2 DECENTRALISATION, GOOD GOVERNANCE AND THE ROLE OF LOCAL GOVERNMENT IN DEVELOPMENT IN LATIN AMERICA: A REVIEW OF THE LITERATURE

Decentralisation has become a popular concept among both international donor organisations and developing countries. Helmsing (2000, p. 1) writes that: ‘…of the developing countries with a population of more than five million, 63 are actively pursuing decentralisation policies that devolve functions and responsibilities to local government.’

The increasing popularity of decentralisation should be interpreted within the wider context of state reform and democratisation. The belief in a strong central state has weakened considerably in recent decades, as the failure of the state to respond adequately to the needs of the population became apparent, in particular in the provision of basic services. Also, the tendency towards democratisation, which began in the early 1980s, raised questions about a broader context for development, and the role of the population in local decision-making. This debate generated a new perception of the centralised state and its functions. The ideas on the role of government began to shift. Government was replaced by an emphasis on governance. Governance refers to the complex system of the traditions and institutions by which authority in a country is exercised, and includes both the public and the private sector. In fact, as Helmsing (2000, based on Stoker 1998) observes, ‘governance is a different way of governing’. It is assumed that decentralisation offers ample room for better governance – even good governance – which ultimately – is assumed - should lead to development.

This chapter presents a review of the literature on decentralisation, good governance and the role of local government in local development, in particular within the context of Latin America. The first section gives an overview of the changing role of the state from a historical perspective. In the second section, the concept of decentralisation is introduced, presenting the various forms decentralisation can take and citing the motives in favour and against. In the third section the concept of governance is discussed, and in the fourth section the focus is on the relation between decentralisation and local development, presenting an overview of factors conditioning this relationship. The final section analyses the main findings and presents the conceptual framework.

2.1 The changing role of the state

In recent decades, much has been written on the changing role of the state in Latin America. Many elements in the make-up of the Latin American state date back to colonial times (Vellinga 1998, p. 5; Nickson 1995). The outcome was a centralised authoritarian state where the legal order and bureaucratic structure required to delegate power was lacking and with ‘structural inequalities imbedded in the organisation of the economy and society and the social, economic and political exclusion of the poor’ (Vellinga 1998, p. 2). Veliz (1980, p. 3-4) attributes the centralist character of the Latin American state to a number of factors, such as the absence of feudalism and religious conformity, the lack of ‘any occurrence or circumstance over time that could conceivably be taken as the counterpart of the European Industrial Revolution’ and the absence of
‘those ideological, social and political developments associated with the French Revolution’, that impacted heavily on the transformation of western European society. The majority of the Latin American countries had achieved independence from Spain by 1830. The end of colonial rule created a power vacuum. The integrative mechanisms of colonial times disappeared (Wiarda 1998, p. 36), the previously privileged groups in society lost legitimacy and their successors lacked strong social, economic and political base, resulting in anarchy and disruption. Only after 1850 this situation stabilised, with the increase of population, the development of a state apparatus and the integration into the world economy.

During the twentieth century, the Latin American state underwent considerable expansion, growing in size and increasing its areas of influence. In the 1930s the developmental state arose, aimed at developing the domestic market through a strategy of import substitution. Its functions came to cover an even expanding area of influence. Populism was used as a political formula that included effective mechanisms of class control and guaranteed the stability of the market.

In the 1950s, 1960s and 1970s, this model met its limits and entered into crisis. Societal support crumbled. The military regimes that emerged reinforced the bureaucratic-authoritarian character of the state. Bebbington (1997, p. 1757) characterises Latin America in those decades as ‘being dominated by bureaucratic authoritarian, often repressive, socially exclusive but quite interventionist states’. At the end of the 1970s the military regimes withdrew. A trend towards democratisation set in, creating a perspective of political and social participation for formerly marginalised population groups.

The debt and financial crisis at the end of the 1970s, the economic collapse of the early 1980s, and the subsequent implementation of structural adjustment policies meant a serious threat to the trend towards democratisation. The three most important pillars of the economy in the previous three decades – i.e. an export sector mainly based on primary products, import substituting industrialisation and the public sector – were seriously affected (Sojo 1996 p. 70). As a result, the state withdrew, leaving several policy voids (Glade 1997). The state’s capacity to define and implement policies was seriously affected. This applied both to economic policies and to important sectors attending people’s basic needs. In this respect, Helmsing (2000, p. 5) points towards the increasing gap between state and society.

‘The centralised developmental state became increasingly incapable of performing a socially relevant function for growing numbers of urban and rural people, mostly employed or self-employed in the rural economy and urban informal sector and living in villages or dispersed in the rural areas or in urban squatter settlements.’

The failure of the state to provide public services resulted in an increase of the role of the civil society, in particular that of NGOs and community-based organisations in this field. A call for a more efficient, smaller state emerged in the 1980s, assigning an important place to decentralisation, defined as the transfer of responsibilities and functions from the central to the sub-national level. Before turning to the factors that explain this phenomenon, we will pay attention to the meaning of decentralisation, the various forms it can take, and the arguments in favour or against it.
2.2 The concept of decentralisation

Decentralisation means the transfer of authority and responsibility for public functions from the central government to subordinate, lower government organisations or the private sector. Generally, four different types of decentralisation can be defined: political, administrative, fiscal and economic.

Political decentralisation intends to give citizens and their elected representatives more power in public decision-making. Key words in this process are pluralistic politics and representative government. It is also meant to support democratisation by giving citizens or their representatives more influence in the formulation and implementation of policies that affect their interests. Political decentralisation may lead to the state of devolution, the most complete form of decentralisation, as it transfers the authority for decision-making, finance and management to semi-autonomous units of local government. In practice the responsibility for public services will be assigned to municipalities with an elected mayor and elected municipal council. They can raise their own financial resources by levying taxes and can independently make investment decisions. The region of influence of these local governments will, in general, be a geographical area with sharply defined boundaries.

One of the major arguments in favour of political decentralisation is that it can improve the relationship between citizens and policy makers by narrowing the gap between them. Activities associated with political decentralisation are constitutional or statutory reforms, the establishment and development of pluralistic political parties, the creation of local political entities and the stimulation of public interest groups.

