PATTERNS OF DECENTRALIZATION IN GOVERNMENT
With the Australian Federal System as an Illustrative Case

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My Background

• I’ve studied *Machinery of Government* theory and practice for over 30 years.

• Issues of *decentralization* and *devolution* have always been important in this study.

• As an *Australian*, my experience is of the working-out of one particular federal system, both as citizen and as scholar.
My Background

This combination (as scholar, and as citizen) enables me to

- understand federalism as **one form** of governmental decentralization and devolution

- and to compare its **advantages** and **disadvantages** with other forms of decentralization and devolution.
Unitary versus Federal: are they the only choices?

• Are ‘unitary states’ and ‘federal states’ the only choices? (for those designing systems of government)

• These are opposite ends of a spectrum; there are many possible intermediate positions.
Degrees of decentralization

All countries need to decentralize to some degree.

This need can be met by many positions other than federalism on the spectrum of centralization-decentralization.
A federal system for Nepal?

• I have no close knowledge of the Nepalese government system.

• I understand that federalism is a subject of intense interest in this country.

• Some documents (through Google search) indicate the range of issues involved for Nepal.
Senses of ‘federalism’

I wonder whether ‘federalism’ has become a symbolic title?

Is the word ‘federalism’ sometimes used to cover all options for decentralizing?
Helpful to identify options?

It may be helpful to break the field into its various parts.

Also useful to distinguish between

- **federal systems** and
- **other forms** of devolution or decentralization.
Classic views
(as I learned them!)

• Decentralization operates in both functional and territorial ways.

• What follows are brief definitions and examples of each.
Functional
decentralization
(devolution)

- Functions are devolved to administrative bodies other than central departments.

- These bodies have a degree of autonomy and independence from central government.

- Examples: central banks, national broadcasting services like the BBC, ombudsman etc.

- Functional not further considered here.
3 Kinds of Territorial Decentralization-Devolution

- **Administrative** de-concentration
- **Statutory** devolution
- **Constitutional** devolution
Less than federal!

Administrative de-concentration
- to field offices of central departments.

Statutory devolution
- to local (or municipal) governments established by legislation of central government.
Constitutional devolution

To sub-national states within federations.

• Often have constitutional protection against central control

• Some have their own constitutions (for example, in Australia)

• These states have more autonomy than other decentralized forms.

• These states may also decentralize – eg to their own local (municipal) government systems.
The Centralization-Decentralization Spectrum

<table>
<thead>
<tr>
<th>Centralization</th>
<th>Administrative Deconcentration</th>
<th>Statutory Devolution</th>
<th>Constitutional Devolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Ministries</td>
<td>Departmental Field Offices</td>
<td>Local Governments</td>
<td>States in a Federation</td>
</tr>
<tr>
<td></td>
<td>Part of Central Ministries</td>
<td>Separate from Central Ministries</td>
<td>May have own Constitutions</td>
</tr>
</tbody>
</table>
Beware two senses of ‘state’

- State as **nation-state**
  (e.g. Nepal, India, USA, Australia)
- State as **sub-national** unit
  - within a federation
  - with own constitutional status
  - called **state** in USA, India, Malaysia, Australia, etc
  - called **province** in Canada; **land** in Germany; **canton** in Switzerland
Regionalism: an additional consideration

• Sometimes there are additional arrangements between central and local.

• There may be tiers of local governments, with upper tiers covering quite large areas (regions).

• But generally, a regional government will be
  – stronger than anything at the local government level, and
  – weaker than a federal state.
The appeal of regionalism

• Regionalism appeals to those who think that local government areas are too small:
  – for effective service provision, or
  – for effective defence against central government
    • remoteness
    • abuse
    • lack of sympathy for needs at community level.

• Regionalism also appeals to those who want some devolution but think that state governments in federal systems are too few or too strong.
Questions on regionalism

• Question for Australia: Do the advocates want regional governments as well as state governments or instead of state governments?

