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## **Cross-Cutting Literature Review on the Drivers of Local Council Accountability and Performance**

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# SOCIAL DEVELOPMENT WORKING PAPERS

LOCAL GOVERNANCE & ACCOUNTABILITY SERIES

Paper No. 112 / July 2008

## Cross-Cutting Literature Review on the Drivers of Local Council Accountability and Performance

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Dr. Tomila Lankina

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# Introduction

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The worldwide wave of decentralization of the last two decades has been based on the assumption of the democratising, citizen-enabling, and efficient service-delivery potential of local governments. Local governments have not always delivered on their promise however, a fact that scholars and practitioners alike increasingly recognise. Efficiency has not always been accompanied by gains in accountability, and accountability has been frequently sacrificed to efficiency. In many contexts, local governments are neither efficient, not accountable to the local populations. Formal institutions that function well in some settings, in others, fall prey to the ills of mismanagement, corruption, patronage, and elite capture. And stellar performance in one policy field by no means guarantees excellence in others. A local authority might be a paragon of health services provision, but may dismally fail in addressing illiteracy.

There is now a considerable body of literature on decentralization in diverse national contexts. Ascertaining factors that drive local accountability and performance have been the key concerns of these studies. Diverse methodological instruments and approaches have been used—from large-n statistical analyses to in-depth case study techniques. And yet, the findings regarding the drivers of local performance and accountability remain inconclusive or even contradictory even when different scholars employ similar data.

The sheer vastness of the topic is the main reason for the ambivalence in research findings. Local governments operate in complex and variable locality-specific, national, regional, and even “global” environments. The locality-specific factors are among the most important drivers of local outcomes. They could be anything from the nature of local party structures, to a legacy of being a “company town” with a distorted economy, to high levels of ethno-social stratification, to the availability of natural resources, to a tradition of local civic engagement. An array of national factors may also impact on local governments’ ability to perform—such as whether a country is a democracy, whether it is an industrialized democracy, and what powers the national government chooses to cede to the local authorities. Regional factors might likewise affect local dynamics in various ways—from providing positive democracy demonstration effects, to generating economic shocks felt in local economies. And “global” factors operate not just at the level of multinationals setting up local office, but also in the sense of donors pursuing a decentralizing agenda and influencing local government set-up, policy, and service delivery instruments.

Another reason for the ambivalence in findings is the difficulty of distinguishing performance from accountability. For the sake of clarity, in this review performance refers to effectiveness in providing and/or delivering services to the local populations and addressing broader social needs. Accountability refers to constraints on public officials by the local citizenry. A discussion of how these terms are generally used in the literature follows.

Few studies offer precise definitions of local performance. This reflects the complexity and multidimensionality of this concept. In the best-known study of performance, Putnam (Putnam 1993) conceptualises it as incorporating societal demands which lead to political interaction with government, which affects policy choice, and finally leads to policy implementation. According

to Putnam, “a high performance democratic institution must be both responsive and effective: sensitive to the demands of its constituents and effective in using limited resources to address those demands” (Putnam 1993: 9). Another well-known study employs the term “effective local governance.” It refers to “exist[ence] [of] working systems of collective action that manage a locality’s public affairs that are accountable to local residents” (Olowu, Wunsch, and Aye 2004: 1). In their widely cited work on local government in South Asia and Africa, Crook and Manor do not provide a concise definition of performance. They use a range of indicators and measures of performance, such as output effectiveness related to local policy and services; responsiveness, defined as “the degree of congruence between policies, outputs and popular preferences”; and process, which refers to transparency, fairness of local officials, etc (Crook and Manor 1998: 18). The above definitions suggest that performance is used very widely, and incorporates both the various dimensions of service and policy effectiveness, and accountability.

That accountability could be sometimes in conflict with performance (as defined by the author of the review) is not always acknowledged by scholars because of the usage of both of these terms as proxies for wider performance outcomes. Below are some examples of how effectiveness/performance could be in conflict with the goals of accountability. Accountability has been referred to as “constraints on the rent-seeking activities of office holders, such as diverting rents from the public purse, taking bribes, favouring of particular interest groups, and insufficient innovation and effort” (Hindriks and Lockwood 2005: 2). Technical skills, which are important for performance, are not reflected in this definition. And yet, however much “effort” the local councillors make, they may simply lack the skills to manage a local hospital. They may be “innovative” enough to outsource its operation to a private company. But then accountability would be partially sacrificed, as the local public would not be able to hold the company in question directly accountable. Moreover, as Putnam indicates, public officials may not always anticipate what the public had not yet articulated. At the same time, outcomes of policy decision making would not match the preferences of its proponents however well government action might be designed and implemented (Putnam 1993). It may be difficult to achieve responsiveness, accountability, and sound service delivery performance, at the same time.

Accordingly, performance is often used in reference to structures of democratic accountability, such as election or oversight. In many studies service delivery outputs, which could be shaped—positively or negatively by accountability mechanisms, but *not solely by them*—are often overlooked however. In fact, many studies do not even go into any great lengths to investigate specific policy areas.

That often the outcome is *either-or*, rather than *both*, in the sense of efficiency versus accountability, is a source of enormous frustration for advocates of decentralization. The reasons for this tension are well known. The essential services that local governments perform are also often incredibly complex ones. The most notable among them are education and primary healthcare.<sup>1</sup> These services require economies of scale, standardization, and a high level of technical skills and expertise. Inevitably, the national government or sub-national state bureaucracies retain partial authority over these services, or chose to outsource them to private bodies or NGOs. This generates tension between the normative goals of downward

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<sup>1</sup> It covers a host of services from nutrition, to sanitation, to information and education, as well as curative care in clinics (Filmer, Hammer, and Pritchett 2000)

accountability of local governments, and efficiency. The balance between accountability and performance could be a delicate one.<sup>2</sup>

This paper attempts to tie the various strands of literature together to ascertain the main drivers of local performance and accountability. It explores accountability and performance in the context of a whole range of factors, such as enabling environment of national regulations; donor projects; ability of councillors to mobilize government; powers and skills of councillors; their ideologies; fear of sanctions; cultural norms and values. It also examines in greater depth the main arguments that have been advanced regarding the tension between accountability and performance or efficiency. While some of the drivers of local performance discussed in this review, such as fiscal decentralization, have already received extensive treatment in the literature on local performance, others, such as party systems and neighbourhood factors, have been subject to less empirical treatment.