Administrative decentralisation is aimed merely at distributing the powers, responsibilities and financial resources needed for the provision of services within the public sector, from the central government and associated offices to field units of government agencies, lower-level units or semi-autonomous units. Within administrative decentralisation, two degrees can be discerned: deconcentration and delegation. The former means the redistribution of decision-making authority and financial and management responsibilities among different levels of the central government. It is operated mostly in unitary states. The degree to which the local level is incorporated varies from a mere change of location, to the establishment of strong and qualified field units, which remain, however, under the control and supervision of the central government. Therefore, deconcentration entails the least extensive form of decentralisation. Delegation implies the transfer of responsibilities for decision-making and the administration of public functions to semi-autonomous entities. These entities are not entirely administered by the central government. However, they are accountable towards the central level. Examples of such delegated entities are certain public enterprises and corporations, institutes providing housing and transport, regional development corporations and project implementation units. In some cases their special status includes the possibility to charge for the services rendered.

Decentralised units must have sufficient financial funds and the power to make investment decisions, in order to effectively implement transferred responsibilities in the provision of services. Fiscal decentralisation is an instrument serving such financial autonomy. The ingredients of fiscal decentralisation can be the raising of own resources by charging users for public services; the levying of taxes; co-financing or co-production,
in which users support the implementation of service projects with money or the input of labour; the transfer of tax revenues from the central level to the decentralised units; and the possibility for decentralised units to borrow, by means of loan guarantees. Cases of fiscal decentralisation show that sometimes the decentralised level lacks the legal authority to levy taxes and borrow funds. When local governments have this authority, the tax base is often too small, and as also the ability to operate an efficient tax system is missing, no attempts are made to fully exploit this option.

Economic decentralisation is also called market decentralisation. It can be considered – at least from a governmental perspective – the most complete form of decentralisation, as functions and responsibilities are transferred from the public to the private (market) sector. Privatisation and deregulation are used to transfer former governmental functions to enterprises, community groups, cooperatives and other NGOs. It can imply that services are entirely provided by private enterprises, or through public-private partnerships. Through deregulation, legal constraints on the participation of the private sector in the provision of former public services can be eliminated or reduced.

2.2.1 Motives for implementing decentralisation

The rationale for implementing decentralisation policies varies, and over time the emphasis has shifted from economic objectives – such as promoting economic and regional development, and increasing efficiency of service delivery – to bringing about democratisation. In the new approach to decentralisation, the changing relations between state and civil society are taken into consideration (Helmsing 2000, p. 5; Blair 2000, p. 21).

Economic motives
In the 1960s and 1970s, decentralisation was often justified on economic grounds. Economic arguments include the expectation that decentralisation would reduce congestion at the centre, often a rapidly urbanising capital city. It was also thought to have a positive impact on efficiency with respect to the provision of public services, lower-level government being closer to the clients and being more responsive to local demands. This lack of proximity was seen as an explanation of the shortcomings of integrated rural development programmes (Rondinelli 1984). Also, decentralisation is thought to facilitate the levying of taxes, as people will be more willing to pay for services that reflect their own priorities. In some cases, it was thought it would off-load obligations from central governments to lower levels, facilitating expenditure cuts and reducing the public deficit (Manor 1999; Smith 1985).

One positive effect of decentralisation concerns the ‘multiplier effect’ in the local economies: the execution of centrally financed public works at the local level by local contractors, leading to an increase in local employment opportunities. In Guatemala, prior to 1986, the central government used to hire firms based in Guatemala City to execute public works in the provinces. Now, due to increasing autonomy for tendering, local public works are executed with local labour and locally produced materials. This way, a considerable part of the funds allocated to local government will be spent within the municipality (Rendon Labadan 1996).

To conclude, decentralisation was expected to reduce regional inequalities and enhance local development. Giving more decision-making power to the lower levels of public administration was thought to provide incentives to confront regional problems.
Political motives
More recently, authors mention political motives as the main incentive for decentralisation. Smith (1985) and Litvack and colleagues (1998) argue that the majority of decentralisation policies have been inspired by such motives. They maintain that decentralisation must be seen as a result of pressure from below. Manor (1999), however, found that pressure from below will seldom be a decisive factor leading to decentralisation. Decentralisation is viewed as an instrument to achieve national unity, as the increased participation of civil society is thought to have a favourable impact on the legitimacy of governments and on ethnic conflicts within the national territory. This perspective assumes a democratising effect of decentralisation, fomenting popular participation. This explains why many countries decided to implement decentralisation policies after the transition from military rule to democracy. The failure of central governments and the decline in quality of central leaders further contributed to the popularity of decentralisation.

Smith (1985) emphasises the need to mobilise the poor and involve them in alleviating poverty. Democratic decentralisation will help them advance and support in meeting local needs. Decentralisation, in general, will support democratisation through the learning effect, as a transfer of responsibilities to civil society may lead to increased civil awareness and political maturity.

2.2.2 Problems while implementing decentralisation

Despite all the arguments in favour of decentralisation, several authors emphasise that, thus far, decentralisation in developing countries has almost everywhere fallen short of expectations (Smith 1985; Manor 1999). Cheema and Rondinelli mention that:

‘Implementation is not merely a technical process of carrying out preconceived plans, but is a dynamic and somewhat unpredictable process of political interaction. A variety of political, social, behavioural, economic and organizational factors influence the degree to which policies are implemented as they were intended and the degree to which they achieve their intended goals’. (1983, p. 26)

The reasons for the disappointing results of decentralisation can be traced back to a number of factors. Often only limited power is transferred to the lower levels. Financial autonomy at these levels is often restricted, as they are not given access to credit or the permission to levy taxes. The limited amount of funds transferred to lower levels hamper the implementation of projects. With respect to these financial aspects of decentralisation, Manor (1999, p. 28) mentions that the implementation of decentralisation projects will often lead to an increase of total government spending, causing system failure as only limited funds are available. The limited transfer of functions and funds often can be traced back to the lack of political will at the central level to really delegate power to the regional and local level. The central level remains strongly involved in the politics at these levels, often replacing elected bodies by a representative of the central government.

The lack of capacity at the local level with respect to human resources and infrastructure constitutes another factor hampering the implementation of decentralisation projects. Often, employees at the local level are not capable of performing the functions that are being transferred, simply because they have not received the appropriate training. A lack of infrastructural capacity hampers particularly rural, often small municipalities, as they cannot meet the technical requirements.
Prud’homme (1995) offers a critical analysis of present decentralisation projects. He concludes that, instead of reducing disparities, decentralisation will increase them at several levels. He considers the macro-economic effects of decentralisation generally to be negative, and he disagrees with the argument that decentralisation will increase the efficiency of public policy. Most of Prud’homme’s criticism stems from the implementation of decentralisation as a blueprint scenario. Instead of this, he calls for a differential application of the various dimensions of decentralisation, such as systems for taxation and public expenditures per sector, function and/or geographical area.