• Will regional governments absorb the local (municipal) governments, or won’t they?

• So can be either
  – a 4-tier system (central, state, regional, local)
  – a 3-tier system (central, regional, local)
  – a 2-tier system (central, regional)
How federations emerge

Two possible directions:

• **Upwards** to federation

• **Downwards** to federation
Upwards to federation

• Previously *separate jurisdictions* (small states, former colonies) join together
  
  – for greater **strength**
  – to **remove barriers** to trade or communication
  – for better ability to **provide services**, or
  – as part of **nation-building**.

• Examples:
  – Australia, Canada, Germany, Switzerland
  – for a few decades – Yugoslavia
  – not the West Indies (except for cricket!)
  – Malaysia in stages
Downwards to federation

• When large or old states have tensions
  – among language groups
  – among religious groups

• They may create looser federal-style arrangements to hold them together
  – gives each of them greater autonomy
  – relaxes controls of central government
Federations can break

Recent examples of federations breaking into a number of smaller independent states:

- **Czechoslovakia**
- **Yugoslavia** (eventually)
- In the break-up of the Soviet Union, **Russia** shed many of its smaller federal-state partners
- **Belgium** in trouble today…
What is happening in Belgium?

Fear Belgium may split as bid to form Govt fails
Language barrier remains

News headline from *Canberra Times* 6 October 2010
Questions on federations

• Can there be small federations?
  – consider Palau!

• Can there be unequal units within federations?
  – Two classes of ‘sub-national governments’ in Australia
  – Quebec as a special case in Canada
  – Is Britain going federal, and how (Scotland, Wales, Northern Ireland)?

• Is a special federal capital needed?
IGR perspective  
(Intergovernmental Relations)

• How should decentralized/devolved units relate to the centre? (a crucial issue)

• Designers may try to over-define the functions of each level of government.

• Higher levels will insist on retaining some powers of **supervision, inspection** and **control**.

• In reality, very difficult to avoid overlaps.
Models of separation

• *Layer cake* and *marble cake* federal systems !!!

• Deil Wright’s three models, based on US experience: coordinate, overlapping, inclusive
  *(Understanding Intergovernmental Relations, 2nd edn 1982, p.29).*
Australian variations

- **Co-ordinate**
  independent in own fields of responsibility

- **Co-operative**
  as overlaps became more obvious but ‘states’ rights’ were respected

- **Coercive**
  central government increasingly dominates
  (in important matters, regardless of what constitution says)

- Compare with traditional **German** system:
  - small **federal** government makes policy
  - large **state** governments (lander) implement policy
The Australian case: context

- **Late 1700s – early 1800s**: 6 small British colonies around a few ports
- **19th century**:
  - small colonies pushed into surrounding areas
  - became self-governing colonies (often calling themselves ‘states’)
  - established their own local government systems
- **Note**: the indigenous population were nomadic, without established settlements or a formal system of government.
The Australian *rationale*

Reasons for federating included

– an important step in *nation-building*

– to gain benefits of better service (such as *removal of customs barriers* between states, *stronger defence force*)

– belief that the coordinated system would help *remove inequalities* (such as economic unevenness) among the states.
The Australian process

• 1901: Federation - established the Commonwealth of Australia

• The states transferred some of their functions upward (to the Commonwealth of Australia)

• But states remained sovereign with their own constitutions.

• A separate federal capital was an essential ingredient.
The Australian case - development

• During 20th century: the Commonwealth government gradually **became more powerful** within the federation, largely for financial reasons.

• Two ‘**federal territories**’ were carved out of the states

• They became **self-governing** (1978 and 1989) under Commonwealth legislation

• They lack the **separate constitutional status** of the 6 original states.
The Australian case: classes of sub-national units

- So the federation now had **two classes** of sub-national units
  - the six federated states
  - the two self-governing territories

- The separate **local government** systems continued under **state law** (in one case territory law).

