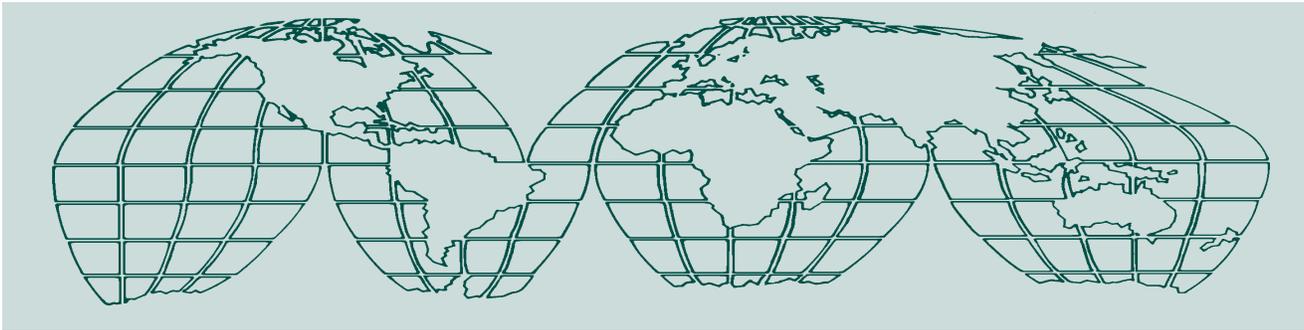

Spreading Power to the Periphery: An Assessment of Democratic Local Governance



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Overview

As democracy has assumed more importance in the international donor community in the 1990s, it makes sense that decentralization would, too. For donors cannot support democratization for very long without recognizing a similar need at the local level. Accordingly, USAID and other donors have pursued strategies aimed at democratic decentralization, or democratic local governance, as it is called here. Democratic local governance is the devolution of meaningful authority to local bodies, accountable and accessible to their citizens, who in turn enjoy full human and legal rights in exercising political liberty.

This publication highlights a synthesis report, *Spreading Power to the Periphery: An Assessment of Democratic Local Governance*, that looks at the decentralization experience of five countries and one state: Bolivia, Honduras, Mali, the Philippines, and Ukraine, and the Indian state of Karnataka. All introduced democratic local governance initiatives in the 1990s. The report assesses USAID and other donor experience in promoting democratic local governance and includes a review of literature on the subject.

USAID's Center for Development Information and Evaluation sent teams to the five countries for

three-week assessments in 1996–97 and has published individual country studies on them in its Impact Evaluation series.¹ For the India study, CDIE commissioned local social scientists to examine the decentralization experience in one state to help assess issues that emerged from the other studies. The countries selected represent a range of regions and experiences where democratic local governance has shown promise

Background

Historically, decentralization initiatives have not enjoyed great success, largely for two reasons. One, despite their rhetoric, central governments all too often have not really wanted to devolve power to the local level. Two, when significant authority has in fact been devolved, local elites have tended to capture a disproportionate share of the benefits. Also contributing to decentralization's lack of success, local governments have generally appeared incapable of any serious planning and suffer from a general inability to raise sufficient local revenue.

However, democratic local governance is attractive to governments and donors because it holds great promise in many realms. From a democracy standpoint, its major promise is to increase participation in governance by encouraging more people to get involved in the politics that affect them and

¹ *Democratic Local Governance in the Philippines*, 1997 No. 1, PN-ABY-235; *Democratic Local Governance in Ukraine*, 1997 No. 2, PN-ABY-238; *Democratic Local Governance in Bolivia*, 1997 No. 6, PN-ABY-243; *Democratic Local Governance in Honduras* 1998 No. 3, PN-ACA-908; *Democratic Decentralization in Mali: A Work in Progress*, 1998 No. 1, PN-ACA-905.

to make government more accountable by introducing citizen oversight and control through elections. By making participation easier, especially for marginal groups such as women, democratic local governance appears to promise empowerment to groups with no previous voice in government. Lastly, democratic local governments are a training ground for citizens and leaders, providing an education in how democracy works.

From an economic perspective, democratic decentralization offers the closest political approximation to a free market. Citizens have the best chance of communicating needs and satisfaction with government services at the local level. Local elected officials can be more responsive to popular needs and wants, which can enhance the government's ability to raise revenue. By linking services with payment, democratic local governance can help ensure that local people pay for what they get.

Central Findings

The Country Context

All five case-study countries had centralized, top-down governance structures at the end of the 1980s. Their motivations for embarking on democratic local governance, however, were mixed and varied greatly. Some leaders had a genuine commitment to local autonomy; some saw it as a way to build up a political party base. In some countries, the central government failed to deliver adequate services and so resorted to decentralization to make up the shortfall.

