

## Decentralization, Civil Society, and Democratic Governance

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In the last decade, in every part of the world, there has been an unprecedented move to decentralize national governments by granting new faculties to local and regional governments and, in some cases, by creating new levels of government. Often decentralization has been considered a strategy for democratizing the state and increasing citizens' access to participation in public policy. Given this context of dynamic change, the Woodrow Wilson Center organized a working group to explore the impact of decentralization on the relationship between the state and civil society and to see what lessons could be learned for better democratic governance from comparing experiences of decentralization in several countries around the world. On February 20-21, 2001, eleven researchers from six countries (Mexico, Chile, South Africa, Kenya, Indonesia, and the Philippines) met for the first time to present papers on their national experiences with decentralization and discuss common issues that emerge in cross-national perspective.

The case studies provided an empirically rich overview to the context of decentralization in each of the six countries. Indeed, the heterogeneity of experiences is one of the clearest conclusions that all of the researchers shared. It is important to emphasize that such heterogeneity of experiences was perhaps even more important within each of the six countries than among them. Very simply, there is no single model of decentralization that is appropriate to all local and regional groupings within even a single country. Three factors that influence the different local and regional dynamics stand out: 1) whether it is a rural or urban setting, 2) the particular ethnic and racial mix of the communities,



Caroline Kihato, Steven Friedman, and Philip Oxhorn at the first meeting of the working group on decentralization in Washington, D.C.

and 3) the productive capacity of the local economy. The latter is particularly important because it can be decisive in determining the level of autonomy the community can achieve from the central government by raising its own resources. The productive capacity of the local government is also important because it has a direct impact on the level and nature of the inhabitants' material needs. Poor (often rural) communities tend to find the challenges of decentralization much more daunting than better off communities that enjoy higher levels economic development and, by implication, are likely to benefit from richer human resources in terms of levels of education and technical expertise.

Despite often quite different experiences with decentralization, seven factors that influence the decentralization dynamic stand out in all of the cases studied under the project. The first factor is that processes of decentralization are intimately intertwined with processes of democratic transition. Paradoxically, however, only in the case of the Philippines was decentralization seen as a mechanism for generating greater citizen participation and accountability. In the other cases, political elites saw decentralization as a means for achieving other ends that



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may or may not be linked to greater levels of democratization. And even in the case of the Philippines, the more strategic vision of democratic decentralization was a direct result of the nature of its transition to democracy, in which a mass wave of popular protest (so-called "people power") proved decisive in the downfall of the Marcos regime. In all the other cases (including the Philippines to a certain extent as well), decentralization was seen as one important means to achieving other goals, including, at times, limiting the scope of democracy. The nature of these goals in each case varies according to both the nature of the transition and the preceding authoritarian regime, as well as the other factors influencing decentralization.

The second factor influencing decentralization was the nature of the countries' colonial legacy and independence struggle. These processes of nation-building, still incomplete in some countries, are key factors in understanding the nature of the centralized state and the various interests affected by decentralization policies. The effect of colonialism and the independence struggle are very important in the African and Asian cases. To a lesser extent, they are also very relevant to the Latin American cases where the region's long history of political and administrative centralization has often been linked to the absolutist state of colonial Spain and Portugal. The nature of the independence struggle also plays an important role in defining the principal actors involved in decentralization strategies, particularly in Africa and to some extent in Asia.

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The level of a country's economic development together with the nature of the economic problems it faces is a third factor affecting decentralization. The six cases vary in terms of their level of economic development, with South Africa and Mexico having achieved high levels of industrialization. Indonesia and Kenya, on the other hand, still have economies that are largely agrarian, with the Philippines somewhere in between the two extremes. A country's level of economic development is important because of its impact on levels of urbanization, the kinds of social actors likely to emerge and the level of economic resources available. Moreover, a country's level of economic development is often reflected both in the nature of the economic problems (including foreign debt) it faces and its exposure to external influences in designing solutions, including decentralization policies.

Closely related to this is a fourth factor, the nature of the state in terms of its relationship to society, fiscal sustainability, and general ability to penetrate or reach all segments of the society over which it rules strongly influence the nature of decentralization. The key impetus for decentralization has often been the perceived need to reduce the size and reach of the central state. For this reason, decentralization has often been linked to neoliberal development policies and has been strongly favored by virtually all international financial institutions, including the World Bank and International Monetary Fund, for over a decade. In the six studies, however, the effectiveness of decentralization policies cannot be divorced from either the nature of the economic problems that were often a catalyst for decentralizing reforms or the weaknesses of the state which these reforms are often intended to address (e.g., high levels of corruption, patrimonialism and inefficiency).