The paper has three main sections. Section one is a survey of the literature on key factors that shape local government performance. In particular, in the sub-sections, the following factors are highlighted: (1) *democracy and rule of law*; (2) *voice through elections and oversight*; (3) *socio-economic development*; (4) *political culture and tradition*; (5) *corruption*; (6) *ethnic diversity and fragmentation*; (7) *role of national and local party systems and politics*; (8) *appropriate policy sphere to decentralize*; (9) *fiscal decentralization and access to capital markets*; (10) *the structure of local government and lines of accountability*; (11) *size of the local government unit*; (12) *outsourcing*; (13) *leadership skills*; (14) *role of broader geographic factors and impact of donors*. In each of the sub-sections key or representative studies are cited, and the merits or weaknesses of their methodological approaches and interpretations, as well as data needs and limitations, are discussed. Where appropriate, best practice cases are also discussed. Section two critically assesses in more detail the main methodological approaches that have been employed for measuring and evaluating performance, such as public opinion customer satisfaction-type surveys, interviews with key local respondents, and small- and large-n studies using indicators of local outputs and outcomes. The discussion in the third section summarises the key patterns regarding the drivers of local performance that emerge from the literature review, and, based on it, comes up with a list of hypotheses and research questions.

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<sup>2</sup> Much of the recent literature on decentralization also underestimates the complexity of the “black box” of policy making and implementation, which is often far removed from normative ideals of democratic accountability and efficiency (John 1998).



# The Drivers of Local Performance

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## DEMOCRACY AND RULE OF LAW

A key factor identified in comparative studies of local government performance and accountability is the role of the broader national political and legal environment in which local government reform takes place and in which local governments operate. This point might appear obvious however advocates of decentralization have not accorded it sufficient prominence. Local governments in many studies and policy advocacy papers are assumed to operate in isolation from broader national environments. As Heller et al. remark, the literature that focuses on the “vast underside of local political life . . . usually pays scant attention to the larger institutional context” (Heller, Harilal, and Chaudhuri 2007). Another underlying assumption of many studies is that even where the broader environments are not democratic, setting up popularly elected local governments would help democratise the polity as a whole.

The jury is still out on the question of whether democracy and the existence of an accountable and responsive national government is an essential precondition for successful decentralization (Shah); or whether setting up elected local governments would lead to a virtuous cycle of accountability, responsiveness, and good performance, in the polity as a whole. Recent comparative studies have shown that pre-existing levels of democracy may strongly affect the potential of local governments to deliver on their normative promise (Olowu, Wunsch, and Ayea 2004). Absent a tradition of democracy, decentralizing power to the localities might even have harmful effects on local performance.

Other studies have suggested that even in countries that were not consolidated democracies at the outset of decentralization, as democracy matures, there would be gradual advancements in democratic accountability at a local level. Clientelistic systems emerge where political competitors are not credible and promises become credible only to “clients,” and less is spent on public goods. In more mature democracies, politicians will have already increased their credibility by rewarding clients on a targeted basis, and by gradually expanding their client base. Clientelism subsides when reputations for broader public services provision extending beyond the narrow client base develop (Ahmad et al. 2005). This of course takes time, and extends well below one electoral cycle.

Even in the short term there may be a positive link between decentralization and democratic performance in newly democratizing settings (Huther and Shah 1998). Theoretical modelling of the impact of centralised versus decentralised systems on electoral accountability supports this claim. In centralised systems, there is arguably a higher probability of diverting rents in some regions without voters in other localities detecting this (Hindriks and Lockwood 2005). Decentralization serves as a corrective to such structures of misallocation, ultimately affecting democracy in the country as a whole. Another study that modelled the relative likelihood of interest group capture at lower versus higher government levels suggested that there may be a tendency for less capture at lower levels of authority, but the extent would be highly context-specific (Bardhan and Mookherjee 2000). Finally, Seabright’s model supports the argument that

decentralization might increase accountability for a given region. Within a given region however accountability for certain localities, such as those that are insufficiently homogenous and whose interests show greater cohesiveness at a national level, could still be compromised (Seabright 1996).

Even in countries with democratic institutions and elections in place, weak rule of law could hamper efforts to build accountable and effective local governments. Rule of law has been defined as the extent to which citizens have “confidence in and abide by the rules of society” (Kaufmann, Kraay, and Zoido-Lobaton 2002). A transparent and functioning legal system with predictable judiciary is essential for local government oversight. It also helps prevent abuse of state power against elected local governments or their executive bodies. Where the judiciary is not independent, a strong degree of arbitrariness is likely in state monitoring and supervision of local governments. Local governments might get penalised or legal proceedings might be initiated against local mayors based on political factors, and not on actual mismanagement or other local government performance weaknesses. In such systems, fear of sanctions forces local governments to act based on the preferences of higher administrative or political authorities, and not those of local citizens (Lankina 2004).