2.2.3 Decentralisation in Latin America

Latin American states are very centralist in their organisation and functioning. The origins of this phenomenon centralism lie in the past: Spanish colonial rule introduced a political-administrative structure with decision-making authority concentrated in central government (Nickson 1995). During the twentieth century, most countries began to transfer functions to lower-level governments. To properly understand these decentralisation processes, we will analyse the factors that have determined the form these decentralisation efforts have been taking.

First, paradigms long having dominated the development debate such as the modernisation and dependency theories have given way to theories such as public choice theory that introduced institutional analysis in public policy (Manor 1999, p. 28).

Second, the donor-driven search for good governance in developing countries has led to a critical analysis of the functioning of the state apparatus. The failure of large, integrated rural development programmes implemented in a top-down manner was attributed to the state’s incompetence and was illustrated by the ‘hollowing out’ of the state (Nickson 1995; Schuurman 1996, p. 8; Helmsing 2000, p. 5). In reaction, a more participatory, bottom-up approach to development problems was called for, with a greater role for lower tiers of government. It was thought that public performance at the local level would be much more efficient and responsive to the needs of the urban and rural poor.

Third, the collapse of the authoritarian, autocratic regimes and the trend towards democratisation, stimulated the drive for decentralisation, particularly the democratic variant (Schuurman 1996, p. 9; Manor 1999, p. 30).

Fourth, some authors believe globalisation being a driving force behind decentralisation processes. Schuurman (1996, p. 8-9), following Naisbitt (1994) and Swyngedouw (1992), argues that globalisation results in a ‘radical downsizing’ of the economy, with smaller but more autonomous units united around a global network. Swyngedouw (1992, p. 40) refers to this relation between the local and the global as ‘glocalisation’. Other authors take issue with this position. Manor (1999, p. 34) argues that it is more correct to view the occurrence of decentralisation policies as being unconnected with the emergence of globalisation, since most decentralisation processes were implemented before the respective governments became aware of the challenges of globalisation. Moreover, governments that fear losing control over matters they are used to dominate are not likely to be eager to devolve even more functions to lower levels.

Fifth, financial arguments have supported the drive towards decentralisation. In the late 1970s and early 1980s, many Latin American countries were confronted with a financial crisis and were no longer able to meet the obligations flowing from their foreign debt. The decentralisation of functions was viewed as an opportunity to unburden the
Decentralisation policies in Latin America are generally a mix of the four types (Manor 1999). Most countries have transferred functions and funds to lower levels where officials have been elected by the population. The moment of decentralisation, the share of sub-national levels in total public spending and the functions transferred to lower government levels have varied between countries.

The far majority of Latin American countries introduced decentralisation measures in the 1980s (Table 2.1). When analysing the level of decentralisation, distinction should first be made between the federal countries and the unitary countries. The first include Argentina, Brazil, Mexico and Venezuela, where decentralisation is mainly focused on strengthening the position of the intermediate levels – the provinces (Argentina) and the states (Brazil, Mexico and Venezuela). In unitary countries the main focus of decentralisation is on the local, municipal level. Peru, which strengthened the provinces, is an exception here.

The level of decentralisation can be measured by the share of public expenditures handled by sub-national governments. Here, we can distinguish three broad categories (Table 2.1): those countries with a high level of decentralisation (more than 20% of total public expenditure), those with a moderate level of decentralisation (between 10-20%) and those with a relatively low level of decentralisation (less than 10%) (IDB 2000, p. 3; Willis 1999; Burki et al. 1999). Although a considerable amount of public expenditures is managed by sub-national government levels, the central government often retains the decision-making power in the allocation of the funds transferred. This implies that this kind of decentralisation refers more to administrative decentralisation, in particular delegation, than to devolution (IDB 2000). Ideally, the functions transferred should be allocated according the subsidiarity concept, with decisions made at the lowest possible level of government. However, in most Latin American countries this is only partially the case, leading to the sharing of functions among the different government levels and the lack of a clearly demarcated division of functional responsibilities. In the least decentralised countries the responsibility of the local level is generally limited to classic functions such as the maintenance of public services and waste management. In moderately decentralised countries, primary health care and education, urban planning and social housing form also part of the responsibilities of the local level. In highly decentralised countries, regional highways, welfare systems and secondary health and education belong to the main functions that are executed at the intermediate level. Typical central functions are defence and national highways.

In explaining the variation in the form and extent of decentralisation between different Latin American countries, Willis and colleagues (1999, p. 49) found that excessive decentralisation set countervailing pressures in motion, leading to centralism. This is the result of a lack of political autonomy, a failure to transfer adequate funds and power to levy taxes, fiscal imbalances and an unequal distribution of benefits of decentralisation across jurisdictions.

The emergence of political motives that inspired decentralisation projects have led to renewed attention for the local level, the municipalities; also in federal countries such as Mexico and Brazil (Box 2.1).
Box 2.1  Examples of decentralisation policies in some Latin American countries

In Mexico, decentralisation in the 1980s was adjusted, in order to strengthen local governments in their need to deal with the effects of rapid urbanisation. Although Mexican decentralisation involved a transfer of functions and responsibilities in the fields of education, health and funds to sub-national levels (Martínez 1996), some authors consider this policy as an instrument used by the central government to assert its control (Rodríguez 1993).

Brazil is one of the most decentralised countries in the world in terms of the distribution of fiscal resources and political power. In 1988, the Brazilian government 'municipalised' the health system. States and municipalities may now formulate their own health policies, based on nation-wide guidelines. Municipalities have total responsibility for the management of the health system, including policy formulation and planning, resource allocation, and the monitoring and evaluation of public and private health providers. Within this decentralisation of the health sector, several stages are identified with different conditions. The responsibilities of the municipalities increase according to the stage they are in. The political strength and financial resources of sub-national governments have been improved. However, federal governments are experiencing financial constraints and face difficulties in building governing coalitions. One of the difficulties encountered and an unintended effect is the persistence of clientelism and the creation of manoeuvring room for traditional elites (Souza 1996, p. 553-554).

Peru, Ecuador, Colombia and Chile have also undergone decentralisation processes. Peru started a decentralisation programme in 1984 in order to promote employment and give local governments more autonomy. In 1988 measures such as quarterly meetings with neighbourhood organisations were added, with the aim to increase the participation of the population in local decision-making. A general criticism of decentralisation policy in Peru is that, in reality, it was motivated by the desire to increase presidential influence in the regions outside Lima. In addition, the functioning of local governments has been seriously threatened by the guerrilla activities of Sendero Luminoso (Shining Path) and the centralist attitude of the Fujimori presidency in the 1990s.

In Ecuador, health and education have been decentralised. This sectoral approach was further expanded in 1985 by involving regional and local government levels in planning and measures aimed at increasing the participation of the population.

