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Spreading Power To the Periphery

An Assessment of Democratic Local Governance

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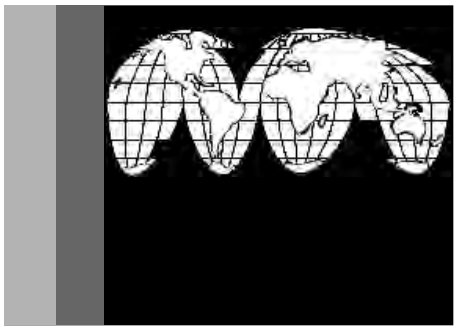

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by

Harry Blair

Center for Development Information and Evaluation

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Several individuals deserve particular mention. As chief of CDIE's Program and Operations Assessment (POA) division at the time, Michael Calavan worked diligently to get the study approved and launched before leaving for the Philippines in July 1996. In 1996, Hal Lippman became assessment manager for this evaluation and has guided it throughout, as overall manager, team leader, and principal author for four of the impact evaluations. In addition, he contributed much time and effort in helping edit the final version of this synthesis report. Susan Merrill, who succeeded Mike Calavan as POA chief, saw the assessment through to this report. Patricia Jordan and Joseph Lieberson supplied logistical backup in managing the CDIE contract with Development Associates, Inc., contractor for the assessment. At Development Associates, Joel Jutkowitz and Russell Stout were major participants in the assessments, leading field teams and writing impact evaluations, and Diana Davis provided logistical support for work in Washington and the field.

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This report is the final component of CDIE's six-country study of democratic local governance, but the interpretations and conclusions herein do not necessarily reflect USAID policy. They are the responsibility of the author, as are any errors or other shortcomings.

As part of the growing profile democracy has assumed in the international donor community in recent years, decentralization has

Summary

taken on significant strategic importance. Democratic decentralization, or democratic local governance (DLG) as it is called in this report, is the devolution of meaningful authority to local bodies accountable and accessible to their citizens, who enjoy full human and legal rights to political liberty. Donors have used decentralization initiatives to improve public administration for decades. As a democratization strategy, however, it is relatively new and deserves evaluation.

This report is based on studies of democratic local governance conducted in 1996–97 in Bolivia, Honduras, Mali, the Philippines, Ukraine, and the Indian state of Karnataka. All have introduced new democracy initiatives in the 1990s. For the first five studies, CDIE field teams visited the countries for about three weeks each and published impact evaluation reports. CDIE commissioned a group of social scientists in India to look at Karnataka state as a basis for assessing issues emerging from the other studies.

The report incorporates the experience of USAID and other donors, and a review of the literature in the DLG area. Its central objective is to assess development community experience in promoting democratic local governance and to derive lessons from that experience to inform future support of DLG.

Historically, decentralization initiatives have not enjoyed great success, largely for two reasons: all too often, despite their rhetoric, central governments do not truly want to devolve real power to the local level; and when significant authority is devolved, a disproportionate share of the benefits is often captured by local elites. The new democratic variant of decentralization, however, may overcome these problems by introducing greater participation, accountability, and transparency in local governance, and by empowering marginal groups. It also offers more scope for local revenue generation by linking services to local payment for them.

Central Findings

The democratic local governance context. Prior to initiating DLG, all five countries had centralized, top-down governance structures, but motivations for embarking on decentralization varied greatly. They ranged from idealism to the central government's failure to deliver adequate services to a desire of those in power to build up a party base. DLG initiatives also had various provisions. Some made representation for women and minorities mandatory, others set up a system of elected bodies to monitor municipal governments, and one country had local citizens participate in the redistricting process that formed new local government units. Which sectors of responsibility devolved to local governments also varied. In

some cases, almost everything has been turned over to local government; in others only some areas—typically health and education—have been turned over.

Donor and host-country strategies. All five country cases have some USAID assistance to democracy in place. USAID and other donors have commonly conducted pilot projects, choosing promising communities to develop local governance approaches that can be replicated on a larger scale. Countries typically launch DLG initiatives nationwide, simultaneously. There is some risk in "building on the best," because what works for the "best" may be less effective for the rest of the country. In addition, donors can exacerbate regional differences by selecting the "best" communities for pilot programs. Donors and countries must also decide how much to emphasize the democracy (input) side of DLG, as opposed to the public administration (output) side.

Resistance to decentralization. Implicit in any substantial DLG initiative is a shift in political power, which inevitably creates apprehension, jealousy, and opposition from both national political leaders and civil servants. Some hostility reflects self-interest, but much opposition may be well founded. Political leaders rightly want to advocate national visions, for example, while civil servants have a legitimate interest in maintaining national standards. Donor strategists have to safeguard this legitimate political space and administrative integrity, while opposing resistance that undermines DLG initiatives. The challenge for donors is to convince both politicians and bureaucrats that democratic local governance is a win–win situation. Much political will at the top is needed.

Representation, empowerment, and benefits. Much of decentralization's appeal lies in an expected chain of positive change: as marginal groups—women, ethnic minorities, and the poor—increase *participation* in campaigning and voting, they will achieve better *representation* on local decision-making bodies. These groups will then become empowered—able to influence public decisions and actions that affect the welfare of the group. This in turn will produce more *benefits* for them in terms of service delivery, which will ultimately *alleviate poverty.* The CDIE assessment found that participation and representation did increase significantly for these groups, but that aside from geographically concentrated minorities who have won control of local councils, turning representation into empowerment, benefits, and poverty reduction has proven difficult.

But this doesn't mean these efforts have been wasted. Members of marginal groups have often gained valuable political experience and have become potential role models for children in their communities. Geographically concentrated minorities have moved further along the chain because their numbers allow them to win control of local councils and move them in new directions. More progress has been made in the Latin American countries studied, where local councils appear more willing to undertake public projects in fields such as health and sanitation that benefit everyone, regardless of gender, ethnicity, or wealth.

Fiscal autonomy and regional equity. The idea of fiscal autonomy is simple: allowing local control over revenue generation lets people decide for themselves what services they want and how much they are willing to pay for them. But most localities have a low tax base and need allocations from the national government for local governance to succeed. In some systems these grants have been generous (up to 40 percent of national revenue); in others, considerably less so. Local ability to generate revenue also varies. Advanced municipalities generate more revenue, provide more services, and become even more advanced than poor communities, which have trouble raising even minimal revenues. Central governments can compensate for such inequities with special allocations, but excess subsidies can weaken local

incentives to tax and can be politically difficult to sustain nationally.

Public accountability. Two types of accountability are essential for democracies: government employees must be accountable to elected representatives, and representatives must be accountable to the voting public. Bureaucratic accountability suffers because central governments give in to civil servants' reluctance to be placed under local control. Elected officials are accountable at the time of elections (if elections are free and fair), but elections are blunt instruments of popular control and typically occur only at widespread intervals.

However, there are a number of ways citizens can hold local government officials accountable between elections. They include political parties (especially opposition parties), civil society, the media, public meetings, formal grievance procedures, and opinion surveys. Each mechanism (except the surveys) has been instituted in at least two of the six countries studied, but none has been tried in all of them. No two systems have tried the same combination of mechanisms, and no single mechanism has been effective everywhere. Some systems appear to be doing well with several mechanisms; others have fared less well. The implications are that the package of mechanisms should be crafted to suit the country.

Performance. Most of this assessment looks at the democracy (input) side of DLG, but what local government achieves (output) is equally important. For governance cannot just *be* something; it must also *do* something—it must deliver services citizens find useful. The initiatives studied in this assessment are too recent for a good reading on performance, but service delivery seems to have improved in a couple of countries and increased public accountability seems to explain much of this improvement.

National advocacy. Like other new undertakings, DLG requires leadership and financial support at the national level. International donors and national political leaders can provide support initially, but this backing will wane over time. In its place, local governments will need champions for their cause in the capital. Associations of mayors or municipalities have become effective advocates for local interests in several of the countries studied.

Conclusions

The potential gains from a decentralization initiative that is well designed and implemented more than justify the effort. But local governance initiatives cannot do everything. From this assessment of USAID programs, host-country government initiatives, and to the extent possible, other donor experience, it is possible to draw a number of conclusions about the strengths and limitations of DLG.

- *Participation and empowerment.* DLG can significantly increase political participation of marginal groups and can empower geographically concentrated minorities; it appears unable to empower marginal groups that are not geographically concentrated, at least in the short run.

- *Poverty reduction.* DLG can help alleviate poverty by strengthening the capacity of local government to deliver services that benefit the whole population, in sectors such as education, health, and water supply; it shows less promise in reducing poverty through efforts directed specifically at marginal groups.

- *Fiscal sustainability.* DLG can partly sustain itself through local revenue generation, but this

will tend to exacerbate regional imbalances unless supplemented by central subsidies to poorer areas.

- *Accountability.* When a variety of mechanisms, such as civil society, media, and political parties are used together, DLG can improve accountability of local government bodies to the citizenry; used in isolation, these instruments appear much less effective.

1 Introduction

As democracy assumed more importance in the international donor community in the 1990s, it made sense that decentralization would too, since donors cannot support national democratization for very long without recognizing a similar need at the local level. So democratic decentralization, or democratic local governance (DLG), as it is called here, has been an aim in strategies pursued by USAID and other donors. Based on studies of democratic local governance in six countries, this assessment of donor support is one of a series of assessments of democracy undertaken by the Agency's Center for Development Information and Evaluation (CDIE) in recent years.[1] The report incorporates the experience of USAID and other international donors and a review of the relevant literature.

International development groups began promoting decentralization after World War II, but until the late 1980s these efforts primarily emphasized public administration. The goal was to make government programs more effective by bringing them closer to the people. Only late in the 1980s did democracy become a central component of donor-supported decentralization.[2] Even so, decentralization has been promoted long enough in its democratic incarnation to justify an assessment of its track record and suggest broad strategies for supporting DLG. This assessment looks in particular at local participation and public accountability. It also discusses fiscal autonomy and performance. The central objective is to assess recent donor community experience in promoting DLG and draw lessons that can inform future efforts to support DLG. The goal is to advance, analytically and substantively, our understanding of democratic local governance.

Definitions

Decentralization is arguably as old as governance itself. Ancient empires, medieval kingdoms, and modern states have all had to decide how much tax authority or discretionary power to keep centralized and how much to apportion to local officials. It is not surprising, therefore, that donors and host countries have often engaged in decentralization initiatives in the five decades of postwar international aid.[3] In recent years, de-

[1] Earlier assessments include analyses of judicial reform (Blair and Hansen 1994), civil society (Hansen 1996), and legislatures (Lippman and Emmert 1998).

[2] For an excellent brief historical analysis of decentralization as a development theme, see Cohen and Peterson (1996, esp. 1–5).

centralization has assumed a new incarnation as a central part of the democratization strategies USAID and other donors are pursuing. The "democratic" in democratic decentralization can be thought of as value added to the older tradition of decentralization in development.[4]

At least since the early 1980s, analysts have distinguished three types of administrative decentralization:[5] *deconcentration*, *delegation*, and *devolution*.

Deconcentration: assigning specific functions or duties to locations outside the home office, such as a line ministry's field offices. Generally, in this most common form of decentralization, the central agency continues to exercise as much initiative and authority as possible.

Delegation: a more serious transfer of responsibility to local officials. Broad policies are determined centrally, but local agents have considerable autonomy in implementing them and carry much of the responsibility for results.

Devolution: usually a statutory transfer of authority and responsibility for specific sectors to local bodies. Local school boards in the United States, county councils in the United Kingdom, and the new local government scheme in the Philippines are examples of devolution, the most ambitious form of decentralization. At a higher level, so is the federalism of North America and India.

Decentralization does not necessarily involve democracy, given that it was a development strategy long before democracy appeared on the international development agenda in the mid- to late 1980s.[6] Nor have decentralization efforts historically assumed that "local is necessarily better," although that assumption is explicit or implicit in much of the literature. And while devolution *implies* a degree of democracy, it does not *require* that local bodies be democratically constituted.

For our purposes, *democracy* involves

- *Popular sovereignty*, with subnational units of government *accountable* and *accessible* to citizens, both periodically, through elections, and continually, through the rights to advocate and lobby
- *Political equality,* with citizens enjoying full *human rights*, in the form of protection against state abuse, and full *legal rights* with respect to each other
- *Political liberty*, or *freedom of speech and assembly*[7]

This definition applies to the national and lo-

[3] A search of USAID data revealed 331 projects incorporating some degree of decentralization since the late 1970s with a "life of project" cost of $9.35 billion. The database goes back only to the late 1970s. Earlier projects included the Community Development Program in India in the 1950s (see Bowles 1954, Blair 1982).

[4] Democratic local governance could also be seen as bringing ideas of decentralization to democracy.

[5] Dennis Rondinelli has greatly influenced the sorting out of terms discussed in the text (Rondinelli 1981, 1984). For comprehensive analyses of decentralization, see Conyers (1983, 1984, 1986) and Smith (1985).

[6] Although the development community may not have promoted democracy significantly in earlier decades, it was concerned with the need for local participation and popular input. The 1961 United Nations *Handbook of Public Administration* mentions "the gradual development of local self-government" and "citizen participation," even mentioning "legislation to establish elected councils" (UN 1961: 67–68). But the emphasis then, as in 1970s, was on public administration. In USAID, local participation was part of Title IX of the Foreign Assistance Act in 1966 and part of the "New Directions" mandate of the early 1970s (Esman and Uphoff 1984), but democracy remained subordinate to administration. A fine line divides "participation" from "democracy," but the Title IX and New Directions initiatives generally emphasized inclusion in development activities, particularly the project cycle. Today there is more emphasis on decision-making in democratically elected local governments.

cal levels, but the responsibility for maintaining democracy is national.

Democratic local governance combines devolution with democracy, especially the popular sovereignty component of the definition. Democratic local governance is a system in which *meaningful authority is devolved to local bodies that are accountable and accessible to local citizens, who in turn enjoy full human and legal rights and political liberty.*

Current Donor Strategy

USAID policy strongly emphasizes democratic decentralization, as this 1994 statement explains:

> Local involvement is important in any kind of foreign assistance, but it is essential in democracy building. Local forces must provide the principal impetus for creating, nurturing, and sustaining an environment in which democracy can thrive. USAID's role is to stimulate and reinforce democratic elements at the city and community level. [USAID 1994,18]

Democratic decentralization is one of five program approaches to "more transparent and accountable government institutions," and one of four strategic objectives under the Agency goal of building democracy.[8] It is also one of three targets of the Clinton administration's New Partnerships Initiative, along with nongovernmental organizations (NGOs) and small businesses. That initiative stresses reforming the enabling environment for democratic decentralization and building local capacity—both in local government and local civil society (USAID 1997a).

The Agency has expanded its decentralization emphasis from public administration to include a substantial democracy component as it has moved from a more rural to a somewhat more urban view, at least in some regions.[9] The shift may reflect both increasing urbanization[10] and the end of the Cold War, which has lessened concern about rural insurrections in developing countries.

As for other donors, the World Bank remains more oriented toward public administration than USAID in its decentralization strategy (World Bank 1994, 73–79), but United Nations Development Program (1997a, 1997b), United Nations Capital Development Fund (1995), and Norway (1994) have moved toward supporting democracy. In a recent report, the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) commends democratic decentralization as a component of strategies for supporting democratization.[11] Even the World Bank, whose charter proscribes involvement in political activities, has shown an increasing appreciation of the participatory aspects of decentralization.[12]

Assessment Methodology

[7] This definition of democracy is taken (with some liberties) from Greenberg and Page (1993: 24–28 ff).
[8] The other three program approaches are greater transparency (reducing corruption), increased civilian control of police and military, improved legislatures, and conflict mitigation. At a higher level, governance is one of four Agency strategic objectives, along with rule of law and human rights, elections, and civil society. See USAID (1997b, passim).
[9] This is true for Asia. In Latin America and the Caribbean, USAID support for decentralization has historically involved a significant urban dimension.
[10] By the year 2000, the developing world's population is expected to be about two fifths urban; by 2015, about half urban (UN 1989, 5).
[11] See DAC (1993), and OECD (1997 parts I, 11, and 1997, part II, 23–26).

