

Shifting Power to the Periphery: The Impact of Decentralization on the Wellbeing of Poor

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Abstract

The decentralisation process, through shifting of power from centre to the periphery, aims to enable the citizens, either directly or indirectly, to be more involved in the decision-making process in a wider number of areas such as education, health, rural planning, and local economic development. Underlying the rationale for decentralisation is the improvement of the governance system and well-being of the poor by involving citizens at the grass-roots level of society so they can be part of the governing authority and be involved in the social, economic, and political decisions that directly affect them, wherever they reside in the country. Since most of the poor in Sikkim live in the rural areas, decentralisation allows the poor to be closer to the institutions that make decisions to improve their worth and reduce their level of degradation resulting from poverty. The higher degrees of decentralisation are, therefore, associated with higher levels of subjective well-being among citizens. Furthermore, decentralisation is a key element to improve the lot of the people, particularly poor and the marginalised social groups but it needs to be accompanied by increased level of democracy and more effective governance structure through which the

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poor can hold providers and elected representatives accountable. It is in this backdrop that this paper investigates whether an institutional reform such as decentralisation has any impacts on the well-being of the poor and marginalised people. Besides looking at decentralisation as a contributor to the well-being, the paper also addresses how various degrees of decentralisation influence well-being of poor with specific reference to the hill state of Sikkim, India. The paper is divided into four sections. Section I presents a brief discussion on meaning and concept of decentralisation. The decentralisation-well being interface is presented and discussed in section II. In section III, decentralisation process and its impact on well-being regarding the state of Sikkim is discussed. A final section is conclusions.

Keywords: Decentralisation, governance, well-being, Sikkim, India

Introduction

Decentralisation has become an increasingly widespread and significant dimension of political and administrative reform in many developing countries since the late 1980s. It has a long history, and even before the 1980s the political thinkers like Montesquieu, Madison and others suggested that decentralised governance can contribute to democratic participation, better representation, accountability and policy and governmental effectiveness. It is a theme discussed in relation to a wide range of related subjects like public sector reform, democracy, political reform, participation, empowerment, rural development, fiscal and economic development, accountability, and capacity building (Smoke, 2003). Recently, decentralisation has been promoted in policy circles both as a means of improving service delivery as well as a tool for promoting well-being of poor people. Several developing countries, India, Brazil, China, Indonesia, the Philippines, and Bangladesh, among others, have undertaken significant steps towards shifting powers to sub-national tiers of government. The main arguments forwarded are that devolving power would result in an increase in the quality of services due to the local information base in response to local demands. Philips (1996) has argued that no matter how well regulated the democratic process may be, any concentration of power can lend itself to arbitrary and undemocratic behaviour. In many cases,

decentralisation has been through de-concentration of power by its transfer from the central to the local governments. Neoliberal thinkers have seen decentralisation as a means of moving power away from ineffective, over-bloated, and often corrupt central states who are responsible for market failures to sub-national governments where the transaction costs are lower and public service delivery can be better targeted (Manor, 1999; Bardhan, 2002).

Much of the impetus behind changing the nature of the state and decentralisation has been based on an understanding of the state, which locates the state at the centre and attempts to improve its efficiency and accountability by shifting some of its power to the periphery. The decentralisation process, through the shifting of power from the centre to the periphery, aims to enable the citizens, either directly or indirectly, to be more involved in the decision-making process in a wider number of areas such as education, health, rural planning, and local economic development. Underlying the rationale for decentralisation is the improvement of the governance system and well-being of the poor by involving citizens at the grass-roots level of society so they can be part of the governing authority and be involved in the social, economic, and political decisions that directly affect them, wherever they reside in the country. Since most of the poor in Sikkim live in the rural areas, decentralisation allows the poor to be closer to the institutions that make decisions to improve their worth and reduce their level of degradation resulting from poverty. The higher degrees of decentralisation are therefore associated with higher levels of subjective well-being among citizens. Besides, decentralisation is a key element to improve a lot of the people, particularly poor and the marginalised social groups but it needs to be accompanied by increased level of democracy and more effective governance structure through which the poor can hold providers and elected representatives accountable. It is in this backdrop that this paper investigates whether an institutional reform such as decentralisation has any impacts on the well-being of the poor and marginalised people. Besides looking at decentralisation as a contributor to the well-being, the paper also addresses how various

degrees of decentralisation influence well-being of poor with specific reference to the hill state of Sikkim, India.

The paper presents a brief discussion on meaning and concept of decentralisation. The decentralization-wellbeing interface is presented and discussed next followed decentralization process and its impact on well-being regarding the state of Sikkim is discussed. A final section is conclusions.

What is Decentralisation?