Colombia started decentralising in 1986 when it introduced a package of legislation aimed at the treasuries, duties and powers of municipal governments, creating new mechanisms for citizen participation. Here, as in Chile, decentralisation involved devolving decision-making power to lower levels. However, decentralisation in these countries remained limited to the decentralisation of education and health, since financial control is still in the hands of the central government.

In Honduras, decentralisation was initiated in 1990 through the Municipalities Act. Although this act was intended to transfer political decision-making, the process functioned more as a de-concentration project (Salomon and Avila 1998). The decentralisation process was hampered by the limited transfer of resources as compared to the responsibilities assigned, a lack of local capacity, and severe limitations on popular participation.

2.3  Good governance

Governance is a new concept on the research agenda and is often viewed as a desired outcome of democratic decentralisation. A World Bank publication on Africa introduced
the concept in 1989 by stating that a ‘crisis of governance’ was underlying Africa’s development problems. The perspective caught on and ‘governance’ became a buzzword. Some publications emphasise the importance of democracy and human rights, but most of them required a rather technocratic view – at least until the mid-1990s – focusing on management and administration as the key themes of good governance.

The popularity of the concept and the increasing attention for governance issues, can be attributed the following factors (Leftwich 1994, p. 366):

a. the experiences with structural adjustment in the 1980s;
b. the dominance of neo-liberalism,
c. the collapse of the official communist regimes in the 1990s; and
d. the emergence of pro-democracy movements in the developing world.

The implementation of structural adjustment programmes led to increased awareness of the importance of politics as the only option towards change. Adjustment produced a redistribution of resources and power to be implemented by the government who saw its ability to organise and execute policy be put to the test. As Leftwich states: ‘The experience with adjustment confronted the international institutions and bilateral donors with the reality of incompetent and often corrupt government in many developing countries’ (1994, p. 368). The remedy for this ‘incompetent and corrupt state’ was, however, one-sidedly looked for in managerial and administrative strategies, ignoring the important political issues that had undermined the quality of government at the first place.

Neo-liberalism – which inspired the adjustment strategies – supported the idea of democratic politics and the creation of an efficient and accountable public policy as part of a free market economy. The concentration of political and economic power in the hands of the central state was regarded as excessive and counterproductive. In response, many western governments (represented by several multilateral organisations, such as the World Bank and the IMF) promoted good governance as a condition for sustainable economic growth. The collapse of communist regimes in the early 1990s underlined the importance of governance. In addition, western countries could now explicitly mention political criteria and impose conditions of democratisation and economic liberalisation without having to fear of ‘losing’ third world countries to the other camp. Economic and political liberalisation, decentralisation and governance came to dominate the development debate. The movements towards democratisation that emerged in the course of the 1980s in the wake of authoritarian governments further supported the call for good governance.

Harpham and Boateng (1997), in a study on urban governance and urban services, explain the current focus on governance as a reaction to a perspective on development that placed too much emphasis on economic factors, bypassing the role of socio-political variables. The latter were considered too difficult to handle for donor organisations, which were afraid of being accused of meddling in the internal affairs of other countries. Introducing the concept of governance in development cooperation, however, created a new situation and a shift towards strategies emphasising the importance of institutions. Several definitions of governance have been formulated since the concept first appeared on the development agenda. Halfani and colleagues (1994, p. 35) state that ‘governance, as distinct from government, refers to the relationship between civil society and the state, between rulers and the ruled, the state and society, the government and the governed’.
Paproski (1993) emphasises the dynamic of the concept, by defining it as:

‘… a system of socio-cultural, political, and economic interaction among the various actors of the public and private institutions of civil society. The character of the system varies and changes through processes involving the exercise of power and authority with the inherent aim of enforcing the legitimacy of the existing power and authority structures, particularly through selective delivery and distribution of goods and services to the individual and collective groups in civil society.’

While conceptualising, the concept of good governance was developed. This term has now become widely accepted, although some international donor organisations prefer to use ‘decentralised governance’ (EU) or ‘democratic local governance’ (UNDP) instead. In this study, however, we will use the term good governance. Four criteria will determine good governance and distinguish it from just ‘governance’ (see UNDP, 1998): good governance should be participatory, accountable, transparent and contribute to equity. Each of these dimensions will be discussed below.

2.3.1 Participation

During recent decades, the concept of participation has undergone some significant changes of meaning. For a long time, the concept was used as social participation and referred to sharing in community affairs and the implementation of development projects (Gaventa and Valderrama 1999), and research concentrated on the dynamics of social movements and self-help groups. More recently, the concept has gained a wider significance and has come to include the sharing of the population in local decision-making processes, the result of the implementation of democratic decentralisation. This type of participation is generally referred to as political participation and it can be direct or indirect. Indirect political participation refers to the ability to elect representatives and can also be defined as representative participation. Direct political participation means the actual sharing of the population in local decision-making processes and the process of planning, formulating and implementing public policy, through legally recognised mechanisms (Schönwalder 1997, p. 756). This assumes direct interaction with the state and its institutions as equal partners.

The relationship between decentralisation and popular participation can take two forms. Popular participation can be supporting decentralisation by increasing the effectiveness and efficiency of development projects and public programmes at the local level. In this way, popular participation is often limited to consultation and aid in the implementation phase of development projects. Schönwalder (1997, p. 756) calls this form the pragmatic approach to decentralisation, as opposed to the political approach, which uses popular participation not merely as an instrument but defines it as an objective. Popular participation, according to the political approach, increases its reach, including the phases of project planning and evaluation, and aims at a direct involvement of civil society organisations in decision-making processes in areas that affect their interests.

The incorporation of popular participation into local decision-making in the various countries – as various studies indicate – does not meet all expectations despite its promising perspectives, Schönwalder (1997) mentions three basic reasons: the way local power structures are composed, with limited access for the popular strata; resistance to political change among local or regional elites and lack of political will at the higher
government levels to hand over political power to the lower levels; and the co-option of popular movements into local elites and other local actors neutralising their influence.

Traditionally, the participation of the population in government decisions is weak in most Latin American countries (Nickson 1995). Authoritarianism has remained a significant characteristic of Latin American political systems. Community participation in everyday life, however, is very common, particularly in countries with a large indigenous population, such as Guatemala and Peru, even though this participation has not been able to change their social exclusion from society. In the past decades, the presence of military governments – authoritarian and centralist – had a strong negative effect on popular participation in local decision-making. In present day Latin America, popular participation has many different faces, and varies from the participatory budgeting in large cities, such as in Buenos Aires (Argentina), Porto Alegre (Brazil) and Montevideo (Uruguay) – to the consultative boards that we find in Chile, El Salvador, Honduras and Nicaragua.

