

Abstract

In recent years, a debate about the potential of decentralisation for poverty alleviation has set off among academics and policy-makers. It is often claimed that decentralisation can be effective for improvements in welfare and hence the reduction of poverty. For example, the World Bank explains on its website that “national development and poverty alleviation often hinges on improved sub-national growth and service delivery. Achieving these objectives often requires [...] reforming the fiscal, political, and administrative framework in which subnational governments operate” , in other words decentralisation. Yet, empirical evidence is scarce. I therefore intend in this paper to gain further insights into the relationship between decentralisation and welfare by investigating the role of local governments’ capacity.

The hypothesis guiding this paper is that the capacity of local governments to implement decentralisation is decisive for its success in terms of welfare improvements. In other words, more capable local governments are assumed to obtain higher welfare levels and ultimately lower poverty.

Keywords: decentralisation, welfare, local government, capacity, poverty alleviation

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