What democratic local governance initiatives provided for also varied. Some, as in Karnataka state, called for mandatory representation for women and minorities. Others, such as the one in Bolivia, established a system of elected monitoring bodies to oversee regularly elected municipal governments. Different countries devolved different sectors of responsibility. In Ukraine, almost all government services were turned over to local authorities. In others, only specific areas were devolved. For example, the Philippines government devolved agriculture, health, sanitation, and welfare, while the Bolivian government devolved education, health, and recreation.

That these initiatives have been launched across such a wide range of conditions implies that democratic local governance can be appropriate in a variety of circumstances. However, it also means there is no blueprint for its application as a national development strategy.

Donor and Host-Country Strategies

With the exception of Karnataka, all the countries had some USAID democratic local governance assistance in place. In several of the case studies, prior development assistance served as a basis for decentralization activities. In Honduras, Mali, and the Philippines, for example, the legacy of experience and functioning local organizations developed as a result of health or education programs played a useful role in decentralization. Pilot programs have been common, with USAID selecting promising communities to develop local governance approaches that can be replicated on a larger scale. Given decentralization's largely unsuccessful track record, this strategy of "building on the best" makes sense. However, there is some risk in this approach, because what works for the "best" may be less effective in the rest of the country. And by selecting the "best" communities for pilot programs, donor efforts can exacerbate regional imbalances.

Unlike donors, countries have often taken a full-scale approach to launching democratic local governance initiatives. For example, Bolivia implemented its Popular Participation Law in all 311 municipalities at one stroke, and the Philippines put its Local Governance Code into effect across the country simultaneously.

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.

A second set of choices comes in deciding how much to emphasize the democracy (input) side of democratic local governance, as opposed to the public administration (output) side, as shown in

**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

table 1. In Ukraine, the immediate need was to keep providing services, since citizens would see no point in participating unless their local government was delivering something. In Karnataka, however, the emphasis has been on the democracy side, in an effort to ensure citizen input in a local administration already in place. USAID initiatives in Bolivia, Honduras, and the Philippines were more balanced.

Resistance to Decentralization

Implicit in democratic local governance is a shift of political power, which inevitably creates apprehension, jealousy, and opposition from higher level political leaders and civil servants. Resistance emerged from both quarters in all the case studies. In Ukraine it came directly from the top when, for example, the president abruptly decreed provincial governors would be appointed rather than elected. In the Philippines, it was often provincial bosses (beneficiaries of the *pulitika* system of patron–client relations) who were reluctant to cede power to locally elected councils.

Bureaucratic opposition has also taken different forms across the countries sampled. Central government ministries have been reluctant to give up control over sectoral field programs in Honduras and the Philippines. The same pattern appears likely to occur in Mali. In Bolivia and Karnataka, central ministries have relinquished control over policy and implementation, but kept jurisdiction over personnel.

Some of this opposition is clearly prompted by self-interest, but some of it also may be well founded. Political leaders want to be able to articulate national goals and objectives, for instance, while civil servants have a legitimate interest in maintaining national standards. Donor strategists have to ensure

that latitude exists for addressing these worthwhile concerns, while opposing resistance that undermines democratic local governance initiatives. The challenge for donors is to convince both politicians and bureaucrats that democratic local governance benefits everyone in the long run.

In the countries examined in this study, continuing commitment at the top helped overcome such resistance. Leaders in Bolivia, Honduras, Karnataka, and Mali have staunchly supported democratic local governance, helping to overcome the inevitable political and bureaucratic opposition. In the Philippines, the Local Governance Code originated in the Senate but had the strong backing of presidents Corazon Aquino and Fidel Ramos.

Representation, Empowerment, And Benefits

As marginal groups participate more in political campaigns and voting, they may gain better *representation* on local decision-making bodies. For example, geographically concentrated minorities have won control of local councils and moved them in new directions. In Bolivia, Quechua and Aymara community representatives now sit on municipal councils that didn't exist before the Popular Participation Law was implemented. Likewise, in the Philippines' Cordillera region, indigenous groups now have majority status in local government bodies. In Karnataka, one third of elected members of local bodies, as well as one third of their presidents and vice presidents, must be women.

However, this study shows that aside from geographically concentrated minorities, increased participation and representation don't easily translate into *empowerment*—the ability to influence public decisions and actions that affect the welfare of the group—or increased *benefits* (service delivery) for marginal groups. In Karnataka, for example, women on local councils tend to remain silent or participate only as directed by their husbands. The same is true for members of the Dalit (former Untouchables), who have reserved slots on councils but tend to participate only at the direction of their patrons. Representation, therefore, does not necessarily lead to empowerment. Indeed, in countries where there are no reserved seats for women, women have fared poorly at winning elections, and thus do not even

achieve gains in representation. But this relative lack of success does not mean these efforts have been wasted. Members of marginal groups have gained valuable political experience and have become potential role models for children.

