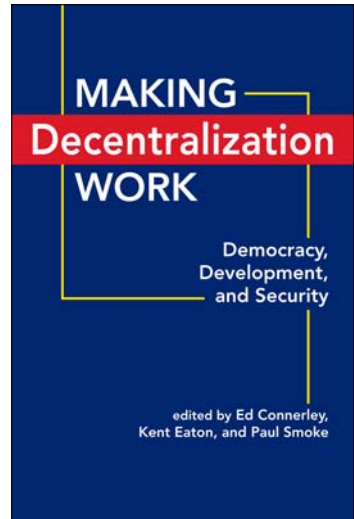


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Making Decentralization Work: Democracy, Development, and Security

edited by
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and Paul Smoke

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1

Democracy, Development, and Security as Objectives of Decentralization

Kent Eaton and Ed Connerley

That decentralization seems to be occurring just about everywhere is one of its most distinctive features in the contemporary period. Over the past few decades, scholars and development practitioners alike have documented the remarkable reach of this trend, asking why otherwise very different countries in disparate regions are nevertheless endorsing a common shift toward more decentralized styles of governance. Indeed, in the first decade of the twenty-first century, it became increasingly difficult to identify countries whose leaders had not debated, adopted, or implemented some type of decentralizing changes.¹ Widespread experimentation with these changes constitutes a trend that now seems even more extensive than the roughly simultaneous trends of democratization and economic liberalization.

Just as significant as the extensive reach of the decentralization trend, though far less widely recognized, is the fact that political actors have embraced decentralization as a means toward many different ends. The effects of decentralization ripple across a country's economy, society, and polity. And as a result, it can be useful to those who are seeking to advance a broad array of economic, social, and political goals. More specifically, three overarching goals—democracy, economic development, and public security—have convinced governmental and nongovernmental actors around the world to support decentralization. Consider the following sets of cases. In Brazil, the Philippines, and South Africa, democratic reformers in the 1980s and 1990s enlisted decentralization as a type of reform that could facilitate the transition to and consolidation of democratic rule. In roughly the same period in Chile, China, and Vietnam, it was the promotion of market-oriented economic models, and not democratization, that

elicited the support of national politicians for decentralization policies. In contrast, in Colombia, Ethiopia, and Sudan, decentralization appealed to those who sought to end their countries' internal armed conflicts and restore public security. These and other cases suggest that decentralization is remarkably flexible in the appeal that it holds out for actors who are motivated by quite different substantive goals.

Even as decentralization undoubtedly has been adopted in the pursuit of some very different goals, has it worked? Does decentralization actually help a country democratize, develop, or stabilize? Under what conditions does decentralization succeed in producing the benefits that have motivated its widespread adoption and generated such enthusiasm? Though the decision to decentralize is still fairly new in some countries, enough time has now elapsed to begin to assess in a tentative fashion how well decentralization has fared, which is the task we pick up in this book. As decentralization "ages," more and better quality evidence is now available about the performance of decentralized institutions. The chapters in this volume sift through this accumulating evidence in order to identify and analyze some of the critical problems that have emerged in the attempted transition to decentralized governance. Rather than offer a comprehensive survey of decentralization, which would be beyond the scope of any single book given its complexity and multifaceted quality, our more limited goal is to focus attention on several of the core dilemmas that decentralizing efforts have encountered so far. By focusing on what happens in the aftermath of the decision to decentralize, this volume complements but seeks to move beyond the already sizable existing literature that explains why policies of decentralization were adopted in the first place (Bird and Vaillancourt 1998; Falleti 2005; Garman, Haggard, and Willis 2001; Manor 1999; O'Neill 2005; Smoke 2003; Smith 2008).

There are three main points of departure for this volume. First, we take seriously the point that decentralization is a possible means toward other desirable ends—including chiefly democracy, development, and security—rather than an end in and of itself. Since decentralization is successful only when it succeeds in promoting these ends, it should be judged accordingly. The chapters in this volume present a frank and not always positive picture of the dynamics that decentralization has set in motion. Among other negative outcomes, decentralization can increase local corruption, weaken national political parties, and reinforce the authoritarian rule of subnational elites. Thus, while decentralization has definitely produced positive outcomes in many cases, in others it has either failed to solve the problems that motivated its adoption, created qualitatively new problems, or both. For example, decentralization has generated new forms of conflict between national and (now more independent) subnational governments while, at

the same time, it has worsened discord between subnational governments that are not equally well positioned to perform the enhanced roles they are now expected to play.

Second, precisely because the various pressures that have led so many countries to decentralize are still in place, we argue that decentralization is likely to continue to find powerful advocates into the foreseeable future. In recent years, scholars have pointed to a variety of different factors that may explain why decentralization has become so widespread, including pressures for fiscal austerity, broad donor support for decentralization, strong public opposition to centralized rule, and a spate of formal transitions to political democracy (Litvack, Ahmad, and Bird 1998; Manor 1999; Montero and Samuels 2004). The debate over what has caused many and varied countries to decentralize is by no means resolved, and we do not enter into this debate in the chapters that follow. We do note, however, that most of the causal factors highlighted by scholars point to the continued salience of decentralization as a governance trend. With respect to economic causes, the current global economic crisis will likely encourage national governments to look harder for ways to transfer responsibilities to subnational governments, along with the blame for any associated decline in the quality and quantity of services. With respect to political causes, growing awareness of the limitations of recent transitions to liberal representative democracy have increased support for a more direct and participatory style of democracy that depends intimately on decentralization. Admittedly, in several key cases, it is important to note that frustration with some of the shortcomings of decentralization has already generated strongly recentralizing reactions. For example, in Argentina, Brazil, and Colombia, national governments in recent years have sought—with mixed success—to restore macrolevel economic stability by reversing transfers of fiscal authority to subnational governments (Eaton 2004a; Eaton and Dickovick 2006). Despite these and other forms of backlash against decentralization, in the short to medium term we will continue to live in a decentralizing era (Snyder 2001).