This analysis, like earlier CDIE assessments, began with a concept paper that led to a series of country field studies on DLG. The concept paper (Blair 1995) broadly outlined the course of the evaluation.

The countries chosen for field studies represent a range of regions and experiences with decentralization. So few decentralization initiatives have succeeded, however, that we made a conscious effort to find countries where DLG holds promise. Negative lessons can be instructive, but we could only conduct a few field studies, so we sought cases where USAID-supported efforts had shown signs of working. Our first criterion was that a democratic political system be in place nationally, because the national context is critical for the success of DLG.[13] Our second criterion was that the national government had launched a serious DLG initiative with a good chance of success. Our final requisite was the existence of significant USAID support for the host-country initiative.[14] All selections were made in close consultation with democracy specialists at Washington regional bureaus and with the relevant USAID Missions.

The clear choice in USAID's Asia and Near East region was the Philippines, where USAID supported efforts to craft the Local Government Code before its inception in 1991 and to implement it. It was the site of our first CDIE field visit in April–May 1996. In Europe and the new independent states, Ukraine, site of our second field study in July–August 1996,[15] has had a local government law in place since 1992. The Latin America and Caribbean region provided two countries for study: Bolivia, which was implementing the Popular Participation Law passed in 1992 (visited in September–October 1996); and Honduras, with its Municipal Reform Law in place since 1990 (visited in October–November 1996). In sub-Saharan Africa, no system met all our criteria, so we selected Mali, where a slow, painstaking effort is under way to fulfill the commitment to democratic governance so prominent in that country's 1991 revolution and 1992 constitution (visited in January 1997).

These proved good choices but none had a DLG program dating from before the 1990s. To include one enterprise of longer standing, we undertook a study of Karnataka state in India, recognizing that USAID had not had a role in DLG there. But instead of sending a CDIE team to Karnataka, we commissioned local social scientists to analyze issues there. Karnataka is regarded as having one of India's more successful *Panchayati Raj* systems.[16] The Panchayati Raj program, which established locally elected self-governing councils, has been in effect in this state since the beginning of the 1960s, albeit under various guises and with some interruptions. In India's federal system, Panchayati Raj is subject to state control. India's

[12] See Parker (1997), Manor (1995), and the most recent World Development Report, which devotes considerable space to decentralization (World Bank 1997, 120–130).

[13] It is possible to initiate decentralization without democracy at the top, and it has occasionally been tried, (as in Pakistan's well-known Basic Democracies program under Ayub Khan in the late 1950s), and hinted about (in such countries as China and Indonesia). In no cases known to the author, however, have such efforts been successful over time. Countries selected for this sample had become largely democratic at the national level by the time of the CDIE assessment. All six countries enjoyed a 1996 ranking of 7 or better on the 14-point Freedom House scale (2 is the best score) (Freedom House 1997).

[14] Ideally all of the cases would have had enough experience that a visiting CDIE team could get a clear picture of what had worked and what had not. This was not possible, so we had to select some countries that had begun their initiatives not long before our visits.

[15] It would have been worthwhile to include an Eastern European country in the sample as well, but none met all three criteria.

states plan and implement their local democratic governance programs fairly autonomously so they are comparable to nation–states elsewhere.[17]

With just six cases, of which only five were CDIE field studies, our sample is not scientifically valid, but constraints on time and funding limited us. Moreover our sample included only countries with some established base of democracy. It did not include, for example, transition countries undertaking the passage to democracy, such as many of the countries in sub-Saharan Africa. Nor did the sample include countries in the Near East. But the sample does broadly illustrate experience with DLG in a variety of settings, offering a more-than-adequate canvas for assessment.

For each field study, we assembled a CDIE team of three or four people, including at least one direct-hire officer from CDIE, one or two consultants with experience in democratic governance, and, in most cases, a direct-hire officer from the Center for Democracy and Governance or the appropriate regional bureau in Washington. We also hired one or two local experts for background consultation, translation, and logistical support. The teams spent about three weeks in each country, both in the capital and visiting local governments. Data came mainly from interviews with key personnel in central and local government and nongovernmental organizations, as well as USAID Mission personnel, contractors, and other donors. Documents from all these sources were also examined. Focus groups proved useful in several cases. In two countries small-scale opinion surveys were conducted.

Reports for the five field study cases are being published in CDIE's Impact Evaluation series, nontechnical analyses for the general development audience.[18] This synthesis is based on the six country analyses, but draws on some material not included in the impact evaluations and some data acquired after the field studies were completed.

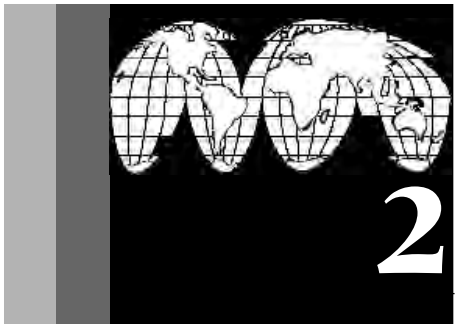
Background: Promise and Experience

THE TRACK RECORD OF EFFORTS TO PROMOTE DLG has been mixed, yet decentralization still attracts support among donors and host-country governments.

[16] Democratic local governance was the subject of an excellent study in the early 1990s (Crook and Manor 1994). Anand Inbanathan, principal investigator on the Karnataka study, worked not only on the Crook and Manor study but also on an earlier one on democratic local governance there (Inbanathan 1992).

[17] With a population in 1991 of 48 million, Karnataka was a bit smaller than the Philippines, about the same size as Ukraine, and considerably larger than the other three countries.

[18] The reports are Lippman and Jutkowitz (1997); Lippman and Blair (1997); Blair (1997); Lippman and Pranke (1998); and Lippman and Lewis (1998). The Karnataka case (Inbanathan and others 1997) was not designed as an Impact Evaluation study, so it is not being published in the series.



The Promise

The promise of DLG, in the political, economic, and social realms, accounts for much of its attraction to donors and host country governments. It would be hard to imagine another initiative offering so much to so many constituencies.[19]

Participation and accountability. The signal promise of decentralizing government authority is enhancing democratic participation by encouraging more people to get involved in the politics that affect them, and making government more accountable by introducing citizen oversight and control through elections. If democracy lies in rule by the people, the promise of democratic decentralization is to make that rule more direct, immediate, and productive.

Transparency in government. An allied virtue is transparency in government. The idea is that if it is easier to monitor what goes on in local government, officials can be held to account for corrupt practices and malfeasance and will find it difficult to hide misdeeds and improprieties. This could be a mixed blessing if, in learning more about their government, citizens become alienated from and cynical about it.

Empowerment. Many believe that by making participation easier, democratic decentralization makes empowerment more feasible locally than it would be nationally, especially for marginal groups. With empowerment, groups have a significant voice in public policy decisions that affect their futures. The idea is that it is simpler for everyone to get involved locally, where politics is more understandable and access to government is easier. Local empowerment is more possible in that minorities are more likely to enjoy a critical mass in small areas than in large ones. In addition, organizational problems are fewer and costs lower. Accordingly, many believe, women, the poor, and ethnic or religious groups that are denied participation nationally can more easily become politically influential at the local level.

Responsiveness. Just as it is hoped that those on the periphery can gain political power through democratic decentralization, so it is believed that a democratically decentralized government will be more responsive to local demands. A government that sees itself as genuinely accountable to its citizens is more likely to pay attention to their wants and needs.

Political education. As they participate in local politics, citizens come to understand the democratic process that allows them to manage their own affairs. This education will help them understand and participate in national politics.

Leadership recruitment. Democratic decentralization provides education through experience, training leaders for higher levels of government. It creates a new recruitment channel for national

[19] For a list of benefits, see Manor (1995, esp. 32–33). Wunsch and Olowu (1996–97) provide a good analysis for Africa.

leaders, and an alternative to more familiar paths through national political parties or military organizations.

A political free market. The most carefully articulated rationale for democratic decentralization is that it offers the closest possible political approximation of a free market, which many believe is the ideal structure for all social relationships. In this "public choice" view, democratic decentralization is seen as the best way to bring "buyers" (citizens) and "sellers" (local governments) together, by providing an arena in which buyers can signal what they want and sellers can signal what they are willing to offer. Buyers can also discipline unsatisfactory sellers by monitoring and publicizing their activities and by voting to replace them. Sellers who displease too many buyers go out of business by losing the next election; those who perform satisfactorily are rewarded by being returned to office.[20]

Joining services and payment. Democratic decentralization helps resolve one of the most debilitating fiscal problems of democracy: that political demand for a service can be separated by means of subsidies from the need to pay for it. Urban citizens, for example, can demand cheap hospitals subsidized by taxing other sectors, such as agriculture, or by government deficits (which all citizens fund through higher taxes). Democratic decentralization forces a convergence of *political* demand for a service (putting political pressure on the system to deliver it) and *effective* demand (the ability to pay for it by mobilizing local revenue).

Less ethnic conflict. Decentralization is sometimes seen as a way to reduce ethnic conflict by allowing geographically concentrated ethnic groups to dominate in their own regions in return for accepting less (or no) power nationally. Switzerland is an obvious example of a country where such a strategy has succeeded, but it has also been tried on North American Indian reservations, in autonomous regions in the Philippines, in the Taureg areas of Mali and Niger, and in some regions of China, among other places.

Decentralization's Track Record

Decades of experience with decentralization as a development initiative have produced many studies and evaluations. Understandably, most of the earlier assessments studied decentralization largely from the perspective of public administration or public finance—the areas on which donor involvement was focused at the time. By contrast, a number of recent evaluations study it from the perspective of democracy and participation.[21]

The findings of the studies completed so far, including those mentioned here, provide some evidence of success at both administrative and democratic decentralization. Most of the evidence, however, has been rather less encouraging.

Success in decentralization

Decentralization efforts have enjoyed some success largely in two areas, participation and responsiveness. In at least a few cases, they have also led to an increased ability to generate revenue locally.

[20] For an excellent synopsis of the public choice approach to decentralization, see Smith (1985, 32–35), from which much of the discussion here is drawn. Public choice theory, together with public finance theory and "new institutional economics," contributed to the "institutional analysis" approach to public policy that guided the USAID Decentralization, Finance, and Management project (1988–94), which has generated much experience and literature. See ARD (1994), especially the bibliography in annex C.

Increasing participation. When democratic governance moves closer to the people, citizens can and do become more interested; more vote in elections[22] and take a role in such civil activities as joining associations and gathering for demonstrations. Crook and Manor (1994) found such changes in Bangladesh, Ghana, and India; so did Ortuste and Custode (1997) in Bolivia, and Brillantes (1994), among others, in the Philippines. Participation has not increased in all countries pursuing decentralization initiatives, but it has in some.

Improved responsiveness. Bringing government closer to the people can make it more responsive to popular needs and desires, report Crook and Manor (1994) about Bangladesh, Côte d'Ivoire, and India and Manor (1995, 82) about Nigeria and the Philippines.

Generating local resources. Although the general track record is not one of great success, efforts to raise local revenue have at times worked out well. Rondinelli and others (1989) cite the Harambee era in Kenya (see also Smoke 1994) and evidence from Nepal (see also Schroeder and Wozny 1987). Manor (1995, 84) discusses new local taxes successfully imposed in Uganda. One study in the 1980s (Blair and others 1989) found some local governments in Bangladesh did reasonably well collecting fees, mainly in connection with periodic markets.

Recruiting leadership. Democratic local governments have indeed served as a training ground for citizens and leaders, providing an education in how democracy works. India, with elected governments from the national down to the village level, offers a history of village *panchayat* members later running for district and state office. For example, more than 55,000 people served as local council members in Karnataka state in the late 1980s (Crook and Manor 1994). If only 10 percent of them have gone on to other elected positions that means more than 5,000 people received on-the-job training for future work in electoral politics.

Major problems in decentralization

The many items on the negative side of the

[21] Several analyses offer a good picture of experience with democratic decentralization in the late 1980s and early 1990s. The British Overseas Development Administration sponsored field studies on *performance* in two African (Côte d'Ivoire and Ghana) and two Asian (Bangladesh and Karnataka state in India) systems (Crook and Manor 1994, Manor 1995). The Ford Foundation supported studies on *accountability* in five anglophone African countries—Kenya, Nigeria, Tanzania, Uganda, and Zimbabwe (Barkan 1996).

The World Bank assessed *rural development*, with field studies of social capital—the trust between people that facilitates their working together toward a common purpose—in Burkina Faso, Indonesia, and Tanzania, desk studies of 20 other countries (see Binswanger and Shah 1994, Parker 1995, and Shah 1997), and at least one general paper on the democratic aspects of decentralization (Manor 1997, draft). (Publications are forthcoming from a conference on decentralization sponsored by the World Bank and Food and Agricultural Organization of the United Nations in Rome, December 1997.)

The United Nations Development Program sponsored a study of *administrative decentralization* in Ethiopia, Kenya, and Mexico (Cohen and Peterson 1995). It has also launched a series to analyze democratic decentralization and *sustainable human development*. The series is outlined in UNDP (1997a and 1997b).

The Expert Group on Aid Evaluation of the Development Advisory Committee of the Organization for Economic Cooperation and Development included a *general assessment* of decentralization in a series of evaluations on participatory development and good governance. The DAC sponsored a desk study of decentralization (Aasen and others 1997), held a three-day workshop on the topic in Paris, (fall 1996), and made recommendations in its final report on participatory development and good governance (OECD 1997).

Michael Calavan of USAID recently completed a regional study of democratic *decentralization at the microlevel,* examining villages and subdistricts in Bangladesh, Nepal, and Thailand. (Calavan [1996] undertook the project while on a study leave from USAID, so it is not an official Agency report.) For two Latin American regional studies, see Bidus (1995) on Central America and Nickson (1995) on the structure of decentralization in Latin America.

[22] The contrast here with the United States is intriguing. In our own state and local elections, participation customarily drops off to a fraction of what occurs in national elections.

ledger amount to variations on two principal themes:

- Despite rhetoric to the contrary, all too often central governments do not really decentralize significant power and tend to deconcentrate rather than devolve authority

- To the extent that central governments do actually decentralize, the benefits are largely captured by local elites, leaving other groups no better off than before

Reluctance to decentralize. In most decentralization schemes little gets decentralized. Sometimes national political leaders, such as Jomo Kenyatta in Kenya, Julius Nyerere in Tanzania, and successive generals in Bangladesh, are unwilling to let go of personal power. Sometimes devolutionary schemes that seem to be working get reversed because national leaders become jealous of their local counterparts, as in the Indian states of Gujarat and Maharashtra, where state politicians terminated the Panchayati Raj program (Webster 1990, cited in Binswanger and Shah 1994, 59). Sometimes central bureaucracies undercut devolution, fearful of losing their field organizations to local control or becoming politically accountable to local officials. Not surprisingly, decentralization initiatives sometimes turn out to be centralization efforts in disguise, a cloak for more control from the center (Ng'ethe 1994, Slater 1989, Walker 1991).

Local elite takeover. This is the other most common reason for the failure of decentralization schemes, so much so that one leading American political scientist has simply dismissed decentralization as "a carte blanche for vested interests." (Lowi 1978, 259; see also Aasen and others 1997, 15–16). In his 1968 analysis of South Asian development, Gunnar Myrdal cited elite dominance as the principal factor behind what he saw as the utter failure of India's Panchayati Raj experiment in democratic decentralization.[23]

There seem to be two patterns to the elite takeover of local government. In one, some combination of policy innocence, inattention, or indifference at the national level opens the door for local elites to take over governance structures and pervert them to their own uses. National leaders may intend to empower the weak through decentralization, but the traditional dynamics of the local political economy too often skew things to the benefit of the locally powerful. That was the central message in Myrdal's analysis.

