Designing decentralised mechanisms

In this third blog post exploring key ideas in [Decentralised Governance: Crafting Effective Democracies Around the World](#), co-editor, Professor Jean-Paul Faguet, discusses the importance of mechanisms for implementing decentralisation and why now, more than ever, we need to improve governance around the world.

Understanding the politics behind specific decentralised reforms helps us understand why they vary across countries in so many important dimensions, and also why most decentralisations are incomplete. This post turns to a third big theme that runs through *Decentralised Governance*: mechanism design, and what all of this has taught us as the book's editors.

In my previous two blog posts, I argue that decentralisation is always substantially a political issue. However, successful governance is not solely a question of politics. In addition to devolving power and resources, effective decentralisation also implies adapting structures, rules, norms, and behaviours to new actors and dynamics that a centralised system may not have contemplated. *Decentralised Governance* refers to this broad set of issues as *mechanism design*.

In [chapter 2](#), I present detailed efficiency criteria for deciding which powers to decentralise to which level of government, and how to design tax and transfer systems that can adequately fund the public expenditure systems that result. These are the tools of what is often called intergovernmental relations; we might call them 'broad mechanisms'. In theoretical terms, those insights largely summarised the state of play as the 1990s ended.

In [chapter 3](#), Dilip Mookherjee brings that story forward to the present day, focusing on the surprising number of policy experiments and technocratic innovations that have been trialled across a wide array of countries in recent years, which have changed the game in fundamental ways.

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Recent innovations include the issuing of biometric identification cards in India, where they have been used to verify beneficiaries of employment programs. This has reduced programme leakages from 'ghost beneficiaries' by 41%. Beneficiaries were paid more quickly, and reported earnings rose 24%. Most impressively of all, these results were achieved at no additional cost.

Mookherjee also identifies the mechanism of hiring non-elite citizens as monitors to help reduce elite capture of public benefits. As part of these efforts, programme management is often contracted out to NGOs or private firms. In some instances, formula-bound programmes reduce the authority of locally-elected officials to allocate public funds, in effect replacing politics with technocracy in the name of greater targeting precision.

Integrating ideas from across these experiences, Mookherjee suggests a big data approach to the decentralised provision of services and benefits that makes use of survey data to predict the level of poverty of each individual in a country. Benefits could then be distributed via a nationwide ID system with biometric identification, combined with electronic transfers to low-cost bank accounts or mobile phones. Such a system could improve pro-poor targeting significantly at very low cost, while reducing losses and distortions due to capture, corruption, and bureaucratic inefficiency.

All of these measures are examples of technocratic alternatives to decentralised politics that achieve some of the same outcomes, but in very different, non-political ways.

Concluding thoughts

Decentralisation is not in itself a good or bad thing. Designed strategically to take advantage of the insights offered in this book on politics and mechanism design, it can promote democracy, efficiency, and accountability. We can say that with confidence, because it is documented in our book.

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First-order theorising is of little use in this field. Decentralisation is complicated. Reformers face a daunting set of choices as they design and execute real decentralisation programmes. The low-hanging fruit available to first-order decentralisation theory was largely plucked by previous generations of thinkers. The

issues that remain are complicated and nuanced; potential solutions are highly contingent. These 'details' are not only not trivial, they are crucial if decentralisation is to fit a country's challenges.

Getting decentralisation right is difficult, but also immensely valuable because it can improve the quality of a country's governance. But how do we 'get decentralisation right'? The short answer is via a combination of political and technocratic measures that work with the grain of national and subnational incentives to target resources and hold public officials to account.

The chapters in this book shine a light on how to do this. They answer questions about when and why decentralisation works across the globe under very different conditions, what it can achieve when it works, and when and why it often fails.

We must think harder about the power and the potential of decentralisation. A casual glance around the world shows that citizens are unhappy. Democracy is stumbling everywhere. If we are serious about responding to political unrest, we need to consider alternatives that generate better, more effective governance. It's a big challenge that has never been more important.

Further reading

1. Jean-Paul Faguet, 1. [What Decentralisation is, and What it is Not](#)
2. Jean-Paul Faguet, 2. [Decentralisation 'done correctly'](#)
3. Dilip Mokherjee, [Decentralised targeting of transfer programmes: A reassessment](#)
4. Anirban Mitra and Sarmistha Pal, [Impact of fiscal decentralisation and ethnic heterogeneity on choice of local polity](#)
5. Zaki Wahhaj and Abu S. Shonchoy, [Birth Registration in the Developing World: Bridging the gap between policy and practice](#)

The views expressed in this post are those of the author and do not reflect those of the International Development LSE blog or the London School of Economics and Political Science.

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