Third, if decentralization can often come up short (Point 1), but remains very much alive as a policy idea (Point 2), then it becomes urgent to study past decentralization episodes with a view to identifying how decentralizing policies and processes of implementation can be strengthened in the future. When it succeeds, decentralization by definition disrupts the deeply embedded relationships and networks that previously sustained decades—if not centuries—of centralized rule. It is a mistake, therefore, to conceive of decentralization as a one-shot deal. The design, legislation, and implementation of policies of decentralization are really only the beginning of a long process of institutional and organizational change. Successfully navigating this process requires closely studying and

learning from earlier implementation efforts, particularly mistakes and difficulties encountered. For this reason, the purpose of this volume is not to argue against decentralization based on some of the negative findings that have begun to appear in the literature by academics and practitioners. Rather, our goal is to inform future interventions in support of decentralization by exploring important debates about past interventions and by showcasing some of the important trade-offs that decentralization usually generates. By focusing attention on how local governments underperform or misbehave in the wake of decentralization, we are by no means assuming a benign central government—nor do we intend to offer here a theoretical justification for recentralization. Instead, according to our position, examining some of the trade-offs, dilemmas, and challenges that are posed by decentralization offers the best hope for “making decentralization work.”

As an opening to the chapters that follow, this introductory chapter is organized around the three main goals that decisionmakers most commonly cite when they decide to decentralize: democracy, development, and security. What is the logic of the hypothesized connection between decentralization and each of these stated goals? What does the emerging, though still incomplete, empirical record tell us about the relative success of decentralization as a means toward these distinct ends? After exploring these questions in the following sections, we then close with a discussion that introduces the volume’s subsequent chapters.

Decentralization and Democracy

Democrats like decentralization for a number of reasons. First, democracy requires that governmental decisionmakers be held accountable for the decisions they make, a requirement that may be easier to satisfy when governments are local. According to this accountability argument, while it can be quite difficult to monitor the behavior of national politicians, voters face lower costs when they seek to gather information about how local politicians are making use of governmental resources. Second, frustration with the transitions to democracy that took place at the national level in the 1980s and 1990s have led many democrats to contemplate decentralization as a set of changes that can deepen democracy by multiplying the sites for political contestation. Precisely because authoritarian practices and behaviors often survived national transitions to democracy, democratizers have hoped that devolving power to local spheres could help eliminate the vestiges of authoritarianism (Diamond and Tsalik 1999; Eaton 2001). In some cases, advocates of democratization have endorsed decentralization in the

explicit attempt to prevent possible relapses into authoritarianism by undermining the centralized practices that sustained nondemocratic rule.

Does the available evidence bear out these theoretical expectations? Though the impact of decentralization on democracy is complex, a number of patterns can be identified and analyzed. First, while democrats around the world have championed subnational elections in the attempt to improve accountability and attack authoritarianism, the mere introduction of elections is insufficient. Whether the shift from the appointment to the election of subnational officials substantially improves their ability to act independently of the national government depends on a host of additional factors. Beyond the holding of regular subnational elections, for example, the timing of national and subnational electoral contests and the rules governing ballot structure are critical institutional variables (Jones 1997; Jones and Mainwaring 2003). Where national politicians agree to introduce separate elections to constitute subnational governments, but insist that these elections be held on the same day as national contests, the simultaneity of these elections undercuts the likelihood that local contests will turn on local issues. Likewise, electoral rules can be written in ways that deny voters the right to cut their ballots, preventing them from using different criteria to reward or penalize different parties at the national and subnational levels. Furthermore, as Gary Bland shows in Chapter 3, rules permitting the arbitrary removal of subnational elected officials by the national government are easily as important as the decision to introduce subnational elections. Where national politicians can remove subnational politicians they do not like, subnational elections are unlikely to generate outcomes not sanctioned by the center.

In addition to the design of rules governing ballot structure, electoral calendars, and the removal of subnational officials, internal party dynamics powerfully shape the impact of decentralization on democracy. Although in theory the introduction of subnational elections encourages local politicians to shift their attention from national patrons to local voters, the extent to which this shift takes place in practice depends on how power is distributed within the political parties to which they belong (Willis, Garman, and Haggard 1999). Decentralization in the polity often depends on decentralization in the party. According to the experience of countries that have decentralized via the introduction of subnational elections, the degree of change generated by these elections may be limited when national party leaders play a preponderant role in determining who can use the party label to run in local elections. Whether subnational officials are elected by proportional representation in multimember districts or by the plurality rule in single-member districts, national control over candidate selection can undercut decentralization if these officials are chiefly

focused on pleasing national party leaders. This type of center-regarding behavior in countries that now hold subnational elections points toward a possible tension between democratization and decentralization. Whereas the literature on democratization has highlighted the challenges that weak and undisciplined parties can pose for democracy (Mainwaring and Scully 1995; B. Powell 1982; Sartori 1976), the literature on decentralization suggests that strong and disciplined parties can make a mockery of decentralization (Willis, Garman, and Haggard 1999; Montero and Samuels 2004).

Summarizing the discussion so far, a variety of factors can reduce the political independence of subnational officials from the center, even when these officials are now elected in their own right and no longer appointed by the national government. Fearing that elections are insufficient as mechanisms that can generate downward accountability to voters, decentralizing legislation in many countries has been designed explicitly to empower civil society. In countries such as Bolivia, Indonesia, and the Philippines, for example, decentralization involved not just introducing or strengthening subnational elections, but adopting changes that expand the ability of local civil society actors to influence the greater range of decisions that are now made locally. As much as the contemporary move toward decentralization has sought to create or reinvigorate the institutions of representative democracy at the local level (e.g., municipal councils and provincial legislatures), it has also innovated by creating and strengthening institutions of direct democracy, including stakeholder councils and participatory budgeting fora (Fung 2006; Van Cott 2008). According to Derick Brinkerhoff and Omar Azfar in Chapter 4, decentralization can have the biggest impact when it goes beyond the introduction of subnational elections to empower community groups at the local level. As these and other authors emphasize, however, attempts to expand civil society participation in the context of decentralization are not separable from the party system; indeed, some of the most successful participatory innovations—including in the Brazilian case of Porto Alegre—have depended fundamentally on the sponsorship of political parties that hope to reap electoral benefits from successful participatory experiences (Goldfrank 2007; Heller 2001; Rhodes 2003; Wampler 2007).