Rule of law also affects evaluation capacity and scrutiny, which are considered key to effective performance. A legal environment that allows civic associations, think tanks, the press, and other formal and informal institutions that foster critical thought, to thrive, is essential for scrutiny and oversight. The independence of the media in particular is increasingly recognised as a key mechanism for holding power holders accountable, and is included as an important indicator in aggregate indicators of governance (Kaufmann, Kraay, and Zoido-Lobaton 2002; Azfar, Kaehkoenen, and Meagher 2001). Only in democratic systems with strong mechanisms for “voice” and “exit” (Hirschman 1970) via the ballot box, and an environment for the functioning of such independent organizations, is evaluation, and by extension, effective and accountable governance, possible. This may not be true in many “adjectival” democracies (Collier and Levitsky 1997). The local media may not be of sufficiently high quality to scrutinise local public services effectively (Ahmad et al.). In some developing countries, mass media at a local level are “virtually nonexistent” (Olowu, Wunsch, and Aye 2004). In Russian localities, the key local newspaper is often produced and controlled by the local governments themselves, defeating the purpose of effective scrutiny (Lankina 2004). Where targeted measures had been introduced specifically publicising local government expenditures through radio or other media, they have had a positive impact. In Uganda, they helped prevent public funds misuse (Khemani 2004). In West Bengal, efforts to publicise and report on poorly-performing local public sector doctors and nurses or those who discriminated between patients resulted in improved performance (Filmer, Hammer, and Pritchett 2000).

While there is a growing body of case studies on the impacts of broader democratic environments on performance, data limitations hamper efforts at cross-national comparisons (Heller, Harilal, and Chaudhuri 2007). Because of these limitations, most of the cross-national studies deal with the links between broader variables of democracy and rule of law and decentralization/ local performance. Where cross-national research using such broader variables

has been conducted, endogeneity is often a problem (Dreher 2006).<sup>3</sup> Missing data on a key set of developing countries, such as those in Africa, make questionable the findings of cross-national comparative studies that link decentralization to democratic performance (Huther and Shah 1998). Moreover, scholars do not always include sound controls, providing simple bivariate correlations between local government/ decentralization and indicators of governance, accountability, and democracy (Shah; Huther and Shah 1998).

## VOICE THROUGH ELECTIONS AND OVERSIGHT

Traditionally, accountability mechanisms in many settings were hierarchical and bureaucratic in nature. They ranged from inspectorates, to central government approval of local staff and decision making, to codes of conduct and disciplinary mechanisms. By contrast, bottom-up mechanisms of scrutiny and oversight would be based upon the principles of the threat of “exit,” and the exercise of “voice” through elections (Hirschman 1970). Scholars have argued that in the real world, exit is not always possible (Litvack, Ahmad, and Bird 1998). They caution against the application of the concept of exit without regard for the peculiarities of specific local and national contexts. In less developed settings, the poor often lack resources for transportation and relocation to other areas. They cannot vote with their feet in a way that affluent middle-class residents would, for example, in America. Mobility is often not the preferred option because of cultural, social, or ethnic ties to a particular locale or community. Local residents, even if they are unsatisfied with public services, may therefore choose the option of “loyalty,” i.e., staying where they live. Exit in the sense of changing service providers may be also not possible under all circumstances, for example, where alternative private providing structures are undeveloped. Exit may not be relevant for some key policy areas, such as the environment (Olowu 2003). If we extend Hirschman’s application of the concepts of exit, voice, and loyalty, we would expect that in such circumstances, voice may be the key instrument of oversight and accountability (Hirschman 1970; Gangopadhyay and Nath 2001). Moreover, it would be also exercised more vigorously as compared to situations when exit is not an option.

Elections, which are considered to be the central element of democratic local governance, provide the most straightforward channel for the exercise of these citizen rights of voice. In democratic theory, elections are assumed to legitimize local authority and provide elected representatives with a mandate for action. They also serve as key means of ensuring public accountability. Accountability could be attained through voting incumbents out of office or demanding regular accounts of actions and policies.

Contrary to expectations, even where effective exit is not possible, and where a democratic electoral process is in place, elections do not always serve as effective mechanisms of voice however. Evidence from various settings suggests that a host of factors may shape the effectiveness of elections as local citizen voice. Key among them are whether candidates run as

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<sup>3</sup> Dreher for example used such measures as the PRS Group International Country Risk Guide (ICRG) law and order indicator; the Fraser Institute’s Economic Freedom Index for measures of judicial independence; and the World Bank Rule of Law Index covering perceptions of governance, to measure the impact of decentralization on governance variables. While some of these proxies have time series variation, they could still be construed as affecting decentralization, rather than as decentralization affecting performance. (Dreher 2006).

independents or on a party ticket; whether officials that are being elected are perceived to wield sufficient power; whether local elections are held concomitantly with national elections; and whether electoral manipulations occur (Sisk 2001).

An established body of literature on Western local governance also suggests that even under “perfect” conditions of free and fair elections and the existence of a wider stable democratic national context, voice in local elections may fail to ensure that elected officials will exercise power on behalf of all of their constituencies. In his classic study of community power in America, Hunter showed how in American cities, power is exercised by a narrow elite (Hunter 1953). This and other studies showed how the involvement of non-elite segments of the community is often limited to endorsing decisions already reached by these other interests (Schattschneider 1960; Bachrach and Baratz 1962). Studies from various western settings, such as France, England, and America, also show the middle-class, white-collar, male bias in the composition of many elected bodies (Balme 1989; Newton 1976; Mabileau 1989; Mabileau et al. 1989; Mabileau 1995; Stone 1989). This suggests that structural biases against marginalized and non-elite groups are built into elections even in democratic settings.

Two other classic studies of American local governance provide more nuanced explanations of why voice could be still effective even under conditions of asymmetries in access to power. Dahl’s study of New Haven suggests that elite over-representation in local decision making may not mean that non-elite interests are not taken into account. And Stone’s dissection of power in local governance in Atlanta suggests that in a democracy, non-elite groups voluntarily delegate power to, and elect, those better endowed than themselves. This is because the elites have more resources, time, skills, and capital to govern (Dahl 1966; Stone 1989).