- In the Australian Capital Territory (very small area), there is no separate local government system.
The Australian Federation

Population (in 2009 to nearest 000)

<table>
<thead>
<tr>
<th>State</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>7,134,000</td>
</tr>
<tr>
<td>Victoria</td>
<td>5,443,000</td>
</tr>
<tr>
<td>Queensland</td>
<td>4,425,000</td>
</tr>
<tr>
<td>Western Australia</td>
<td>2,245,000</td>
</tr>
<tr>
<td>South Australia</td>
<td>1,623,000</td>
</tr>
<tr>
<td>Tasmania</td>
<td>503,000</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>352,000</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>226,000</td>
</tr>
</tbody>
</table>
Problems
with the Australian federation

- **Rigid, inflexible** Once set, boundaries are very difficult to change.

- **Very uneven size of states**
  (in area and in population)

- Great organizational **complexity**

- Easy for critics to say that the overlapping causes **unnecessary expense**

- **Policy capacity** usually weak at the lower levels
  (even if not like that traditional German system)

- Lower levels complain that there is too much **interference** from the upper levels
  (central→state, but also state→local)
Resources and needs mismatch

• There is a mismatch between
  – the resources the states need to perform responsibilities, and
  – the resources available to them.

• This mismatch leads to a large stream of central grants to the states

• Consequent problems of responsibility and accountability.
Benefits of Australian federation

• Keeps government close to the people.

• Existence of federal arrangement indicates that communities ‘desire to be separate in some respects’.

• Allows regional diversity to suit regional interests.

• Facilitates innovation: one part can try a new policy experiment without committing the whole.
The Australian case:

**adjustments**

• A rich field for innovation in Inter-Governmental Relations (IGR)

• **Frequent meetings** of ministers from Commonwealth and state governments

• Initially, these were heads of government, and treasurers
The Australian case: adjustments

• Later many ministerial councils brought together ministers from the two levels who had connected responsibilities.

• Also, similar subordinate officers’ councils

• Recently, the heads of government meetings (PM and Premiers) matured into the Council of Australian Governments (COAG).
The Australian case: adjustments

• These ministerial councils create intergovernmental administrative bodies (not departments).

• They perform functions not given to the Commonwealth of Australia in the Constitution, but ...

• thought to be better handled jointly – for example, **companies registration, river basin management.**
A major IGR problem – managing the **Murray-Darling River Basin**
The Australian case: adjustments

• A Commonwealth Grants Commission adjusts the public finance system to subsidise financially weaker states so that standards of services are similar in all states.

• Numerous agreements formalize the IGR connections between levels of government

• These agreements are usually ratified by the parliaments involved.
Reflections

• Australia’s federal system is well-entrenched.

• The adjustments mentioned have taken much thought, effort, and co-operation

• It works – we are not a ‘basket case’ (governmentally or economically)

• But Australia’s federation does have some big problems
Reflections

- Would we repeat this design if we had our present knowledge and were deciding how to federate?
- I doubt it!
- Many claim that devolution to **regional units** would be better.
- These regions would have **big functions and responsibilities** but be less powerful politically than the present states.
Reflections

- The regions would have their own governments, legislatures, and public services to handle community-level functions.

- The federal government would concentrate mostly on issues like
  - external relations
  - immigration
  - customs
  - national security.

- But then, more big questions…
If regions were to proceed…

(Australia)

• **How many** regions should there be? Some say about 100 regions.

• Drawing the boundaries of regions would be **intensely divisive**.

• Should regions **absorb** the existing sub-state local governments? (also very divisive)

• Reforms unlikely to proceed unless **revenues match expenditure** at regional level (and similar issues).
Last word…

I hope these general reflections on decentralization and devolution within government systems, and on the particular experience of Australia, may be of some interest to those who are engaged in a similar design exercise in Nepal today, but…
Last word

Designing systems of government is never easy!