Despite the justified enthusiasm for civil society, recent research by political scientists suggests that advocates of decentralization need to consider carefully the relationship between civil society and democracy. In the 1990s, Robert Putnam's influential study of variation in the quality of civic life between Italy's democratic north and authoritarian south encouraged scholars to view the impact of civil society on democracy in mostly positive terms (1993). Although many scholars found additional support for the argument that attributes higher-quality democracies to more thickly organized civil societies, others argue—in a variety of distinct national

contexts—that the effects of dense civil society networks are not always positive (Armony 2004). According to Sheri Berman (1997), the deepening of civil society organizations may lead not to the deepening but rather to the breakdown of democracy, as occurred when civic associations developed strongly antidemocratic inclinations in Weimar Germany. In Bolivia, according to Harry Blair (2001), the national government selects which civil society organizations get to sit in on local oversight committees, and the representativeness of the organizations that it picks can often be questioned. According to Ashutosh Varshney's research on India (2002), while civil society organizations that bring together individuals of different ethnicities can reduce violence, local civil society groups that organize along ethnic lines can worsen ethnic conflict and undermine democracy. Particularly in developing countries that are characterized by significant degrees of ethnic and religious diversity, those who design decentralization should ask whether membership in local civil society organizations is likely to replicate or cut across membership in different societal groups. More generally, as Jesse Ribot, Ashwini Chhatre, and Tomila Lankina argue in Chapter 5, decentralization in some localities has strengthened the position of customary and religious authorities whose approach to governance may be more despotic than democratic.

According to the discussion in the preceding paragraphs, electoral rules, internal party dynamics, and the representativeness of civil society organizations all shape (and potentially limit) the impact that decentralization can have on democracy. In addition to the challenges posed by these factors, scholars have emphasized the significance of subnational authoritarian enclaves that can interrupt the purportedly positive consequences of decentralization for democracy. In many developing countries that have completed the national transition to democracy but that contain enclaves of persistent authoritarianism at the subnational level, decentralization has the unfortunate effect of transferring power and authority from units of government that are more democratic to units of government that are less democratic or nondemocratic. Though the earlier literature on democratic transitions devoted little sustained attention to these specifically subnational obstacles to democratization (Przeworski, O'Donnell, and Schmitter 1986), with time the importance of such obstacles has become all too clear. Particularly where local authoritarianism appears to be alive and well, rather than begin by asking whether there is sufficient political will to decentralize on the part of national politicians, some preliminary assessment is needed of how decentralization would influence authoritarian practices by subnational politicians.² At the very least, it is now possible to dismiss as naive the view that subnational elections alone will eradicate subnational authoritarian enclaves.

Recent scholarship on territorial politics and democracy has largely confirmed earlier concerns by Jonathan Fox (1994) and others that decentralization might make it easier rather than harder for subnational leaders to defend the nondemocratic practices that sustain their rule. Paul Hutchcroft, for example, argues that, “where powerful local bosses effectively challenge the authority of the central state,” centralization rather than decentralization may offer a better way to promote democracy (2001, 24, 43).³ Guillermo O’Donnell and his coauthors maintain that the more widespread abuse of civil rights in the hinterlands of developing countries makes it difficult for citizens to participate effectively in local governments, which in turn facilitates the dominance of entrenched local elites (O’Donnell, Cullell, and Iazzetta 2004). According to Pranab Bardhan and Dilip Mookherjee (2000), these elites may actually have an easier time capturing local politics because elite interests are more homogenous at the local level and because the informational and organizational costs that confront these elites are lower at the local level than at the national level. The familiar reality of elite capture leads Richard Crook and Alan Sverrisson to conclude their survey of decentralization by arguing that “central intervention is nearly always needed to ensure progressive or pro-poor outcomes” (2001, 4).

This concern about the authoritarian quality of subnational governments within nationally democratic regimes is not restricted to any one developing region. In Africa, Mahmood Mamdani argues that decentralization in the absence of an effective state has amounted to accommodation with local strongmen and has resulted in a kind of “decentralized despotism” (1996, 17).⁴ According to Catherine Boone, many of those who have benefited the most from decentralization in Africa are “local notables” whose power derives from hereditary or spiritual authority and/or land tenure relations (2003, 32). John Sidel’s work suggests that one of the most ambitious decentralization experiments in Southeast Asia—that of the Philippines—has made it easier for family clans to defend their exclusive control over local politics (1999, 129). In Indonesia, Michael Malley states that “allegations of vote buying mar the election of nearly every governor, *bupati* and mayor” (2003, 103). In Latin America, Edward Gibson (2005) argues that authoritarian enclaves below the national level may persist not because national democratic authorities are powerless to eradicate them, but because these authorities derive important benefits from authoritarian subnational officials who often control voting blocs that can be critical in national elections.

If patently nondemocratic practices in a given country are uniform in all subnational jurisdictions, then making the decision not to decentralize would be an easy one. In most countries, however, what is striking is the

degree of heterogeneity across the landscape of subnational governments in the quality of democracy and in the opportunities for democratic local governance to take root. More often than not, the subnational realm is a complicated patchwork of local authoritarianism mixed in with reformist municipalities and states or provinces that have used decentralized resources to make significant strides in broadening participation and enhancing accountability. In fact, this heterogeneity is now a common theme in the literature on decentralization. For example, Tim Campbell (2003) documents how, in a sea of traditional clientelistic practices at the local level, some mayors have nevertheless responded to decentralization by governing in transparent and responsive ways. Alan Angell, Pamela Lowden, and Rosemary Thorp (2001) likewise contrast the democratic and nondemocratic responses of mayors to common changes such as the introduction of direct elections and revenue sharing.