Contemporary decentralization advocates do not always give proper consideration to these rich and nuanced decades’-long debates on local electoral processes and politics. This is particularly evident with the way in which the concept of “downward accountability” has been recently promoted and used, particularly by the donor community as it pursues a decentralization agenda in developing settings. In a recent article critical of the faddism involved in promoting this concept, Rubin deconstructs “downward” accountability using the examples of American local, state, and national government (Rubin 2005). He argues that elections do not provide the kinds of accountability that its advocates envisage. Incumbents are hard to remove from office however bad their performance; the local public is often uninformed on matters that are technical in nature; and the representation function of elections is undermined because voters vote for people from their ethnic group or simply based on subjective sympathies for the candidate. Moreover, citizens are usually presented with only a few candidate choices, which means that “a multitude of issues must map into a small decision set” (Rubin 2005: 2079). “Apocalyptic levels of ignorance” (Rubin 2005: 2079) also sometimes characterise the average voter, and this, in established Western democracies where access to education and information is as high as it gets. Assigning more functions to elected authorities, rather than to administrative agencies, does not mean that the citizenry would closely monitor them: policies are too “fine-grained” to become issues in an electoral campaign (Rubin 2005: 2080).

Empirical evidence from developing democracies confirms that citizen voice through elections does not always ensure effective representation, aggregation, and articulation of broad-based

interests in local councils. Gangopadhyay and Nath found this to be the case in India's metropolises of Calcutta, Delhi, and Bombay. Using the example of local expenditure decisions they show that citizen voter preferences were not reflected in local expenditure decisions, instead favouring the rich and middle-income groups (Gangopadhyay and Nath 2001). Short of specific targeted measures to mitigate the anti-poor biases in local decision making, such asymmetries are likely to persist, they argue. Another comprehensive study likewise observed this paradox of lack of citizen vigilance through elections in African settings. Even where elections are in place, local citizens fail to effectively sanction poorly performing officials. They often even fail to inform themselves of local decision making (Azfar, Kaehkoenen, and Meagher 2001).

Generally, even in Western democracies there has been a decline of faith in such traditional instruments of representative democracy as elections. In some countries, turnouts in local elections have also gradually gone down over the last few decades. Elections focused on parties have likewise alienated the voter, as parties—another traditional institution in a democracy—are often perceived to have lost touch with the electorate. In Canada, parties are excluded from elections in cities with less than 20,000 voters because party formation is perceived to be detrimental to local democracy and governance at smaller levels of authority. It is assumed that party-free elections ensure that mayors and other elected officials speak on behalf of the community as whole, and do not pursue narrow party agenda (Sisk 2001).

In order to address the issue of alienation of the voter from elected representatives, additional formal mechanisms for influencing elected officials between elections have also been put in place. One such mechanism is recall by constituents. Examples from developing countries are Nigeria and Ethiopia, as well as some Indian states, like Madhya Pradesh (Mathew and Mathew 2003). Such other mechanisms are important because elections may serve as a highly imperfect mechanism of accountability. This would be particularly true in settings where “money, violence, and corruption” dominate them, and where politics are personalistic, kin-focused, or patronage based (Olowu, Wunsch, and Ayee 2004: 71).

The perceived inadequacy of elections as a mechanism of voice and accountability in various settings has spurred a variety of complementary formal and informal mechanisms and practices for the exercise of citizen voice. These mechanisms have been referred to as enhanced participation, complementing traditional forms of participation. Decentralization advocates have hailed the potential of such forums for reinvigorating local politics, citizen activism, and accountability. In contrast to elections, which represent indirect forms of democracy, these mechanisms are forms of direct democracy involving a strong deliberative component. Logistically, some of these deliberative forums could be complicated and time consuming however, they may have merits. Consensus-based decision making may be more legitimate compared to when elected officials take decisions independently and could not be realistically scrutinised on a daily basis (Sisk 2001).

The practical form of these participatory practices and arrangements could range from public meetings, to citizen juries, to forums for various social groups, such as the young or the elderly, to neighbourhood assemblies, to multi-choice referendums which are accompanied by active public debate and discussions, to NGO and other community activism. In some settings, experiments were held whereby citizens were exempted from work and asked to meet to make

recommendations about local issues. This has arguably had the effect of drawing even the normally passive and disinterested citizens into public life and activism. Size of the locality and its cohesiveness are important factors that determine the effectiveness of such forums (Sisk 2001).

Examples of the application of direct voice in developing settings are participatory budgeting practices. These practices originated in Latin American cities, the best-known case being Porto Alegre. Participatory budgeting is based on public discussion of budgeting decisions, which then become binding on the council (Olowu, Wunsch, and Aye 2004). In India, the *Gram Sabha*, or a village assembly of all voters that is not elected, but is held at some periodic interval, is another potential mechanism of direct participation and regular scrutiny of public officials. However, the performance record of these forums in some countries is mixed: some studies report low levels of participation and frequent lack of a quorum. At the same time, such public assemblies risk becoming too “large and unwieldy for any effective participation” (Mathew and Mathew 2003): 26). Recently, in India, adjustments have been made based on early experiences with the *Gram Sabha*. Large states like Orissa, West Bengal, Kerala, and Madhya Pradesh opted for Gram Sabhas of smaller territorial coverage. This helps overcome the issue of the poor lacking funds to travel to participate in these meetings (Mathew and Mathew 2003).

