize the forms and arenas of political contestation [47]. In this endeavor, the strategy quietly omits

class relations regarding which the lack of cohesion, reciprocity, and trust (social capital) is frequently analyzed by the critics of neoliberalism.

In the second instance, the strategy is even more novel. It strives to convince the wretched of the earth that the problem of their poverty lies in their inability and incapacity to forcefully insert them into a certain economic order in an organized way. The problem lies with the victims of inequality and not the wider political economy perpetuating that inequality [48].

The above picture is one side of the story presented in this paper. The other side is the actual practices and motives of the states in the less-developed world in implementing decentralization programs. This side of the picture presents a tension between theory and practice [49]. While it is an undeniable fact that countries of the world, in one way or the other, have been integrated into a global capitalist order that is managed mainly through national and not local governments, the logic of capitalism has still to gain ground and be fully embedded in the less-developed world. Owing to the fact that these societies are still run on the bases of hybrid economic systems (a mix of tribal, agrarian and capitalist systems) and practices, the result is that these countries present a distorted picture of good governance and decentralization. Instead of opting for top-down instrumental means to strengthen local governance, policymakers will do better if they take in account the historical factors and economic, cultural, and political environment (systems, structures, traditions) in which local government institutions have to be established [50].

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