

Local Foundations for Better Governance

A Review of Ghazala Mansuri and Vijayendra Rao's
Localizing Development

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Abstract

In *Localizing Development*, Mansuri and Rao survey theory and evidence for development strategies based on local community empowerment. This note extends their theoretical argument by focusing on local government as a vital source of new leadership. Local leaders who provide better public service can prove their qualifications for higher office, but new competition from popular local leaders may be against the interests of incumbent national leaders. Thus,

decentralization reforms that could benefit economic development may face powerful resistance. International assistance should promote a balanced development of local and national governments, along with a free press to monitor government at all levels. To better inform public discussions of decentralization reforms, the World Bank should actively support research on comparative subnational politics.

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LOCAL FOUNDATIONS FOR BETTER GOVERNANCE

A Review of Ghazala Mansuri and Vijayendra Rao's *Localizing Development*

by Roger B. Myerson

<http://home.uchicago.edu/~rmyerson/research/locgov.pdf>

1. Local participatory development and political change

There are fundamental reasons to see the World Bank's report *Localizing Development*, by Ghazala Mansuri and Vijayendra Rao, as one of the most important books on development in recent years. Trade and investment for economic growth depend on basic public services and infrastructure which must be provided by government, and the quality of government is determined by political leaders who hold recognized authority in every community. When markets fail to provide gainful employment for people's talents and resources in a poor country, the market failure may be due to a government failure, which in turn may be due to a failure of civil society to hold political leaders properly accountable. Thus, successful economic development may require the strengthening of local political institutions that empower people to demand better services from their government.

In *Localizing Development*, Mansuri and Rao provide a comprehensive overview of the theory and evidence for development strategies that are based on local community empowerment. An important contribution of their book is its critical survey of the evidence on effectiveness of participatory development strategies (see particularly chapters 4-6 of Mansuri and Rao, 2013). When the goal of development assistance includes broad political change, the desired results are hard to summarize in a few quantitative measures, and comparisons that span different countries and different kinds of public goods inevitably involve a great deal of noise. Still, Mansuri and Rao find broad evidence that community involvement can improve the quality and sustainability of public investments in several areas.

But they find that the political relationship between the center and localities matters greatly, as do the incentives of local politicians under democratic decentralization, and theory is essential to help us identify the potentially important institutional variables. Mansuri and Rao work to provide a broad theoretical framework for such analysis. In this note, I want to support and extend their theoretical argument by focusing on the role of local government as a vital source for new leadership.

2. Educating people or opening new paths for leadership?

Mansuri and Rao lay the theoretical groundwork for their analysis in chapters 1-3. They cite great social theorists going back to Jean-Jacques Rousseau and John Stuart Mill who have argued that participatory institutions of local government can be a training ground for

citizenship, where people develop social values and learn how to engage constructively in democratic deliberations about public decisions. If such an active educated citizenry is the fundamental key to a successful society, then participatory exercises in collective decision-making may indeed be the best way to help a society to build the basis for strong economic development. On the other hand, when foreign development agencies sponsor ad-hoc community projects that are not integrated into the local political system, there is a danger of simply teaching some local agents how to influence the foreign development agencies.

Of course, educational programs to promote civic values may have benefits even without decentralization of power. Voters would be better able to hold elected officials responsible if students in public schools were taught how to read basic public budget reports. Public advertising campaigns could try to create norms against bribery and vote-buying. But here I want to begin shifting the focus away from participatory training exercises to the substance of local government itself.

There are good reasons to expect that responsible locally elected governments can help economic development by providing better mechanisms for local public investments. A poor community can mobilize its resources for public investments that are essential for its economic development only when members of the community are coordinated by local leaders whom they can trust to appropriately reward contributors and discipline free-riders. Such trust can be expected only from leaders whose authority is based in local politics. Local officials whose positions depend on national political patronage are inevitably less concerned about developing trust among the residents of a small poor community. Thus, integrated efforts to achieve economic development throughout a nation may depend on a political system which admits autonomously elected local leaders into the national network of power. (Fortmann 1983 has argued persuasively for the importance of such local political institutions for rural development in Botswana.)

From this basic point about benefits of decentralization for local public investment, I want to argue more broadly that political decentralization can be a force for better governance at all levels of government by helping citizens to identify better candidates for leadership. That is, in understanding the benefits of decentralization, I would shift the focus from training better citizens to identifying better leaders.

A fundamental key to successful democratic development in a nation is to increase its supply of leaders with good reputations for using public resources responsibly. Without such trusted leadership, a nation must suffer from a lack of public services and infrastructure that are essential to prosperity. Even when the prospective returns to local public investments could be much greater than the cost that the community would have to pay for them, beneficial public investments will not be undertaken if people cannot identify anyone who can be trusted to manage valuable public resources without misappropriating them.

The problem of inducing an agent to manage public resources without misappropriating them for short-term private benefit is an example of what economic theorists call *moral hazard*. An agent who could derive great private benefits from abuse of power must be motivated to use power appropriately by an expectation of greater long-term rewards, called *moral-hazard rents*, that the agent might lose by short-term abuse of power. The essential key is that the agent must expect that he can maintain a privileged position only by good behavior. In successful societies, responsibility for public investments is given to trusted leaders who can expect to enjoy privileges of a high position in the society only if they maintain their reputation for managing public resources appropriately.