The existence and uneven distribution of subnational authoritarian enclaves creates tremendous difficulties for the design of decentralization. In most cases, subnational governments that are dominated by authoritarian practices will have just as many rights and responsibilities as more democratically oriented subnational governments. To the best of our knowledge, in no country does decentralizing legislation differentiate the amount of resources and responsibilities that are transferred to subnational governments on the basis of a systematic assessment of their democratic credentials. In fact, when differential treatment is introduced, it is often to favor the less economically developed subnational areas that are often more likely to suffer from authoritarian political environments.⁵ Given the persistence of subnational authoritarian enclaves, those who design future interventions in support of decentralization will want to develop better indicators of the quality of local democracy across subnational jurisdictions. In practice, the heterogeneity of subnational governments with respect to the quality of democracy may well be an argument for asymmetry in the devolution of resources and authority.⁶

Decentralization and Development

Relative to democracy, economic development in the twentieth century was a much more heavily cited rationale for the adoption of decentralizing measures. For that reason, the literature linking decentralization and development is quite vast. Although scholars have identified a number of causal mechanisms through which decentralization might improve development outcomes, two have loomed especially large in the scholarship and we showcase them here. First is the argument that decentralization improves

the mix and quality of goods and services provided by governmental actors, thereby raising the well-being of individuals and groups. To date, international donors have emphasized this mechanism in their support for local service delivery improvement projects, the “bread and butter” of donor-funded decentralization activities. Second is the relatively newer argument that decentralization under certain conditions can encourage growth-promoting behaviors by subnational officials who compete among themselves for investment and thereby improve national development outcomes.

Historically, most efforts to enhance development through decentralization have been informed by the theoretical work of Charles Tiebout and Wallace Oates. Tiebout’s hypothesis holds that, when there are multiple governmental jurisdictions offering varying “packages” of public goods and the taxes that support them, citizens and firms will seek out jurisdictions offering a combination of goods and taxes that closely match their individual preferences by “voting with their feet” (1956). Furthermore, jurisdictions will, in theory, both learn from each other’s efforts and compete with each other to offer desired combinations of public goods, services, and taxes, thus improving the welfare of citizens. In addition, expenditure decisions can be tied more closely to real resource costs in smaller jurisdictions, and greater service delivery innovation is possible when there are many local governments.⁷ In formal game-theoretic simulations, Tiebout’s expectations are frequently supported, but results in empirical research concerning (mostly US) metropolitan areas are mixed, with some studies supporting a “race to the top” interpretation of interjurisdictional competition while others support a “race to the bottom” conclusion.⁸ Thus, it may not be entirely surprising that efforts to accelerate development through decentralized governance in developing countries also achieve mixed, uncertain impacts. In contrast to Tiebout, Oates’s theory of fiscal federalism (1972) does not require perfect mobility; whether and how citizens hold their representatives accountable within their jurisdictions can affect the mix of goods and services provided by government. For both Tiebout and Oates, defining an efficient decentralized structure is a complex process because optimal service area may vary greatly for different public goods and may not correspond exactly to the boundaries of existing political jurisdictions.

Increasingly, advocates of decentralization as a development-promoting measure have argued that it is not enough merely to transfer additional responsibilities for the provision of goods and services in the hopes that subnational governments will behave in the ways anticipated by Tiebout and Oates. Subnational governments are frequently hard pressed to accomplish welfare-enhancing services that are not understood and valued by citizens. With respect to these services, decentralization support has begun to encour-

age subnational governments to engage citizens more directly in “coproduction” in a number of dimensions. For example, coproduction of learning outcomes by parents is especially important for public education (G. Davis and Ostrom 1991). In resource-poor environments, production of desired public sanitation outcomes is greatly facilitated when a large majority of residents refrain from casual disposition of household wastes (Ostrom 1996). Targeting both government officials and citizens assures attention to both the “supply” and “demand” aspects of public service delivery, and hopefully ensures both that valued services are provided and that citizens’ expectations for services are consistent with the resources and capacities of governments. Especially important in coproduction schemes are participatory processes that are designed both to give citizens voice in local decisionmaking and to reveal citizens’ preferences for local government services and policy positions (Fung 2006; Goldfrank 2007). Given the special challenges faced by marginalized groups, together with accumulating evidence of elite capture subsequent to decentralization, donor-sponsored activities geared toward boosting the participation in these processes of previously underserved groups have become especially common.

Over time, scholars and practitioners have come to argue that the theoretical linkages between decentralization on the one hand and development on the other depend on community empowerment as an intervening variable. In Chapter 4, for example, Derick Brinkerhoff and Omar Azfar put community empowerment at the center of their analysis. According to these authors, growing awareness of the significance of community empowerment raises important questions of sustainability. As they argue, the effectiveness of the community empowerment approach should be measured not by the effectiveness or durability of particular project processes and mechanisms, but by the learning, capacities, and altered incentives retained by involved communities and subnational governments. Even as ever greater attention has been placed on the urgency of empowering communities, other scholars note that more extensive forms of citizen participation vis-à-vis service provision are not a panacea. In fact they may, as Jonathan Hiskey argues in Chapter 2, generate new problems. According to Hiskey, increasing citizen oversight of elected representatives encourages them to act as delegates (doing only what the voters tell them to do), but may in equal measure diminish their potential to act as trustees (doing what they believe to be in the voters’ best interests). Drawing on Hannah Pitkin’s work (1967), Hiskey maintains that both delegate and trustee roles are appropriate for local elected representatives, and that some degree of insulation may enable local officials to make decisions about service provision that are ultimately better for the development prospects of the localities they govern.

Regardless of the important debate, highlighted in this volume, over the appropriate dimensions of citizen participation, scholars who study the relationship between decentralization and development agree on the importance of capacity. Though the capacity of subnational governments was more often assumed a priori rather than investigated empirically in the earlier literature on decentralization, with time problems of capacity have become undeniable. If it is to enhance development outcomes, decentralization must involve not just formally shifting authority over goods and services to subnational officials, but engaging in capacity-building efforts to help subnational governments actually provide these goods and services (Oates 1999; Shah and Thompson 2004). Improvements in subnationally provided goods and services depend on technical assistance, which is typically sponsored by external donors, national governments, or associations of subnational governments, and which is designed to help subnational officials plan, manage, deliver, and account for local public goods and services.⁹ To date, these efforts have been targeted most commonly at multiple-service local governments rather than single-purpose bodies such as utility, water, and school boards (though the latter may hold out real promise as sites for service provision in the future).