Civic groups could also monitor local decisions. An example is the social audit in India, whereby committees composed of individuals with impeccable reputations scrutinise local decision making and publicise findings on how public moneys are allocated and spent. Public hearings of corruption cases, accompanied by wide publicity and social mobilization is another important mechanism in place in some states like Rajasthan. The experience in this state has been quite positive. There is evidence that officials return public moneys that they had misallocated as a result of the hearings. In Kerala, vigilance committees have been also effective at a ward level (Mathew and Mathew 2003).

Service delivery surveys represent alternative possibilities of oversight. They have been in place in Senegal, Uganda, Ghana, Malaysia, and India. Another example of social scrutiny of local governments is social funds committees. These are user groups that ensure that services are delivered as intended. The empirical record of these mechanisms is mixed and no systematic scholarship exists as to their effectiveness however (Olowu, Wunsch, and Aye 2004).

Ombudsmen for citizens to report local grievances against officials represent another potential check on power abuse by local authorities. Evidence from Africa indicates however that their effectiveness is considered lower than that of mass media or other vehicles for publicising and scrutinising abuse (Olowu et al.). Mathew and Mathew by contrast cite the positive example of Kerala. The office of the Ombudsman is a seven-member body consisting of a High Court Judge as the Chairperson, other judges, and non-political representatives appointed after consultation with opposition parties. Appellate tribunals also exist as a source of appeal against *panchayat* decisions. Only impeachment could remove members of these bodies, which is aimed at minimising the chance of executive interference with their work (Mathew and Mathew 2003). Likewise, in some African countries such as Ghana and Uganda, local judicial or conflict-resolving agencies, which may be customary in nature, arguably provide redress for local grievances (Olowu, Wunsch, and Aye 2004).

## SOCIO-ECONOMIC DEVELOPMENT

Another related contextual factor affecting local performance is the level of social and economic development of the localities and polity as a whole. Normative ideas about local government are derived from industrialised nations with high levels of economic development (Litvack, Ahmad, and Bird 1998). Data compiled by international agencies show a link between social and economic development, decentralization, and local government performance. Relatively high levels of economic development might facilitate local government performance. Decentralization might have the reverse impact in less developed countries, and would be more prone to elite capture or patronage (Heller, Harilal, and Chaudhuri 2007).

Scholars are only now beginning to ascertain precisely how poverty, democracy, and low local government performance could go together. Poor people are not as capable as those that are better off to hold politicians accountable even if democratically elected councils are in place. Information asymmetries could be an important reason for a lack of exercise of voice. Disparities in political awareness levels could be marked among various classes, hence the greater likelihood of interest group capture the higher the levels of illiteracy, poverty, and inequality (Bardhan and Mookherjee 2000). Poor people might also lack the resources to travel to remote government or other agencies to exercise their right to participate (Agrawal and Gupta 2005; Ahmad et al. 2005).

So, even if participatory mechanisms might be in place boosting a given locality's overall economic development, the levels of participation *within* the community are likely to be lower among those less economically advantaged. Benefits from new participatory arrangements may be biased towards those who are better off. For instance, a study of Uganda found that education levels and income were determinants of membership of citizens in such key local government committees as health and school management (Azfar, Kaehkoenen, and Meagher 2001).<sup>4</sup> Agrawal and Gupta found similar patterns with respect to the governance of common pool resources in Nepal (Agrawal and Gupta 2005). And in India, Crook and Manor found that decentralization did not always empower the lower castes or women. While these groups showed high levels of participation in elections, they reported being marginalised in local decision making. Funds specifically allocated for Scheduled Castes also did not always reach these traditionally marginalised groups and were used for other purposes (Crook and Manor 1998).

This record has led some scholars to conclude that where communities are already highly stratified along the lines of power, income, wealth, and social status, decentralization might only exacerbate extant levels of socio-economic inequality. Accordingly, decentralization programs ought to be *biased* (emphasis original) towards disadvantaged groups, rather than being formally neutral in their design and implementation (Agrawal and Gupta 2005). By contrast, localities with lower levels of socio-economic inequalities might benefit from decentralization even in developing settings. Heller, et al. found this to be the case in India's state of Kerala. Here land reforms preceded decentralization, and there is a more equal class structure than in most other parts of India. The campaign to devolve authority to the Panchayats led to increased levels of performance, accountability, and participation of a diverse social strata, including members of disadvantaged groups (Heller, Harilal, and Chaudhuri 2007). Economic modelling has shown that this conclusion might hold in other settings as well. Decentralization may raise capture in

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<sup>4</sup> This finding did not hold in the Philippines.

high-inequality districts, while lowering it in low-inequality ones (Bardhan and Mookherjee 2000).

Other scholars suggest that the causal mechanisms could go both ways however. Good governance might increase per capita incomes, and incomes in turn increase the demand for better governance and accountability (Huther and Shah 1998). There are also more specific links between public expenditures and the reduction of socio-economic inequalities that are related to structures of democratic/ electoral accountability. Foster and Rosenzweig assembled a twenty-year panel dataset from 250 villages in Rural India to determine how democratic local governance affects public goods provision to the poor. They found that in villages with democratic governance, i.e., those with an elected *panchayat*, higher proportions of the landless poor increased the likelihood of allocation of funds for road construction, which provides jobs for these groups. It also lowered the proportion of local spending for irrigation, which usually benefits the landed rural elite (Foster and Rosenzweig 2004). The results do not hold for localities with a “non-democratic governance system.” Their findings point to possible longer-term impacts of local governments on reducing rural income inequalities and elite capture. Still, they admit that their findings also point to questions of efficiency in resource allocation and possible over-investment into one asset area at the expense of others, such as irrigation.