There is also little indication that participation and representation have improved benefit distribution or reduced poverty. However, there is some evidence in Latin America that local councils are more willing to undertake public projects in fields such as health and sanitation that benefit everyone, regardless of gender, ethnicity, and wealth. The lesson, then, would seem to be that democratic local governance is not going to help marginal groups specifically. Programs designed to benefit everyone, including these groups, may be more likely to succeed.

Fiscal Autonomy and Regional Equity

The idea of fiscal autonomy is simple: allowing local control over revenue generation permits people to decide for themselves what services they want and how much they are willing to pay for them. However, 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; in others, considerably less so. In the Philippines and Karnataka local governments received a large percentage of state revenues. By contrast, the Honduran government promised only a small percentage of national revenue and delivered much less.

Financial disparities among local governments can create strategic problems. For example, more developed municipalities generate more revenues, which allows them to provide more services and advance even further than poor communities that have trouble raising even minimal amounts. In Bolivia, for instance, Cochabamba raised \$65 per capita on its own, while much poorer Villa Tunari in the same department was unable to manage more than \$11 a person.

Central governments can compensate for such inequities by reallocating their own resources to the local level, but this has a potential downside. Subsidies can weaken local incentives to tax and be politically difficult to sustain nationally. Of the countries studied, Ukraine has tried hardest to

reduce regional disparities, using an elaborate fund allocation process to ensure that all jurisdictions have about the same public money to spend per person.

Nonetheless, local governments have no way of knowing how much tax revenue will be generated, so they 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 the central government about retaining or enlarging their shares.

Public Accountability

Two types of accountability are essential to democratic local governance. Government employees must be accountable to elected representatives, and elected representatives must be accountable to the public. To the extent that central governments give in to civil servants' reluctance to be placed under local control, bureaucratic accountability suffers. It is possible to bring local bureaucrats under the control of elected officials, but it takes time.

Elections, provided they are free and fair, are the primary instrument of accountability for elected officials, but they are blunt instruments typically employed at widespread intervals. Fortunately, there are a number of ways citizens can hold local government officials accountable between elections. They include political parties (in particular, opposition parties), civil society, the media, public meetings, formal grievance procedures, and opinion surveys. These mechanisms allow citizens to register approval or discontent and find out about the performance of local officials and government employees.

As indicated in table 2, each mechanism (except opinion surveys) has been instituted in at least two of the six countries. But none has been tried in all countries, no two have tried the same combination, 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. For example, if local civil society is not up to the task, a strong party system and an active media might be able to do the job.

Table 2. 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

Performance

Most of this assessment examines the democracy (input) component of democratic local governance, but what local government achieves (output) is equally important. For governance cannot just *be* something; it must also *do* something—deliver useful services. Although the initiatives studied in this assessment are too recent for a good reading on performance, service delivery seems to have improved in a couple of countries—one is Ukraine—and greater public accountability has played an important role in this. And in the Philippines—the second country—opinion surveys indicate a greater citizen satisfaction with decentralized services.

National Advocacy

Like other new undertakings, democratic local governance requires leadership and financial support at the national level. International donors and national political leaders can provide support ini-

tially, 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, such as the one in Honduras, have become effective advocates in this regard. These groups appear to be quite effective in pluralistic systems that are pluralistic, such as the Philippines, and in ones that show little pluralism at any level, such as Ukraine.

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 other donor experience, it is possible to draw a number of conclusions about the strengths and limitations of democratic local governance.

- *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.

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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.

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.* Ben-

efits 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 independence 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 democratic local governance strategies to improve representation, responsiveness, and accountability
- Rely on other strategies to empower marginal groups, reduce poverty, and rectify regional imbalances

Tactically, donors should

- Encourage democratic local governance as a means of empowering geographically concentrated minorities

- Support local fiscal autonomy and revenue generation, but also encourage subsidies to poorer regions
- Support several mechanisms of accountability (elections, media, political parties, civil society, public meetings, formal grievance procedures, and opinion surveys)
- Support building 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 democratic local governance 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 democratic local governance

This Evaluation Highlights, by Laurie Conly of Conwal Incorporated, summarizes the findings of the study Spreading Power to the Periphery: An Assessment of Democratic Local Governance, by Harry Blair, Center for Development Information and Evaluation, USAID Program and Operations Assessment Report No. 21. This report and the individual country Impact Evaluations can be ordered from the Development Information Services Clearinghouse, 1611 North Kent St., Suite 200, Arlington, VA 22209–2111; telephone (703) 351–4006; fax (703) 351–4039; Internet docorder@disc.mhs.compuServe.com. They are also available electronically, without charts and graphs, from the Internet, at gopher.info.usaid.gov. Look under Documents and Publications, then under USAID Newsletters. Editorial and production services provided by Conwal Incorporated.