There is a serious problem, however, if nobody in a society has a reputation for managing public resources well, because then people would have no reason to replace a corrupt leader if they believed that the next leader would not be any better. On the other hand, if many individuals have reputations for good responsible leadership, then any one leader who is seen to abuse his power can expect strong social pressure to replace him with someone who has a better reputation. (See Myerson 2006 for a simple game model of this argument.)

From this perspective, the problem of development is to create more opportunities for individuals to begin building good reputations for responsible governance. The number of such opportunities for new leadership can be most effectively increased by political decentralization which gives substantial autonomous resources and responsibilities to locally elected officials. When locally elected leaders have clear administrative and budgetary responsibility for the successes and failures of local government, then those who succeed will enlarge the nation's vital supply of popularly trusted leaders.

This reputational-leadership theory of decentralization has some logical connection to the education theory of participatory development through the issue of changing people's

expectations of their political leaders, whose authority depends on popular recognition. In a nation where history has led people to expect that any political leader would maintain a corrupt patronage network that may violate laws with impunity, this low expectation is likely to be fulfilled. For successful democratic development, people must somehow come to expect better public service from those whom they will recognize as their leaders.

However, an incumbent national leader has no incentive to raise voters' expectations, and citizens have no reason to believe promises of better government from a candidate who has never exercised power. An incentive to raise expectations can be combined with the potential to do so only when voters allocate power at two or more levels of government, so that elected officials at lower levels can hope for election to higher office if they demonstrate an ability to serve the voters better. So there is good reason to expect better performance from democratic government when voters can elect responsible officials at two or more levels of government.

Thus, democratic local government can help to make national democracy more competitive, as a record of using public resources responsibly in local government can qualify a local leader to become a competitive candidate for power at higher levels of government. In effect, local democracy can reduce barriers against entry into national democratic competition. (Economists understand that barriers against new entrants can be important determinants of the level of profit-taking by suppliers in any imperfectly competitive market.) From this perspective, an ideal system of federal democracy should have several levels of sub-national governments, so that elected offices at different levels could form a ladder of democratic political advancement that effective leaders can climb from local politics to provincial and national politics.

This leadership theory of decentralization does not say that local government will be less corrupt than national government. The point is that democratic local governments can help to make national democracy more competitive, by providing a supply of candidates who have proven their ability to manage public resources responsibly at the local level. If established national leaders were all perceived as corrupt, then voters could turn to a local leader who has developed a reputation for better public service.

Mansuri and Rao raise concerns about potential disadvantages of decentralization for one issue in development assistance: the problem of ensuring that anti-poverty programs are targeted to the poorest members. Where the neediest individuals are a minority of the community, their

interest may not prevail in local democratic politics. Indeed, we may expect that, in many communities, the poorest individuals may be those who have the least ability to express their concerns effectively in organized society, and then participatory development exercises that involve the poorest might have some civic educational value. But the reputational-leadership theory of decentralization can also offer a useful perspective on this issue.

I have argued that the most important benefit of political decentralization may be that it increases the supply of leaders who have developed good reputations for efficient provision of public goods and services. This effect depends critically on what people consider to be public goods. Although donors of international development assistance may appropriately care about the alleviation of poverty for the poorest people as a global public good, within a poor community itself the not-quite-poorest residents might not consider targeting of benefits to their poorest neighbors to be a public good. In that case, democratically elected local leaders might actually enhance their reputations for good public service to their constituents by diverting poverty-assistance funds to benefit other parts of the community. Closer centralized supervision of such poverty-assistance programs may then be appropriate to the donors' concerns. But where the problem is general poverty of entire communities because of a failure by the government to supply essential public goods, then decentralizing some share of autonomous responsibility for local public goods may be beneficial.

3. Monitoring and evaluation of public spending

Mansuri and Rao correctly emphasize the importance of evaluating results of development assistance programs. Although open discussion of failures is an unpleasant and often thankless task, learning from experience is possible only by seeking honest feedback about failures as well as successes. Furthermore, when the central goal is to make demands for good government more effective by greater accountability, public reporting of failures as well as successes becomes absolutely essential to the mission.

In the reputational-leadership theory, decentralization is supposed to help create more opportunities for leaders to build reputations for good public service. So public reporting of failures is as important as successes for people to distinguish which of their leaders have better records of managing public resources responsibly. The effectiveness of public management by different leaders cannot be compared without also providing information about the budgetary

resources that each had available. So international development-assistance providers should also insist on clear public accounting for all funds that are spent by political leaders at all levels. The essential accounting here must be to the local population, however, not just to foreigners who provided the funds (Ghani and Lockhart 2008). Local people must be able to learn what funds were spent by their leaders and must be able to monitor what public services were provided by these funds. In such matters, a free press has vital importance.

Mansuri and Rao find complementarities between systems of accountability at the local and national level, and they observe that decentralized government may be most effective when higher-level institutions of accountability have the capability to monitor local service providers. Indeed, one important advantage of federal separation of powers is that national law enforcement agencies can more objectively investigate allegations of corruption in local governments that are politically autonomous. International development assistance should encourage capacity-building in both national and local governments.