Table 2.1 summarises the main ingredients of decentralisation policies in several Latin American countries, including the main features of popular participation. Based on these features, we can distinguish between countries with a high degree of popular participation, those with a moderate degree of popular participation, and those in which popular participation has been weakly developed. The city of Porto Alegre (Brazil) has been generally regarded as an outstanding case of participatory budgeting. It is currently serving as a model in 140 Brazilian municipalities (Van Lindert and Nijenhuis 2001, p. 99). Participatory budgeting was introduced in 1988 by the leftist Partido dos Trabalhadores (PT). The neighbourhood organisations discuss the priorities for local investments through an intensive system of assemblies, forums and intermediate consultations and close contact with the municipal government at the local level (Abers 1998). A similar situation is presented by Canel (2001) in his research on the impact of decentralisation in Montevideo, Uruguay. He found that decentralisation contributed to a more democratic type of municipal governance, by facilitating local participation in municipal decision-making. In Colombia popular participation includes giving local communities electoral power, establishing local referenda, introducing public-private partnerships in service delivery, and setting up citizen advisory boards (Santana Rodríguez 1995). The municipal funds foster community involvement in identifying local needs, and help to define instruments to attend those needs. In Honduras popular participation has been rather moderate. The Municipal Reform Law of 1990 introduced open municipal meetings. It also granted citizens the right to participate in the planning of development and the use of resources at the municipal level. An evaluation of popular participation in Honduras (Lippman and Pranke 1998) revealed, however, that the open meetings were, more often than not, purely ceremonial and that popular participation only functioned well in those municipalities where intensive support programmes were being implemented. Mexico presents another example of moderate popular participation in local decision-making. In 1989 it implemented the National Solidarity Programme (PRONASOL), a World Bank-financed project that targeted the urban poor, small peasants and indigenous communities (Fox and Aranda 1996; Rodríguez 1997). One of the elements of this programme was the Municipal Funds programme, through which the government channelled significant resources to municipal governments. With these funds, local development projects, identified by the local communities, could be funded. However, the distribution of funds was very much conditioned by political preference and the political will to decentralise in a substantial way was not always present. In Peru and Guatemala popular participation has been seriously hindered by the political situation.
Table 2.1 Decentralisation and popular participation in Latin America: some characteristics

<table>
<thead>
<tr>
<th>Country</th>
<th>Year of reform (a &amp; b)</th>
<th>Share of sub-national public expenditures (in %) (e)</th>
<th>Share of local government in total expenditures (in %) (a)</th>
<th>Degree of popular participation</th>
<th>Characteristics of popular participation (a &amp; b)</th>
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<tbody>
<tr>
<td><strong>HIGHLY DECENTRALISED</strong></td>
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<tr>
<td>Argentina</td>
<td>1983</td>
<td>49.3</td>
<td>9 (1992) (d)</td>
<td>Low</td>
<td>No specific measures; some interesting initiatives;</td>
</tr>
<tr>
<td>Brazil</td>
<td>1988</td>
<td>45.6</td>
<td>18 (1991)</td>
<td>High</td>
<td>Referenda, popular tribunal, participatory budgeting participation by representative bodies</td>
</tr>
<tr>
<td>Mexico</td>
<td>1977</td>
<td>25.4</td>
<td>3 (1990)</td>
<td>Moderate</td>
<td>Solidarity programme 1989, participation of citizen groups in selection/implementation of projects</td>
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<tr>
<td>Venezuela</td>
<td>1989</td>
<td>19.6</td>
<td>7 (1989)</td>
<td>Moderate</td>
<td>Parish councils, consultative role with additional measures</td>
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<tr>
<td><strong>MODERATELY DECENTRALISED</strong></td>
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<td>Uruguay</td>
<td>1984</td>
<td>14.2</td>
<td>4 (1986)</td>
<td>Low</td>
<td>Departments instead of municipalities; local boards, but lack of demand; the case of Montevideo</td>
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<tr>
<td>Chile</td>
<td>1986</td>
<td>13.6</td>
<td>11 (1991)</td>
<td>High</td>
<td>Community council: advisory role</td>
</tr>
<tr>
<td>Peru</td>
<td>1984</td>
<td>10.5</td>
<td>8 (1987)</td>
<td>Low</td>
<td>Lima also PP, but Sendero / Fujimori activities limited PP</td>
</tr>
<tr>
<td>Guatemala</td>
<td>1987</td>
<td>10.3</td>
<td>10 (1987)</td>
<td>Low</td>
<td>Military regime, minimal citizen participation</td>
</tr>
<tr>
<td><strong>LOWLY DECENTRALISED</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ecuador</td>
<td>1982</td>
<td>7.5</td>
<td>5 (1992)</td>
<td>Moderate</td>
<td><em>Cabildo ampliado</em>, not directly elected</td>
</tr>
<tr>
<td>Paraguay</td>
<td>1991</td>
<td>6.2</td>
<td>2 (1988)</td>
<td>Low</td>
<td>Development commissions, some particular initiatives</td>
</tr>
<tr>
<td>El Salvador</td>
<td>1986</td>
<td>6.0</td>
<td>3 (1990)</td>
<td>Moderate</td>
<td><em>Cabildos abiertos</em>, popular consultations, advisory community groups</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>1988</td>
<td>5.2</td>
<td>5 (1989)</td>
<td>Moderate</td>
<td>Two <em>cabildos</em> (budget/implementation), municipal councils</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>1967</td>
<td>2.3</td>
<td>4 (1989)</td>
<td>Low</td>
<td>Community groups, limited role local government</td>
</tr>
<tr>
<td>Panama</td>
<td>3.2</td>
<td>2 (1991)</td>
<td>Low</td>
<td></td>
<td>Nation-wide, sub-municipal level, but more miniature governments than independent bodies</td>
</tr>
</tbody>
</table>

Sources: (a) Nickson (1995); (b) Burki et al. (1999); (c) Faguet (2000); (d) Willis, 1999; (e) IDB, 2000
Rendon Labadan (1996) shows in her study of the relationship between decentralisation and citizen participation in Guatemala that decentralisation – by creating more political space at the local level – may benefit the traditional elites who dominate the local power structure and have easy access to local authorities through clientelistic networks. Only in case that local elites manage secure funds for local investment, are successful in establishing relationships with the central government and are thus capable of strengthening local political dynamics, this type of decentralisation may benefit the community at large. In Costa Rica and Ecuador, popular organisations tend to bypass local governments by directing their demands directly to the central government. Martínez (1996) describes popular participation in Ecuador as ‘institutionalised’, because of the government’s dominant role and the limited room for the people to really have an say in the planning on the local level in areas that affect their interests.