### POLITICAL CULTURE AND TRADITION

Another set of factors could be broadly labelled political culture and tradition. Countries vary in their broader patterns of attitudes to political authority and participation; alternatively there may also be within-nation variations in political culture patterns depending on the locality we are investigating. Political culture and tradition might have a strong bearing on how public resources are allocated, and how politicians and officials are held accountable (Almond and Verba 1989; Banfield and Wilson 1963; Banfield 1958; Eckstein 1998; Putnam 1993; Diamond 1999; Fox, Clark, and Treakle 2003).

Social capital, which refers to strength of associational ties and civic engagement, has become a particularly influential concept in studies of local governance following the publication of Putnam’s study of local performance in Italian regions. Social capital might shape institutional performance, but institutional design might also alter social norms and practices (Putnam 1993). This premise has been tested in cross-national studies of decentralization and local performance. According to an IMF Working Paper fiscal decentralization could stimulate the development of social capital. An increase in the size of sub-national governments and their share in total government spending are positively associated with confidence in government, greater civic cooperation, and associational activity.<sup>5</sup> This finding supports the contention of local government advocates that when expenditure assignments are closer to revenue sources and the electorate, there is greater policy accountability and transparency. Such a proximity of the government to the electorate in turn generates greater levels of enforcement of social contracts, participation, engagement, and responsibility for local decision making, ultimately boosting local social

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<sup>5</sup> The finding was largely robust to the inclusion of several controls, such as ethnic fragmentation, public debt as a share of GDP, age-dependency ration, UNDP Human Development Index; TI Index of corruption; gini coefficient of income inequality; and status of being a developing country.



capital. This contrasts with arrangements with more “distant” governments, which are mistrusted, and which create weak incentives for cooperative problem solving. As with other studies, the possible problem of endogeneity is acknowledged in the paper, particularly given the level of aggregation of the data (de Mello 2000).

Going beyond a focus on political culture and social capital, other scholars have proposed to distinguish countries along a broader set of cultural-historical criteria and identify those which might be conducive to, or inhibit, good local government performance. Drawing on Max Weber, Hutchcroft distinguishes between polities with bureaucratic administrative and governance features from those that are patrimonial. Local government performance is likely to fall victim to local informal practices in the latter type of settings however good the formal institutional design might be. “Where local bosses wield substantial coercive power, devolution may end up promoting forces hostile to democracy,” he writes. Moreover, “developmental objectives may be hindered by programs that merely end up strengthening those who already monopolize local resources—and the central government may be the only institution in the entire country able to democratize access to resources at the local level” (Hutchcroft 2001: 42).

Settings with strong traditional authorities have been singled out in particular for presenting a challenge to current decentralization agenda. Scholars document how traditional or customary authorities, such as chiefs, kings, and religious leaders, have been reasserting their power in many African countries. In other settings too, such as Guatemala, Indonesia, and China there is evidence that traditional authorities continue to wield substantial power over local citizens. These figures see decentralization as a challenge to their authority as new actors and institutions get empowered. Their response has been often to sabotage or otherwise influence the decentralization agenda to their advantage. Ribot writes how in the context of a discourse on sustainability and development, they also successfully use the language of authenticity for their own ends, presenting themselves as true spokesmen of community interests (Ribot 2004). Even where broadly representative elected local authorities exist, such traditional figures often act as intermediaries between elected councils and villagers. At issue here is not so much the strength of these authorities as compared to elected local governments; rather, it is the fact that donors and governments often chose to act through these figures, and not local elected bodies. This “politics of choice and recognition” also has profound distributional impacts, as resources get channelled through non-elected bodies, while local governments are sidelined (Ribot 2007; Ntsebeza 2004; Ribot 2004). Corruption and mismanagement may be an outcome of such practices of work through customary authorities because they could not be held publicly accountable (Ntsebeza 2004). Accountability also becomes problematic in such situations as it is not based on systematic institutional mechanisms, but on personalities, beliefs, culture, and tradition (Ribot 2004).

According to other scholars, indigenous cultural patterns of rule based on such authorities could be in fact more conducive to effective local governance than formal institutions borrowed from western templates. Some scholars have warned against simplistic institutional engineering solutions, such as those aimed at creating “modern” European- or American-modelled local government units that seek to do away with customary modes of governance. As Olowu et. al write, customary authorities have been important as alternative sources of local governance in the context of wider state weak capacity or even collapse, such as in Zaire and Somalia. In

Mozambique, Ribot cites a study describing chiefs as progressive. In the context of a weak civil society they arguably represent legitimate forces in the community (Ribot 2004). Externally-imposed institutions might have weak social roots. While traditional authorities like chiefs, whose power may have been reinforced through colonial policies, lack democratic accountability (Ribot 2004; Ntsebeza 2004; Ribot; Mamdani 1997), in some communities they may be genuinely respected. They can play important roles in the strengthening of formal institutions of local government (Olowu, Wunsch, and Ayee 2004).

### ***Corruption***

Corruption is an entrenched feature of public administration in many countries (Azfar, Kaehkoenen, and Meagher 2001). Some studies suggest that fiscal decentralization may reduce corruption because bringing spending down to the local level of authority improves the possibility of citizen check on local officials. Increasing the number of elected local authorities may also reduce the level of corruption, as arguably local services generate fewer stakes and are less cost-intensive than large national government projects (Fisman and Gatti 2002).

Other scholars have shown causal links between the volume of bureaucracies and increased levels of corruption. In his cross-national study of decentralization and the quality of government in 166 countries Treisman found that states with more tiers of government tend to have greater perceived levels of corruption. They also have less effective public healthcare and infrastructure provision (Treisman 2002). This supports the findings of another scholar who used Treisman's data and found a link between the number of sub-national tiers and higher costs for starting a business, which could be considered as a proxy for corruption (Dreher 2006). Studies of individual countries like Bolivia found that decentralization and the setting up of ostensibly accountable local bodies was characterised by particularistic distribution of public resources. The Bolivian example is instructive, as it is one of the most corrupt countries according the Transparency International index of corruption. As some scholars have put it, in Bolivia, rather than being reduced, corruption has been "democratised" as a result of decentralization (Altman and Lalander 2003: 85).