Strong complementarities can be found also between democratic competition at different levels. I have argued that local democracy strengthens national democratic competition as successful local leaders can become strong competitive candidates for higher offices. But national democracy can also strengthen local democratic competition, as national parties can support alternatives to established local bosses. The risk of local government being dominated by an unpopular local autocrat can be countered by the participation of competitive national political parties in local elections. Local political bosses should know that, if they lose popular support, they could face serious challengers supported by a rival national party. Competitive national political parties played an important role in the successful introduction of local democracy in Bolivia as described by Faguet (2012). Crook and Manor (1998), Enikolopov and Zhuravskaya (2007), and Hankla et al. (2012) find cross-national evidence that the benefits of political decentralization can depend on strong competitive political parties at the national level.

But a development assistance strategy must consider where to start when accountability is weak at all levels. One may start with monitoring of local public projects at least by the international assistance organizations that are involved, with public reporting of all positive and negative results. Then, if the national political system allows proven successful local leaders to advance democratically into higher offices, the islands of better governance should spread.

Mansuri and Rao observe that, when our goal is not just investment in public goods but

also political development, the outcomes need to be evaluated over the long term with respect to the nation's broad social and historical context. A few statistics are not enough. This is the broad view of journalism. In successful nations, the results of public spending are regularly evaluated in the broad social and historical context by investigative reporters of a free press. Thus a free press with strong traditions of investigative journalism may be essential for successful economic development.

4. High-level resistance against decentralization

In spite of the advantages of democratic decentralization that I have listed, there can be powerful forces against the introduction of democratic local government in nations where it has not previously existed. The potential of autonomous subnational governments to become sources of new competition for national power is itself a substantial reason why established national leaders might not want to share power with locally elected governors and mayors. Indeed, a national leader is likely to find particularly strong opposition to political decentralization among his most important supporters, those who may hope someday to be appointed to an office of mayor or governor as a highly valued reward for their political support. Any move to let local voters select their own mayors and governors would, from the perspective of these key supporters, be a disappointing diminution of their potential rewards. It is risky for any political leader to do anything that would so disappoint such important supporters.

Thus, we have basic reasons to expect that political decentralization may often be undersupplied, relative to what would be best for the general population, because it runs against the vested interests of those who hold power at the national level. Much evidence can be found to support this prediction. In Pakistan, elected politicians of national and provincial government have three times dissolved institutions of local democracy that had been created by military rulers. In Egypt, three constitutions in a row (those introduced under Sadat, under Morsi, and under Sisi) promised an eventual devolution of power to locally elected councils but then allowed the current national leaders to postpone such decentralization and continue the centralized appointment of local governors. (Myerson 2014 considers other historical examples.)

However, a constitutional system with democratic local government can become politically stable once it is established. When governors and mayors have been locally elected, they become local power-brokers from whom national politicians must regularly seek support in

competition for national power. So it then would be very costly for any national leader to threaten the constitutional powers of these elected local officials.

Thus, a transition to a decentralized federal democratic system, once achieved, can be self-sustaining. International assistance organizations may appropriately aim to support a balanced development of accountable government across different levels, from municipal and provincial governments to national government. This balance could be upset by providing foreign support for political leaders only at the national level. International aid donors might better support balanced democratic development by insisting that some share of foreign assistance funds should be allocated directly to autonomously elected institutions of provincial and municipal governments.

One might argue that, to demonstrate an appropriate respect for national sovereignty, foreign supporters should only work with sovereign national governments. But the principle of channeling all development assistance through the national government can actually strengthen forces for the centralization of power, by giving national political leaders a source of funds that does not require support or acquiescence from anyone else in the country. Thus, a greater centralization of power may itself be a result of foreign support. In this case, the constitutional impact of foreign support could actually be reduced when foreign supporters press national leaders to accept more political decentralization, even as such decentralization could help achieve the goals of better governance and economic development.

5. Conclusions and recommendations

Following Mansuri and Rao, we have argued that better governance is essential for economic development, but competitive political incentives to improve governance may fail when citizens believe that any leader would abuse power corruptly. Democratic competition can be an effective force for better governance only when there is an ample supply of potential candidates who have good reputations for responsible public service. This essential supply of trusted democratic leadership can develop best in responsible institutions of democratic local government, where successful local leaders can prove their qualifications to compete for higher office. However, new competition from popular local leaders runs against the vested interests of established incumbent national leaders, and so there may be powerful internal resistance from the top against decentralization reforms even when they could benefit economic development.

Thus, we have fundamental reasons to believe that political decentralization may be undersupplied in many poor countries. When this is true, international organizations for development assistance should appropriately encourage a more balanced distribution of responsibilities and budgetary authority across different levels of government, from municipal and provincial governments to national government. Let me offer here three broad recommendations that follow from this general argument.

The first recommendation of this report is that the World Bank should consider ways to expand direct assistance to subnational governments. Provincial and municipal governments should have opportunities to finance public investments with international assistance even when the national leadership views provincial and municipal leaders as potential political rivals.

For assistance in the form of loans, a fundamental difficulty here is that the sovereign national government cannot be reasonably held as guarantor for loans which it has not authorized to its subnational governments. But if that implies that an international development-assistance organization may need to examine and certify the credit-worthiness of subnational governments, such fiscal certification itself may be an important service. (See Sargent 2012 for an eloquent discussion of the importance of the right to separate credit positions for subnational governments in the history of the United States.)

As we have discussed, social forces for better governance and development depend on a free press which can provide the information that people need to evaluate the performance of their leaders. Thus, a second recommendation of this report is that the World Bank should consider creating an international program of multi-year fellowships for promising journalists. The mission of such World Bank journalism fellows would be to write investigative articles which provide information and analysis about the results of development projects, and which could be published in the local or international press. In any country that receives development assistance, such journalism fellows might work together in teams that could include both local and international journalists. The goals of this journalism fellowship program would be both to help people better evaluate the effectiveness of development efforts in their country, and to encourage the wider development of professional journalism throughout the world.