### 2.3.2 Accountability and transparency

Transparency can be described as sharing information and acting in an open manner. In the United States this is called ‘government in sunshine’. This openness allows stakeholders access to information and check procedures in order to see whether there has been a deviation from the rates in whether any abuse has taken place. In a decision-making process that is transparent people can defend their interests. Whether a process is transparent or not depends on a number of factors, such as the presence of clear procedures for public decision-making, open channels of communication between stakeholders and officials, and access to a wide range of information. Generally, decentralisation enables greater transparency and hereby enhances the legitimacy of local political institutions. But it can also have unintended effects, as is illustrated by the case of Karnataka, India (Manor 1999, p. 75).

In the late 1980s, Karnataka implemented decentralisation by holding elections for district and local councils, followed by a transfer of resources and responsibilities to these councils. Transparency of local decision-making led to a decline of corruption in the political system. However, the perception of the population was that corruption had increased dramatically because in the more transparent decentralised set-up, it was far more visible than before. As a result, the decentralised, more transparent system appeared less legitimate than the one which had preceded it.

Accountability can be defined as the need to clearly demarcate ‘who is responsible for what’ (Burki et al. 1999, p. 5). This aspect, as Burki and colleagues emphasise, is strongly related to the aspect of authority, in the sense that those who are accountable should also have the authority to deliver results. The definition used by the UNDP is more detailed: ‘the requirement that officials answer to stakeholders on the disposal of their powers and duties, act on criticisms or requirements made of them, and accept some responsibility for failure, incompetence or deceit’ (UNDP 1998). Accountability takes various forms. Polidano and Hulme (1997) distinguish administrative and political accountability. The former refers to control within government institutions and includes input-oriented control (human resources, financial) and output-oriented control (services delivery); both are not easy to realise. Political accountability refers to direct responsiveness to civil society: government employees must be responsive to directly elected representatives, who in turn must be open and straight with the voting public. However, as elections are held at fixed, widespread intervals, mechanisms for exercising accountability are institutionalised through political parties, interest information, civil society, media and formal grievance procedures and opinion surveys (Blair 1998, p. viii).
Transparency and accountability at the local level are often limited. Shamsul Haque (1997) mentions several bottlenecks in creating accountability at the local level in developing countries. The extreme inequality in local power structures leads to local elites controlling local institutions, excluding the poor. Local elites have the financial resources to run for office, get elected and once elected, tend to use these local institutions for their own benefit. The relations between central and local government are often based on dependency with respect to finance, responsibilities and power. Alliances between the local elite and central government serve to freeze their situation. The central government often exerts tight control over local institutions and tends to be very bureaucratic with respect to resource use and decision-making. Politics and administration at the local level are often confused. Government officials will act in favour of local elites, who in turn will reward them, closing a vicious circle. Accountability in such a situation is difficult to realise, certainly where civil society has been weakly organised and a democratic culture has been lacking that pushes for the control of local and national government. In many situations local government may be more responsive to the central government, the national political structure and local elites than to the local population.

Accountability and transparency are strongly related, as greater transparency in the activities of government institutions contributes to enhanced accountability (Manor 1999, p. 73). Decentralisation – in particular political or democratic decentralisation – can contribute to transparency and accountability at the local level through the direct election of local authorities, the establishment of institutions representing the population, and popular participation in the planning of projects/local development. Multiparty systems will offer better opportunities to participate in this process, as opposition forces constantly will raise questions about the conduct of those in government and will expose abuse and misdeeds (Polidano and Hulme 1996). Also in this case, however, local social and political practice will determine its effectiveness. Fox and Aranda (1996, p. 50) conclude that:

‘It is often assumed that decentralisation necessarily encourages more accountable governance. The impact of decentralisation on accountability depends on how representative local government was before receiving additional external resources. At least in Mexico, there is no evidence that increased external funding for municipalities, even with pro-rural targeting mechanisms attached, increases local-level accountability. ...These conclusions suggest, therefore, that increased funding without institutional change is likely to reinforce the existing institutional structure.’

2.3.3 Equity

Equity is an important dimension of good governance, in the sense that good governance should offer similar opportunities to groups or individuals in similar positions.

Equity can be applied to the other dimensions of good governance, that is, participation, transparency and accountability. Equity in participation means that all segments of the population should have equal access to participatory mechanisms, between and within groups. Equity in transparency means that all members of civil society should have the same access to information on how local decision-making is being structured. Equity in accountability means that all persons should have access to the same mechanisms to control local government, such as the right to elect authorities and to represent civil society in controlling bodies. Traditionally, decentralisation has been considered as favouring equity, both between and within regions. However, one can
only expect this to happen in case of the transfer of funds to the regional and/or local levels (Manor 1999). When local governments have to generate their own resources without receiving funds from the central government, decentralisation will not be able to reduce regional and/or local disparities, as resource-poor municipalities will have more difficulties in raising funds than the richer ones. Transfer of funds will create room for a decentralisation project to reduce regional disparities. Actual positive effects on equity will depend on a number of conditions, such as:
- the incorporation of financial distribution codes that assign more than average resources to resource-poor municipalities;
- differential assignment of functions, depending on resource presence; and
- finally, the creation of ‘municipal commonwealths’ or union of several resource-poor municipalities as a way to increase political ‘weight’ and create economies of scale.

The potential of decentralisation to reduce disparities within localities and regions is being conditioned by regional and/or local power relations, the political will of elites to support projects of redistribution in favour of the poor, and the ability of the poor to organise and later on enter in a dialogue with the government and other interest organisations. Finally, decentralisation has also been suggested as an effective means of counteracting the ‘urban bias’, since the institutional context created by decentralisation would enable the representatives of rural populations to defend local and/or regional interests at a higher level. In political practice it does not always work that way. Urban populations tend to be more organised and politically skilled, and their proximity to the local and/or regional government gives them a better position to obtain support for their development projects. In case they outnumber the rural population, the election of an urban-biased local government may follow with possible negative effects in local and/or regional equity (Prud’homme 1995). Fox and Aranda (1996, p. 47) show in their study on the impact of the Municipal Funds Programme in Oaxaca that, although this programme stimulated investments in rural areas, the investments in the municipal centres were almost triple those in rural areas.

2.4 Decentralisation and local development

The crisis of the central state, in combination with the trend towards decentralisation, forced a reevaluation of development policies on the sub-national (regional and local) level (Guimarães 1997, p. 281). This assessment was also inspired by the failure of regional planning methodologies in the 1970s and 1980s to define effective means to overcome regional inequalities and address the excessive spatial concentration of economic activities and population. Researchers and policy makers turned their attention to local development, following the revival of local government. In 1994 there were some 14,000 municipalities in Latin America (Nickson 1995, p. 1; IDB 2000, p. 10). All share functions and responsibilities and their governments can play a major role in local development.