In the other pattern, elite dominance is not so much the problem as the solution to another abiding national problem: how to secure the allegiance of the local power structure. In a tacit collusion between national and local elites, national leaders allocate development funds to the local level knowing that local elites will siphon off the funds for themselves. In return, local elites keep things under control and support the national leaders.

In this fashion, decentralization has offered some national leaders a chance to build a patronage-based community network, giving them a support base independent of the national party and bureaucracy they must otherwise depend on (Blair 1982 and 1985, Westergaard and Alam 1995). One can argue that if decentralization is democratic enough, eventually weaker segments of the community will learn to become serious players at local politics. But in the short term, the ability of democratic decentralization to materially improve the lot of marginal groups appears modest at best, judging by examples from Africa and Asia (Manor 1995, 84).

Indeed, a strong case can be made that time, a

[23] Myrdal (1968: 887–91, 1339–46). Many others have arrived at similar conclusions about Panchayati Raj (see Bendix 1969, 338–56; Nicholson 1973).

strong central authority, and national determination represent the road to equity and empowerment of the weak. The history of civil rights in the United States and rights for the Scheduled Castes ("Untouchables") and Scheduled Tribes in India are examples of a central government changing the rules so that marginal groups could enter the political arena over time.

Subsidiary problems

Several other factors are problems as well.

Poor planning. Most local governments appear incapable of serious planning, beyond assembling project wish lists. Assigning priorities or building information bases for decision-making (projecting future school enrollments, for example) seem beyond them (Manor 1995, Aasen and others 1997). Worse perhaps, most local governments seem much more interested in building new facilities (such as roads, buildings, and culverts) than in maintaining them, so physical infrastructure expands and decays simultaneously (Slater 1994, Gephart and others 1989).[24] And while this is arguably no worse than bad planning by central governments, it offers no reason to devolve power to the local level.

Poor local revenue generation. Although some local governments can raise revenue, local efforts are generally disappointing. By contrast, there is likely to be more payoff in lobbying the central government for more resources than in trying to raise revenues locally (Garnier and others 1991). There is also the age-old problem that raising local taxes often means hiking them on local elites, who generally are adept at evading them.

Competition with other officials. Traditionally poor relations between locally elected officials and bureaucrats are often compounded by the jealousy higher-level elected officeholders have for local authorities (Manor 1995, 87ff). National parliamentarians, eager to be perceived as the primary link between citizens and their government, are unlikely to look favorably on locally elected officials who can distribute largesse to the same constituents.

Donor bias toward centralization. Donor programs by their nature tend toward centralization, thus undercutting decentralization efforts. Conditionalities for donor assistance to decentralization initiatives must be met nationally, for example (Binswanger and Shah 1994, 33), and foreign assistance in the last several decades has generally strengthened national over local governments (Aasen and others 1997). Moreover, unrealistic donor schedules for project completion favor central control, even when the objective is to promote decentralization.

Reasons for Decentralizing

Given decentralization's unpromising track record, why have governments tried it so often?[25] What factors have motivated states to undertake decentralization initiatives? Usually their reasons for doing so have been largely unrelated to democracy.

Traditional central government reasons for decentralizing

Adapting policy. Even in as homogeneous a country as Bangladesh or El Salvador—where the population is strikingly uniform ethnically, linguistically, and religiously and where local geography does not vary greatly—a central government cannot adequately plan for important local variations. Local variations call for flexibility. To facilitate ef-

[24] One explanation is that possibilities for graft are significantly higher in construction than in maintenance. Also, politicians prefer giving the voters something new (rather than fixing something old) and engineers prefer the glamour of building (rather than repairing).

fective local planning and implementation, the central government must allow some decentralization.

Supporting regimes. Many national leaders have used decentralization to build up a local support base separate from national political parties and bureaucracies. Generally this has meant buying the support of local elites through local grants. In the short term such pseudo-decentralization efforts can strengthen political support for national leaders but they contribute little to development or democracy.

Avoiding fragmentation. Central governments have also tried to avert regional disaffection and secession by decentralizing power geographically. Sometimes this has happened in a federal system (as when tribal hill states were created in northeastern India),[26] and other times in a more unitary state (as when governments gave grants of special autonomy to indigenous hill peoples and Muslims in the Philippines, and to Tauregs in Mali and Niger).

Transferring responsibility. Whether for ideological reasons (the belief that local control is good in itself) or fiscal ones, central governments can transfer responsibility for service delivery through decentralization. In a number of African and former Soviet countries, central governments have simply become unable to exercise their traditional financial and administrative responsibilities and have passed them on to local governments by default. Health care and education are prominent examples of services that, if they are to be provided at all, have to be provided locally in many countries.

Democratic reasons for decentralizing

Each of the reasons cited above also has a democratic counterpart putting it in a more positive light that accords with much current donor thinking. (USAID 1994, UNDP 1997a and 1997b, Norway 1994). Among the reasons donors support democratic decentralization to strengthen local democracy are

- Local citizens should have control over how state policy affecting their lives is formulated and implemented
- Power must be accompanied by accountability; governance structures should be accountable locally as well as at higher levels
- Local governance can more satisfactorily address the particular needs of different cultural groups and geographic conditions in heterogeneous countries
- Local public services can be more effectively provided when they are locally managed, delivered, and paid for

In other words, decentralization initiatives undertaken earlier for reasons of state have now been undertaken for democracy's sake as well. The difference, of course, lies in citizen participation, public accountability, and genuine local autonomy.

Findings

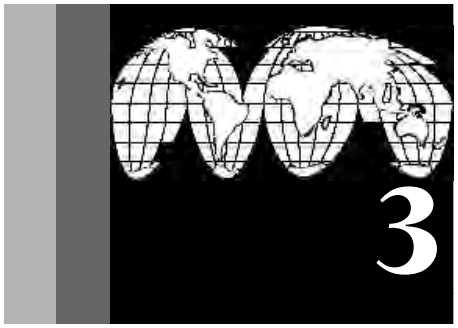
DEMOCRATIC LOCAL GOVERNANCE SEEMS TO WORK

[25] Others, such as Binswanger and Shah (1994, 3) ask the opposite question: if governments have such high expectations of decentralization, why have they tried it so rarely?
[26] The U.S. federal system is, itself, a compromise between national and state power.

in many different environments, which appears to be one of its real strengths as a development strategy.

The Country Context

Some initial conditions were common in all our case studies. Politically, five of the six had a centralized, top-down state structure, with some variations. In Ukraine a rigid, authoritarian central government controlled all local political activity as well as much of the social activity. In Mali, state control was limited to larger urban areas, essentially leaving the countryside to its own devices. Central and local governments in Bolivia, Honduras, and the Philippines exhibited variations on a patron–client relationship between center and periphery. Only in India, where the Panchayati Raj system had begun around 1960, was there a legacy of local democracy before the democratic decentralization initiatives of 1983 and 1993.



Not surprisingly, the economies of the case study countries largely paralleled their political structures. In Ukraine's command economy, central planners tried with decreasing success to manage outputs and consumption patterns. The other states in varying degree had dual economies—a small, relatively advanced formal sector coexisting with a much larger, subsistence-oriented informal sector. The informal sector provided some exports, benefiting the formal sector, but otherwise merely sustained itself on the margins of the economy. Such an arrangement tended to reinforce the domination of local elites, who largely controlled the production of export commodities and owned the most productive local assets.[27]

Local governance tended to reflect national political and economic patterns. In Ukraine, administrative deconcentration was the norm. The center set up field offices to manage its vast social welfare programs but retained central control. The Marcos regime in Manila ruled largely through local bosses, who governed their domains through the *pulitika* system of patron–client relations. The pattern was similar with Mali's hereditary village chiefs, though their power was less than in the other cases. In Honduras a somewhat more benign succession of presidents managed the municipalities through what amounted to appointed mayors (described by several observers to the CDIE team as "decorative"). In most Karnataka villages, dominant castes used their combined ritual status and economic clout to wield authority over the rest of the population.

Bolivia was somewhat different, because its Iberian culture exercised central hegemony, but indigenous organizations such as peasant *sindicatos*, or unions, performed many local governance functions. About half the population live in cities that enjoyed a measure of self-rule after democracy was reintroduced nationally in the mid-1980s, but the rest depended on what little the center dispensed from time to time.

Incentives for decentralizing

The motives for undertaking DLG were a mix of the practical, the opportunistic, and the high-minded, as is usually the case with important political initiatives. In some ways, the histories of the six systems were similar, but what led their national leaders to embark on decentralization varied.

In Mali and Ukraine, the main incentive was a serious failure of the central government to deliver the government services promised in an earlier era. After the collapse of the Soviet Union, the bankrupt Ukrainian state simply defaulted on its obligations to provide education, health care, water, and other services. In Mali the central government's ability to provide social services fell so far short of demand after the mid-1970s that it largely stopped supplying them outside major cities.

[27] In Karnataka, "exports" went from the rural sector to the urban sector, but otherwise the picture was similar. Much of Africa may be an exception to this pattern because local African elites have not had such control over commodity production.

In addition, countries undertook DLG for idealistic reasons. Ukraine's 1996 constitution describes the importance of local self-governance as an end in itself. Mali's DLG initiative came out of the National Conference, which took place soon after the 1991 revolution that overthrew the previous military dictatorship. In the Philippines, local self-governance came into being at the urging of a small group of idealistic politicians headed by Senator Aquilino Pimentel. Leaders in Bolivia, Honduras, and Karnataka must also be credited with a genuine conviction that decentralized democratic governance is a worthwhile end in itself.

Finally, leaders had opportunistic reasons for undertaking democratic decentralization. Karnataka's chief minister, Ramakrishna Hegde, wanted to build up a local base for his Janata Party, which was still relatively new in the early 1980s, so it could compete with the older, well-established Indian National Congress. Similarly, President Gonzalo Sánchez de Lozada of Bolivia had a strong incentive to increase the appeal of his National Revolutionary Movement. Honduran President Rafael Leonardo Callejas wanted to strengthen his political party but also had a more immediately practical incentive—to ensure continued access to foreign aid at a time when Cold War–inspired U.S. assistance to Central America was diminishing.

The legal enabling environment

Except for Karnataka, in the countries studied the legal foundations for DLG are quite recent. In no case was significant enabling legislation enacted before 1991. Essentially, these cases could be said to be still in the shakedown period of DLG implementation.

The legal foundation for DLG is more fundamental in some case study countries than others. In four countries that legal foundation is embedded in the national constitution. India's 73rd constitutional amendment, passed in 1993, supplies guidelines for DLG, providing among other things for representation of women and various minority ethnic groups. The post-Marcos constitution of 1987 in the Philippines affirms the importance of DLG. Mali's 1992 constitution mandates three levels of local representative government. Ukraine's 1996 constitution devotes a whole chapter to the subject.

These constitutional provisions required implementing legislation. In 1993, Karnataka passed an act spelling out its three-tier structure and began implementing it.[28] The Philippines enacted its Local Government Code in 1991. As in Karnataka, the details take up an entire volume. In Mali, the Mission for Decentralization, the agency established to plan and implement the government's decentralization initiative, was responsible for developing the enabling laws. The decentralization mission spent two years on this task, and in 1995 and 1996 the national assembly voted the key bills into law. The new structure is expected to begin operations with elections sometime in 1998. As for Ukraine, an estimated 20 detailed acts will be required to translate its constitutional requirements into law, a process expected to take at least two years. In the meantime, laws from the early 1990s, combined with executive decrees, provide the legal basis for its DLG efforts.

In the two Latin American countries, the basic justification for DLG lay in national legislation. Honduras enacted its Municipal Reform Law in 1990 and began implementing it the following year. In Bolivia, the Popular Participation Law went into full effect, with local elections at the end of 1995.

Basic provisions

The structures created by this enabling legisla-

tion show striking variations.[29] Ukraine has thus far been the least innovative, leaving in place essentially the same system that existed in the Soviet period, with two very important differences: genuinely democratic elections are now held to fill the elective positions, and local government units have some real autonomy in managing their affairs.

Bolivia's new system is perhaps the most innovative. It provides for elected mayors and councils in the country's 311 municipalities, as well as for a parallel system of elected vigilance committees—bodies charged with planning infrastructure investment and monitoring the performance of the mayor and council.

Karnataka's system is groundbreaking in mandating that women must hold one third of all council presidencies and vice presidencies, as well as one third of all seats on local councils. Moreover, the law requires that Scheduled Castes (formerly Untouchables) and other low castes be given seats in proportion to their percentage of local populations.

In the Philippines the Local Government Code stipulates that special bodies called local development councils include nongovernmental representatives (to be chosen by the NGO community) to fill one fourth of the positions. And in Mali, the composition of the 701 new communes was determined with the direct involvement of the concerned citizenry.

Many of the local self-governance systems are generous in allocating national resources to local bodies. The Philippines and Karnataka allocate 40 percent of national funds to local units. Bolivia allocates 20 percent. Mali is considering a generous allotment. Ukraine is unpredictable but seems to average local allotments of more than a third of national funds. Honduras, however, has been relatively tight-fisted, delivering no more than 1.5 percent of national revenue.

Accompanying these resource allocations are increased areas of responsibility for local government units, which also vary greatly. Two systems have devolved virtually everything but police power and such obvious central responsibilities as intercity roads and transport. In Ukraine, where the central government has been incapable of meeting its obligations, local bodies are responsible for virtually all spending on education, energy, health, heat, pensions, public transportation, and water and sanitation. In Karnataka, local governments provide all the basic social services, such as health and education.

Bolivia and the Philippines have devolved specific sectors or subsectors to local levels. In the Philippines local units handle agriculture, health, sanitation, and welfare; in Bolivia local units handle investments in (but not the day-to-day operation of) education, health, and recreation. Specific sectors will also be devolved in Mali, but the final decision on which is yet to be reached. Honduras took a different approach, giving municipalities general responsibility for planning and administering specific services, such as water and sanitation.

Strategic implications

Countries have launched DLG initiatives under a wide range of conditions, provided a wide range of resources, and devolved different assignments to local governments. There is clearly no blueprint for taking up DLG in a national development strategy. But the breadth of this range implies that DLG can be an appropriate strategy in a variety of circumstances. It is not surprising, then,

[28] Laws passed in 1959 and 1983 provided for earlier versions of local self-governance in Karnataka.
[29] Fuller details are given in the Impact Evaluation reports (see footnote 18).

that international donors have shown great interest in promoting democracy through DLG.

Donor and Host-country Roles

It is axiomatic in international development that any donor-assisted development activity having even a remote chance of success must be "owned" by people in the host country. The commitment, enthusiasm, responsibility, and financial support required to see the effort through must, in the end, be supplied domestically, whether by government or private sector. In the current era of flagging donor interest and stamina, the axiom becomes even more apt. This is especially the case with DLG, which must be adapted and crafted to meet each country's circumstances if it is to be launched at all. Still, donors will continue to have an important and even critical role in promoting DLG and helping its momentum build to the point where national and local commitment can sustain it.

Previous aid

All six countries in this assessment have a significant track record in supporting decentralization, though seldom as democratic initiatives. Few, however, enjoyed earlier success at promoting development through their decentralization efforts. Most of these efforts have had some external aid in the past, though often in the distant past and indirectly. In India, assistance for decentralization goes back to the Ford Foundation's support for India's first pilot project in the late 1940s. Eventually (with large-scale official American aid) that project became the massive Community Development Program of the 1950s and Panchayati Raj enterprise of the 1960s.