There is strong evidence in the literature that many different meanings have been assigned to the concept of 'decentralisation', and also that it is frequently left undefined (Sharma, 2006; Kim, 2008; Dubois and Fattore, 2009). Part of the difficulty lies in the fact that the concept is used by scholars from different disciplines - amongst others Public Administration, Political Science and Economics - and that there is 'too little interaction between their respective bodies of work' (Hutchcroft, cited in Pina-Sanchez, 2014). Therefore, there is no single universally accepted definition of decentralisation and different scholars have defined the term differently. Mawhood (1983) and Smith (1985) defines decentralisation as any act by which central government formally cedes powers to actors and institutions at lower levels in a political, administrative and territorial hierarchy. Decentralisation is usually referred to as the transfer of powers from central government to lower levels in a political-administrative and territorial hierarchy (Crook and Manor, 1998; Agrawal and Ribot, 1999). The definition by Rondinelli and Cheema (1984) is one of the best general definitions of decentralisation. According to them, decentralisation is the transfer of responsibility for planning, management and resource utilisation and allocation from the central government to (a) field units of central government ministries or agencies; (b) subordinate units or levels of government; (c) semi-autonomous public authorities or corporations; (d) area circle, regional or functional authorities, or (e) non-governmental private or voluntary organisations'. Decentralisation, to Hans Bjorn

Olsen (2007), is the transfer of authority and responsibility for public functions from the central government to intermediate and local governments or quasi-independent government organizations and/or the private sector. Decentralisation has also been defined as the assignment, transfer or delegation of political, administrative and fiscal responsibilities to lower levels of government.¹ From a good governance perspective, decentralisation refers to the restructuring or reorganisation of authority so that there is a system of co-responsibility between and among institutions of governance at central, regional and local levels according to the principle of subsidiarity² while increasing the authority and capacities of sub-national levels.³ Treisman (2002) defines decentralisation as a characteristic of compound government systems. Compound government structures are those that include overlapping territorial jurisdictions. To put it in layman's terms, decentralised systems have multiple levels of governments that are territorially defined. The first level is the national government, followed by state or provincial governments, and then local governments based on units like counties, districts, and cantons. Based on analysis of more than 40

¹ This definition is common in World Bank publications. For example, see Litvack, J., Ahmad, J. and Bird, R., 1998, *Rethinking Decentralisation in Developing Countries*, Sector Studies Series, The World Bank, Washington DC, p. 6. Where emphasis is placed on the transfer of administrative, fiscal and political power (instead of responsibilities), the term democratic decentralization is frequently used. Delegation, by contrast, implies the transfer of managerial and resource allocation authority from the centre to "field" offices and deconcentrated units. See M J Balogun, "The Scope for Popular Participation in Decentralization, Community Governance and Development: Towards a New Paradigm of Centre-Periphery Relations", *Regional Development Dialogue*, Vol. 21, No. 1, Spring 2000, pp. 154-158.

² Based on the principle of subsidiarity, functions are transferred to the lowest level that is capable or potentially capable of delivering the function.

³ This definition was put forward by the UNDP Management Development and Governance Division, Bureau for Development Policy, 1997, *Decentralised governance programme: Strengthening capacity for people-centred development*, p. 4. See also Balogun, *The Scope for Popular Participation in Decentralization, Community Governance and Development*, op. cit., pp. 159-163.

definitions of decentralisation in the literature, Dubois and Fattore (2009) conclude that the concept refers to both a structure and a process; that it focuses on questions of authority, responsibility, and power, as well as functions and resources; and that it draws attention to the transferring entity (central government) and the receiving entities (sub-national government).

Forms of Decentralisation

Theorists of decentralisation have put forward four forms of decentralisation: deconcentration, delegation, devolution, and privatisation.⁴

(i) Deconcentration refers the shifting of the management workload from centrally located official to offices outside the national capital or headquarters. This is the process of administrative decentralisation whereby the central government designs a structure that enables its agents to work close to the local people in field units/agencies of central government. The deconcentration of the administrative system thus involves setting up region or district offices of the central ministries and other state agencies followed by a delegation of work and authority from the centre to these local representations of central authorities. Deconcentration can take different forms (Siedentopf, 1985):

Mere shifting of the workload from a central government ministry to its offices outside the national capital. The local staffs do not possess the authority to make decisions on their own or to carry them out.

Transfer of some decision-making authority to a system of field administration, allowing it some latitude to plan, to make routine

⁴ The main source of these descriptions of forms is Rondinelli, 1984 and UNDP, 1997. p. 5-6. According to other commentators, “privatization” raises issues that are fundamentally different from those of decentralization. They therefore dismiss the former as a sub-set of the latter. See Balogun, *The scope for popular participation in decentralization, community governance and development*, op. cit., pp. 155 and 157.

decisions and adjust the implementation of central directives to local conditions, within guidelines set by the central ministry.