2.4.1 The concept of local development revisited

The debate about local development in developing countries, its objectives, actors and policies to be implemented, is a relatively recent phenomenon. It has not resulted yet in the development of a certain paradigm. Lathrop (1997, p. 95) states: ‘… so far, and
probably for very good reasons, there seem to be no attempts at coming up with an integrated field of knowledge that can be called ‘the theory of local development’.

Some observations can be made with respect to the efforts to conceptualise local development. First, many authors approach local development from a predominantly economic perspective, using location theory, capital accumulation and technological change as the main theoretical framework (Bingham and Mier 1993; Blakely 1994; Rogerson 1995). Exponents of this view emphasise the need for local industrialisation, through the attraction of external investments or the development of small-scale enterprises. Although local industrialisation through the attraction of outside investments might be a viable strategy in larger cities which have a market and are well accessible and well organised, in large parts of rural Latin America this strategy is not a realistic option (Rogerson 1995, p. viii). Lathrop warns against focusing exclusively on economic conditions when considering local development (1997, p. 96). He defines local development as a strategy enlarging people’s access to opportunities, whether ‘income, employment, or the consumption of public goods and services’. People’s access to these opportunities is determined not only by their presence, but also – and especially – by the way they are distributed. The increase of opportunities will mainly be an economic affair, but access to these opportunities is an essentially political question.

A second observation is that within this new approach to local economic development, the emphasis is not so much on external factors as on endogenous processes and actors. Blakely (1994, p. 50) points out that local economic development should emphasise ‘endogenous development’ policies using the potential of local human, institutional and physical resources. A major role in this is assigned to civil society, since ‘obviously only local social forces will be able to identify objectives and instruments of intervention in relation to the actual situation in each area’ (Garofolli 1990, p. 95-96; see also Wilson 1995, p. 645).

The increasing attention paid to the local institutional context in explaining local development is also expressed by Shepherd in his classic work on sustainable rural development. According to Shepherd (1998, p. 1) rural development refers to ‘the set of activities and actions of diverse actors – individuals, organisations and groups – which taken together leads to progress in rural areas’. In the rural local context, and in that of decentralisation, this institutional context includes both local government and the private sector. This last category is represented by the local population, their organisations and NGOs.

The role of NGOs in rural development has been extensively analysed during recent decades (Van Niekerk 1994; Wils 1997; zoomers 1998; Van der Borgh 1999; kusters 2001). It is widely acknowledged that when the state withdrew from many areas in the economy and society during the implementation of structural adjustment policies, NGOs stepped in and created an important role for themselves in the planning and implementing of rural development projects. Within the context of decentralisation this role is prone to changes. Latin American NGOs emerged in the 1970s within a context of military regimes. In this period, the main focus of NGO activities was on increasing public awareness and strengthening of social organisations. The relation with the state in that period was one of distrust. In the 1980s, there was a shift towards economic development as a result of the withdrawal of the state in this field. NGOs acquired the status of experts on rural development, a status based on experience and a relatively healthy financial position, a result of extensive funding by western donors (Bebbington 1997).

In the 1990s, many Latin American countries implemented decentralisation policies, often resulting in a revaluation of local governments. For NGOs, this implied a shift in
their position *vis-à-vis* the state. At the same time, international donors, who provide the financial input for NGOs, questioned their accountability. Also, the amount of money channelled through NGOs decreased. Both developments stimulated NGOs to reconsider both their position and their legitimacy. This has resulted in a change in the collaboration with the state. NGOs are increasingly required to work with government institutions. Also, as a reaction to the trend towards local democratisation and the new notion of local governments, NGOs now emphasise in their activities participatory methodologies and provide training to support the population in their new role in local decision-making.

In line with the changing views on decentralisation, the role of local government in decentralisation changed. As Helmsing (2000, p. 6) observes, decentralisation ‘…has ceased to be a local affair, and has turned into a local governance issue’. In this respect, a revaluation of the role of local government in development can be noticed, with a focus on the role of government – and particularly that of local government – as an ‘enabler’ (Helmsing 2000, p. 6 and 1997; World Bank 1993). Instead of direct intervention and the delivery of services (in the production sphere), the role of the new local government is one of facilitating and regulating this service provision. The main functions of this enabling government are to formulate strategies of public private sector cooperation, and to create the main conditions for policy implementation, in particular in relation to the mobilisation of funds. With respect to this new role, some bottlenecks condition the performance of local governments in development. These conditioning factors are elaborated in the following section.

### 2.4.2 Conditioning factors in the contribution of decentralisation to the role of local government and local development

**Sufficient financial and fundraising capacity**

A basic condition for adequate performance of functions transferred to the local level and meeting all popular demands is the availability of sufficient financial resources. Most local governments face a problem here. Raising additional funds locally is one way to tackle this problem. Manor (1999) mentions two types of the ‘mobilisation of local resources’: firstly the levying of taxes and secondly the investments made in cash or in kind, such as labour or materials, by target groups at the local level, when implementing projects.

Some authors write glowingly about the untapped fiscal potential of local government, but in practice there are several problems in raising funds at the local level, particularly in rural areas where resources are limited (Manor 1999, p. 111). Moreover, many central governments are reluctant to transfer tax levying powers to sub-national authorities, but even if they would devolve these powers, it would not be easy to collect taxes at these levels, given the lack of administrative capacity, especially in rural areas, and the absence of cadastral surveys. Local governments themselves often are reluctant to levy taxes, as this might affect their popularity in the presence of a reluctant population that has seen few services in return for their tax payments. Schuurman (1996, p. 17) mentions with respect to local governments in Chile that: ‘many of the poor municipalities remained very dependent upon redistributed national funds. They did not succeed in developing an autonomous tax base to warrant greater financial independence from central budgets.’ A more practical way to mobilise local resources is to have the population involved in the implementation of communal projects. Manor (1999) and Rendon Labadan (1996) mention this as a potentially successful strategy, provided these contributions of the population are properly guided. Under Colombia’s co-participation system, the local community will provide labour and local materials, and the local government will carry a
certain part of the costs (Santana Rodríguez 1995). Fiszbein (1995, p. 1036) mentions the system of minga which functions in Colombian municipalities, especially in the road and water sector. The system proved to be a good resource, contributed positively to the cost-effectiveness of the projects that were undertaken and secured the responsibility of the population with respect to project maintenance. However, in most cases that one will encounter in Latin America, local investments will remain very fragmented due to insufficient access to resources. Mexico offers an example where, due to the lack of financial resources, the Municipal Funds Programme led to a multitude of small projects that had very little developmental significance (Fox and Aranda 1996).