Since the early 1970s, though, the U.S. government has provided no official support.[30] Instead, the national government in New Delhi has become, in reality, the external agency supporting DLG in India's federal system. Each state has had considerable autonomy designing its own version of Panchayati Raj. The central government has assisted with various efforts, most notably the five-year plans that began in the 1950s and have continued into the 1990s.

Official U.S. assistance to local governments in Honduras goes back to a 1968 program to furnish credit to municipalities. Other efforts over the years supported urban infrastructure and municipal management in the major cities and technical assistance on a wider scale. USAID/Honduras assisted in the development of the 1990 Municipal Reform Law and then supported the new law's implementation with the Municipal Development project. It came on line shortly after the law was passed in 1990.

USAID's contribution to decentralization in Mali dates back to support for local health-care systems in the mid-1980s. Since the 1991 revolution, USAID has supported the government's efforts to design and implement its present decentralization initiative.

In the Philippines, USAID has supported local governance since the 1970s, initially by supporting public administration programs and sponsoring local officials for training in the United States. This assistance continued in various forms, including the Local Development Assistance project of 1990–95, predecessor to the present Governance and Local Democracy project, which is di-

[30] The Ford Foundation has supported a number of local (generally experimental) development schemes in recent decades, as have other donors.

rectly supporting implementation of the Local Government Code of 1991. As in Honduras, USAID was in close touch with host country officials as the code was being formulated; thus it was able first to modify the Local Development Assistance project and then to design the Governance and Local Democracy project to fit in with it.

In Bolivia there was some earlier USAID assistance in public administration, although only on a small scale. But Agency officials were in constant contact with their host-country counterparts as local governance legislation was being written and implementation plans were being devised, so it could start up assistance efforts once the initiatives came on line. The Democratic Development and Citizen Participation project was ready soon after the government began carrying out its new Popular Participation Law in late 1994.

These five cases contrast markedly with Ukraine, where there was, of course, no USAID activity before the Soviet Union's breakup. In 1993, through its Municipal Finance and Management project, USAID began helping pilot municipalities shore up their badly sagging efforts to provide government services in a crumbling economy.

Strategies adopted

In the four countries where DLG initiatives have been launched, USAID has taken an experimental pilot approach in its efforts. Ukraine began with 3 pilot cities, Bolivia with 6 municipalities, Honduras with 33 municipalities, and the Philippines with 7 provinces and 1 independent city (encompassing 168 local government units). In Bolivia, Honduras, and the Philippines, USAID selected localities most likely to succeed. It could be argued that selecting superior sites taints development assistance because they are abnormal, and tactics successful there won't necessarily work in more ordinary settings. But given the bleak track record of past decentralization efforts, it probably makes good sense to "build on the best,"[31] in the hope that workable approaches pioneered there will also be effective in less favorable circumstances.[32]

However, there is some danger that the building-on-the-best strategy will put "the best" too far ahead of "the rest," since the main reason some places are the best is that they are more developed than other places. To strengthen their advantages with extra assistance could exacerbate regional imbalances and create political problems. Honduras is a case in point. There, the pilot areas nestled along the more advanced north–south axis of the country were the primary target of USAID's Municipal Development project. The more backward eastern and western regions were not targeted and therefore were left without the kind of DLG resources and support provided the participating project municipalities.

While there may have been good arguments for host country governments to begin DLG efforts with experimental pilots, the decision in every case has been to launch the initiative simultaneously nationwide. Bolivia implemented its Popular Participation Law in all 311 new municipalities at one stroke, and the Philippines put its Local Government Code into effect in all 76 provinces and constituent local units simultaneously. Honduras's 1990 Municipal Reform Law was applied throughout the country. Ukraine put its laws and decrees on local governance into effect everywhere at the same time. Mali, by contrast, initially implemented a somewhat restricted local governance structure in 19 urban communes beginning with the elections of 1992; when it launches the new setup, scheduled to come on

line sometime in 1998, it will cover the whole country.

The case for the full-scale approach is obvious: countries eager to push development as fast as possible do not have time for laboratory experiments. In addition, politicians tend to find it difficult to explain why some areas should be selected for pilot experiments while others are left out. It is more expedient to simply include everyone and every place.

The contrast between these two approaches could create some tension, if the host country and USAID want to proceed at a different pace, each for its own valid reasons. Interestingly, however, this did not occur in the countries CDIE visited. Host country governments appeared to appreciate USAID's need to concentrate on developing effective approaches, while for their part, USAID Missions seemed to appreciate the host country's need to treat all areas similarly.

Balancing democracy and public administration

DLG brings a democracy component to a development activity that, for a long time, concentrated on public administration. One result is that a strategy that had a single purpose now has two: public administration, or outputs; and democracy, or inputs. These two purposes can be compared in a number of ways (see table 1).

The issue here is how donors balance these two sides of local governance in their programs. The initiatives analyzed in this assessment cover a range of possibilities, with Ukraine at one end and Karnataka at the other. In Ukraine, the immediate challenge was that local governments were unable to do much more than try, from day to day, to furnish some fraction of the services the Soviet state had once provided. The immediate need was to keep things working, for unless the local administration actually delivered services, citizens would see no point in participating in local governance. Accordingly, at the outset the project emphasized administration more than democratic participation. As local government capacity improved, the emphasis shifted toward democratic participation.

In Karnataka, local administration has always been in place; the task was to figure out how to ensure citizen participation in directing it. DLG efforts in India, thus, tend to emphasize democracy. Different tiers of the system do have administrative components, to be sure. At the higher two levels of district and *taluk* (somewhat analogous to the U.S. county and township), there are offices of development specialists in such areas as public health, animal husbandry, and road maintenance. They have been in place more or less continuously, albeit augmented or downsized as state and central governments have launched, upgraded, or abandoned successive development programs. Whether or not DLG is in place at any given time, administrative functionaries remain. The DLG initiatives have therefore concentrated on the democratic, political side of local development. They have worked on arranging the tiers of panchayats and determining specific powers, revenue allocations, and representation for women

Table 1. The Two Sides of Democratic Local Governance

Democracy (Inputs)	Public Administration (Outputs)
politics	management
participation	service delivery
demand side	supply side
decision-making	policy implementation
civic education	institution building

[31] USAID/Honduras has carried this notion one step further. Mutually agreed-on project compliance standards were set for the 33 municipalities. After it was determined that 14 had not met the standards, they were dropped from the project.
[32] This approach is the one most commonly taken by USAID and other donors as well.

and minorities, rather than on providing services.

One could argue that in Ukraine, USAID should have paid more attention to democracy, whereas in Karnataka the central and state governments should have paid more attention to administration. But the objective situation into which a DLG initiative is placed will often be unbalanced one way or the other, and part of DLG's attraction is that it has sufficient flexibility to move either way to right such imbalances. Ukraine had to deal with the reality of an imploded central government; in India the challenge has been to bring popular control to local development.

Most of the other initiatives seem more evenly balanced, with USAID's Philippine and Honduran projects emphasizing the administrative side a bit more, while the Bolivia project was weighted slightly more toward democracy. The Mali case, however, is slightly different, reflecting the country context—a government highly committed to participation, but local administrative capacity that is extremely weak. There, USAID's assistance has intermingled democracy and public administration elements, rather than emphasizing one or the other.

Strategic implications

Building on experience. Previous USAID assistance undoubtedly made it easier to build local self-governance projects in Honduras, Mali, and the Philippines and may have helped in Bolivia as well. This was so for both donors and host countries. USAID learned something about how to support decentralization initiatives, and host country professionals built expertise in the field through their involvement. In Ukraine, where neither donors nor local officials had experience with local self-governance, both found it harder getting productive activities rolling than did their counterparts in the other countries.

There are also some differences between donors and host country governments. USAID direct-hire officers rotate in and out, so institutional memory suffers, whereas host country professionals often stay in place much longer and can recall experience from decades past.[33] Valuable as such experience has been in certain settings, such as the Honduras and Philippines, it is apparently not essential. The Ukraine project may have had a tougher start, but it did get off the ground and, in the judgment of the CDIE team, had made genuine headway.

Experimenting in DLG. For donors, pilot efforts are valuable experiments in DLG. In theory, this should hold true for host governments, but in the real world of political demands and service delivery shortfalls, governments are often compelled to launch a program everywhere if they do it anywhere. Donor pilot approaches can still be useful, in that they facilitate accumulation of useful experience that can be applied on a larger scale when the national program is up and running and able to receive outside assistance.

Balancing democracy and public administration. Some countries need to give more attention to the administrative management side of DLG, while others need to concentrate more on democracy, and still others need a more even mix. In countries such as Ukraine, where government at all levels has trouble delivering basic services, administration clearly demands first priority. This will be true in many countries making the transition to democracy. Where services have been in place for some time, as in the Philippines, a stronger emphasis on democracy is in order.

Resistance and Political Will

Democratic decentralization is an exercise in

shifting political power, which inevitably creates apprehension, jealousy, and often outright opposition. In most developing countries, most politicians and civil servants operating in the national political arena perceive that power will be devolved to the local level at their expense.[34] This is especially true in the unitary states characteristic of most of the developing world.

It is not surprising, then, that decentralization aroused anxieties and resistance at the central level in all of CDIE's case studies. Opposition came from both political leaders and civil servants. It often had two sources, related to both the constructive and dysfunctional roles politicians and bureaucrats can play in development (see table 2).

Politicians want to determine national policy and launch programs to implement it, whether as ministers in the executive branch or as members of the legislature. This is as it should be; it is part of their calling as political leaders. National politicians must have vision and ambition if a country is to progress and develop, and they need to be able to turn those dreams into reality. Power decentralized too much—power fragmented—can thwart such ambitions, so it is understandable that good politicians may object to decentralization.

But politicians can also object for less worthy reasons. All too often political leaders use the prerogatives of office to build up their own power bases and personal fortunes, rather than to deploy national resources in the national interest. And for national politicians, it is often simpler to siphon off public resources when they are centralized than when they are dispersed through decentralization.

Similarly, good bureaucrats rightly feel an obligation to maintain integrity and high standards in government activities and may well believe that turning control over to less well trained local leaders could put those objectives at risk. Could a village council, for example, be entrusted to maintain national reading standards as a teaching objective in primary education? Conversely, the wish to keep central control often masks a desire to hang on to the perquisites of office and the opportunities for illegal financial gain that abound for bureaucrats in the developing world. The major threat decentralization poses for many bureaucrats may simply be the drastic drop in their opportunity for corruption.

In all our case studies, resistance came from both politicians and bureaucrats. Sometimes it came directly from the top: in Ukraine, the president abruptly decreed that *oblast* (provincial) governors would be appointed rather than elected, making them accountable to him rather than the voters. More often, political opposition came from other sources. Provincial bosses in the Philippines, long the masters and primary beneficiaries of the pulitika system of patron–client relations, proved understandably reluctant to give up power to locally elected councils. Many objected even more strongly to new requirements for NGO representation on local development councils. Largely because of their objections, four years after DLG implementation had begun, only slightly more than half the local government units in USAID's Governance and Local Democracy project sites had any NGO representation.

In Bolivia, presidentially appointed prefects (provincial heads) assert control over municipal decision-making through a matching-fund arrangement in which provincial funds are added

[33] This can be true also of USAID foreign service nationals, though generally they do not have the long experience that characterizes many host country government development professionals.

[34] Many local political leaders in industrial countries have similar reactions. In the 1960s, for example, many mayors were angry when the U.S. government sought to create community institutions in urban neighborhoods, bypassing them (see Blair 1982).

Table 2. Sources of Opposition to DLG From Politicians and Bureaucrats

Role	Politicians	Bureaucrats
Constructive, prodevelopment	Set policy, initiate programs	Ensure standards, maintain program integrity
Dysfunctional, antidevelopment	Build patronage, increase own wealth	Maximize perks, seize opportunity for corruption

to selected municipal projects. Similarly, national legislators in Honduras have refused to appropriate the mandated 5 percent of national revenues to municipal budgets. In Karnataka, leaders in the Legislative Assembly have tried to undermine the panchayat structure on several occasions over the years. Most recently, for example, they refused to hold local elections in the early 1990s and whittled down the authority devolved in the 1993 Panchayati Raj Act from what it had been in the earlier 1983 act.

Bureaucratic opposition takes different forms. In Mali the Mission for Decentralization was repeatedly impeded by its parent ministry. Only when it was transferred to the prime minister's office—an excellent example of commitment and political will—was it able to function effectively. In the Philippines and Honduras, central line ministries have been reluctant to give up control over sectoral field programs as completely as DLG implementing legislation demanded. In Ukraine, the Ministry of Finance has jeopardized local government's fiscal autonomy by exercising its power to approve local budgets and, significantly, to alter the proportion of taxes collected that municipalities are permitted to keep. Another common pattern is for the central ministry to relinquish control over policy and implementation but maintain jurisdiction over personnel. In Bolivia and Karnataka, salary levels and postings are determined in the capital city. The Philippines has a similar policy for postings, but only for financial officials.[35]

The importance of political will

Historically, the main reason decentralization initiatives have failed is that central governments have been unwilling to devolve enough power for local governments to function properly. The opposition of politicians and bureaucrats has been strong enough to weaken or kill most initiatives. In the cases CDIE studied, however, decentralization efforts have succeeded despite serious opposition, largely because there has been enough continuing political will at the highest level to overcome or at least neutralize resistance. The government leaders in Bolivia, Honduras, and Karnataka came into office with local governance as a major objective. Each leader pushed the initiative through to implementation. In the Philippines, the Local Government Code of 1991 originated in the senate, but presidents Corazon Aquino and Fidel Ramos both backed it strongly. Similarly, Mali's President Alpha Oumar Konare has staunchly backed his country's initiative. Even in Ukraine, where opposition was fierce, the support of presidents Leonid Kravchuk and Leonid Kuchma was critical to DLG's success.

In all six cases, local governance represented a distinct break with the past. All six systems had been highly centralized,[36] so it took sustained political courage to chart a new direction—in most cases through more than one leadership cycle. Two successive presidents backed centralization in Honduras, the Philippines, and Ukraine. In Karnataka, where there was a lapse after the 1980s, it took a constitutional amendment in

1993 to relaunch the initiative. In Bolivia much depends on whether President Gonzalo Sánchez de Lozada's successor supports local governance. Without such backing, the Popular Participation Law will probably wither. On the eve of full implementation of its local self-governance initiative, Mali appears to enjoy ample political will, based on support from the president, prime minister, and people.

While the political will needed to initiate and sustain DLG, at least in its early stages, is primarily found at the top, it is hard to find at the grassroots level. There may have been supporters at the district or provincial level, as Manor (1997, 26) reports for a few cases, but genuine popular support has been scarce. Perhaps it will build over time, but there is little sign of this so far. In Karnataka, when the bold local governance initiative of the mid-1980s was scuttled by a subsequent state government, there was little protest from the citizens despite a long history of DLG programs. Among our sample cases, however, Mali may be an exception, since its initiative has evoked such widespread enthusiasm that any future national government would probably face serious problems if it tried to stuff the DLG genie back into the centralized governance bottle.

Strategic implications

DLG will inevitably be perceived as injurious to strong players in a political system, so there is sure to be some resistance from politicians and bureaucrats. Donors need to understand what underlies such resistance. When legislators oppose local governance for fear of losing their links to constituents, for example, astute donors will help figure out how those connections can be maintained. The challenge is to convince both politicians and bureaucrats that the devolution of power will not be at their expense, and that policy can be fruitfully initiated and high performance standards maintained at many levels. Donors should probably continue the political dialog with national leaders well past the first blush of a DLG initiative. Resistance will inevitably continue, and political resolve at the top will need to be reinforced for local governance to take root and become sustainable.

