

Power to the People? Decentralisation in India and Indonesia*

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Decentralisation is considered a potentially effective strategy for participatory development and delivery of assistance, particularly in the context of rural development. It contributes to reduction of inequality and poverty and, thus, promotes local democracy. India and Indonesia have considerable social and economic inequality and poverty. Though both countries have opted for devolving power to local governments, they differ in their approaches. India went in for 'gradualist approach' emphasizing Panchayati Raj Institution, whereas Indonesia chose 'big bang approach' emphasizing the ideology of svadaya gotong royong (community self-help). This has resulted in a more efficient delivery of public services in Indonesia, but at the cost of democratic freedom. In both the countries there is an urgent need to improve the mechanisms for adequate and equitable fiscal transfers, thus enabling the poorer regions to fully utilize their growth potential. This would have a positive impact on poverty.

I Introduction

Democracy can enrich the lives of citizens in three different ways. First, it widens the scope of social and political participation. Therefore, it has an *intrinsic* value. Second, it has an *instrumental* role because it enables people to express what they value and to demand that political attention be paid to it. Lastly, by guaranteeing discussions, debates and exchange of views in the public sphere, democracy plays a crucial role in the formation of values and determining social and economic priorities. Thus, it has a *constructive* role to play (Sen 1999, Sen and Dreze 2002). Local democracy can play a crucial role in facilitating the process by making the system relatively accessible to the poor. Decentralisation can play an essential role in enhancing the practice of democratic governance. It can contribute to the process of democratic development by expanding the scope of social, economic and political participation of the people and the corresponding responsiveness and

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* The present paper takes only a brief overall look at the decentralisation efforts made in these two countries. We are grateful to Prof. Carl-Axel Olsson and Dr. Lars Pettersson for their valuable comments on an earlier draft.