Establishment of subordinate levels of government to perform local functions but under the technical supervision and control of the central ministry. Delegation is a more extensive form of decentralisation and it is through delegation central governments transfer responsibility for decision-making and administration of public functions to semi-autonomous organisations not wholly controlled by the central government, but ultimately accountable to it.

(ii) The delegation, compared to deconcentration, provides greater opportunities to agencies and units to exercise delegated functions and responsibilities. In terms of dimension both deconcentration and delegation can be termed as administrative decentralisation with the central government retaining ultimate authority.

(iii) A devolution is a real form of decentralisation which involves the process of transferring decision-making and implementation powers, functions, responsibilities, and resources to legally constituted local governments. This system gives local authorities autonomy within clearly demarcated areas of decision-making through constitutional rights.

According to Rondinelli (1981), devolution has certain characteristics. First, it requires that local government be given autonomy and independence, and be clearly perceived as a separate level over which central authorities exercise little or no control. Second, local units must have clear and legally recognized geographical boundaries over which they exercise authority. Third, local government units must be given corporate status and power to raise sufficient resources to perform specified functions. Fourth, devolution implies that local governments are institutions which provide services that satisfy the needs of local citizens and allow their participation in local affairs. Finally, devolution establishes reciprocal, mutually beneficial, and coordinative relationships between central and local governments.

(iv) Privatisation a relatively new phenomenon refers to transfer of responsibility for public functions to voluntary organizations or private enterprises. The objective is to mobilise the capacity and initiatives of civil society organizations working for social and economic development. Of the four forms of decentralisation described above, the only devolution is considered as a genuine form of decentralisation. Devolution provides the largest scope for developing genuine local-level governance based on popular participation. The deconcentration amounts to the least amount of transfer of power to local people while the delegation also does not by itself transfer power to the locals, although the delegated agencies have the scope for involving local people in their decision-making process.

Conceptual arguments for the Relationship Between Decentralisation and Well-being

Decentralisation has changed the political and institutional context for promoting the full and equal rights of citizens in many societies around the world. Its current popularity, especially in the developing world, is unparalleled, with 80 percent of all developing and transition countries undertaking some form of decentralisation over the past two decades (ICHRP, 2005). By transferring functions, resources, and varying degrees of political, administrative, and fiscal autonomy to regional, local, or municipal governments, decentralisation can provide new opportunities for poor and marginalised social groups to participate and be represented on the matters that most closely affect their lives. Advocates of decentralisation argue that local governments would help democracy take root and be more effective at improving the well-being of their citizens. It promises a closer fit between the needs and aspirations of citizens and the services and support of government, and fosters opportunities for participatory democracy and local empowerment. The public services particularly relevant for the poor - health services, basic education - benefit or loose in terms of efficiency and quality from decentralisation, depending on institutional and managerial capacities at a local level, and local political power of the

poor. Local governments are better positioned than the national government to administer and deliver public services because of informational advantage regarding local preferences and costs. This apart, local government have a more institutionalised linkage with beneficiary communities, improved information, and the incentive to use this information; therefore, local governments are better placed to identify the poor, to respect local social identities, and to respond more efficiently to local variations in conditions, tastes, standards, affordability, location requirements and so on for services or infrastructure. The scholars like Bjárnskov et al (2008) note that arguments about whether local autonomy leads to greater satisfaction with public policies and political institutions are closely linked to arguments for and against decentralisation more broadly. In its favour is the “fiscal decentralisation theorem” (Tiebout, 1956; Klugman, 2004), which suggests that local governments have a greater potential to tailor their specific policies to the needs of citizens in ways that produce greater satisfaction levels.

The argument whether decentralisation yields satisfaction with government and public policies has been completely, however, overlooked by the literature. The studies dealing with these issues are very rare. Despite the recent boom in the literature on subjective well-being (SWB), only a limited number of papers have concentrated on the implications of decentralisation for happiness and well-being (e.g., Frey and Stutzer, 2000, 2002; Bjárnskov et al., 2008; Voigt and Blume, 2009). Findings from this study also explain the mixed results of decentralisation programmes across the globe. From Mexico to Uganda and India to Indonesia, the promise of greater accountability, efficacy, and citizen-wellbeing has brought different results in different places (Blair 2000; Oxhorn et al., 2004; Bardhan and Mookherjee, 2005). The handful of such studies devoted to these topics tend to agree that institutions matter for SWB and that happiness is strongly determined by the institutional context (Frey and Stutzer, 2002; Bjárnskov et al., 2010). Frey and Stutzer (2000) carried out a cross-regional analysis for Switzerland. Their analysis found a positive and highly statistically