Possible explanations for the links between local governments and corruption are straightforward. Proliferation of local government units increases the numbers of public officials. In settings with already high levels of corruption this multiplies the levels at which the use of public office for private gain is possible. Corruption could be even more vicious at a local level. This is because public and media scrutiny might not be so intense at a local level compared to the national one. Moreover, intimate familiarity with local constituencies, which is more likely at a smaller scale, increases the potential for patron-client relationships with local interest or other groups (Prud'homme 1995; Treisman 2002). Finally, greater levels of discretion of local officials may increase, rather than decrease levels of corruption (Azfar, Kaehkoenen, and Meagher 2001). This finding contradicts the normative assumption of greater local discretion as more beneficial for local accountability.

Ultimately, the transposing of corruption from higher to lower levels of authority subverts local developmental objectives and could even exacerbate extant socio-economic problems. For example, Treisman found that in countries with low incomes, appointment decentralization, that is, where officials are not appointed by higher levels of authority, appears to increase corruption,

while decreasing it at higher income levels. Similar finding applies to the relationships between personnel share and perceived corruption (Treisman 2002).

Both the studies that find a positive link between corruption and decentralization, and those that see the reverse effect are often vulnerable to endogeneity and omitted variable bias problems (Dreher 2006). Does decentralization lead to greater levels of corruption, or is it that corrupt central officials are likely to create new tiers of government to proliferate patronage and sinecures for colleagues (Treisman 2002)? Another methodological issue is a bias towards more developed industrialized countries in the data (de Mello 2000), which is presumably due to the fact of better data availability for that set of countries. Finally, as with scholarship on other aspects of decentralization, data on links between decentralization and corruption are often taken at a high level of aggregation. Units of analysis often include both state (in federal systems) and local government levels, although some studies also include controls for federal states (Fisman and Gatti 2002; Dreher 2006).

### ETHNIC DIVERSITY AND FRAGMENTATION

Ethnic diversity or fragmentation along communal, caste, clan, or linguistic lines might likewise impact on local performance. Cross-national studies of the drivers of local performance tend to include measures of ethno-linguistic and religious fractionalization. When used as controls, they have not been shown to substantially affect the findings (Dreher 2006). As discussed earlier, many studies use data at very high levels of aggregation, which does not allow to perceive the local specificities. A more nuanced exploration of local dynamics would suggest that diversity and fragmentation do make a difference for the quality of local governance.

Studies have shown how even where local governments are elected democratically, citizens may vote based on particular identities, and not actual performance record (Ahmad et al. 2005). In fact, race, religion, caste or other identities dominate the whole process—from candidate nomination, to election, to subsequent reward distribution. This undermines the whole premise upon which accountability is based.

The setting up of local governments at small levels, which appear to be more homogenous, in fact may exacerbate extant deep-rooted structures of social exclusion, based on caste or other ethno-social criteria. This is because of selective provision of public goods to more privileged social groups (Ahmad et al. 2005). As a result, even after decentralization, there may be continued within-village inequalities in such key policy areas as access to education, as the example of India shows (Ahmad et al. 2005). Micro-level studies provide more nuanced assessments of what makes for good local performance than those where cross-national studies of local government use data at very high levels of aggregation.

Mechanisms targeting specific under-privileged groups have been shown to address the above problem. In India's localities, the post of the head of the popularly elected village council, the *Gram Panchayat* may be reserved in favour of representatives of Scheduled Castes/ Scheduled Tribes. This has arguably led to greater targeting of public goods towards members of these groups; household public goods in particular are targeted at individuals of that group if they reside in the same village (Besley et al.).

## ROLE OF NATIONAL AND LOCAL PARTY SYSTEMS AND POLITICS

Political parties have received scant attention in most studies of decentralization. For instance, the widely cited Litvack et al. review article does not contain a discussion of parties or party systems (Litvack, Ahmad, and Bird 1998). Even where party political factors are recognised in the empirical literature on local governance, often parties are not explicitly incorporated into the explanatory frameworks for local performance.<sup>6</sup>

And yet, political parties have been considered important to the healthy functioning of a democracy. They articulate and aggregate interests, help recruit leadership, adjudicate disputes between conflicting interests, and engage in government decision making. Their key normatively desirable role is the “linkage” function that they perform, connecting the ruler and the ruled, the policy maker and the citizen (Lawson 1980).

At a local level too party development is seen as important for democracy. Parties may not play a key role in small communities where citizens have recourse to direct forms of democracy, such as township meetings and local plebiscites. However, they may have an important democratic role in areas with sizable populations, considering the magnitude and diversity of the local constituencies and their preferences.

Parties are commonly distinguished from party systems. Party systems usually refer to politically-significant parties, which have a strong impact on national politics irrespective of their size. Party systems are distinguished based on the number of main parties, strength of their links to various social constituencies, ideological positioning on issue areas, and where the strongest parties lie on the left-right continuum (Parrott 1997).

Parties may also affect performance in key local policy and service provision areas. Empirical studies have shown that parties often fail to fulfil the expectations of the “ideal world” linkage paradigm. The first key link between party systems and local performance is that various parties may advocate distinct policies, thus having variable implications for the local communities.<sup>7</sup> The second link is possible conflict that party systems may bring into local decision making irrespective of their ideological orientation. While healthy from the point of view of democratic theory, conflict may have negative implications for local policy making. Parties may check power abuse however party polarization may hamper agreement on key policy issues thereby creating gridlock (Tarrow 1977: 228). Third, frequent party turnover may result in a high level of local administrative personnel turnover, which may negatively impact upon long-term policy consistency (Tarrow 1977: 230).