In addition to improving individual well-being by improving the quality of governmental goods and services and the capacity of subnational governments to provide them, scholars have increasingly focused on a second causal pathway linking decentralization and development. According to this more recent wave of theorizing, decentralization generates development because it can create new growth-promoting incentives for subnational officials. Associated with the institutionalist turn taken in recent years by the disciplines of both political science and economics, this new scholarly interest in the institutional incentives faced by subnational officials has yet to directly inform donor activities on a large scale, though this may be changing. According to this new literature, appropriately structured decentralized governments can serve as an effective constraint on potentially predatory central governments and their officials. The most well-developed version of this argument is the influential work on “market-preserving federalism” (MPF) by Barry Weingast (1995, 2006).

Briefly stated, MPF requires that there are multiple levels of government, with each level having a defined set of autonomous authorities.¹⁰ Included among the authorities defined for subnational governments is primary responsibility for regulation of the local economy and the authority to provide significant local public services. National government policies and enforcement activities must guarantee a single, nationwide common market that enables factor and product mobility across subnational jurisdictional boundaries. All governments, but especially subnational govern-

ments, must be subject to hard budget constraints. Accordingly, only the national government may create and manage a monetary system and all levels must live within prudent, defined, and delimited spending restraints, particularly and specifically restraints on intergovernmental transfers and borrowing. Finally, authority must be institutionalized in a manner and degree that prevents unilateral modification of the characteristics of the federal system by, on the one hand, the national government or national officials and, on the other hand, significant groups of subnational governments or subnational officials.¹¹ Proponents of MPF argue that, through the competitive interactions of subnational governments engendered in this structure, governmental systems offer incentives to citizens to save, invest, and produce as well as incentives to officials to refrain from confiscation of citizens' wealth.¹²

The national case study literature featuring MPF explanations of political and economic events over time is, however, somewhat mixed and contentious.¹³ The purported impact of federalism on economic outcomes has generated a fair amount of disagreement in the empirical literature. Writing over a decade ago, Gabriela Montinola, Yingyi Qian, and Barry Weingast (1995) focus on federalism as the factor that explains how China, in the absence of the rule of law, could nevertheless produce sustained market-based economic growth. According to these authors, the delegation of authority to the provinces encouraged provincial officials to compete with each other to attract and retain investors, a dynamic that limited acts of predation by the government and that encouraged pro-market policies.¹⁴ Others have disputed the beneficial impact of federalism. For example, with reference to India, Susan Rose-Ackerman and Jonathan Rodden question "whether market-preserving federalism can in fact solve the 'fundamental political dilemma of an economic system,'" and argue that the Chinese experience should not be used to promote calls for "radical decentralization and deregulation in the name of efficiency" (1997, 1524). More recently, Erik Wibbels's work on Argentine federalism (2005) has shifted the analytical focus from competition between subnational units to the degree of political competition within subnational units, concluding that political competition generates growth-enhancing policies by politicians who fear the fiscal shadow of the future.¹⁵

But market-preserving federalism does not exhaust the various arguments that link more robust subnational governments with better development outcomes. Subnational governments that aim to promote economic growth over time can exercise their inherent governmental powers in a collaborative, strategic process to promote local economic development (LED). Such efforts are "collaborative" when they involve cooperation with local firms and communities and they are "strategic" when they are

based in systematic knowledge of the relative advantages and disadvantages of the locality. The need for, and advantages of, planned LED have increased with the globalization of markets. A first, minimal step in LED may be an effort by the involved subnational government to eliminate unnecessary constraints on business activity imposed by local regulations, as suggested by the MPF literature. But, moving beyond MPF, these steps can be followed by efforts to provide local public goods and services in accordance with the comparative advantages of the locality and articulated aspirations of citizens and producers (Swinburn 2006; USAID 2006). Finally, the autonomy of subnational governments may be closely linked, other things being equal, to their ability to raise own-source revenues, which in turn reflects local markets and productive activities. If subnational government own-source revenues are not closely linked to local markets and productive activities, subnational governments may have little direct incentive to enhance local economic growth (Shleifer and Vishny 1998).¹⁶

To summarize, as is the case with decentralization as a democracy-promotion measure, the evidence linking decentralization and development is highly indeterminate. On the one hand, the literature has documented numerous modest successes in specific short-term interventions to improve citizen welfare and subnational public services. In some cases, local governments after decentralization are more regularly soliciting citizen input in the identification of spending priorities, with associated improvements in individual well-being. On the other hand, decentralization has also transferred responsibilities over critical goods and services to subnational governments that are often poorly prepared to provide them, and that frequently escape the control of all but the wealthiest of local citizens. Clearly, decentralization does not always generate the type of self-sustaining, competitive local governance systems that enhance human welfare.

Decentralization and Security

The study of decentralization as a goal-driven set of changes has focused chiefly on democracy and economic development. During the long years of the Cold War, decentralization was far less relevant to the pursuit of security goals given the predominance of interstate over intrastate security challenges. In most regions of the world, US-Soviet competition had the effect of keeping a lid on territorial conflicts within developing countries. In the two decades since the demise of the Soviet Union, however, the number and severity of intrastate conflicts appears to have increased, and

these conflicts in turn have received far greater attention from security experts (Brown 2003; Lake and Rothchild 1996; Snyder 2000). As a result of this underlying shift in the content of salient security threats, decentralization has come into greater focus as a possible conflict prevention or conflict mitigation strategy (Bland 2007a; Brinkerhoff 2007).

As is the case when democracy and development are the overarching goals, security goals can theoretically be advanced by decentralization through a number of causal mechanisms. In conceptualizing these mechanisms, the distinction between devolution and deconcentration as different forms of decentralization is paramount. As it is commonly defined in the literature on decentralization, devolution requires the introduction of subnational elections so that subnational officials do not owe their jobs to national-level actors (Manor 1999). For many groups with grievances against the national government, winning subnational elections may be far less daunting than winning representation in the national government via national elections, particularly where national electoral rules establish thresholds that make it more difficult to gain national-level representation. Groups that can compete successfully in subnational elections and exert influence in subnational offices may consequently be more willing to abide by national electoral results that disfavor them.