significant effect of institutional factors, such as government initiatives and local autonomy, on self reported individuals' well-being. They have concluded that decentralisation led to a closer match between political outcomes and voters' preferences, thus raising SWB. Similarly, Bjárnskov et al. (2008) used the world values survey in 66 countries to estimate the impact of fiscal and political decentralisation on subjective well-being. Their results showed that local budgets and their size mattered for well-being. Voigt and Blume (2009) in their study also find a positive correlation between happiness and federalism in a cross-country assessment, which may compensate for higher budget deficits and lower government expenditure in federations. Similar types of studies have been conducted by scholars like Sepúlveda and Martínez-Vázquez (2010), Tselios et al. (2011), Morelli and Seaman (2007) and Mahal et al (2000). Sepúlveda, and Martínez-Vázquez (2010) have analysed how decentralisation affects levels of poverty and inequality in a cross-section of countries, while Tselios et al. (2011) have examined its implications for interpersonal inequality across European regions and Morelli and Seaman (2007) for regions of the UK. Mahal et al. (2000) tested the hypothesis that increased decentralisation/democratisation at local level positively influences enrolment rates and child mortality once the influence of socioeconomic circumstances, civil society organisations, the problem of the capture of local bodies by elite groups are controlled for. They find that indicators of democratisation and public participation, such as frequency of elections, presence of non-governmental organisations, parent-teacher associations and indicator variables for decentralised states generally have the expected positive effects.

In our attempts to disentangle the links between decentralisation and well-being, we shall pay special attention to the dimension of decentralisation and its impacts on well-being. The existence of some connection between decentralisation and well-being is well established. It would therefore seem intuitive that shifting of the power through decentralisation would improve well-being. Table 1 shows the key relationships between decentralisation and well-being.

Table 1: Key relationships between decentralisation and well-being

Political Decentralisation	Political decentralisation often benefits the poor, because involving civil society in planning, monitoring and evaluating public programmes and policies is crucial to ensure steady progress and that is facilitated in a decentralised system.
	Political decentralisation supports democratisation by allowing people or elected representatives to command more power in public policy decision-making. Such decentralised democratic decision-making ensures the welfare of all those who are likely to be affected by such decisions. This basic rationale is derived from the participative democratic imperative that all people whose well-being are affected by decisions ought to participate in such decision-making process.
	Elected local governments may generally be more accountable and responsive to poor people, and better at involving the poor in political processes. Decision-making at the local level gives more responsibility, ownership, and thus incentives, to local agents, and local information can often identify cheaper and more appropriate ways of providing public goods (Bardhan, 1997).
	Improved representation and organisation of formerly excluded groups through decentralised governance can enable the poor to have better access to safety nets and social security schemes, reducing their vulnerability and insecurity (Jutting et al, 2004).
	Citizens can interact better with governments and better scrutinize their actions, bringing governments and those governed closer to one another (Putnam 1993; Azfar et al. 2004), possibly enhancing the level of citizen satisfaction with political organizations 11 and public policies.
Administrative Decentralisation	Administrative decentralisation can empower the poor through the creation of institutions that promote greater voice and participation of the poor. Decentralisation can enable voice mechanisms for citizens to express their views to government bodies, potentially empowering the poor to make their needs known and making their voices heard in shaping policies that affect their lives.
	Administrative decentralisation creates opportunities for citizens to participate in the administration, budgeting and delivery of public services.
	The shift in the scale also engenders greater competition among local governments to deliver better goods and services (Hayek, 1939; Tiebout, 1956). The competition among sub-national governments can be a source of innovation, leading to improved quality and lower costs in the production of public goods and respond better to the demands of citizens and to

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	<p>improve the policy delivery, possibly leading to increased citizen satisfaction.</p> <p>Accountability relationships between local authorities, citizens, providers and the centre are strengthened, as decentralisation can bring greater citizens' voice, information, responsiveness and monitoring. Since residents can monitor local government better than the central government, they are more likely to hold local officials accountable for delivery of services at some acceptable quantity and quality</p> <p>Local governments, in their quest to be more responsive, are bound to be more creative and innovative in pursuing policies that satisfy the needs of their citizens (Oates, 1972). Successful innovations in one territory can then be transferred and adapted to the needs of local citizens in other locations (Donohue, 1997).</p>
Fiscal Decentralisation	<p>Decentralisation also has the principal advantage that local officials can be more easily monitored and controlled by the local communities than officials in the central government, if the rule of law exists on the local level.</p>
	<p>The fiscal decentralisation of expenditure responsibility and tax authority breaks uniformity and thus enriches the choice of bundles of public goods and taxes that can be offered. Through self-selection of individuals, their preferences can be matched with bundles that different governments offer.</p>
	<p>From the economic management perspective, decentralisation may help local government to improve the efficiency of public service delivery to the poor and targeting efficiency in transfer programmes.</p>
	<p>Decentralisation also reduces transaction costs and, provided well functioning institutions, it may also reduce the risk of elite capture of rents (Inman and Rubinfield 2000; Storper 2005).</p>
	<p>Decentralisation may generate opportunities for cost recovery as people are usually more willing to pay for services if such services respond to their priorities and if they have been involved in the decision-making process.</p>