The third recommendation of this report is that the World Bank should actively promote more research about comparative subnational politics, collecting information about the different forms of subnational political institutions that exist in different countries around the world, and

analyzing the comparative effects of different forms of subnational government on development outcomes. Such research could be important both to guide future policy-making by the World Bank and also to provide better information for public discussions of decentralization reforms. Broad public understanding of these issues may be essential for decentralization reforms to get appropriate consideration against the opposition of powerful national elites that have a vested interest in centralization. There has been some fundamental research on comparisons of local political institutions (see UCLG 2007, Ghosh 2012, Hankla et al 2012, Faguet 2014), but this is a vital area where the great research capabilities of the World Bank could make a particularly important contribution.

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http://www.cities-localgovernments.org/gold/upload/pocketbook_complete.pdf

APPENDIX

by Sharmishtha Ghosh

Introduction and list of contents

This document summarizes information available, as of summer 2012, on local democracy in developing countries. The resources listed here may be useful for comparative studies of how local democracy affects economic growth and other variables. Many of these resources have not been widely known among academic researchers in social science.

The bibliography and list of web sites here is followed below by detailed discussion of the resources that are global in scope.

Web sites with broad information about local democracy around the world:

1. United Cities and Local Governments (an international organization offering a broad collection of information on local democracy) -- <http://www.cities-localgovernments.org>
2. Commonwealth Local Government Forum (an association of Commonwealth countries offering information on local authorities) -- <http://www.clgf.org.uk/index.cfm>
3. World Local Authorities (a federation of authorities offering a comprehensive comparison of local governments across the world) -- <http://www.almwla.org/>
4. International Institute for Democracy and Electoral Assistance (an inter-governmental global organization offering resources on democracy and electoral processes) -- <http://www.idea.int/>
5. Online Sourcebook on Decentralization and Local Development (a collection of reports and case studies) -- <http://www.ciesin.columbia.edu/decentralization/>
6. ARIAL programme (Appui et Renforcement des Initiatives des Associations de Collectivités Locale) for Africa, Caribbean, Pacific -- <http://www.arial-programme.eu/>

Websites specific to one country or region:

1. Ministry of Panchayati Raj (a governmental organization offering resources on decentralization and local governance in India) -- <http://panchayat.gov.in/>
2. Society for Participatory Research in Asia (an international organization providing resources on local governance and development in Asia) -- <http://www.pria.org/>
3. Decentralization Watch (a non-governmental organization offering information on decentralization and democracy in the state of Kerala, India) -- <http://www.decwatch.org/>
4. Association of Local Democracy Agencies (a non-governmental organization promoting local governance & citizen participation in Europe) -- <http://www.alda-europe.eu/>

Books with information about many countries:

1. Decentralization and Local Governance in Developing Countries: A Comparative Perspective, by Pranab Bardhan and Dilip Mookherjee, MIT Press (2006)
2. The Architecture of Government: Rethinking Political Decentralization, by Daniel Treisman, Cambridge Press (2007)
3. Why Nations Fail: The Origins of Power, Prosperity, and Poverty, by Daren Acemoglu and James Robinson, Crown Business (2012)
4. Local Governance in Developing Countries, by Anwar Shah, World Bank Publication (2006)
5. Local Governance Reform in Global Perspective, by Norbert Kersting, Janice Caulfield, A. Nickson, D. Olowu and H. Wollmann, VS Verlag für Sozialwissenschaften (2009)

6. Rethinking Decentralization in Developing Countries, by Junaid Ahmad, Richard M. Bird, World Bank Publications (1998)
7. Foundations for Local Governance: Decentralization in Comparative Perspective, by Fumihiko Saito, Physica (2008)
8. The Political Economy of Democratic Decentralization, by James Manor, World Bank Publications (1999)
9. Decentralization, Democratic Governance, and Civil Society in Comparative Perspective: Africa, Asia, and Latin America, by Philip Oxhorn, Joseph S. Tulchin and Andrew Selee, Woodrow Wilson Center Press (2004)
10. New Regional Development Paradigms: Vol. 3, Decentralization, Governance and New Planning for Local Level Development, by Walter Stohr, Josefa Edralin and Devyani Mani, Greenwood Press (2001)
11. Sharing Power for Development: Experiences in Local Governance and Decentralisation, by Lilith Schaerer and Karin Fueg, Practical Action Publishers (2008)

Books specific to one country or region [India, Latin America and Africa]:

1. Democracy and Decentralisation in South Asia and West Africa, by Richard C. Crook and James Manor, Cambridge Press (1998)
2. Energizing Rural Development through Panchayats, by Bibek Debroy and P.D. Kaushik, Academic Foundation (2005)
3. Annual Report 2011-12, by Ministry of Panchayati Raj, Government of India, (2011)
4. Going Local: Decentralization, Democratization, and the Promise of Good Governance (Mexico), by Merilee S. Grindle, Princeton Press (2007)
5. Decentralization in Asia and Latin America, by Paul Smoke, Eduardo J. Gomez and George E. Peterson, Edward Pub (2007)

Articles with broad information about local democracy around the world:

1. "Decentralization and Governance", by Jean Paul Faguet, Economic Organisation and Public Policy Discussion Papers (2011).
2. "Decentralization of Governance and Development", by Pranab Bardhan, The Journal of Economic Perspectives (2002)
3. "Rethinking Decentralization in Developing Countries", by Jennie Litvac, Junaid Ahmad, Richard Bird, World Bank Publications (1998)
4. "Democracy and Growth ", by Jenny A. Minier, Journal of Economic Growth (1998)
5. "Democracy and Growth", by Robert J. Barro, Journal of Economic Growth (1996)

Articles specific to one country or region [India, Latin America and Africa]:

1. "Chiefs", by Daren Acemoglu, Tristan Reed and James A. Robinson (2012)
2. "Roadmap for the Panchayati Raj 2011-17", published by the Ministry of Panchayati Raj (2011)
3. "Democratic Accountability in Local Governance Institutions: Experiences from South Asia", published by PRIA (Society for Participatory Research in Asia) (2011)
4. "Capacity Development of Local Governance Institutions in South Asia", published by PRIA (2011)
5. "Critical Debates: Advancing the study of Decentralization and Federalism in Latin America", by Christopher Mitchell, published by Wiley-Blackwell (2008)

Web sites with broad information about local democracy around the world:

The **United Cities and Local Governments**: <http://www.cities-localgovernments.org> is an extremely valuable source of information on Local Governance. The UCLG, an umbrella organization for cities, local governments and municipal associations throughout the world, is the largest local government organization in the world that embodies a united voice of over 120 UN member states across seven world regions. It is the first global comparative analysis of local authorities across all regions of the world. The UCLG has brought out the GOLD Report (“First Global Report on Decentralization and Local Democracy”) which discusses the role of local governments and the relationship between decentralization and development.

The GOLD home-page found at the bottom right corner of the UCLG home-page <http://www.cities-localgovernments.org/gold/> contains six important sections- Our Selection, Best Practices, GOLD Reports, Country Profiles, UCLG Member Profiles and Key Indicators on Local Governments. Each of these can be accessed by clicking on the tabs available on the left. In addition, specific information on local democracy in different countries can also be accessed by performing a search based on different criteria such as Organization, Region or Themes (e.g. ‘Decentralization and Local Self Government’) from the drop down menu.

The First GOLD Report, available at the tab on the left side of the GOLD home-page, contains comprehensive and comparative information on the structure, responsibilities and finances of local governments in the following seven regions: Africa, Asia-Pacific, Eurasia, Europe, Latin America, Middle East/Western Asia and North America. Every chapter in the report deals with three themes: evolution and development of territorial structure; power, management and finance and local democracy. The Introduction comprises of an overview of political and administrative decentralization as well as economic and territorial position of each country. It provides information on provincial and sub-national level governance. In case of certain continents, the report provides a useful table on local governments as well as urbanization demographics of different regions. The section on Responsibilities, Management and Finance lists various sources of finance for local governments, such as percentage of local revenue raised from taxes and those from state transfers. Some regions have graphs on local resources/GDP (that show the local governments’ finances represented as a percentage of GDP of state level expenditure), local public expenditure as a percentage of GDP, local tax revenue as a percentage of total income and tax shares and budgetary transfers as a percentage of total income. The last section on local democracy deals with the local political system. It indicates whether such countries have direct democracy and elucidates the method of appointment of local executives and voting system. Information on the relationship between central and decentralized governments as well as the role of local government officials is also available. The Second GOLD Report provides a useful summary of fiscal decentralization and local finance in different countries.

The UCLG also provides country specific profiles that can be viewed from the GOLD home-page by selecting ‘UCLG Local Governments’ from the drop down menu under ‘Organizations’, and ‘Decentralization and Local Self-Government’ from the dropdown menu under ‘Themes’ or by selecting the Country Profiles tab. Country Profiles contain individual or regional profile of different regions. The Profiles include information on the state of local democracy and decentralized governance for 50 countries. The topics covered in the Profiles

range from Basic Facts, Territorial Organization, Local Democracy, Central–Local Government Relations and Local Responsibilities to Local Finance. To access a country profile, one has to click on the region and choose a country. After selecting a region, click on the map to select a specific country profile or access the profile of the entire region.

Our Selection and Best Practices contains a list of websites on local democracy and governance which can be country specific or global in scope. This section lists some useful websites including the CLGF website and other important sites, some of which are listed here.

Key Indicators on Local Governments is a really handy database or “pocketbook” with information on 82 countries in a wide range of topics such as population data, macroeconomics, territorial organization and public finance. To access data on a specific country, click on the region to select the country. Data for the selected country is then displayed in PDF files.

Another great source of information on local democracy is the **Commonwealth Local Government Forum (CLGF)**: <http://www.clgf.org.uk/index.cfm>. CLGF seeks to promote and strengthen democratic local government across the Commonwealth countries and to encourage the development of democratic values and good governance. CLGF has been actively involved in encouraging and developing local elections, election monitoring, and capacity building support for councilors and councils.