While decentralization as devolution requires subnational elections, other forms of decentralization including deconcentration may deserve attention in highly adverse security environments. Defined as the strengthening of the subnational offices of national line ministries, rather than the separate election of subnational governments, deconcentration can extend the presence of the national government throughout the national territory, which in most postconflict cases is a necessary precondition for improved security. In fragile states, deconcentration can be deployed as an important state-building exercise.

Decentralization may have security implications in all developing countries, but it deserves special consideration in those developing countries that are also gripped by internal armed conflict. In these settings, the decentralization option may have special advantages and disadvantages, as Joseph Siegle and Patrick O'Mahony demonstrate in Chapter 6. In recent years, many countries that have emerged or are trying to emerge from periods of internal armed conflict and civil war have turned to decentralization and related forms of institutional engineering in the hope that these changes can help consolidate the peace. Particularly where high levels of centralism played a contributing role in the initiation of conflict between subnational groups, it makes a great deal of sense to consider seriously these reforms—whether they are called decentralization, devolution, federalism, or territorial autonomy. In these cases, the generic pressures and

incentives to decentralize that face most countries in the world today are combined with the additional belief that territorial reforms can prevent the reinitiation or continuation of conflict. Decentralization and related reforms have received significant attention in such disparate cases of post-conflict negotiation and constitution writing as Afghanistan, Angola, Bosnia, Colombia, Cyprus, Ethiopia, Iraq, Mozambique, Nigeria, South Africa, Sudan, and Sri Lanka.

Where decentralization is proposed as a possible solution to armed conflict, however, institutional engineers need to proceed with as full an appreciation as possible of the special opportunities and risks that decentralization can pose in these environments. With respect to the former, political, administrative, and fiscal decentralization can all bolster the confidence of former combatants who are worried about the defense and promotion of their interests in the postconflict period. By multiplying the number of elected offices, political decentralization can be an effective response to demobilizing groups who believe they would have a difficult time successfully competing for national offices. In turn, when policies of administrative and fiscal decentralization are successful in shifting real governing authority downward, they can lower the importance and the desirability of holding the highest-level national offices, competition over which may have fueled conflict in the past (Bland, Chapter 3). If significant resources and responsibilities are attached to subnational offices, combatants may respond positively to the offer to lay down their arms and run for local office instead.

According to the research of a number of experts on civil wars, institutional reforms like decentralization that shift power downward have in practice played an important role in bringing armed conflict to an end. For example, one attempt to uncover the conditions that explain the durability of peace in thirty-eight civil war settlements found that the inclusion of territorial autonomy in a postconflict settlement dramatically reduced the likelihood of its failure (Hartzell, Hoddie, and Rothchild 2001, 199). According to these scholars, “by increasing the influence of policymakers at the subnational level while diminishing the powers of policymakers at the center, groups should gain an increased sense that they possess a means of protecting themselves from the exercise of central authority” (2001, 192). Likewise, in her study of forty-one civil wars between 1940 and 1990, Barbara Walter argues that “allowing factions to maintain some regional autonomy offers them an important fallback position if they do lose control of the central government” (1999, 142). In addition to highlighting the advantage of limits placed on central authority, David Lake and Donald Rothchild found that decentralization, regional autonomy, and federalism “provided insurgent militias with an important incentive for

responding positively to the government or third-party mediator's proposals for settling the conflict" (1996, 61).¹⁷

The potential risks associated with decentralization in postconflict settings, however, are also significant. In the worst case scenario, the very reforms that are designed to end the armed conflict can actually facilitate and finance its continuation. In countries that are emerging from especially prolonged periods of armed conflict, we should expect considerable limits on the central state's ability to exercise in practice its formal monopoly over the use of force. In these settings, it is likely to be difficult for central authorities to ensure that subnational groups abide by the terms of the decentralizing agreement. The specific cause for concern is that representatives of these groups can run for subnational offices and appropriate the greater resources that are now under the control of these offices without giving up violence. If the writ of the central state does not reach very far in a particular locality, then decentralized resources can finance the resumption and continuation of armed conflict even if representatives of armed groups do not themselves hold governing positions. In vast stretches of Colombia, for example, the threat and practice of violence enables both guerrilla organizations and paramilitary groups to influence what mayors do with decentralized resources (Eaton 2006b). Decentralization may be strongly ill advised where: (1) security agents who are responsive to the central government do not operate throughout the national territory; (2) national prosecutors, attorneys general, and representatives of the judiciary are not able to monitor the legality of governmental acts by subnational authorities; and (3) subnational officeholders are the targets of threats and acts of violence.

Where the central state in postconflict settings *does* have sufficient strength to enforce the disarmament of combatants, this strength has implications for the design of fiscal and administrative decentralization. On the one hand, the devolution of important tax bases to subnational governments may be a better way of accommodating the anxieties of subnational groups than the reliance on fiscal transfers from a central government they may not fully trust. On the other hand, control over subnational tax bases in many cases has served to incite secessionist struggles (Siegle and O'Mahony, Chapter 6). With respect to administrative decentralization, transferring the authority to set independent education policies—and not just operate schools—may be indicated where the prior conflict had important ethnic, linguistic, and religious components.

If, in contrast, the central state is too weak to prevent the illicit use of decentralized resources, decentralization may worsen rather than end armed conflict.¹⁸ The potential dangers of decentralization in postconflict settings have encouraged reformers to consider the more cautious, sequential

approaches that, in less difficult environments, would likely be dismissed as insufficient or superficial.¹⁹ The critique advanced by Jonathan Hiskey in Chapter 2 of “all at once” approaches to decentralization appears to be particularly germane in postconflict settings. For example, with respect to administrative tasks, the urgency of the need to restore public services as part of the so-called peace dividend may increase the appeal of administrative decentralization that takes the form of deconcentration rather than devolution. The line agencies of central government ministries may well have a leg up on local governments in the attempt to restore essential services quickly. Having line agencies take the lead in providing basic governmental services is likely to have a depressing effect on the capacity of local governments, but the need to provide such services in the aftermath of armed conflicts is often critical. On a related note, sequences that privilege political decentralization may undermine the security environment in some settings. According to Dawn Brancati (2006), for example, political decentralization can encourage ethnic conflict and secessionism by promoting the development of regional (as opposed to national) parties.