Decentralising Experience in Sikkim and its Uniqueness

In 1965, the Government of Sikkim embarked on the implementation of a comprehensive policy to decentralise the system of government. The decentralisation programme had three main objectives:

To create opportunity for most Sikkimese who live in the rural areas - in villages - to participate in decisions that directly affect their lives and increase their access to political authority;

Promote local development through the involvement of the rural people as the way of improving ownership and commitment to enhance implementation leading to improvement in the living conditions of the local people and their social well-being; and

Bring government and decision-making nearer to the people as well as quicken the process of decision-making.

Decentralisation was effectively initiated by the Sikkim Panchayat Act, 1965 which is further strengthened by the Sikkim Panchayat Act 1993 and various Acts and legislative instruments. Through the 1965 Act, the government devolved more powers to local governments through the reduction of central government presence at the local level and provided resources to strengthen and enable the local governments to assume full responsibility for socio-economic development. The Act established a single-tier panchayat with Block Panchayat at the village level. As a sequel to this Act, 213 Block Panchayat were constituted all over the country. The East and West Sikkim has 68 and 60 Block Panchayat while North and South Sikkim has 19 and 66 Block Panchayat respectively. All the members of the Block Panchayat were elected directly by the people of the area. The Block Panchayat elects a president, vice president and secretary from amongst themselves. All the members of the Block Panchayat enjoy the terms of three years only. This reform provided a more limited but nevertheless significant degree of decentralised planning and implementation of rural development. As mentioned above, the emergence of decentralisation policies in the late 1960s is closely related to changes in Sikkim's overall development strategy that emphasised egalitarian and participatory rural development and the concomitant search for a suitable machinery and organisation for implementation. Thus, the Block Panchayat was set up to provide more resources for this new development effort but on a decentralised and broader basis. This system continues till the

enactment of Sikkim Panchayat Act 1982 which created a two-tier PR system with Gram Panchayat at the village level and Zilla Panchayats at the district level.

The Constitution (73rd Amendment) Act that came into effect from 24th April 1993 marks a new era in the federal democratic set-up of the country and provides constitutional status to the Panchayati Raj Institutions (PRIs). Gandhiji's dream for Poorna Swaraj through Gram Swaraj has been translated into reality with the introduction of three-tier PR system to ensure people's participation in the great tasks of rural reconstruction. The Act not only gives a constitutional mandate to the panchayats but also provides the uniformity and formal structures of institutions of self-governance in the country. Many states in India to incorporate and implement the major provisions of the Central Act amended their respective state Panchayat Act. In Sikkim, the Sikkim Panchayat Act was enacted in 1993 in conformity with the objectives, substance, and directives of the Central Act. The Act was, in fact, a landmark in strengthening the local bodies in the state.

The 1993 Decentralisation

Sikkim enacted new Panchayati Raj legislation, the Sikkim Panchayat Act, 1993 in conformity with the provision of the Constitution (Seventy-Third Amendment) Act, 1992. The Sikkim Panchayat Act 1993 has incorporated all the mandatory provisions of the 73rd Amendment Act and envisages to achieve the grass root democratic polity by making PRIs an instrument of local government. Provision of Gram Sabha, five year terms, reservation for SCs and STs, one-third reservation for women, the constitution of State Election Commission and State Finance Commission and other related mandatory provisions find place in the Sikkim Panchayat Act, 1993, The legislation, however, does not make any changes in the existing two-tier Panchayati raj structure and provide the same with Gram Sabha and Gram Panchayat and Zilla Panchayat at village and district levels respectively.

The Sikkim Panchayati Raj Act 1993 was enacted to give legal backing to the decentralisation process. The decentralisation process was to be total including political decentralisation, administrative decentralisation, and fiscal decentralisation.

Political Decentralisation: Political decentralisation was to include the establishment and empowerment of local government structures, demarcation of administrative boundaries, and the promotion of popular participation of the people at the various levels of decision-making. This form of decentralisation is synonymous with democratic decentralisation.