Representation, Empowerment, And Benefits

Much of DLG's attraction as a development strategy lies in its promise to include people from all walks of life in community decision-making. The hope is that as government comes closer to the people, more people will participate in politics. All sorts of constituencies—women, minorities, small businessmen, artisans, parents of schoolchildren, marginal farmers, the urban poor—will then get elected to office (or have greater access to those in office). That will give them representation, a key element in empowerment, that is, a significant voice in public policy decisions that affect a group's future. Local policy decisions reflecting this empowerment will serve the wider public, providing more appropriate infrastructure, better living conditions, and enhanced economic growth. These improvements will then reduce poverty and enhance equity among all groups. As a formula, the argument[37] could be written as follows (with the ▲ symbolizing an increase in):

▲ participation → ▲ representation →

[35] In Mali matters of postings and salaries remain to be worked out.
[36] Karnataka was something of an exception in having had various forms of Panchayati Raj beginning in the early 1960s. But even there Chief Minister Ramakrishna Hegde's 1983 initiative devolved authority more boldly than any previous effort.

▲ empowerment → ▲ benefits for all → ▲ poverty reduction

Representation

Assuming that a central government has a genuine commitment to devolving power, the very fact that democratic decentralization is taking place means many new constituencies can gain representation through public office. Businessmen, local notables, large farmers, professionals, and possibly some labor union leaders will quickly find a place on local councils. Some will already have enjoyed influence through links to the pre-DLG political structure, since central governments, no matter how authoritarian, always need a few ties to the local level. Some local people will have had privileged access to higher levels of governance. But with DLG that circle of influence will open up local governing bodies to the electoral process.

Expanding representation will increase the likelihood of pluralism and competition, for different constituencies will often disagree with one another and among themselves. Some local businesspeople may want to restrict outsiders from entering the retail trade in dry goods, for example, whereas others will see opportunities for themselves in opening local markets to external participants. But local elites probably are more likely to collude in their own material interest than to compete. For example, local business operators may want to limit the number of licenses a municipality can issue for selling fertilizer or running taxis, thereby keeping prices higher for the public and added profits for themselves. Thus if only the local elites gain representation on local government councils, the public is unlikely to be well served.

In our six cases, two other constituencies have gained representation: ethnic groups and women. Ethnic groups that previously had no real political voice nationally have been able to assume control of local governments in areas where they form a majority. In large areas of Bolivia, Quechua and Aymara community representatives now sit on municipal councils that didn't exist before implementation of the Popular Participation Law. In the Philippines' Cordillera region, indigenous groups such as the Kalingas and Gaddangs now enjoy majorities on local government bodies. Similarly, councils in new rural communes in Mali are likely to show heavy representation from such ethnic groups as the Songhai and Dogon in areas where they are numerically strong. In Ukraine, it is not a question of ethnic minorities but of cultural and linguistic divisions. Ukrainian speakers dominate in the west and Russian speakers in the east and south, so elected local governments are typically dominated by members of the local linguistic majority.

Women are on local councils in countries where their inclusion is mandated. Karnataka requires that one third of elected members of all local bodies be women and that women hold one third of council presidencies and vice presidencies. Karnataka has also mandated that the Scheduled Castes (the former Untouchables) be allotted memberships and executive positions equal to their proportion of the population in the area.[38] In Mali the major political parties are promising similar reservations for women, but no decisions have been made yet.

Where female representation on local councils is not mandated, women have fared poorly in elections. Honduras and Bolivia boast few women on local councils. In Bolivia the percentage of local elected offices held by women is actually lower (8 percent) than it was under the earlier, more re-

[37] The most committed proponent of this view is probably David Korten, who has made the case for it often (Korten 1990). USAID's New Partnerships Initiative uses a somewhat similar logic. Its strategic approach emphasizes partnering between civil society, the business community, and democratic local governance (USAID 1997a).

strictive system (11 percent). And in the Philippines, women hold only about 10 percent of elected local offices. In Ukraine, where the overriding concern is to keep local governments functioning, gender representation has not surfaced as an issue. Women were relatively well represented in professional and public life under the old regime, and some women serve on elected councils. It appears that the proportion of women is fairly high on urban neighborhood and rural village councils, but much lower in the higher tiers of government.

There are other ways to ensure representation. In the Philippines, the Local Government Code requires that at least 25 percent of the voting members on local development councils be from NGOs, chosen by local NGO constituencies. Bolivia has taken a different approach setting up parallel vigilance committees to monitor elected bodies. Vigilance committee members are selected from traditional local governance systems, such as peasant syndicates and neighborhood councils. This composition establishes continuity between older and newer local self-governance systems.

To ensure representational integrity in Mali's new DLG system, the Mission for Decentralization set up special ad hoc regional and local groups to help determine the territorial configuration of the new communes. These broadly constituted groups convened public meetings in which citizens determined which villages should be linked to form the new communes. In the process, the existing 270 local government units became 701 communes. Presumably the new system will reflect natural social divisions and allow self-identified neighbors to manage their affairs together. Meanwhile, unlike many African countries, Mali has allowed the hereditary village chiefs to remain in place, although their role in the new system remains unclear.

Empowerment

The third element of the formula argues that a group's increased representation will lead to empowerment, but local governance has delivered only partially on this promise. There is some good news: local governance has brought empowerment to ethnic groups that are minorities nationally but geographically concentrated in certain areas. Andean councils can now steer investments toward primary schooling in Bolivia, for example, and Cordillera municipalities in the Philippines can enforce legal restrictions on land purchases by outsiders. In some urban areas, poor neighborhoods can take charge of their community's destiny by winning electoral control of local councils, as in large sections of El Alto, the lower class bedroom municipality next door to wealthier La Paz in Bolivia.

On empowerment for women, however, the news is not as good. There is no indication that women acting consciously as a group have had much effect on local public affairs in Bolivia or Honduras (possibly because they have not achieved significant representation). Worse, in Karnataka, women have played little part in council affairs, tending to remain silent or participate only as their husbands direct. Consider the municipal corporation of Bangalore, Karnataka's capital city, which has a population of well over a million. The mayor and deputy mayor are both women, as are 34 of the 100 elected corporation members, yet in all but a few instances their husbands continue to call the shots. At the very least, we must conclude that even bold affirmative action on representation does not easily or rapidly em-

[38] In its latest (1993) version of DLG, Karnataka—like many other Indian states—requires the so-called Other Backward Castes of Shudra communities—traditionally next to the Scheduled Castes at the bottom of the Hindu hierarchy—also be given memberships in local councils proportionate to their share of the population (so far there is no similar quota system for their becoming council presidents). The mechanism for implementing these quotas is to declare specific seats reserved for women, Scheduled Castes or Other Backward Castes, allowing only people of that group to run.

power women.

Similarly, the Untouchables (Dalits) of Karnataka's councils either don't participate or do so only at the direction of their local patrons. This is discouraging, because the Scheduled Castes have had mandated representation in elected local government systems since Panchayati Raj was introduced in the early 1960s. After almost four decades, they still do not exercise a significant voice in local affairs. They are typically unable to demand more equitable siting of water supplies and electricity lines, two areas of public infrastructure investment that have been notoriously absent in areas where they live. If this has been the story for the Untouchables after almost 40 years, is it reasonable to expect much more for women, whose representation has been mandated for only a decade?

However, there may be greater scope for indirect empowerment at higher levels of government. At the state level in India, for example, Dalits and women's groups have brought enough pressure to bear on political leaders to wring concessions from them on such matters as university facilities (of particular interest to Dalit organizations) and the regulation of alcoholic beverages (of special concern to women's organizations). In the Philippines, USAID's Governance and Local Democracy project is experimenting with similar ways to give disadvantaged groups a voice nationally.

And there is also some evidence that ordinary citizens feel more empowered through local governance. In the Philippines, for example, recent surveys by the Social Weather Stations' polling organization found that citizens believe they can deal more effectively with local government than national government and are also more satisfied with local government. Perhaps more significant, there are smaller class differences in this feeling of citizen effectiveness regarding local government. At the lowest (*barangay*) level, lower class people tend to see themselves operating at about the same level of effectiveness as do the higher classes. On national issues, class differences are much wider (Rood 1997). These survey results do not allow us to connect the feelings of empowerment with specific donor efforts, such as the USAID GOLD project, but they do indicate that USAID is working in fertile areas in supporting coalitions of women, the urban poor, and fisherfolk.

Distribution of benefits

As the formula set out at the beginning of this section suggests, the degree of empowerment affects the distribution of DLG benefits. In Karnataka, local elites still control elected councils and steer most benefits to themselves, reflecting the lack of empowerment of marginal groups. For example, they upgrade existing high schools (which their children attend) rather than spend public funds to expand primary and secondary education (to serve all children). In Ukraine, businessmen (or "biznizmen" as they are referred to pejoratively) and entrepreneurs who have sprung up with the collapse of the Soviet system have steered many benefits their own way by capturing privatized state enterprises through bribes and influence peddling and evading local taxes through intimidation and payoffs.

In areas of Bolivia and the Philippines where ethnic minorities have taken over local councils, it is too early to tell whether benefits will be broad based or go primarily to a few community leaders. In one Bolivian municipality CDIE visited, the council decided to invest in school construction in remote hamlets, an initiative that should spread benefits widely. But the same council also decided to build an automobile racetrack and sports coliseum. Income generated by these ventures could go toward improving primary health care (for example, to promote treatment of scabies, a chronic disease in the area), or it could go to a few council members as kickbacks for construction contracts or skimming from gate receipts. As for the Cordillera, it is unclear whether community lead-

ers will regulate local mineral extraction to minimize environmental damage and maximize royalties for local investment, or sell off long-term contracts for mining rights and pocket the proceeds themselves.

Outside the regions where specific ethnic groups dominate, the evidence is also mixed. In some areas of the Philippines, for example, local bosses have simply spread their tentacles to envelop the new councils, rigging elections and appointing their own retainers to the seats reserved for NGOs (or ignoring the provisions for NGO representation altogether). The flow of benefits remains unchanged.

In other places the story may well be different. The data gathered by the Social Weather Stations survey, which show an increased personal sense of political effectiveness, may imply that benefits are being distributed less unevenly. In Bolivia and Honduras, there is stronger evidence that local councils can undertake activities benefiting constituents across the socioeconomic spectrum. At the insistence of its vigilance committee, Cochabamba municipality is building primary schools in its outlying (and poorer) neighborhoods, moving away from its old pattern of building them mostly in the wealthier central area. Other initiatives in Cochabamba to improve the city's central hospital and reconstruct a municipal park will benefit everyone. In many Honduran municipalities, considerable effort is going into providing sanitary drinking water for everyone.[39]

Poverty reduction

Although USAID has not specified poverty reduction as a goal of local governance initiatives, other donors have. The World Bank, for example, lists poverty alleviation as one of two overarching themes (along with environmental protection) to be pursued in its own assessment of decentralization (Binswanger and Shah 1994, 4). But there is little evidence so far that DLG initiatives can do much directly to reduce poverty, at least in the short run (Manor 1997, 90–91).

The main reason for this short-term pessimism is that when governance is decentralized, local elites get most of the power and steer benefits to themselves, or at least maintain the existing distribution patterns (which largely benefit them, anyway). Local elites may be even less likely than national elites to target government resources to the poor. In any event, the CDIE country studies did not find them any more willing to do so, a finding Manor also reported (1997, 90). Manor notes that he has yet to discover evidence of any case where local elites were more benevolent than those at higher levels (1997, 90).

Still, many local government activities benefit the poor, although they are not targeted specifically to them. Providing electricity or water for all citizens, for example, can help raise productivity for rich and poor alike. Human capital investments in education and public health now being undertaken in many areas of Bolivia promise to increase productivity of both poor and nonpoor. But such undertakings, especially in education, are uncertain and will take a number of years to bear fruit.

Strategic implications

It appears that as we proceed analytically through the representation–empowerment–benefits formula, the results become successively less substantial. DLG initiatives to date have increased representation, but provided less in the way of empowerment, and even less in making the distribution of benefits more equitable or reducing poverty. However, this does not mean that promoting DLG is a futile endeavor. Increased representation offers significant benefits in itself. When women or Dalits hold public office in Karnataka and sit on local councils, it demonstrates that males of hereditary privilege are not the only ones who can enjoy such positions. The presence of NGO representatives on local development councils in the Philippines shows people there are al-

ternatives ways to participate in local decision-making where traditional political bosses still have too much power.

A second benefit of increasing representation among marginal groups is its attendant leadership experience. Karnataka's new structure provides 85,000 elective positions, which means more than 28,000 women are panchayat members at any given time. Among them, some 1,900 women are presidents and an equal number are vice-presidents of their panchayats. While many will fail at these tasks or enjoy only modest success, some will acquire skills that will equip them to be leaders in other endeavors, for example, in civil society or in state or national politics. Similarly, representatives of the Scheduled Castes and Other Backward Castes are gaining leadership skills in their reserved slots. Indeed, a substantial number of present-day state and national leaders among the Scheduled Castes—who often have significant political clout—came from this group.

Increased representation on local councils also makes it clear to children of both sexes and all ethnic communities that they can aspire to public service. For example, a Dalit girl who has an aunt or neighbor on the village council is more likely to have higher ambitions than one who perceives inevitable exclusion as her future.

These promising benefits of increased representation, however, will take some time, perhaps decades, to unfold. Scheduled Caste reservations have been in place since the beginning of Panchayati Raj almost 40 years ago. This is a longer term prospect for change than donors might want, but it is surely worth the effort. In Bolivia and the Philippines, it will be some time before previously marginal minorities can translate the empowerment they have gained in their geographic areas of strength into improved lives. People new to making public decisions have a fairly long learning curve before they can actually shape local public policy in ways that benefit their constituencies. And even when they do, benefits may be long in coming. Building new schools, for example, doesn't mean that effective teachers will immediately be there to staff them. And it takes time to educate successive groups of children, and longer still for them to use that education in making their lives more productive. In sum, while we are most probably talking in terms of decades here, not five-year donor projects, these kinds of improvements in public life can start with donor-supported DLG initiatives.

One last question to consider is how narrowly focused empowerment initiatives must be in those areas where marginal groups are in the minority, which is the most common situation. Some donors think empowering these marginal minority groups should be a fundamental goal of DLG, while others view empowerment in more general terms. In its policy document on governance, the United Nations Development Program refers to helping "empower people previously excluded from decision-making." It lists poverty eradication and gender equity among the goals of decentralization (UNDP 1997a, 19; and 1997b, 8–9). The guidelines of the Development Assistance Committee of the Organization of Economic Cooperation and Development speak of empowerment as "increasing access to and influence over resources and institutions" by marginal groups, such as low-income people and women (DAC 1995, 8).

Within USAID there are similarly contrasting views. The Philippines Mission, for example,

[39] Of course, it is possible for these efforts to produce less desirable results. The schools in poor neighborhoods may be so underfunded as to provide no real education, the central hospital may use its resources mainly on high-tech procedures serving few patients, the park may charge an admission fee that will restrict its use to the wealthy, and the pipes for drinking water may somehow never stretch beyond the more well-to-do sections.

stresses the connections between its efforts to support DLG, civil society, and empowerment of the disadvantaged.[40] However, USAID's principal strategic statement on the topic is more general, stating that the Agency's role is to "stimulate and reinforce democratic elements at the city and community level" (USAID 1994, 18). And the New Partnerships Initiative's *Resource Guide* deals at length with local empowerment, but does not specify what groups or elements will gain empowerment. It speaks instead of empowering communities and civil society through DLG.[41]

The issue is whether empowerment can enable marginal groups to use local politics to press for policies of direct benefit to them, or whether the whole local community must be empowered. Is it feasible to expect marginal groups, such as women, minorities, and the poor, to pressure local governments into delivering services more equitably by targeted efforts or redistributing ongoing activities? Or is it more likely that such groups will garner benefits only when they participate in coalitions that push for efforts that benefit the entire community? For example, are marginal groups more likely to be able to persuade local governments to set up programs to educate girls and build sanitary wells in poor areas, or push for initiatives that offer universal primary education and provide sanitary drinking water for everyone in the community?