In response to the uneven presence of the central state, another option facing decisionmakers who would like to use decentralization to enhance security is the asymmetric treatment of subnational governments located in different parts of the national territory. In other words, in addition to considering sequences of decentralization that privilege the administration of services or that postpone the introduction of subnational elections, it may be desirable to sequence decentralization *spatially*. According to this distinction, subnational governments at the same hierarchical level (e.g., the intermediate or local level) do not necessarily receive the same mix of rights and responsibilities from the central government.²⁰ Instead, under asymmetric approaches, political, administrative, and fiscal authority is transferred to only those jurisdictions in which representatives of the central government are able to monitor and prosecute any illegal use of this authority.²¹

Organization of This Volume

From a number of different angles and disciplinary perspectives, the following chapters of this volume are all engaged with the significant debates over decentralization that we have introduced above. Some of the chapters that follow remain tightly focused on one of the several goals that decentralization has been adopted to achieve. For example, in Chapter 6 Joseph Siegle and Patrick O’Mahony systematically explore the impact of decentralization on security outcomes, and in Chapter 3 Gary Bland emphasizes

the impact of decentralization on political democracy via the introduction or strengthening of subnational elections. Other chapters offer arguments about decentralization that apply across each of the three goals that are reviewed above: democracy, development, and security.

For example, in Chapter 2 Jonathan Hiskey applies a principal-agent framework to the study of decentralization in order to gain analytical leverage on the problems that decentralizing policies often confront, whether they are adopted to enhance democracy, development, or security. According to Hiskey's argument, students of decentralization must take seriously the extent to which local political environments vary across the subnational units of a given country. Variation in the local political environment powerfully shapes the likelihood that voters (e.g., the "principals" in his model) will be able to monitor and control subnational elected and appointed officials (e.g., their "agents"). Even where these officials are elected, the heterogeneity of local populations due to such factors as ethnic diversity and income disparities can make it difficult for voters to hold officials accountable. Hiskey's adoption of the principal-agent approach also enables him to make innovative arguments about the impact of decentralization on both democracy and development. With respect to democracy, Hiskey argues that decentralization enhances democracy when it helps principals to hold their agents accountable, which may or may not translate into measurable improvements in the quality of service delivery. With respect to development, Hiskey maintains that decentralization can actually undermine economic development if it limits the insulation and independence that local elected officials need in order to make the types of decisions that would advance developmental goals. Thus, according to Hiskey, efforts to make decentralization work will need to pay much more attention to the possible tension that exists between decentralization's various goals.

In Chapter 3, Gary Bland assesses one of the most striking features of the decentralization trend: the introduction of elections to select subnational officeholders. While decentralization in this political dimension potentially makes elected officials independent from the national government (which no longer appoints them), Bland demonstrates the frequency with which subnational elections are proving to be insufficient. According to Bland's survey of subnational electoral practices in fifteen illustrative countries in Africa, Asia, Eastern Europe, Eurasia, Latin America, and the Middle East, the impact of elections is strongly mediated by each country's party system. Specifically, Bland documents the regularity with which subnational elected officials are kept under the control of national party patrons due to internal party discipline and national control over subnational candidate selection. Bland also reminds us that, in addition to studying the content of rule changes that introduce subnational elections,

we need to pay attention to rules that often enable national politicians to dismiss those officials who are elected in ostensibly separate subnational electoral contests (e.g., President's rule in India and federal interventions in Argentina). According to Bland, attempts to make decentralization work will need to look beyond electoral law changes to include a more sophisticated sense of internal party dynamics.

Whereas Bland focuses closely on electoral rules and party systems, Chapter 4 by Derick Brinkerhoff and Omar Azfar shifts to the study of how nonelectoral practices affect the ability of decentralization to meet its various goals. According to the hypothesis posited by Brinkerhoff and Azfar, the impact of decentralization on outcomes like “democracy” and “service delivery” depends critically on “community empowerment” as an intervening variable. As a result of their extensive survey of decentralization programs, the authors find numerous cases in which the transfer of authority downward has opened up new opportunities for empowerment, in the form of both “state-centered” and “society-centered” mechanisms. However, the chapter by Brinkerhoff and Azfar also documents critical problems that stand in the way of community empowerment, including elite capture, the incomplete implementation of decentralization frameworks, and the persistent preference by many citizens for clientelism. Just as significantly, these authors show that communities in civil society have achieved the best results when their efforts have been supported and defended by politicians and party organizations in political society—at both the local and national levels. Making decentralization work, according to Brinkerhoff and Azfar, requires increasingly that we think beyond the civil society—political society divide.

Whereas Bland in Chapter 3 focuses on local elected institutions and Brinkerhoff and Azfar in Chapter 4 focus on local civil society, Chapter 5 offers an analysis that integrates local elected institutions and local civil society into a single conceptual framework. According to Jesse Ribot, Ashwini Chhatre, and Tomila Lankina, a broad array of local institutions and organizations have received additional powers and resources as a result of decentralization. Nowhere is this more critical than in the natural resource activities included in the survey that these authors conduct in their chapter. But in numerous cases, governments, international development agencies, and large nongovernmental organizations (NGOs) have supported forms of decentralization that sideline and circumvent local elected institutions in favor of nonelected actors, including private bodies, customary and religious authorities, and local NGOs. Decisions by donors, the national government, and national NGOs to “recognize” these other local actors means that fledgling local governments often receive few public powers—despite decentralization—and that they increasingly face competition for legiti-

macy from parallel authorities. According to Ribot, Chhatre, and Lankina, this recognition of parallel authorities can take place through a variety of mechanisms that are common under decentralization, including project-based partnerships, engagement through contracts, and participation in dialogue and decisionmaking. Thus, although decentralization purports to strengthen democracy, in many countries it has channeled public resources into private bodies or autocratic authorities, with the result that the scope for citizen engagement and the quality of the public domain are both substantially diminished. As these authors warn, efforts to make decentralization work must ensure that it does not have the unintended effect of trapping individuals in customary systems they cannot influence.