Administrative decentralisation: Administrative decentralisation refers to the devolution of government power, roles, functions, and responsibility from the state government to local and sub-local government institutions. Administrative decentralisation provides local government with specific responsibilities and bureaucratic resources for implementing the new functions.

Fiscal Decentralisation: Fiscal decentralisation relates to the division of fiscal responsibilities between state and local governments and the transfer of some well-defined financial resource mobilisation and disbursement responsibilities from the former to the latter. Fiscal decentralisation seeks to make adequate financial resources available to the local governments.

The decentralisation reforms in Sikkim are unique in several aspects. Firstly, the decentralisation process in several areas in Sikkim was started even before its merger to India in 1975. Secondly, service delivery was already highly decentralised. The panchayats and municipalities already had experience in providing a specific range of services with some degree of autonomy. The recent developments of the decentralisation process revealed the expansion of the role of these governments in areas such as healthcare, education, social assistance, urban planning, and infrastructure. Thirdly, the issues of social justice and inclusion have been one of the key goals of decentralisation in

Sikkim for the wellbeing of people. Apart from providing representation to the excluded groups, it is a key agency for local economic development through local planning. Fourthly, most decentralisation schemes are largely rural-based decentralisation rather than urban-based. Decentralisation schemes are often limited to villages within a country rather than embracing the country within its framework. Finally, as in any other country, decentralisation in Sikkim, particularly devolution, serves as a means of citizen education and democracy as well as the incorporation of citizen input into local level planning processes.

Decentralisation and its Impacts on Well-being

Decentralisation reforms have been pursued in Sikkim over the last 30 years with the aims of improving governance efficiency and making policy more responsive to the needs of local people, particularly the poor. There are several potential ways in which decentralisation may affect basic needs of the people through the provision of services in areas such as primary education, basic health, and other social services. These public services affect the quality of life for all people and, therefore, are an important ingredient for improved social well-being. Recently, increased attention is being paid to promoting opportunities, to human resource, enhancing security and rights, and facilitating empowerment. All these are closely related to local public goods and services and are directly linked to decentralisation. With the enactment of new legislation in Sikkim, the local governments assumed responsibility for the provision of services in education, health, water, sanitation, roads, and agricultural extension. In a decentralised system, monitoring and control of local agents by local communities is easier, in principle. It is further argued that the quality of service provision can also be enhanced by decentralisation since local governments will be more sensitive to variations in local requirements and open to feedback from users of services. The decentralisation has therefore positive impacts on intermediate variables affecting well-being such as a poverty

reduction, health care, empowerment, and service delivery. We discuss each of these in turn.

Poverty Reduction: Poverty remains overwhelmingly a rural phenomenon in Sikkim. Though there was a significant improvement in poverty decline and decrease in poverty level by itself is sufficient for attaining significant improvements in social well-being. About 8 percent of people in the rural areas are still lived below the poverty line in 2015. The closeness of intervention provided by decentralised structures and features enhances the effects of interventions on poverty reduction tremendously. The experience shows that local governments in Sikkim act as a major vehicle for specific poverty alleviation policies, such as the distribution of basic food to the poorest segments of the population or the implementation of growth-inducing policies, through the mobilisation of local resources and increased participation. Local information flows due to decentralisation has made the identification of more effective ways of providing services easier and increase government awareness of local needs and better targeting. In addition, local monitoring helps to ensure that officials perform diligently. Decentralisation has, therefore, contributed to the local development and poverty reduction through generating increased flows of goods, services, capital, ideas, and people. Furthermore, decentralisation had led to an increased flow of financial resources to local areas, with positive spin-offs for the local economy and local development in Sikkim. Various facets of the decentralisation process in Sikkim facilitate direct targeting of poverty reducing intervention to the rural folks at the district and sub-district level. First, the political decentralisation process in Sikkim led to the establishment of 176 Gram Panchayat Units and 4 Zilla Panchayats. These structures provide institutions for channelling poverty reduction resources closer to the rural communities where most of the poor reside. Second, administrative decentralisation process allows decisions about the local development to be taken by people at the local level thus reflecting the real needs of the local people including the poor. Thirdly, fiscal decentralisation allows the local government to

sanction the fund amounting Rs. 5 lakhs for local development and generate resources through user charges.