Perhaps in some places traditionally marginal groups can be mobilized to act in their own behalf locally, even where they are minorities. This appears to be true in some parts of the Philippines, but not in other parts where local bosses still maintain control. Elsewhere, including Karnataka and a number of Indian states, marginal groups may be unable to act locally but can press successfully for their own interests at a higher level. In still other places, such as Bolivia and Honduras, marginal groups can direct benefits to their members only through universal efforts that benefit everyone locally.[42] For the DLG strategist, this means that great care and sensitivity will be required to settle on an appropriate approach to empowerment. Strategies that will work in settings such as upland Philippines appear quite unsuited to areas like rural Karnataka.

Fiscal Autonomy And Regional Equity

In all the case study countries, central governments granted significant authority to local governments. In Ukraine, because of the central government's inability to provide services, local governments are basically free to undertake whatever they can find the money for. In Karnataka, almost all traditional government services except police power have been transferred to local authorities.[43] But national and state governments there earmark about 85 percent of funds for local use, specifying the general programs (such as health or agriculture) for which they must be used. Every district in the state, for example, must spend a given amount per capita on malaria eradication, whether malaria is endemic in the area or not. In theory, Honduras also gives local policymakers latitude, but the actual allocations (1.5 percent of national revenue) severely limit what local governments can do.

Bolivia and the Philippines have transferred fewer sectoral responsibilities to local government: in the Philippines, agriculture, health, sanitation, and welfare, but not education; in Bolivia, education, health, and recreation, but not agriculture or sanitation. The major difference between the two systems is that Bolivia has confined activity to investment in the transferred areas (and the

[40] See USAID (1997a, vol. II, 77–86); also USAID/Manila's web page (http://www.usaid-ph.gov).

[41] See the NPI *Resource Guide* (USAID 1997a). In its introductory chapter, the guide uses various forms of the word "empower" 22 times, "local government" or "local governance" 53 times, and "civil society" 89 times.

central government retains control of civil servant salaries and careers), whereas the Philippine government has devolved all activity in the specified sectors, including employees and payroll. Both countries have loopholes in restrictions. Because local governments in the Philippines are allowed to take on activities that support the general welfare, some have become involved in environmental projects. In Bolivia some local governments have launched sanitation projects under the health rubric.

Fiscal autonomy

Most literature on decentralization holds that fiscal autonomy, or financial independence from the central government, is essential for effective local government. The rationale is the lower the level of government, the more nearly it can approximate a political marketplace in which citizens determine what they want and are willing to pay for in taxes and fees. And when government services are tied to payment for those services, citizens can voice their preferences to elected officeholders and not reelect those who do not act on these preferences. Thus if citizens want more schools or better health care, their political leaders should be able to levy the taxes and fees to finance those improvements. If people think too much is being spent on municipal construction or council members' perquisites, they should be able to press their leaders to limit that spending.

Even with fiscal autonomy, however, some central government grants or subsidies are necessary, for few if any local governments are capable of raising sufficient resources to meet all local needs, even in advanced countries. Indeed, decentralization initiatives have often failed because central governments devolved too little to the local level. Sometimes central grants have been too feeble, and sometimes local governments were not given enough authority to raise money. Sometimes the central government allocated enough money but earmarked so much of it that local authorities couldn't spend it where it was most needed. In all these instances, local governments did not have and could not accumulate the resources to do what was needed.

Judging from the evidence in our sample, at least two fiscal ingredients are necessary for local governments to succeed:

- Central allocations must be predictable and commensurate with responsibilities devolved.

- Local governments must have and use authority to raise local resources. Central government allocations may cover tasks transferred to the local level, but generating local revenue is essential to improving local governance and meeting citizens' needs.

Allocations from central governments

Comparing how countries have managed resource allocation to help local governments meet their new obligations is like comparing apples and oranges, since the relationships between grants and responsibilities differed so greatly. In the health sector, for example, Philippine local governments must implement programs, meet the civil service payroll, and make needed investments. In Bolivia, local governments attend only to investments in the health sector; the central ministry handles salaries and programs. However, in Bolivia, Karnataka, and the Philippines, grants to local governments are far more generous than they were and seem to be larger generally than in most other countries—an

[42] This applies in industrial countries, too. William Julius Wilson, in his well-known works *The Truly Disadvantaged* (1987) and *When Work Disappears: The World of the New Urban Poor* (1996), argues that U.S. social programs to help minorities and the poor succeed in the long run only if they benefit all groups, because only then is it possible to build the constituency needed to launch and maintain such efforts.

[43] In no case was police authority transferred, and except for informal courts with limited jurisdiction in Karnataka, none of the sample countries transferred any judicial authority.

exception to the pattern of central tightfistedness in most decentralization initiatives.

Most of the case study countries were generous about assigning revenue to local governments. The Philippines guaranteed 40 percent of internal revenue allotments, Karnataka allotted 40 percent of the state budget, and in Mali there has been discussion that urban communes might receive 40 percent of all national revenue collected locally.[44] But each government uses a different base for calculating the share. The "internal revenue allotments" in the Philippines include both customs charges and national income tax, which Karnataka's "state budget" does not. Although land and sales taxes are included in both, the terms mean different things in the two countries. Indeed, it may well be that the 20 percent of national tax revenues allotted to local governments in Bolivia is more in relative (or even absolute) terms than the 40 percent of the state budget allocated in Karnataka. In Honduras, the commitment of 5 percent of national revenue is clearly low, no matter how national revenue is calculated, and in the first four years of local governance programs allocations never went above 2 percent.

Central governments in Bolivia, Karnataka, and the Philippines made good on their commitments from the start. For these cases, whatever the level of allocation made, local governments could count on a specific share. Even in Honduras, local governments knew they could count on a certain yearly fraction of the original pledge.

In Ukraine, however, allocations were so unpredictable local governments could never be sure how much revenue they might get. Most taxes are collected locally in Ukraine. Governments at successive levels are allowed to keep a share of the various taxes, with the remainder moving up to the next level. Such a system could work if shares were constant over time, but they vary from year to year and even from quarter to quarter. Moreover, in any given year, the shares vary from one local government unit to another. The most egregious example is the value-added tax, the source of almost a third of Ukraine's internal revenue in 1996. The proportion of VAT revenues retained locally ranged from 20 percent to 100 percent in the places CDIE visited—a reflection of the government's effort to reduce regional disparity. Nonetheless, because of the variance in revenue from the VAT, local governments can neither consistently provide needed services nor match peoples' ability to pay for them with the cost of their delivery. Moreover, mayors and regional governors spend much of their time lobbying with the central government, haggling about retaining or enlarging their shares.

Local revenue mobilization

The other fundamental issue in fiscal autonomy is allowing local governments enough authority to raise funds on their own. Central funds are never enough to do all the things citizens expect of local governments, particularly given the heightened popular expectations that surround DLG initiatives. People expect the local government to do more than the central government, and to some extent it can, though its accomplishments tend to be modest. Localities can do more in a given sector by reallocating funds from one area to another (to the extent they are permitted such flexibility). Or they can launch efficiency drives to cut local government payrolls, tighten procurement procedures, or root out fraud.[45]

Local governments in Ukraine, desperate to stem the catastrophic decline in public services, grasp at every opportunity to increase taxes and fees, often running up against central government restrictions. At times they are able to exercise considerable ingenuity in getting around such controls. For instance in one city, when the Ministry of Finance forbade charging street vendors

for trash removal, the council responded by requiring vendors to buy trash bags from the city at a fixed price.

Some efforts to produce local revenue have been counterproductive. Ukrainian entrepreneurs complained to CDIE that the official business tax rate amounted to 90 percent of their income. Perhaps they were exaggerating somewhat, but whatever the actual rates,[46] they were high enough to provide about 40 percent of all local revenue in 1996. They were also high enough to drive much local business into the parallel economy, where taxes could be evaded partly (by keeping several sets of books) or even altogether (by operating completely outside the official system). The results have been serious. Not only do local governments lose much of the money they might collect with lower tax rates and fuller compliance, but also much of the business effort driven underground becomes part of the illicit commercial activity that has become so pervasive in Ukraine since independence.

Municipalities in Bolivia have been granted wide powers to assess taxes and fees and have taken advantage of those rights to raise more than twice as much money per capita ($44 in 1995) as they received from the central government ($21). Honduras and the Philippines have similar powers but appear to have used them less. In the Philippines, for example, funds from the central government still provide 70 percent of most local government budgets (it varies significantly from one local government to another). In Karnataka, local governments have barely used their rights to raise revenues locally, expressing a reluctance often found in developing countries to assess local taxes and fees. This is perhaps because such levies would fall most heavily on the wealthy (especially in poorer countries) who are often unwilling to pay taxes.

When they get up and running, local governments in Mali will also find it hard to raise money because of the poverty there. Mali's per capita income is less than $300, and there is just not much money available to be raised. In addition, local governments will have to overcome the inertia from a general tax strike that has lasted several years.

Regional disparities

Success in local revenue generation often creates a new problem: disparity between regions. Generally some regions are wealthier than others, and these can generate local public funds more easily than the poorer areas. The result, when funds are invested wisely, can be growing disparities between regions—rich areas become richer and poor areas continue to struggle. Central allocation policies can attenuate these differences somewhat,[47] but can also widen them.

Regional differences were perhaps the most extreme in Bolivia. Central funds were allocated strictly per capita, but some areas generated far greater sums locally than others. With the most dynamic regional economy in the country, Santa Cruz department (province), was able to raise $58 per capita in 1995. That same year, Potosí department, which has been going downhill since its silver mines began to play out more than a century ago, raised only $14. Add to that the $21 per capita grant from the central government, and Santa Cruz had $79 to spend for public purposes, whereas Potosí had only $35. Such disparities were even worse at the municipal level. Among places CDIE visited, prosperous Cochabamba municipality raised $65 per capita on its own, but economically strapped Pucarani managed only $4. Clearly

[44] The amount discussed for rural communes is 80 percent.

[45] In a democratic system, such reform efforts, if overzealous, can backfire. In one Bolivian municipality CDIE visited, the new mayor fired 93 of 123 public employees and shifted a large part of local governance funds to the water and sanitation sector. When a legal change in early 1997 permitted municipal councils to oust mayors under certain conditions, his council wasted no time removing him from office. Both dismissed employees and disgruntled consumers of neglected services had reason to press for the mayor's removal.

Cochabamba will increasingly outstrip Pucarani on most measures of development.

The system in Honduras is similar to that in Bolivia. Municipalities can raise local revenues in a number of ways, so similar disparities can be expected to emerge, especially considering the central government's stinginess in allocations to municipalities. The wealthy port city of Puerto Cortés, for example, retains a certain percentage of the customs collected there, a resource obviously unavailable to the many poorer interior municipalities.

The situation is more complex in the Philippines, where some features reduce disparities and others increase them. Under the formula for central allocations to local governments, half the total is allocated on a per capita basis, one quarter on the basis of land area, and one quarter in equal shares to all local governments. This means that the most sparsely populated areas get a bit more. Those are generally the poorest, most isolated and backward areas, so the formula tends to reduce disparities. Under the formula for resources management, however, local governments retain 40 percent of all taxes and fees collected in their territory for natural resource extraction, as well as 40 percent of any income from joint venture productive activity based on natural resources.[48] Such activities are mainly mining and forestry, much of which occurs in poorer regions, such as the Cordillera. That increases equity, but in other parts of the country such provisions are more likely to benefit areas that already enjoy prosperity.

Ukraine has made the most effort to use central government allocations to reduce regional disparities. It has constructed an elaborate process of shifting state and local tax shares to different areas to ensure that in the end each local government has about the same money to spend on each citizen. Relatively wealthy Kyiv keeps only 20 percent of the VAT it collects and has to hand over 30 percent of its total revenues to the central government. Poorer Ternopol keeps all of its VAT collections and receives about a quarter of its annual budget as a subsidy from the central government. As a result, both jurisdictions have about the same public money to spend per person. However, this creates uncertainty, for local officials have a hard time figuring out how much revenue they will have, given that the VAT is a constantly changing target.

In the two least economically developed settings—Karnataka and Mali—considerations about regional disparity are perhaps less relevant. In Karnataka, there has been little local resource generation so it can scarcely create such disparities. In Mali there are significant regional differences—between the wealthier south and poorer north, for example. Over time, local revenue generation could exacerbate those differences, but in a country of such extreme poverty, even the wealthier areas will not be able to generate much revenue, so imbalances could take a long time to develop.

The policy dilemma here that donors and host country governments must address is clear. If the central government tries too hard to equalize resources among areas by reallocating public moneys, local incentive to raise revenues is dampened.

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[46] CDIE's translators were doubtless confused about average tax rate—the rate on all income—and marginal rate. The marginal rate is charged on the last unit of income, often progressively. The first dollar of income might be taxed at 10 percent, with rates steadily increasing so that all income over a certain level would be taxed at a very high rate. This is similar to the income tax brackets most advanced countries use. Interestingly, the 90 percent figure was cited by all the businesspeople CDIE met, so whatever it actually means, it has become something of a symbol on Ukraine's fiscal landscape.
[47] American public school financing is a useful analogy. In most (perhaps all) states, some effort is made to reduce differences across school districts by increasing per capita state grants to poorer districts, but not by so much as to discourage local revenue mobilization in wealthier districts.

(This could even encourage laxity in raising revenues by rewarding incompetence).[49] But if the government gives full play to local incentive by allowing local units to keep all the revenues they raise, it risks increasing disparities between wealthy and poor areas. Clearly a balance between regional equity and local incentive is called for, but how the "right" balance can be achieved remains difficult to answer.[50]

Strategic implications

Fiscal autonomy is critical to local self governance; without it, DLG can be no more than deconcentration—setting up local field offices to execute central government policies. But fiscal autonomy alone will not ensure the success of local governance, even if allocations from the central government are generous, as they have been in some countries. Those subsidies must be supplemented by resources raised locally for local governments to do all the things their constituents demand. This is feasible in Bolivia and Ukraine, less feasible in Honduras and the Philippines, and least feasible in Karnataka and Mali, the poorest of the case study settings.

Where local revenue generation does work, it will inevitably work better in some areas than others, which will increase regional disparities in services provided as well as quality of life. Efforts to implement equity-oriented formulas,[51] such as those used in the Philippines, would be good targets for donor technical assistance.

Public Accountability

Democratic governance at the local or national level can succeed only if public servants are held accountable—government employees must be accountable to elected representatives, and representatives must be accountable to the public.[52] A wide range of mechanisms can be agents of accountability. Each has its strengths, but none appears able to carry the whole load itself.

Bureaucratic accountability to elected officials

In all but Mali, significant control over local civil servants was transferred to local elected bodies. When the health sector was devolved to the local level in Bolivia, for example, so was supervision of health officers. But in every case this transfer of authority has been incomplete. For example, the central government of Bolivia still determines salary, posting, and tenure, so a mayor could order his health officers to keep posted clinic hours, but could not discipline them if they failed to do so. The same is true, more or less, in Honduras, Karnataka, and the Philippines. Ukraine transferred far more authority than the others, largely because the central government was unable to do more on its own.[53]

Ukraine aside, the pattern in the other four countries is that devolution, and hence accountability, has been incomplete. One reason for this has been the reluctance of central governments to truly decentralize. But another significant reason has been the unwillingness of government employees to be decentralized. This is especially true of those in the professional fields, such as engineers, health workers, and teachers, who almost invariably want to enjoy urban amenities and send their children to good schools—ambitions likely to be frustrated if they are posted indefinitely to rural areas or small towns. Small wonder, then, that when central governments decree decentralization, bureaucrats in the lower echelons are quick to declare that such initiatives

[48] As prescribed in the Local Government Code of 1991, section 290 (Philippines 1992, 116). See Manor (1997, 88–90) for a discussion of the possibilities of equity-oriented formulas.

should not apply to them. And central governments almost always back down. At a minimum, they arrange programs so that field officers maintain links with their original line ministry and thereby enjoy some insulation against local control.