Turning toward the use of decentralization as a security-enhancing measure, in Chapter 6 Joseph Siegle and Patrick O'Mahony conduct a theoretical and empirical review of the relationship between decentralization and internal conflict. Through the quantitative analysis of ethnic conflicts since 1995, Siegle and O'Mahony cast serious doubts on the merits of decentralization in conflict settings. First, these authors find that factors other than decentralization are more powerful in explaining ethnic conflict outcomes. Second, by disaggregating "decentralization" into different types of changes, they find that these different changes generate different outcomes. For example, they find that higher levels of subnational expenditures and employment are linked to lower levels of ethnic conflict while subnational governments that have significant tax revenue and residual governing authority often strengthen societal divisions and fan secessionist aspirations. According to Siegle and O'Mahony, then, the study of how decentralization can work as a conflict-mitigating strategy needs to proceed on the basis of a more finely grained understanding of decentralization as a phenomenon that involves many different types of component changes.

As the chapters that constitute the core of this volume remind us, decentralization has been adopted in a range of diverse contexts and toward a variety of distinct goals. This variation underscores the importance—but also the myriad challenges—of developing universal indicators that can be used to evaluate decentralization around the world, which is a task that Kent Eaton and Larry Schroeder take up in Chapter 7. According to Eaton and Schroeder, scholars working from a number of separate disciplinary bases have generated useful indicators of decentralization in its three main dimensions: political, fiscal, and administrative. This chapter brings together in a single place those indicators that have been most consistently emphasized by political scientists, economists, and public administration experts. But it also questions the disciplinary approaches that have dominated the development of indicators in recent years and that make it difficult to determine

how decentralization functions across its different dimensions. Eaton and Schroeder conclude that figuring out whether decentralization is working as a means toward democracy, development, or security will require the more integrated use of political, fiscal, and administrative indicators.

In Chapter 8, Paul Smoke concludes the volume by bringing into the discussion a topic that has been neglected in the literature on decentralization, despite its importance: implementation. According to Smoke, scholars in this literature have focused in detail on questions of design, debating the relative merits of different designs for decentralization processes without sufficiently exploring the many obstacles that arise in the implementation phase. From the perspective of both national and local governments, he surveys the most significant challenges that threaten successful implementation, including the need to build rapidly the capacity of subnational governments that have suddenly taken on new roles, and the difficulties of coordination not only among central government agencies, but also among external donor. Drawing on evidence from Cambodia, Indonesia, Kenya, and Uganda, Smoke argues for the importance of adopting a flexible and pragmatic approach to the implementation of decentralization. In the end, making decentralization work will require a much more strategic view of implementation, whether democracy, development, or security is the overarching goal that motivated the initial decision to decentralize.

Notes

The opinions expressed in this chapter are solely those of the authors and do not necessarily reflect those of the US Agency for International Development or the US government.

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1. For two cross-regional edited volumes that survey these changes, see Oxhorn, Tulchin, and Selee (2004); and Smoke, Gomez, and Peterson (2006).

2. In addition to questioning support for decentralization where it reinforces subnational authoritarian enclaves within nationally democratic regimes, it is important to note more generally that the relationship between national regime type and decentralization can be quite complex. For example, national governments in China in the 1980s and 1990s and in Latin America in the 1960s and 1970s adopted changes that had important decentralizing effects despite the authoritarian character of these governments (Montinola, Qian, and Weingast 1995; Eaton 2006a). On regime type and decentralization, see Montero and Samuels (2004).

3. See Smoke (2003, 11) for the rival argument that local elite capture must not be used to validate continued centralization.

4. For the Ugandan case, see Reinikka and Svensson (2004).

5. Latin America is a case in point, where traditional political patrons in less developed regions have used clientelism to reinforce their undemocratic control over marginalized groups—in contrast to the more competitive political environments that have emerged in the more economically developed regions centered around national capitals. See O’Donnell, Cullell, and Iazzetta (2004); and Gibson (2005).

6. For an argument in favor of asymmetric decentralization, see Rowland (2001).

7. We are grateful to Paul Smoke for his help drafting this section.

8. See Harrison (2006), especially chapter 1, for a detailed exploration of the effects of interjurisdictional competition among Canadian provinces.

9. The fact that substantial capacity-building efforts are required suggests that the circumstances of developing countries may frequently and substantially diverge from the assumptions incorporated into Tiebout’s hypothesis.

10. Kasper (1995) describes “competitive federalism” and its presumed results in terms similar to market-preserving federalism.

11. This account of the essentials of market-preserving federalism is based on Weingast (2006).

12. See Inman (2008) for a quantitative study of seventy-three developed and developing countries that validates and refines previous assertions concerning the superior economic and political performance of appropriately structured federal systems.

13. See, for example, the excellent symposium in *Virginia Law Review* 83 (7) (1997).

14. For alternate views that challenge the MPF explanation for China’s transition toward markets, see Wedeman (2003) and Thun (2004).

15. More fundamentally, Montero’s (2002) work on subnational industrial policy in Brazil questions the emphasis that MPF places on markets by showing how some subnational states (e.g., Minas Gerais) intervened in the private sector in ways that enhanced long-term prospects for development.

16. Shleifer and Vishny (1998) argue that Polish local governments have been much more successful than Russian local governments following the breakup of the Soviet Union because Polish local governments believed (correctly) that success in local economic development would result in significant increases in local government revenues, whereas Russian local governments believed (correctly) that local effort would not be rewarded by central authorities.

17. See P. Collier et al. for the argument that “federal systems combined with two-chamber parliaments” can help protect minorities in postconflict settings (2003, 124).

18. Decentralization in these settings is especially dangerous because it can be difficult to take back resources and responsibilities once they have been transferred.

19. For example, de Silva argues that in the regions of Sri Lanka that have been most affected by the armed conflict, “innovative local government institutions” are more promising than the adoption of more radical and potentially destabilizing reforms (2000, 203).

20. In the Philippines, for example, subnational governments in the Autonomous Region of Muslim Mindanao received additional powers and

resources as part of an attempted political settlement to the armed conflict in that region (Gutierrez et al. 2000).

21. In Colombia, President Alvaro Uribe has introduced a form of asymmetry by replacing democratically elected mayors with military officials in those select municipalities where the central government has been unable to prevent the violent appropriation of decentralized funds.