Health Care Services: Decentralisation has long been advocated as a desirable process to improve health systems, service quality and coverage. Access to health care and improvements in health status are often at the heart of concepts of ‘development’, as conceived as an improvement in an individual’s quality and standard of living. For example, life expectancy at birth is used as part of the UNDP’s Human Development Index, and the Millennium Development Goals (MDGs) include several health-related targets.⁵ Amartya Sen (1999) also uses good health as a route to greater freedoms and therefore ‘development’. With good health individuals have greater ability to participate in work activities (both paid and unpaid) and education, so improving their life chances and choices. Decentralisation, although, should not be regarded as a panacea for improving health care services, can contribute to achieving greater equity, efficiency, and quality in health spending, including improved efficient resource management and accountability (Bossert 1998; Hearse and Blas 2001). The most important potential advantage of decentralisation for health service delivery is allowing a closer flow of information and interaction between health service providers and clients, leading to health services that are more differentiated and better targeted to varying local needs. When successful, decentralisation of health care can lead to more systematic involvement of citizens in decisions regarding health policy goals, design, and financing, and in monitoring service provision and holding health care providers accountable for the delivery of services. In Sikkim, the government has devolved the powers to the local government to look after the primary health sub-centres and dispensaries at the rural areas. Similarly, various health related programmes are carried out by the local government. CATCH (Comprehensive Annual Total Health

⁵ MDGs 4, 5 and 6 explicitly refer to health: MDG 4 ‘Reduce child mortality’; MDG 5 ‘Improve maternal health’; MDG 6 ‘Combat HIV/AIDS, malaria and other diseases’. Other MDGs, most notably MDG 8 on global partnerships for development, also include health-related aspects.

Check-up) launched by the Sikkim Government in August 2010, is one such example of scheme where local government play an active role in organising health camp in their locality. This programme aimed at providing comprehensive (promotive, preventive, curative, and rehabilitative) care with a focus on health promotion and prevention by doing annual and periodical and total health check-up free of cost for all the citizens of Sikkim. CATCH is an extremely beneficial scheme for the well-being and has enable the people of all ages and all categories especially the Below Poverty Line families and senior citizens who are not able to travel long distances for treatment as doctors, technicians and staff from the health department carry out the health check-up in health camps which are set up within their locality. The collaboration with the local government has brought the improvement of the services as the panchayat representatives can mobilize the people for health education and other services which require public participation. The decentralisation of primary healthcare services to locally elected governments in Sikkim has increased access to affordable health services, which has in turn increased immunisation rates and reduced infant mortality. In Sikkim, IMR (infant mortality rate) per 1000 live births is 24 as compared to 40 for India. By bringing governance structures down to the local level, state health care is supposedly more responsive to community needs. Community involvement is often encouraged through the setting up of consultative processes, whereby community members can respond to local health initiatives or even contribute to their development and well-being.

Agriculture: Agriculture, in its broadest sense, constitutes a major opportunity for improving the well-being of the developing economies, where much of people still live in rural areas. In the context of agricultural development, the basic aim of decentralisation is to improve the level of efficiency by assuring that the extension services that are provided respond to local needs. Decentralisation potentially increases user ownership of extension programmes (many use participatory methods) and financial support for services (through user chargers, outsourcing, and private provision), thereby developing

constituencies for extension and ensuring greater accountability (World Bank, 2000). Indeed, decentralisation facilitates the use of local knowledge, local participation, and ownership by utilizing local resources. Furthermore, decentralisation has the potential to enhance transparency and accountability in the delivery of agricultural services, allowing local governments and community groups to more closely monitor service providers to reduce shirking by extension workers and to ensure that extension services are delivered. In Sikkim, some agriculture related activities and personnel of department have been transferred to local government. The Village Level Workers (VLW) who works under the direct supervision of panchayats distribute high-yielding varieties of seeds to the farmers, organise awareness camp and gives training in preparing organic manures (e.g., Vermicomposting training). In agriculture, there is also a case for decentralising extension services, or at least some components of such services, as context specificity and responsiveness to demand ought to be important features of services provided and direct contact with beneficiaries (mostly farmers living in rural areas) is required. Transfer of extension functions from state government to the local government, farmer associations and NGOs has become increasingly popular since the 1990s. Many NGOs have been playing a particular important role in Sikkim and they have become particularly effective in providing educational and other services to small and marginal farm households. Decentralisation of agricultural extension services has involved decentralisation of government responsibilities through structural reforms and increased participation of end users in extension programmes.