Such an arrangement sounds like a recipe for impasse between local bureaucrats and elected officials, but this need not be the case. In Karnataka over the several decades of Panchayati Raj, for the most part the two have achieved an accommodation—elected officials direct government civil servants in their jurisdictions, while the line ministries write annual evaluation reports (and determine promotions and postings). The arrangement is not perfect, but it does work.

Elected officials' accountability to the public

Free, fair, regularly scheduled elections and universal suffrage are the most direct mechanisms for ensuring that those who govern are accountable to the citizens. Without elections, local government is not democratic. But elections are crude instruments of popular control, since they occur at widely spaced intervals (two to five years in the countries studied here), and address only the broadest issues. In a well-established system they allow voters to register general approval or disapproval for an incumbent's performance or to select new public managers when incumbents vacate their offices.

But DLG needs more than this kind of blunt direction from the citizenry. People must be able to indicate their likes and dislikes between elections, as well as their views on specific proposals. There must also be ways to publicize citizens' views and uncover wrongdoing in local government. For this more continuous and fine-tuned accountability,[54] varied arrangements are available.

Elections. Five of the case study countries have managed at least one free and fair local election.[55] Some have managed more. India has conducted elections regularly since Panchayati Raj was introduced around 1960, and the Philippines has had elections since 1988, but in both countries there have been flaws. People in the Philippines still speak of guns, goons, and gold as perennial factors in elections—and in some areas, the charge rings true. Intimidation and vote buying also happen in India. In both places there are public officials who have won and held onto their offices through fraudulent means. But on the whole, elections in these two countries as well as the others in the CDIE sample have reflected the public will. India in particular has shown over many decades now that elections can be a powerful tool for accountability.

A number of old-line local Filipino bosses, as well as civil servants, journalists, and others involved in civil society in Ukraine and Mali, maintain that voters are too politically immature, are not "ready" for democracy, and make uninformed choices. But such arguments can be and are made

[49] It could be argued that this does not appear to have occurred in Ukraine, for Kyiv still produces enough local revenue to give 30 percent of it to the central government for redistribution elsewhere. But as time goes by, citizens and businesses in Kyiv may come to resent such enforced largesse and begin to demand tax reductions, just as residents and political leaders in upstate New York rail against the "handouts" they perceive themselves to be giving New York City through taxes.

[50] Surprisingly little attention is paid to this issue in available literature, both academic and donor-produced. Prud'homme is an exception (1994). In most analyses of local governance, especially those concentrating on its democratic aspects, fiscal analysis tends to get short shrift or be neglected altogether, as Cohen and Peterson (1996, 14–15) observe.

[51] See Manor's discussion of the possibilities here (Manor 1997, 88-90).

[52] It could be argued that local bureaucrats are also accountable to the citizenry, but it is more practical to view the lines going from bureaucrat to elected representative to citizenry, because it is the elected official who must in the end sanction the bureaucrat (through his or her supervisory role) and it is the populace who must ultimately exert control over the representative at elections. To be sure, bureaucrats should be *responsive* to citizens, (this responsiveness is one of the measures of good DLG) but they should be *accountable* to elected officials.

in all democracies. Still, most democratic systems have endured bad leaders and survived—some repeatedly—so long as other mechanisms of accountability were in place.

Political parties. In many systems, opposition political parties are a powerful engine for enforcing accountability. The party in power all too often has strong incentives to evade accountability, but opposition parties have their own incentives to uncover wrongdoing at city hall and publicly hound incumbents for their misdeeds. They present a constant vision of a viable alternative for doing public business—a different and perhaps better way. Such a visible alternative helps keep the party in power on the straight and narrow path.

This scenario requires a strong party system at the local level, though, which is often not the case.[56] In Ukraine, after the political implosion of the Communist Party, the party system became feeble and fragmented. There is one regional party with some strength in the western part of the country, but for the most part there are only pieces of political parties. And although it has been more than a decade since democracy was restored in the Philippines, the party system there has yet to stabilize. Instead, it is weakened by personal loyalties, opportunism, and a tendency for parties to break up and re-form. At this early stage in its democratic history, Mali also has a highly fragmented political system, with nine relatively stable parties and dozens of splinter groups operating almost entirely at the national level.

The other three countries have reasonably strong party systems. In Honduras the two-party system is vigorous and stable at all levels. Bolivia has been less stable; five parties currently enjoy serious national support, and the party system has become the major organizing principle in municipal government.[57] Karnataka had a strong two-party system at state and district levels through the 1980s. In the 1990s, that expanded to a three-party structure. Interestingly, however, and in contrast to what seems to be happening in Bolivia, the parties have not established much presence at the lowest level.

Social capital and civil society. In its New Partnerships Initiative, USAID emphasizes support for three sectors—business, civil society, and DLG. Civil society is usually defined as organizational activity between the individual (or the family) and the state. Its democratic role is to advocate for constituents, to act as watchdog over the state, and to support political competition generally (Hansen 1996). Civil society is essential to DLG in USAID's strategic vision, but in the six political systems studied it has not played a large role at the local level. Even in the Philippines, which is at the high end of the spectrum of civil society development among the six cases, the evidence is not all positive.

At the low end of the spectrum, Ukraine has essentially no civil society at the local level, nor is there much sign of social capital—the trust that

[53] The sole exception was the Finance Ministry, which largely retained control over budget officials at all levels, to ensure the integrity of the governance structure. The result was a somewhat uneasy arrangement in which local officers of the Finance Ministry in effect worked for both the mayor (or provincial governor) and the ministry in Kyiv.

[54] This kind of between-elections accountability can also be labeled citizen participation in government, in that such participation is a kind of mirror image of accountability. Citizen participation concentrates on input and involvement in government activities and operations, whereas accountability aims at public oversight and control of government. This discussion concentrates on the accountability aspects of this duality.

facilitates people working together toward a common purpose—which would help build civil society. The main reason, of course, is the country's recent Soviet history, in which the state controlled almost all organized social activity. The whole web of organized life collapsed with the communist system, leaving families and individuals autonomous and without social moorings. CDIE found people in the major cities just beginning to organize in their apartment buildings for such purposes as maintaining common areas, providing security, and dealing with outsiders encroaching on public space. A number of donors, including USAID, the European Union, and the Soros Foundation, are supporting efforts to build social capital and civil society, but the road ahead is clearly a long one.

In a way, India is the most startling case, because DLG has been in place there the longest. One would assume that civil society had at least gotten off to a good start. And so it has at the state and national levels, where organizations of women, environmentalists, professionals, farmers, and others have been part of the political landscape for some time. But at the village and *mandal* (township) level, such activity is hard to find in Karnataka. Even civil society's precursor, social capital, appears not to have developed outside of caste groups.

Social capital seems reasonably strong in Bolivia, probably reflecting its tradition of peasant syndicates and urban neighborhood organizations.[58] But it appears not to have carried over into civil society, for these bodies have yet to become participants in municipal political life. Mali, if anything, has a stronger base of social capital, with its rich tradition of associational life and strong interpersonal networks at the village level. There are signs of a civil society emerging there, including the rapid growth of NGOs (there are now more than 600) and of registered village associations (more than 2,000) since 1992. But whether such groups can form a viable civil society will not be evident until Mali fully launches its DLG initiative after the impending commune elections.

Among the six case study countries, only the Philippines shows signs of a civil society that is an effective instrument of public accountability. And even there the story is mixed at best. In a 1996 survey of USAID's Governance and Local Democracy project, only 57 percent of the participating municipal governments demonstrated clear evidence of genuine NGO participation.[59] That participation is likely higher than in the country as a whole, since project sites were chosen in part because they were likely to succeed at DLG. And the 57 percent figure can be interpreted in different ways. For instance, the Local Government Code of 1991 specifies that one fourth or 1,300 positions on local development councils be filled by NGO representatives. Only 293 of those slots were occupied by representatives freely selected from the NGO community (rather than chosen by the mayor) and actively involved in council work (Rood 1997, 16–18).

Even with these qualifications, though, it is clear that genuine civil society participation exists in the Philippines in some places, even as local bosses continue to dominate in others. For a country long plagued with elite control at all levels (Timberman 1990), this is a promising start.

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[55] Mali, the sixth country, had local elections in 1992 for 19 urban areas. Local elections for the entire country are supposed to take place sometime during 1998.

[56] As a corollary, all parties must adhere to some consensus on the rules of the political game. For example, party competition is to be framed in peaceful terms, and elections are the means to transfer political power (as opposed, for example, to military coups d'état).

[57] In the initial phases of the Popular Participation Law, municipal councils were elected on party tickets, but the parties did not appear to dominate the election of vigilance committees in most places. This is likely to change as the vigilance committees become more integrated into the political system, with its strong party orientation.

In Karnataka and Bolivia, civil society has made less progress, but the reasons for this are not immediately obvious. Perhaps the answer lies partly in the functional nature of traditional social structures, especially in rural areas. Caste councils and Andean farmer groups appear in many ways to have been mainly *governing* bodies, whose calling was to set rules for members and settle disputes—not to act as advocates with local government agencies or compete with other organizations in getting the attention and support of local government. And there seems to be no obvious way to transform them quickly into players in new DLG systems, because their experience simply doesn't prepare them for it.

Building social capital and civil society will probably take a long time, perhaps a *very* long time, as Robert Putnam (1993) argues in his analysis of their growth over the centuries in Italy. Places such as Bolivia and Karnataka surely do not have as far to go as Ukraine, but there will have to be much social change before civil society can become a major engine of social accountability at the local level in all these settings.

The media. At the macro level, the media have two basic roles. The most important is to make political news public. Only if people know what is going on, good and bad, can they hold their government accountable. Without vigorous media to spread it, political news remains the property of the inside few.

The media's second role is to help uncover government misdeeds. This investigative function is subordinate to the main public information function, though, for there are other institutions—political parties, civil society, and the legal system—to uncover malfeasance. At the local level, this role becomes even more secondary, or perhaps unrealistic, for small newspapers and radio stations generally cannot afford to sponsor the work necessary to conduct good investigative journalism.

Thus, it is the public information function that the local media must perform: to make political news from all sources (including government, opposition parties, and civil society organizations) available to the widest possible audience. What this means in most developing countries is radio. Newspapers tend to be published only in larger population centers, and are accessible only to those who can read them (although in many societies it is traditional for literate people to read aloud to nonliterate audiences). Television reception is confined to those who can afford a TV set and live within the effective radius of a transmitter. But radio, especially the AM band, is cheap to operate, does not require line-of-sight transmission, and has great audience potential.[60] Local news, talk shows, and question-and-answer programs are all excellent ways to spread political news widely.

This use of radio is probably most advanced in the Philippines, which has hundreds of local AM stations, many of which broadcast political feature programs. There is also considerable regional press in both English and vernacular languages, although largely in the provincial capitals. Bolivia also has many local radio stations, and at least one very active network that provides political features. Bolivia's print media, however, originate only in the largest cities. Honduras has some local radio, although not as vigorous a system as in Bolivia. Its print media have similarly limited coverage. Mali has 77 private rural radio stations likely to become pillars of accountability as the new DLG system takes shape (CDIE found evidence that this was beginning to happen). But the low distri-

[58] Many of these bodies became the building blocks for the structure of the community organizations and vigilance committees that have taken shape under the country's Popular Participation Law.

[59] Rood (1997, 18). "Clear evidence" means some combination of representatives chosen by the NGO community actively sitting on local development councils, local government investment plans developed with real citizen input, and environmental plans developed in similar fashion.

bution of radio receivers (4 per 100 people) is a constraint. In India, as in so many former British colonies, the government retains a monopoly over radio. There is some local press and newspapers published in district towns feature some political news, but districts are large (a district in Karnataka averages about two million people), so local coverage is bound to be thin.

In Ukraine, both print and broadcast media are still emerging from the heavy control imposed during the Soviet period. Newspapers, television, and radio are all finding their way in the uncertain new world of press freedom. There is some regional news coverage, and there are local talk shows. At least a few mayors have gone on television to publicize their budgets and invite public debate about them. Thus, there is some promise that the media can become an effective instrument of accountability, but for the most part that promise has yet to be realized.

Public meetings. Several countries have instituted public meetings to insert civic opinion into local governance. A number of Ukrainian mayors have launched public budget hearings, and public hearings have become common for many local government bodies in the Philippines. In both countries, official council meetings are open to the public. In two countries, open meetings at the lowest level of local governance are mandated by law: five *cabildos abiertos* a year in Honduras; and two *gram sabhas* in Karnataka. In Mali, the Mission for Decentralization organized an ongoing series of regional and local meetings to involve people directly in the government's decentralization initiative.

The results of these efforts have been mixed. Some mayors in Ukraine and the Philippines use council meetings and hearings to solicit citizen views and mobilize support for their programs, but others ignore them. In Karnataka, elected officials were evidently so burdened with embarrassing questions at village meetings that they quickly abandoned their gram sabhas, or held them at odd times or in obscure locations. Some Honduran officials have made their mandated meetings largely ceremonial functions, but others have used them to involve citizens in local government decision-making. In Mali the meetings have been an unqualified success, informing people about decentralization and helping them become stakeholders in its implementation, for example, by having them participate in the redistricting process that established the new communes.

Formal grievance procedures. Two of the case study systems have instituted formal procedures for citizens to redress grievances against elected officials.[61] The procedures in Bolivia are especially ambitious. The vigilance committees, whose main duties are to make plans for local infrastructure investments and to monitor municipal budgets, are also empowered to wield a legal instrument called a *denuncia* against local councils. If convinced that its municipal council has acted wrongly, a vigilance committee can lodge a complaint with the national executive branch, which, if it finds the denuncia is in order, passes it on to a special committee of the Senate. If the Senate in turn finds merit in the complaint, it can suspend central funds to the erring council. A recent law also allows municipal councils in certain circumstances to formally dismiss a mayor. Both mechanisms have been used sparingly thus far. In the Philippines, a recall procedure can be used against governors, mayors, and municipal council members, somewhat similar to those introduced in many American systems in the early part of this century.

Opinion surveys. The USAID Governance and Local Democracy project in the Philippines has

[60] There are at least twice as many radios per 100 households in the six countries as there are TV sets or daily newspapers received. The range in the early 1990s was from 81 radios per 100 households in Ukraine to 4 per 100 in Mali (UNDP 1996, 1997).

pioneered the public opinion survey as an instrument of accountability by building local capacity to design and conduct them. These polls measure citizen satisfaction with government services. Results to date are promising (Van Sant and others, 1998, 3–14 to 3–16), but the polls are still experiments. Thus, it is not clear whether they can be replicated on a larger scale or be self-sustaining once project support is withdrawn. And questions of autonomy for local polling organizations have yet to be resolved. Nonetheless, this whole area offers considerable promise for future donor support in countries with a fairly sophisticated survey capacity at the national level, such as Bolivia, India, and Ukraine.

Patterns of accountability

The mechanisms used to promote accountability in the six countries CDIE studied range from somewhat effective to virtually useless. Table 3 gives an overall picture of how they have been working in these countries. To be sure, such an exercise has to be impressionistic, since the samples were small, not necessarily representative, and not equally weighted. Public meetings, for example, are clearly less vital than elections as instruments for popular control. Moreover, some instruments (civil society, the media, and parties) exist independently of local governance initiatives, while others (local elections and public meetings) exist only as part of them. Finally, there are obvious measurement problems.

