

EVIDENCE-INSIGHTS-POLICY

THE (ELUSIVE) PROMISE OF LOCAL GOVERNANCE

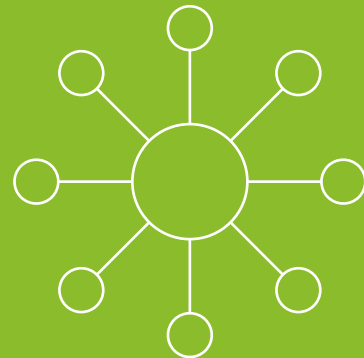
The real and perceived failures of top-down bureaucracies have generated tremendous momentum worldwide for decentralization; the devolution of responsibility for key public services to locally elected bodies who are presumed to be more accountable to end-users. Existing theoretical work, however, suggests a more nuanced view of the potential gains from decentralization. In

particular, where asymmetries in political and economic power among competing interests are important, allocation decisions of elected local leaders may be skewed toward the elite.

Jacoby et al. (2018) take advantage of a partial governance reform in the world's largest canal irrigation system, that of Pakistan's Indus Basin Watershed, to

IMPACT OF DECENTRALIZATION: PAKISTAN'S INDUS BASIN WATERSHED

Control over canal water allocation in several large canal sub-systems, about a third of all channels in the province, was transferred to elected farmers organizations (FOs) constituted at the canal level.



provide evidence on the impact of decentralization. The promise of greater equity in water allocation, especially improved access for farmers at the tail-end of the system, drove the decentralization effort in Punjab province. Control over canal water allocation in several large canal sub-systems, about a third of all channels in the province, was transferred to elected farmers organizations (FOs) constituted at the canal level.

The study exploits a unique dataset comprised of daily water discharge readings from gauges installed at the head and tail of each channel on the entire system. This database provides a credibly objective measure of water theft along a channel and is also available from 2006 to

2014, a period during which the devolution of irrigation management to FOs occurred. The principal finding is that the takeover of a channel by an FO induced an increase in water theft, implying a large redistribution of wealth (on the order of 11%) from downstream to upstream water-users. Moreover, the increase in water theft along channels taken over by FOs is accentuated where large landowners are more concentrated upstream. Thus, the success of decentralization depends importantly on local power asymmetries.