Democratisation: Democratic decentralisation usually entails the devolution of power to elected local authorities, which in turn widens the scope of political participation at the local level (Robinson 1998). The decentralisation supports democratisation by allowing people or elected representatives to command more power in public policy decision-making. According to Crook and Manor (1998), ‘decentralisation combined with democratisation (usually in its electoral representative form) might provide greater transparency, accountability,

responsiveness, probity, frugality, efficiency, equity and opportunities for mass participation'. Such decentralised democratic decision-making ensures the welfare of all those who are likely to be affected by such decisions. This basic rationale is derived from the participative democratic imperative that all people whose well-being is affected by decisions ought to participate in such decision-making process. When everybody participates, self-interest will guide him or her to arrive at decisions that are consistent with collective well-being. With the implementation of new Panchayat Act, the participation of people in politics and in the everyday tasks of influencing government has become much more widespread, and many more poor and marginalised social groups are engaging with democracy as never in Sikkim. The reservation of seats for women, scheduled castes and tribes in local bodies drastically altered the composition of the local bodies. By permitting the states to make a provision for reservation for backward communities, the Act opened a window of opportunity for the non-dominant backward castes to assert their voice in local government decision-making.

Empowerment: The decentralisation can empower the poor through the creation of institutions that promote greater voice and participation of the poor. Blair (1997) also opined that democratic decentralisation, by making participation easier, makes empowerment more feasible at the local level than it would be at the national level, especially for minorities and vulnerable groups. In Sikkim, the decentralisation reforms enable the voice mechanisms for citizens to express their views to government bodies, potentially empowering the poor to make their needs known and making their voices heard in shaping policies that affect their lives. In addition, decentralisation also opens a wider political space for weaker and vulnerable sections to act upon and paves the way for their empowerment. Decentralisation provides them newer and wider political space to act upon collectively towards their well-being.

Public Services Delivery: A classic argument for decentralisation is that decentralisation leads to better allocative efficiency by the matching of public services to the demands for these services. Local governments are conjectured to gain more access to information about the preferences of local citizens, greater political incentives to provide preferred services, and greater flexibility and imagination to do so than a central government (see Azfar 2006). Moreover, local governments are better positioned than the national or state government to administer and deliver public services because of informational advantage regarding local preferences and costs. Besides, local governments have a more institutionalised linkage with beneficiary communities, improved information, and the incentive to use this information. In Sikkim, the selection of beneficiaries for all public services is the important functions of panchayats. Beneficiaries are selected by calling the meeting of Gram Sabha. All the people above the age of 18 are the members of Gram Sabha. Gram Sabhas are better placed to identify the poor, to respect local social identities, and to respond more efficiently to local variations in conditions, tastes, standards, affordability, location requirements and so on for services or infrastructure. Community participation in Gram Sabha meeting improves the information flow leading to improved project performance and better targeting. In addition, decentralisation creates opportunities for citizens to participate in the administration, budgeting, and delivery of public services. Thus, the main aim of decentralisation is fundamentally to improve the delivery of public goods and services to individuals by the creation of more legitimate tiers of government, closer to the people and, therefore, more responsive to their needs and wants. Decentralisation is, thus, first and foremost about improving the delivery of public policies and, consequently, the level of satisfaction of the population with government.

Conclusions

The above impacts of decentralisation can make a difference at the various stages of government action aimed toward satisfaction of the

basic needs of the poor and attaining improvement in social well-being. Sikkim implemented one of the most rigorous decentralisation reforms with Panchayati Raj Act of 1993, devolving the full responsibility for education, health, public works, the environment, and natural resource management to local government. Through the implementation of decentralisation reforms, local governments in Sikkim gained increased political authority and decision-making power, providing them with better opportunities to influence the well-being of their constituents. So far, decentralisation had positive impacts on the well-being of poor in Sikkim. This establishes a relationship whereby citizens appear to be satisfied not only with the transfer of functions and resources but also with the ability to conduct policies at the local level - which is represented here by the shifting of powers to sub-national governments. The Sikkim Government has transfer all the functions mentioned in the Eleven Schedule of the Indian Constitution. The 29 functions devolved to the local governments has direct link to the empowerment and well-being of people. The implementation of poverty alleviation programmes, providing employment under National Rural Employment Scheme, agriculture extension, among others are directly look after by local government. Overall, the results reveal that decentralisation matters positively for the satisfaction of people with political institutions and with the specific delivery of some public goods and services. In Sikkim, after the implementation of decentralisation reforms, local government's poverty alleviation programmes were visible in the villages and the official poverty data also shows a drastic decline in poverty line after the decentralisation. The creation of the panchayats and municipalities improved the political participation and self-determination of the formerly marginalised population. Infrastructure and government services improved in many areas - main examples being the new government buildings and several new roads, as well as improvements in health and education services. Given these relationships, one can easily conclude that there is a causal relationship between policies from decentralised governments and well-being in Sikkim. Decentralisation reforms in Sikkim has fundamentally improve the delivery of public goods and services to people by the creation of

legitimate two-tiers of government, which are closer to the people and therefore, more responsive to their needs and well-being.

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