The table distinguishes between "viable sources of accountability," mechanisms proven effective in ensuring accountability, and "potential sources," mechanisms with some promise of making elected officials accountable but not enough of a track record to be considered viable. Mechanisms that seem to be in place and viable (that is, effectively ensuring accountability) are indicated with two checks; those showing promise of being a source of accountability have one check. While these estimations are approximate, they give a rough idea of the accountability the seven mechanisms provide in the six settings.

Four patterns emerge from the table. First, the case study DLG systems have used varying combinations of accountability mechanisms, though none has instituted them all. Nor have any two countries tried the same combination of mechanisms. Second, so far, no one mechanism has proven viable in all settings, or even most of them. Making bureaucrats accountable to elected officials shows the most potential for working at present, but it has only shown much real success to date in Karnataka. In the other cases, serious constraints remain.

Third, the systems have achieved quite different rates of progress with the mechanisms of accountability they have used. Bolivia has three that appear viable, Honduras and Karnataka two each, the Philippines one, and Ukraine none. Potential sources of accountability show another pattern, with the Philippines far out in front (six mechanisms), followed by Honduras, Mali, and Ukraine (three each) Bolivia (two), and Karnataka (one). And finally, success does not appear to be a function of time. The country with the most recent DLG program in place (Bolivia) has the most accountability instruments up and running, while the system with the longest experience (Karnataka) has done less well.

Strategic implications

This analysis presents several implications for donor strategy. First, a number of approaches can work—there is no "one best way" to promote accountability. DLG programs, accordingly, can be

[61] In Honduras, jealous political leaders have used the legal system to harass sitting mayors by having criminal charges brought against them, but so far the courts have judged the cases to be without substance.

crafted to any setting. A second implication is that for accountability to be effective, several instruments must take root and succeed. One, or maybe even two mechanisms, even if they work, will probably not suffice to establish accountability on a self-sustaining basis.

A third and more sobering implication is that many of these approaches will take a long time before they function properly, and indeed may never do so fully. As long as local bosses retain their power in various parts of the Philippines, for example, they will likely be able to bend elections in their favor. And if civil society has not emerged at the local level in Karnataka over the past several decades, it would seem unrealistic to expect it to do so in the near future. In some cases, though, it may be possible to devise a mix of instruments to make up for those that are unlikely to work. For instance, to hold local governments accountable in the Philippines it might be worthwhile to strengthen the party system so that it could function in tandem with civil society and the media.

Mali offers a case in point. Its DLG initiative is scheduled for full implementation after the local elections, slated for sometime in 1998. As reflected in table 3, there are three potential sources of accountability to build on: elections have been initiated successfully in 19 urban areas; civil society is manifested in hundreds of NGOs and thousands of officially registered village associations; and 77 private rural radio stations have begun operating. To tap into these sources, one approach would be to begin with Mali's self-defined commune populations. In effect, the citizens chose their own political boundaries for the new system of local government. In doing so, they included villages with long-standing affinities and their thousands of old and new village associations. This nucleus of civil society should be nurtured.

A second approach might be to encourage Mali's many splinter parties to form local coalitions (as USAID-sponsored efforts are doing in Ukraine through the National Democratic Institute and the International Republican Institute). Other approaches include encouraging NGOs to use radio stations for public affairs programming, as is done in the Philippines, or helping the media promote election debates between local candidates from different parties.

Performance and Accountability

Most of this assessment addresses the democracy or "D" component of DLG, but what local governments achieve in governance—the "G" side of DLG—is equally important. For government cannot just *be* something; it must also *do* something. And if citizens are to think it worth their while to get involved in DLG, local government has to be engaged in meaningful activities. This was most obvious in Ukraine in the early 1990s, when local governments were in danger of foundering because the end of the welfare state and runaway inflation had left them with responsibilities let go by the center and without resources to meet them.

But Ukrainian local governments have begun to right themselves and to deliver—if still incompletely—such basic services as education, energy, social welfare, and transportation. In fact, a good deal of USAID's assistance in the three pilot cities of its Municipal Finance and Management project went first to rehabilitating urban services such as trolleybus lines, public housing management, and land registry. And in these pilot cities, service delivery has climbed back from the low point of several years ago, although not yet to the levels maintained in the Soviet period. Some services (such as housing ownership) are being transferred to the private sector, but most remain in the public sector, which still lacks the administrative ca-

Table 3. Mechanisms for Accountability							
		Bolivia	**Honduras**	**Karnataka**	**Mali**	**Philippines**	**Ukraine**
Bureaucrats accountable to elected officials		✔	✔	✔✔		✔	✔
Elected officials accountable to citizenry	Elections	✔	✔	✔✔	✔	✔	✔
	Political parties	✔✔	✔✔	✔			
	Civil society/ social capital		✔		✔	✔✔	
	Media	✔✔			✔	✔	✔
	Public meetings		✔✔			✔	
	Formal grievance procedures	✔✔				✔	
	Opinion surveys					✔	

✔✔ = viable source of accountability
✔ = potential source of accountability

pacity and the resources to do its job well.

The remaining question is whether citizens will get involved if instruments of public accountability, such as elections and media coverage, can be put into place. Will they become part of civil society, support political parties, use the media to stay informed, and attend public meetings? Will donors such as the Eurasia and Soros foundations and the National Democratic and International Republican institutes be effective in promoting these activities?

CDIE found indications that such efforts were beginning to show results, but it is still too early to tell what will happen down the road. For example, opinion surveys in the Philippines indicate that people perceive that services delivered by local governments have improved and show more satisfaction with local government services than with those provided by the national government. And, as noted earlier, people think they are more effective in dealing with local government than with the national government. In Karnataka, an in-depth survey by the Institute of Development Studies in the United Kingdom found both that service delivery had improved with the reintroduction of DLG in the 1980s (following a hiatus when local government was administered from a higher level) and that citizens were more satisfied with it. The authors of the study attribute the improvement to two things: more direct accountability of elected officials to the public and better flow of information from citizen to government (Crook and Manor 1994).

Strategic implications

The degree to which accountability improves performance in local government appears to depend largely on how far a system has progressed along a democratic path. Only when mechanisms of accountability have been in place long enough to flourish can they begin to influence performance. In places such as Ukraine and Mali, where democracy is just beginning, more effort will probably have to be devoted to getting local government institutions up and running.

National Advocacy

Democratic local governance does not operate in a political vacuum. Like any other new institution, it requires sustenance from outside, both for funding and for the legal environment that gives it authority and sets its parameters. Early sustenance can come both from the host country that sets the initiative in motion and from donors (both financial and technical). But eventually national political leaders will move on to other agendas, assigning DLG a lower priority; donors will also end their support sooner or later. Indeed, donors are increasingly shifting their support among sectors within countries and closing down their operations in more and more countries. If DLG is to endure in this less nurturing milieu, it must develop its own support bases quickly, especially at the national level. Most notably, it needs advocates at the center to ensure it receives the necessary policy attention and fiscal support.

During its fieldwork, CDIE quickly became aware of the rapid growth of associations carrying out advocacy at the national level. Sophisticated associations of municipal leaders have emerged in Honduras, the Philippines, and Ukraine over the last several years. The Ukrainian Association of Cities lobbied to establish a legal basis for municipal government in the June 1996 Constitution. Since then it has been working intensely to influence the implementing legislation. In the Philippines, leagues of cities, municipalities, and provinces have assumed an active role in advocating the cause of DLG in Manila. The Honduran Association of Municipalities, after a long and moribund history (it was founded in the early 1960s), became an effective advocate for implementing the Municipal Reform Law in the 1990s.[62] Mali has a mayors' association for the 19 urban areas already enjoying elected self-governance. Curiously, considering the increasingly active civil society that has developed in recent decades at the state and national levels, Karnataka has no meaningful advocacy associations for local governance that affect political life at the state level.

Strategic implications

Advocacy groups at the national level can help protect funding sources from rival claimants, preserve local government autonomy against political and predatory bureaucratic behavior, promote public consciousness through civic education, and help maintain a supportive legal environment. Such groups seem to be impressively effective in both political systems that are pluralistic at the national level, such as the Philippines, and in systems that exhibit little pluralism at any level, such as Ukraine.

USAID has supported DLG advocacy organizations in Honduras, the Philippines, and Ukraine, and will support a similar effort in Bolivia as part of its new democracy project there. This support has been partly financial, but the technical assistance has probably been more important, drawing on the long experience of U.S. local govern-

ments advocating their cause in state capitals and in Washington, D.C. Promoting national advocacy organizations for democracy should be part of all donor efforts to support DLG.

Conclusions, Lessons Learned, And Recommendations

Conclusions

DEMOCRATIC LOCAL GOVERNANCE CAN BE A powerful tool for promoting democratic development. The potential gains from a well-conceived and well-implemented DLG initiative are considerable and more than justify the effort. But local governance initiatives cannot do everything nor fulfill all the objectives USAID and other donors wish to realize in their democracy initiatives. This assessment has undertaken to analyze several USAID programs, the host-country government initiatives supported by these Agency efforts, and to the extent possible, other donor experience in the DLG area and relevant literature. From this overall exercise, it is possible to draw a number of general conclusions about the strengths and limitations of DLG.

- *Participation and empowerment.* DLG can significantly increase political participation of marginal groups, and it can empower geographically concentrated minorities; it appears unable to empower marginal groups that are not geographically concentrated, at least in the short run.

- *Poverty reduction.* DLG can help alleviate poverty by strengthening the capacity of local government to deliver services that benefit the whole population, in sectors such as education, health, and water supply; it shows less promise in reducing poverty through efforts directed specifically at marginal groups.

- *Fiscal sustainability.* DLG can partly sustain itself through local revenue generation, but this will tend to exacerbate regional imbalances unless supplemented by central subsidies to poorer areas.

- *Accountability.* When a variety of mechanisms, such as civil society, media, and political parties are used together, DLG can improve accountability of local government bodies to the citizenry; used in isolation, these instruments appear much less effective.

Lessons Learned

1. *Representation does not necessarily lead to empowerment, but is valuable in and of itself.* It is possible to increase representation for marginal groups, such as ethnic minorities and women, by mandating that a certain proportion of representatives belong to a certain group, but this will not lead automatically to empowerment. Still, increasing representation for such groups helps improve their status, showing the community at large that they also can hold leadership positions. Being part of an elected body provides leadership experience that can be useful when people run for higher office. And when members of previously unrepresented groups hold office, they serve as potential role models for younger members of their group.

[62] In Bolivia a similar association is planned, but had not begun operation at the time of CDIE's visit.

2. *Some groups may be able to attain empowerment directly through DLG, but for others it will have to be indirect.* DLG can empower geographically concentrated minorities (mainly indigenous communities and smaller ethnic groups) by giving them the opportunity to command their local governments. But this kind of empowerment is possible only when enough members of a group are concentrated in a particular area. Marginal groups that are more dispersed geographically can attain representation in local governance bodies, especially if it is mandated by the central government, but that is not the same as empowerment. For these groups, empowerment may have to come more through alliances with the larger community than through their individual efforts.

3. *DLG holds promise for reducing poverty through broad-gauge efforts encompassing the entire local population, but much less so for local efforts aimed specifically at the poor.* Benefits for the poor are more likely to come through general improvements (such as community electricity, sewage, and water) and a growing economy, which will benefit everyone, rather than efforts targeting one group (such as education for girls, or electricity for poor neighborhoods). This is so principally because it is more feasible to assemble a political constituency to support local government activities including the whole population than those benefiting specific marginal elements.

4. *Fiscal autonomy is critical to DLG.* If local governments are to serve their constituents and be accountable to them, they must have fiscal in-

dependence as well as political authority. It is not enough to decree that local governments be responsible for various activities and to provide subsidies for them to discharge those duties (though such funding is usually critical to their success). They must also be able to mobilize resources locally and decide how to spend them.

5. *Local government success at raising revenue can magnify regional disparities.* Richer areas will find it easier to levy taxes and fees than poorer ones, enabling them to make larger social investments. This leads to better living standards for them but leaves poorer communities further and further behind. Central government subsidies to poorer areas can alleviate the problem but tend to be politically difficult, because the subsidies mean richer areas are supporting poorer areas—and they may resent doing so. Moreover, such subsidies can be counterproductive if they reduce incentives to raise taxes in the richer areas.

6. *Political will is needed at the highest level to counter political and bureaucratic resistance.* While political will is important to any development goal, it is critical to democratic local governance. The primary reason for failure of decentralization initiatives historically has been central governments' unwillingness to devolve enough power to local governments for them to be able to function. Since the shift in power and authority embodied in democratic local governance makes political and bureaucratic opposition almost inevitable, much political will is almost always necessary to see initiatives through to fruition.

7. *Bureaucrats must be held accountable to elected officials.* Considerable energy must be devoted to ensuring that civil servants are accountable to the elected officials in charge of local governments. At the same time, central and local governments need to give due regard to civil servants' employment rights and job security.

8. *Elected officials must be held accountable to local citizens.* Public accountability can be realized through such mechanisms as elections, civil society, formal grievance procedures, the media, opinion surveys, political parties, and public meetings. Each has proven useful in some settings, though none works everywhere nor has any alone been sufficient to ensure accountability. Instead, accountability calls for a combination of mechanisms tailored to the setting. If a particular mechanism seems unlikely to work—and civil society and political parties in particular seem deficient in many settings—alternative mechanisms may be used to support the weaker instruments or to substitute in part for them.

9. *Local governments must deliver services.* Democracy can help them do a better job delivering services but it cannot do this quickly. Performance in local government appears to correlate with progress along a democratic path—systems with longer, deeper experience in local democracy deliver services more successfully and more in consonance with popular wishes. In countries with little or no experience in democracy, it is not reasonable to expect such mechanisms as civil society and a free press to immediately and smoothly ensure good performance from local government. It takes time to get the process right.

10. *Associations of local governments can be powerful advocates at the national level.* Donors will inevitably move from local governance to other development concerns, and sooner or later leave the host country altogether. Under such circumstances, advocacy organizations are likely to

be the only agencies arguing for continued attention to the needs of democratic local governance. Accordingly, developing such groups as early as possible should be a high priority.

11. *DLG is a flexible strategy.* There is no "one best way" to develop local self governance; many approaches seem to work. Decentralization has the potential to succeed almost anywhere, if the central government gives it the necessary support and if public accountability prevents local elites from seizing most of the benefits. Those two conditions are tough to meet—hence the many failures—but progress is not impossible, as some of the CDIE case studies show.

12. *Previous assistance in other sectors can be a valuable base on which to build.* Though not essential for success, previous external aid to local governments may provide a base of experience, both individual and institutional, that can give democratic local governance a head start.

13. *"Building on the best" is both promising and fraught with potential difficulties.* Given decentralization's many past failures, donors' desire to select promising sites for pilot efforts is understandable. This maximizes the likelihood of finding workable approaches that can be replicated on a larger scale. But this strategy heightens the chances that the seeds of democratic local governance will grow only in fertile spots, offering little to less promising and marginal areas.

14. *Finding the appropriate balance of democracy (input) and public administration (output) is important.* Some countries need more of one than the other, while some need to develop each in sequence—for instance, building institutional capacity before improving participation and accountability.

Recommendations

Strategically, donors should

- Use DLG to improve representation, responsiveness, and accountability
- Rely on other strategies to empower marginal groups, reduce poverty, and rectify regional imbalances

Tactically, donors should

- Encourage DLG as a means of empowering geographically concentrated minorities
- Support local fiscal autonomy and revenue mobilization, but also encourage central government subsidies to poorer regions
- Support several mechanisms of accountability (civil society, elections, formal grievance procedures, media, opinion surveys, political parties, and public meetings)
- Support building social capital and civil society as a long-term proposition
- Help develop municipal lobbying associations to advocate for local governments in the capital city
- Continuously shore up political will for DLG nationally and locally
- Build on previous donor support for decentralization
- Strive to attain a balance between the democracy side and the public administration side of DLG

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