CLGF contains a repository of information on local government in different countries which can be accessed through the Country Profiles tab at the top. This section includes a brief summary of each country, key facts such as percentage of local government contribution to GDP, structure of the local government, dates of most recent elections and links to other useful sites. The first section entitled Summary contains a concise summary of the form, scope, responsibilities and structure of local government. The most interesting sections in the report, (which can be accessed by downloading the full country report) include the structure of governments with information on different tiers of local government, ministerial oversight including responsibilities of ministers at various levels and the structure of councils. Most country reports also contain a province wide distribution of councils and their population. Another useful section is Finance, Staffing and Resources, which has information on revenue and expenditure of local governments. The table corresponding to Finance, Revenue and Expenditure section elucidates the breakup of the resources and amount of revenue collected at different tiers of government. The last section has links to other sources that provide information on decentralization and local governments in different countries. The Publications tab on the top has information on the Commonwealth Local Government Handbook- a comprehensive book on local government in the Commonwealth countries. It portrays the system of local governments in 53 countries of the Commonwealth, looking at how local government is structured, how elections take place, what services the local governments are responsible for, how local governments are financed and what reforms are generally undertaken. The profiles are in a format that allows easy country to country comparison. However, the CLGF Handbook is currently out of print.

The **World Local Authorities (ALM/WLA)** can be accessed at <http://www.almwla.org>. It focuses on how local governments function and provides country by country analysis in the following five areas- General Data, Local Organization, Responsibilities, Local Finances and References. For each country the following information may be accessed by selecting a particular country.

General data includes socio-economic data for each country and lists macroeconomic indicators such as GDP, debt, etc. The Local Organizations tab describes the process of creation of local organization i.e. when and how local governments came into being, different tiers of local government, administrative divisions and organization and operation of local authorities. It illustrates the hierarchy of different levels of local government. The section on Responsibilities provides a breakup of responsibilities by territorial level and lists allocation of responsibilities at different levels of hierarchy. The Local Finances section deals with Budget Structure, Expenditure including key financial indicators as well as different sources of Revenue such as tax revenue, tariff revenue, revenue transferred from the state etc. Lastly, the More Information section provides contacts and bibliographical references. A concise document covering all of the above information is available for downloading.

The **International Institute for Democracy and Electoral Assistance (IDEA)** is an inter-governmental organization with member states from all continents. It has a mandate to support sustainable democracy worldwide. Although it does not contain voluminous information on local democracy, it provides general resources on democracy, conflict management, electoral processes, political parties and women in politics that can be accessed from <http://www.idea.int/>. It offers databases on different areas of democracy and elections. The database on democracy deals with comparative information on direct democracy mechanisms around the globe and data on when direct democracy was introduced in different countries. It can be accessed by clicking on Publications and Resources and selecting Databases and Networks.

The Unified database listed in the Databases and Networks page, offering information on voter turnout, electoral system design, gender quotas and direct democracy, provides a standard search interface for accessing data that is stored in a single database. For numerical data it is possible to find simple statistical summaries like maximum or averages in the search results. In the advanced search page, one can request for data from different thematic areas (such as direct democracy, electoral design and voter turnout) and filter by region and date. Out of the different databases covering a range of topics such as Direct Democracy, Electoral Justice, Electoral System Design, Gender Quotas, Political Finance Database, Voter Turnout and Voting from Abroad, the most interesting ones are on Direct Democracy and Political Finance. The Direct Democracy database deals with information as to when direct democracy mechanisms were introduced and lists the dates of the most recent direct democracy mechanisms. The Political Finance database has information on donations, public funding to political parties, campaign finances as well as finances and spending of political parties. Individual country reports with the above information can also be accessed from the Databases and Networks page by selecting State of Democracy Network and clicking on the Assessments Worldwide tab on the top, which provides individual country reports. The State of Democracy publication has an assessment methodology that empowers citizens to assess their own democracy and to identify policy steps needed to improve the quality of that democracy. The Assessing Democracy web link in the

Assessments Worldwide section provides links to other organizations and institutions that work within the field of democracy assessment.

Other websites with global scope:

The United Nations Development Program's (UNDP) Democratic Governance site: <http://www.undp.org/content/undp/en/home/ourwork/democraticgovernance/overview.html> offering information on Democratic Governance and Local Development for Central/South American countries. Although it does not specifically deal with local democracy, it provides a general background of these countries and their political structure. The Local Governance and Local Development section, which can be accessed from Focus Areas under Our Work tab focuses on people's voices. Local democracies respond to community needs as decentralization brings decision-making closer to the poor. One can access different journals, references or contacts regarding democratic governance by choosing a particular country and a focus area from 'UNDP Around The World' tab.

Another website <http://www.democraticdialoguenetwork.org/network/cases.pl> provides information on countries of Latin America including its past history and discusses the main social, political and economic events that have shaped its present. It posts weekly and bimonthly press reports that include news from each country and has country-wise data and links to governmental institutions, national and regional press, and other local entities.

Websites specific to one country or region:

The **Ministry of Panchayat Raj**: <http://panchayat.gov.in/>, a wing of the Central Government that is responsible for overseeing decentralization and local governance in different states of India, is a great source of information on local democracy in India. The website contains a journal entitled *Roadmap for the Panchayati Raj (2011-17)* which is an excellent source of information on the current status of the Panchayats, their functions, finances and accounting, capacity building, decentralized planning, e-governance, decentralized governance as well as a prospective roadmap for the future. It can be accessed from the homepage by selecting the Roadmap tab from the top of the page.