The fifth set of factors revolves around various international influences on decentralization processes. International financial institutions play important roles in many cases, both as a source of models for decentralization policies but also as force behind their implementation. Particularly in Kenya and Indonesia, international pressures for decentralization were decisive as conditions for receiving much needed aid. In these cases, as well as others, decentralization was an important element in structural adjustment policies adopted in cooperation with

various international actors. Finally, it is worth noting that many of the economic problems that decentralization was intended to address had an important international dimension in terms of balance of payment problems and excessive foreign debt. These various international influences help explain why decentralization policies have become so widespread.

Once decisions to decentralize could not longer be avoided, the sixth factor influencing the dynamics of decentralization in each country is the nature of its party system. In particular, the strength of parties and the dominance or hegemony of a particular party influence how such decisions are taken and their ultimate outcome. This is particularly relevant in countries such as Mexico, Kenya,

## MEXICO'S TOP-DOWN DECENTRALIZATION

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**M**exico presents the irony of being both a federal system and one of the most centralized in Latin America. Nonetheless, the state's need to shore up its legitimacy and to seek new efficient methods for delivering services has led to several cycles of decentralization since 1970, with the most important occurring after 1982. However, since the country's leaders were primarily concerned with perpetuating their control and that of the official party, decentralization projects have rarely sought to devolve any real authority to the states and municipal governments. Decision-making authority and most fiscal responsibility remain firmly with the federal government. Opposition party gains in recent years and pressure from civil society have led to some substantive changes although there remains much to be done before the reality of federalism matches the rhetoric of increased local governance. The recent change in national leadership may augur a change in the nature of Mexican federalism, but this remains to be seen.

In the early 1980s, the constitution was amended to allow municipalities to levy property taxes, which gave some of them (especially urban municipalities) an important tax base for the first time. During the term of Carlos Salinas de Gortari (1988-94) a number of key functions were decentralized to the states, including aspects of education and health policy, but major decisions continued to be made by the federal government (including, in the case of education, curriculum, teachers' salaries, guidelines for school evaluations, and training). President Ernesto Zedillo (1994-2000) began to pursue a more complete decentralization program, "New Federalism," in light of the growing number of opposition victories in state and local governments and pressure from civil society. Zedillo's proposal effectively transferred significant responsibilities for program implementation to the states and municipalities along with federal resources in block grants. The federal government passed from administering 80% of all government expenditures to only 70.9%, while state and municipal governments came to represent 24.4% and 4.7%, respectively.

However, significant problems remain with regards to Mexican federalism. First, state and municipal governments remain highly dependent on federal budget transfers, leaving local governments with little discretionary income. Second, the success rates of municipalities in effective governance have been greatly determined by the income level of their constituencies. Wealthier municipalities have tended to be able to consolidate a tax base and become effective at providing services and stimulating economic development. Poorer local governments, especially rural municipalities, have been constrained in their activities by the limited funds which they have to operate. Third, the federal government has undercut the relationship between the state and municipal levels. Its transfer of certain funds directly to municipalities (*Ramo 33*) has prevented the development of consistent interaction between state and municipal governments. Fourth, state and local governments lack the resources to effectively administer their attributions and many of the resources which they do have are often federal transfers that come with specific conditions. Fifth, the considerable constitutional and legal ambiguity that remains in the specific functions of the three levels of government has further complicated the true decentralization of Mexican government.

Mexico's decentralization has been conditioned by the precariousness of the political institutions at the state and local government level as well as the centralist logic that has dominated the process. The future success of increasing local governance has become intrinsically linked to the changing political environment. In the new atmosphere of openness in Mexico, decentralization is one of the key challenges in order to deepen democracy and recognize the economic, social, and political diversity of the country.

and South Africa where one party concentrated a significant degree of power during the process of decentralization.

The final set of factors relates to the importance of political elites in general and specific leaders in particular. Most processes of decentralization are

clearly elite-driven. Indeed, a paradox that emerged is that although decentralization is ostensibly designed to empower local decision-making authority, demands for decentralization from civil society are most noticeable for their absence. The Philippines and Chile after its transition to democ-

## **SOUTH AFRICA'S DOUBLE REFORM: DECENTRALIZATION AND THE TRANSITION FROM APARTHEID**

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**T**he nature of South Africa's decentralization process has been uniquely shaped by the transition from apartheid and by the suspicions that national elites harbor towards local initiatives. The structure of provincial and municipal government has greatly constrained their margin of sub-national authority. Moreover, the African National Congress's (ANC) centralist party organization, which demands party discipline from provincial and municipal officials, has further limited their independence and promotes the tendency of elected officials to be more responsive to the party hierarchy than to their own constituents.

South Africa's decentralization was driven largely by negotiations among domestic political elites, although they borrowed ideas suggested by international actors. Both the ANC's partners in the Government of National Unity (GNU) the Inkatha Freedom Party, which wanted significant authority for KwaZulu province, and the National Party, which wanted more authority for neighborhoods, pressed for stronger units of government at a subnational level. While municipalities and provinces had existed previously, they had lacked substantial powers and had therefore lacked the muscle to become significant institutions for representation.