**Adequate administrative capacity**

A major limiting factor concerns the administrative capacity of the new local governments. In a study on capacity development in Colombian municipalities, Fiszbein (1997, p. 1031-1032) discerns three dimensions of administrative capacity: qualified human resources (the human dimension), financial capital (the physical dimension) and technology (the internal organisation and the management style). He found that there is a close relationship between political reforms and capacity development, since competition for political office offered more opportunities for responsible and innovative leadership. He also found that capacity development in small municipalities is strongly related to the mayor, as these municipalities generally have only limited staff (ibid., p. 1034). He notices (ibid., p. 1034):

‘Small and remote municipios experience particular difficulties in upgrading the quality of their workforce. In the first place, scale imposes a natural or structural limit on the number of professionals working for the municipal administration. A majority of the Colombian municipios simply cannot afford the expenses of a cadre of adequately remunerated professionals in the different areas of government responsibility. Second the cost of hiring even a few well-qualified professionals might be too high for many small municipios that would have to attract them from other – sometimes distant – places.’

However, Fiszbein concludes that municipal administrative capacity is not necessarily a function of size. In Colombia, a successful effort was made to increase local capacity through competitive hiring, sharing professionals between municipalities and rotating personnel through the different departments within municipalities, increasing their experience and know-how (UNDP 1998).

In Honduras, Lippman and Pranke (1998) noted the importance of prior development experience in achieving local development, which helps to develop professional and technical expertise.

**Creation of economies of scale**

Creating economies of scale seems to be an important condition for decentralisation to contribute to local governance and development. Often, municipalities are at a disadvantage in attracting qualified staff due to the lack of career opportunities. Lippman and Pranke (1998) show that in relatively small municipalities effective municipal governance is hindered by the poor education of the mayors and councils that govern them.

Fox and Aranda (1996, p. 2) add to this observation that rural local governments also encounter problems with respect to community participation, as they are usually the poorest and institutionally weakest with limited opportunity to implement activities involving economies of scale. They also have a political structure that is often dominated
by traditional elites, with mistrust for popular mobilisation and democratisation. In connection with this, Smith (1985, p. 61) shows that ‘large units of decentralised government have no worse a record than small ones in some aspects of political participation’.

The need to create economies of scale also becomes apparent in the implementation of development projects aimed at the provision of services. The problem is that financing institutions often prefer small and clearly delineated projects within a fixed timeframe, while the lasting impact of these projects on local development is generally small.

Fiszbein (1995, p. 1039), in his study on capacity development in Colombia, notes the difference between small and larger municipalities with respect to the presence of development plans. He found that small municipalities generally do not have these plans, but work with listings of priorities. Larger municipalities, however, do have municipal development plans. In the case of Honduras, Lippman and Pranke (1998) found that the involvement of NGOs was crucial during the planning and implementation phases of projects.

Willingness of the central government to step back

Finally, it appears from the many studies on decentralisation, that its realisation is and remained an uphill struggle. Government functionaries on the higher level often fear a loss of power in case responsibilities and functions would be transferred to lower levels. This is what happened in Honduras (Lippman and Pranke 1998, p. 11-13), where higher government officials tried to retain control over municipal expenditure by hindering the transfer of the funds as established by law.

In the following section, we attempt to link the concepts of decentralisation, local governance and local development, and present the conceptual framework.

2.5 Approach of the study

In this review of the literature, several issues keep surfacing. Decentralisation is increasingly being considered as a political issue of power over resources at the central, regional and local level (Smith 1985; Manor 1999; Litvack et al. 1998; Burki 1999). Most literature on decentralisation offers a rather disappointing picture of the results: functions and responsibilities are transferred, but without the allocation of the appropriate resources in terms of financial and human capital. It is also observed that the local capacity to handle the new responsibilities is lacking, which complicates efficient management of local resources. Many municipalities face severe difficulties when mobilising own resources, levying taxes, or confronting political and technical constraints on the local level. In addition, local governments face restrictions in their authority through attempts of central governments to gain control.

With regard to participation, the findings of other studies are more positive: populations are increasingly participating in local decision-making processes. Increased popular participation can lead to more responsiveness to local needs and to a more balanced use of local resources. It also involves an important learning effect, which serves the quality of the planning process, the projects and the sustainability of development. A major problem with participation remains the question of representation: whose priorities count? Empirical studies show that, especially in rural areas, traditional elites control the local level, restricting the opportunities of the poor.

Decentralisation can enhance transparency and accountability by clearly defining responsibilities and functions, and by institutionalising controlling bodies. In this study,
equity is analysed from a spatial perspective. It refers to the reduction of disparities between and within municipalities brought about by decentralisation.

The concept of local development in this study refers to improving people’s access to development opportunities by both increasing these, and ensuring that these are evenly distributed. Within the context of decentralisation, three conditioning factors can be identified on the basis of the literature review: the spatial context, the socio-economic context and the institutional context (comprising both public and private actors). Figure 2.1 presents an overview of the concepts discussed in this chapter and the relations between them.

The aim of this study is to obtain a better understanding of the impact of decentralisation policy on local governance and local development in rural Bolivia and to define the factors explaining the success and failure of decentralisation. It is assumed that democratic decentralisation will lead to increased participation of the population in local decision-making, to enhanced transparency and accountability, and to more equity. The contribution of decentralisation to local development comprises four assumptions:

1. Participatory planning offers opportunities to develop a more efficient and effective development strategy.
2. Popular demands are reflected in local investments, leading to a more responsive state.
3. The resource position of municipalities improves and a multiplier effect can be noticed.
4. Elements within the spatial, socio-economic and institutional context determine the impact of decentralisation policy on local governance and local development.
Notes

1. This study concentrates on decentralisation of government. Other forms of decentralisation, such as spatial decentralisation and industrial decentralisation, are left outside consideration.

2. The main characteristics of the types of decentralisation that are being dealt with in this section are based on Cheema and Rondinelli 1983; Rondinelli 1984; Litvack and colleagues 1998; Manor 1999; Smith 1985; Burki and colleagues 1999; Rodríguez 1997 and Canel 2001.

3. Public choice theory is directed towards the study of politics based on economic principles. It gives insight in the formulation of public policy, and departs from the viewpoint that public policy is inspired, and influenced, by collective economic motives. It considers politics as an economic market, with individuals and groups attempting to maximise their benefits. The theory clarifies the influence of interest groups on politicians and the outcome of this on policy making (Gunning 2001).

4. In this section, Bolivia is left outside consideration.