The website also offers resources on decentralized planning, devolution (including a report on Panchayat Empowerment Accountability Incentive Scheme), guidelines on decentralized planning, guidelines on Gram Panchayats available under MGNREGA and Detailed Budget Demand for Grants for the current as well as previous fiscal years under Proactive Disclosures in the RTI tab. Some of the other interesting sections include a section called Dimensions of Panchayati Raj which has a report on the administrative reforms on local governance, a Finance and Budget section that outlines demands for grants, the Advisories and Guidelines section listing Panchayati Finance, Accounts and Audit section as well as the Panchayati Raj in States section which contains state profiles. The homepage has a Related Links tab which provides a useful Panchayati directory.

The **Society for Participatory Research in Asia (PRIA)**, <http://www.pria.org/>, is an international centre for learning and promotion of democratic governance in India and South East Asia. It focuses on participatory research, citizen-centric development, capacity building,

knowledge building and policy advocacy. It offers support to Panchayati Raj institutions in India and provides articles on Participation and Governance, Participatory Development, Panchayati Raj, Capacity Building and Social and Urban Development which can be accessed from the Publications tab. The website has interesting articles on Democratic Accountability in Local Governance Institutions and Capacity Development of Local Governance Institutions in South Asia.

The **Decentralization Watch** is a non-governmental organization offering information on decentralization and democracy in Kerala (<http://www.decwatch.org/>). It provides information on the history and current status of the local government, local finances as well as capacity building which can be accessed from the Navigation Menu in the homepage. Some of the other potentially useful pieces of information include links to other websites on Local governance in India and general documents dealing with decentralization and the Panchayat Rules which can be accessed by clicking on Sites on India/Other States found under the E Documents and Websites listing on the right.

The **Online Sourcebook on Decentralization and Local Development** offers resources on decentralization in Latin America, Africa and Asia and can be accessed from the site <http://www.ciesin.columbia.edu/decentralization/Entryway/siteindex.html> provided by the Center for International Earth Science Information Network at Earth Institute, Columbia University. It offers general information on decentralization, its key issues and trends and future developments and analyses it from the perspective of administrative, fiscal (expenditure and revenue assignment) and political decentralization (accountability, transparency, participation). The website offers broad information on decentralization in four regions viz. Latin America, Africa, Asia and Europe, examining case studies and providing general country information within these regions. For each country, information regarding the political and economic situation, ongoing decentralization process, forms of decentralization as well as a general outlook is provided.

The **Association of Local Democracy Agencies (ALDA)**, www.alda-europe.eu, is an international organization, comprising of local democracy agencies in South East Europe to foster decentralized and multilateral cooperation between local, national and international partners. It promotes good governance and citizen participation at the local level. The Regional Strategies section under 'What We Do' contains documents, the details of local democratic associations and ALDA's projects undertaken in that region or country.

The **ARIAL programme** aims to improve local government in the African, Caribbean and Pacific region (ACP) with funding from the European Union. www.arial-programme.eu/en/

Books with information about many countries:

Decentralization and Local Governance in Developing Countries: A Comparative Perspective-
Pranab Bardhan and Dilip Mookherjee

This study, covering eight countries viz. Bolivia, Brazil, China, India, Indonesia, Pakistan, South Africa and Uganda provides an insight into the political and economic systems within which

decentralization has flourished and how this background shaped the structure and development of local government. The case studies point to the fact that the authority of the national governments over economic policies have been on the decline, as a result of devolution of political and economic powers to the local governments in the past few decades. In fact, decentralization has worked hand in hand with privatization and deregulation, to enhance the democratic processes, and the institutional transformation has been discussed from an interdisciplinary perspective. The book narrates the journey of some of these countries towards decentralization. While India along with Brazil experienced the process of decentralization in a more gradual manner, the devolution of power to the local governments in China was largely economic and hardly political. South Africa moved from the era of apartheid to a democratic constitution and it was under the latter that decentralization flourished. The book also chronicles the journeys of Bolivia (1995) and Indonesia (1998) towards decentralization.

The Architecture of Government: Rethinking Political Decentralization (Cambridge Studies in Comparative Politics) – Daniel Treisman

This is an interesting book in which the author tests the widely believed theory that devolution of power to local governments offers panacea for all ills that cripple good governance. Using logical analysis and formal modeling and citing many examples, Treisman has sought to deconstruct political decentralization by concluding that evidence does not support the claim that shifting power to local governments leads to creation of an effective and responsible government.

Why Nations Fail: The Origins of Power, Prosperity, and Poverty – Daren Acemoglu and James Robinson

Why Nations Fail does some soul searching to seek answers to the age-old question as to why some nations prosper while others lag behind in poverty. Citing specific examples like North and South Korea and Botswana, the authors conclude that it is the strength of political and economic institutions and the interplay between them that determine the economic success of a country. It is a thought provoking work, based on fifteen years of original research.

Local Governance in Developing Countries- Anwar Shah

This book reviews the experiences of ten developing countries and compares the alternative models of local governance from a holistic perspective. Written in a simple language with an appeal to a wider readership, it also deals with issues like how to strengthen the system of local governance so as to make it more responsive and accountable.

Local Governance Reform in Global Perspective – Norbert Kersting, Janice Caulfield, R. Andrew Nickson, Dele Olowu and Hellmut Wollmann

A comparative study spanning across four continents- Europe, Latin America, Africa and Asia on local governance reforms, the book compares developments and reforms in European countries to that of certain developing countries including China, Malaysia, Indonesia, Nigeria, Uganda, South Africa, Bolivia Chile and Paraguay, which have undergone vastly different historical, geo-political, politico-cultural as well as colonial experiences that have contributed to

wide variations in the outcome of their efforts. The authors have discussed three major strategies of governance: decentralization, political administrative reforms and participatory reforms, while the introductory remarks include a brief overview of the Local Government Reform in Global Perspective, including socioeconomic and political issues, local governance, reform trajectories and main reform obstacles.