The legal basis for increased local governance is contained in the post-apartheid constitution which extends certain authorities to nine provinces and 284 municipalities. With regard to finances, the provinces have limited revenue-raising attributes and depend on the national government for 90% of their budgets. Most of their responsibilities are inscribed within an arrangement known as "concurrency" in which the national and provincial governments jointly set policy, although national government has the final say and makes some policy decisions separately (including educational and social welfare allocations). Provincial ministers meet regularly with the national government ministers to consult on the implementation of policy; however, this arrangement has largely resulted in the provinces becoming administrators of national decisions.

Before policy becomes law, both the National Assembly which consists of members of parliament, and the National Council of Provinces consisting of elected representatives of all provinces have to accept it. In theory this should provide provincial governments a significant voice in national policy; however, to date, the Council has never opposed an article of national legislation. The limited activism within the NCOP is at least partly a result of the ANC's emphasis on party discipline.

Legally, municipal governments have greater scope for action since they raise 90% of their revenue base from local rates, taxes and services. While this implies greater financial independence, the dependence on local revenues has created uneven resource distribution to poorer communities particularly those in municipalities without a viable financial base, leaving many of them weak. In addition, South African municipalities have not demonstrated much autonomy in policymaking. Municipal authority has clearly been circumscribed by the national and provincial governments, who have the right to intervene to mandate policies at the local level. In addition, the ANC has used local candidates to reward party loyalists rather than community activists, which has distanced municipal representatives from citizens by creating lines of accountability to the party rather than to citizens.

Decentralization could eventually serve to open up new spaces for civic participation in South Africa; however, it will require a new commitment from elites that local participation and contention is worthwhile. The unique dynamic of the anti-apartheid struggle may serve as the foundation for creating such participation. The fight against apartheid had strong local roots, especially in the urban townships. Although this was always subject to central authority and ultimately local struggles were seen within the context of the national struggle for liberation, this process has left an ethos of resistance and local networks of grassroots organization. These civil structures could become the building blocks for further social participation in local governance in the future.



racy are partial exceptions, but even in these cases the principal demands for decentralization came from political elites (albeit local ones in the case of the Philippines) who seem to have dominated the subsequent design and implementation of decentralization policies. Specific leaders, especially those who were influential during the transition to democracy, had an important impact on decentralization policies in their respective countries as well.

Given these various factors influencing decentralization dynamics, it is hardly surprising that the goals that national actors have sought to pursue through policies of decentralization rarely coincide with the strategic goals of greater citizen participa-

tion and accountability. As noted, the Philippines is the only case where this was a clear motivating factor, although given the nature of Philippines national politics and political parties, as well as its local elites and the role played by them in during the Marcos dictatorship, it still remains an open question as to how well these goals were actually achieved in practice. Chile is also a partial exception in that the basic structure of decentralization was set in place during the military regime, which the first democratic government democratized in the early 1990s. Yet even here, the often hierarchical structures associated with decentralization established by the military regime remain largely unchanged, and the

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country's long history of political and administrative centralism are clearly one reason why such changes have been limited.

What is perhaps most surprising, given the economic and efficiency criteria introduced by international influences, as well as the economic crises that were often catalysts for decentralization, is the intensely political nature of decentralization. Indeed, economic efficiency and economic growth have been noticeably absent in the debate on the goals being pursued through decentralization by domestic elites. Instead, what dominated were the interests of particular social and political groups. For example, decentralization in South Africa was a pivotal element in elite bargaining or "pact-making." While not necessarily incompatible with the goals of greater citizen participation and democratic accountability, decentralization's contribution to democratic processes remains ambiguous in South Africa with important tensions between local actors and their now "democratic" local governments. In other cases, particularly Mexico, Kenya and perhaps Indonesia, decentralization was supported by long-entrenched elites with the clear goal of blocking democratic change and holding on to power. The case of Mexico, however, demonstrates how such policies can have the opposite effect when strong opposition political parties are able to use local governments as a way to build support and challenge the hegemony of political elites.

## DIRECTIONS FOR FUTURE RESEARCH

The project to date has produced an empirically rich series of case studies that provide important insights into the context of decentralization in the six countries. Yet we still know very little about how the "black box" of decentralization actually works. In particular, it still remains to be studied how people actually react to decentralization processes at the local level. Among the most important questions are how do communities define themselves? How do they interact with local institutions, other communities and the central state? To what extent are new spaces for participation and accountability being created? Are new actors emerging? Are old actors controlling the process and/or being transformed in the process of decentralization? Are the various obstacles to greater citizen participation being overcome or transformed now that decentralization has been implemented in important ways in each of the six cases?

We will continue to explore these questions in the second phase of the research project on Decentralization, Civil Society, and Democratic Governance. It is our hope to contribute further to the understanding of the potential that decentralization has for improving democratic governance and why it does not always live up to its promise to generate greater participation and accountability. •

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