Rethinking Decentralization in Developing Countries -Junaid Ahmad

While acknowledging the role of politics as a catalyst in the process of decentralization, this book examines the complexities involved and the need for strengthening the system. The impact of decentralization in terms of better service delivery, a more equitable system and greater macro-economic stability are also discussed.

Foundations for Local Governance: Decentralization in Comparative Perspective – Fumihiko Saito

This book discusses the experiences of six developing countries that initiated decentralization and local governance reforms within their respective socio-political context. Although the dual objectives of political democratization and economic efficiency have often acted as a driving force behind these policy initiatives that sought to bring “services closer to people”, the efficacy of these measures are dependent on a wide range of factors that in many cases pose a challenge to the governments. Written in a lucid language, the book “reveals the dangers of prescribing decentralization as a quick fix to improve service delivery and local democracy.” David Hulme, Director, Chronic Poverty Research Centre University of Manchester, UK.

The Political Economy of Democratic Decentralization (Directions in Development) – James Manor

This study of decentralization, based on empirical evidence drawn from different parts of the world, examines its relevance, its origin and the recent trends, the role of decentralized institutions within the society and the political environment, and its advantages and disadvantages. It also looks at the potential role of decentralization as a vehicle for rural development.

Decentralization, Democratic Governance, and Civil Society in Comparative Perspective: Africa, Asia, and Latin America (Woodrow Wilson Center Press) -- Philip Oxhorn, Joseph S. Tulchin and Andrew Selee

With an introduction from Philip Oxhorn that touches on the theoretical foundation relating to the issues discussed in the book and case studies from Mexico, Indonesia, Philippines, South Africa, Chile and Kenya, it deals with the trends in the process of decentralization in the six countries, delves into the complexities involved, and examines the relationship between national and sub-national levels of government as well as between decentralization, economic liberalization and democratic transition. The authors have carried out a general review of the institutional settings in each case, identifying the principal actors and the critical issues and drawing conclusions on some of these issues.

New Regional Development Paradigms: Volume 3, Decentralization, Governance, and the New Planning for Local-Level Development (Contributions in Economics and Economic History) – Walter B. Stohr, Josefa S. Edralin and Devyani Mani

The book presents a series of articles that explore various ways to resolve the challenges of poverty, deprivation, exclusion from technology and lack of access to proper health care system in a world characterized by rising prosperity that is spreading across the globe. The roadmap proposed includes decentralization of government, local level development and greater public private partnership, which have been discussed in the context of the experiences of some of the countries across the globe.

Sharing Power for Development: Experiences in Local Governance and Decentralisation (Experiences and Learning in International Cooperation Series) – Lilith Schaerer and Karin Fueg

Essentially a compilation of case studies presented by Helvetas, a Swiss developmental organization and its local partners in select other countries of Asia, Africa and Latin America, the book seeks to establish that good local governance based on decentralization has a close nexus with the efficacy of poverty related development work, and the importance of context specific initiatives in the success of local governance.

Articles with broad information about local democracy around the world:

Decentralization and Governance by Jean-Paul Faguet

This article explores the impact of decentralization on governance. Faguet argues that although decentralization is believed to enhance governance through increased accountability, increased political competition and lower political instability, it also poses a threat to the fiscal sustainability and restricts government power.

Decentralization of Governance and Development by Pranab Bardhan

This paper argues that differences in stages of economic development that gives rise to changes in the institutional context have implications for the decentralization processes in the developing and advanced economies. Accordingly the author cautions that it may be hazardous to draw lessons for the developing countries from the experiences of the US. The article also refers to some empirical work in evaluating the impact of decentralization on delivery of public services and local business development.

Rethinking Decentralization in Developing Countries by Jennie Litvac, Junaid Ahmad, Richard Bird

Rethinking Decentralization in Developing Countries examines the role of the wide range of variables that determine the success of decentralization in the developing countries, and argues that its consequences are institution specific. Decentralization is neither favorable nor unfavorable for macroeconomic stability. Its impact depends on the strength of the institutions, effectiveness of the policies and incentives to influence outcomes. The paper focuses attention on the need for accountability, governance and capacity in the formulation

of decentralization policy, and discusses the five means through which the decentralization policy and institutions interact- regulatory framework for sub-national borrowing, competitive governments, financing and delivery services, asymmetrical decentralization and policy synchronization.

Democracy and Growth: Alternative Approaches by Jenny A. Minier

This article explores the relationship between economic growth and democracy. According to Minier, there is a direct positive correlation between democracy and growth- countries that have democratized grow more quickly compared to countries that have not. Moreover, democracy also helps identify countries that face similar aggregate production functions at given literacy and income levels.

Democracy and Growth by Robert J. Barro

In this article Democracy and Growth are analyzed using data from over a 100 countries spanning a period of 30 years from 1960 to 1990 to determine the effects of democracy on growth. According to Barro, at low levels of political freedom, there exists a nonlinear positive correlation between democracy and growth, whereas at moderate or higher levels of freedom, this relationship is negative.

This document is available at:

<http://home.uchicago.edu/~rmyerson/research/locdemocinfo.pdf>