The fourth link with performance stems from the fact that politicization of local decision making might encourage policy making that is based on clientelism, or on the “reciprocation of benefits,” (Stone 1980: 989), rather than on long-term policy considerations. In such settings, the supposed opposition may be reduced to circulation of posts whereby each party has a chance to “dig in for a short period of time” (Altman and Lalander 2003: 83). Local councillors belonging to a given

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<sup>6</sup> The discussion in this section is largely based on Lankina, Hudalla, and Wollmann, 2008.

<sup>7</sup> Party turnover may put at stake not just the sustainability of particular policies, but of the decentralization agenda as a whole, as was arguably the case in India’s state of Kerala (Heller, Harilal, and Chaudhuri 2007).

party may be also interested more in advancing along the party career ladder, rather than satisfying the preferences of the local electorate (Ahmad et al. 2005).

The fifth link with performance relates to dynamics involving local party systems and the central state. If national fiscal flows to the localities are affected by the correspondence of the governing party or coalition with party electoral outcomes in the localities, then these national factors may affect local wellbeing. Such practices have been observed in the Philippines, with the “centrally-administered spoils system” that undercuts local planning, complicating efforts at decentralization (Azfar, Kaehkoenen, and Meagher 2001). The link with national politics may be very important considering that the localities often maintain a strong fiscal dependence on the central state or regional bodies. It strongly affects local accountability mechanisms in other ways as well. If the national party of power has become unpopular, a local mayor who belongs to that party may be ousted irrespective of how faithfully he or she fulfils his or her electoral mandate (Prud'homme 1995). In countries like Bolivia, national parties manipulate the whole process of election of mayors. In this country a provision existed whereby if a candidate for mayor did not receive over 50 percent of the vote, he or she could be elected by a municipal council. This and the no-confidence vote procedure against mayors have been overused in Bolivia as national political party leaders encouraged councillors to censure opposition parties. In 1999, 248 such censures were reported. This practice is hardly conducive to the stability and administrative continuity of local decision making (Altman and Lalander 2003).

Although political institutions are important determinants of party systems and the stability of party constellations, they are sometimes inadequate for explaining political outcomes when considered in isolation from other factors. Cultural, historical, or social variables may also affect other institutions and actors. Scholars point to the importance of the existence of civic associations and crosscutting cleavages in affecting the likelihood of cooperativeness of political actors or parties (Putnam 1993; Lankina, Hudalla, and Wollmann 2008). The origins and duration of parties are likewise important factors. In Western democracies, parties, which have roots in the development of capitalism and the bourgeoisie, have a long history. In such settings with established party systems, voters have a strong and stable affiliation with particular parties. Party networks are also cohesive and well established, and political leadership tends to be stable (Sisk 2001).

In some developing or newly democratizing countries, by contrast, parties do not command stable loyalties, with elections focusing on elites or personalities (Azfar, Kaehkoenen, and Meagher 2001). New parties come and go, often serving the interests of particular individuals (Sisk 2001). Because economic ideology, which had been traditionally dominant in party identifications in Western democracies, is often not the main cleavage dividing parties in developing or newly-democratizing settings, other issues may become salient, such as ethnicity (Evans and Whitefield 1995). This is why when identifications are structured around such cleavages they may be particularly prone to manipulation by populist or charismatic individuals.

How historical and cultural contexts might influence the volatility of parties and voting preferences is illustrated by party development in post-communist contexts.

Hungary provides an example of this tendency observed during the early stages of transition to democracy. Despite the relatively high degree of party institutionalization in Hungary compared

to other post-communist countries, the Hungarians' voting preferences in the first post-communist decade have shown high volatility in national elections. One possible way of measuring volatility is by examining the rate of parties that enter subsequent elections and the likelihood that the same parties would obtain similar results in successive elections. Using this method, scholars have estimated that for regional party list votes in the 1990 and 1994 parliamentary elections, volatility was more than three times higher than the average in Western Europe recorded between 1885 and 1985. The high volatility rates in Hungary were observed throughout the 1990s. At the same time, voter party loyalties were low: surveys showed a preference for a swing from government to opposition among a substantial proportion of the electorate (Toka 1999). Hungary's case is illustrative of the issues of party institutionalization in post-communist contexts, with other countries like Poland demonstrating even higher levels of volatility.

Hungary also illustrates how local contexts might affect party volatility. This is because different localities had been subject to variable patterns of imperial incorporation, political, economic, and cultural development. Lankina et al. found greater party volatility and resort to more personalistic politics in Eastern Hungarian localities. In these areas, new elections resulted in politically-motivated turnovers in local administrations, disrupting policy continuity. Cooperativeness between parties was also very low. This record contrasted with Western Hungary, which had been subject to influences from Austria even under communism and had traditionally boasted a strong civil society. In this area, the study found more stable party loyalties and voting preferences. Even when a new party was voted into office, there was a relative stability of administrative personnel in the local administration (Lankina, Hudalla, and Wollmann 2008). Similar east-west patterns related to historical developments have been observed by scholars in Poland (Swianiewicz 2001).

In contexts where party systems remain weakly institutionalised, the personal leadership skills of key political actors may be crucial in affecting local outcomes (Lankina, Hudalla, and Wollmann 2007; Stone 1995). As Putnam's study reminds us, the variable leadership qualities, value systems, and behavioral styles of individuals might result in quite different outcomes even if electoral arrangements and party systems are identical in two different settings (Putnam, Leonardi, and Nanetti 1993). Strong and effective leaders could help depoliticize the community even where party systems may not be conducive to consensual forms of decision making and policy continuity.

#### **APPROPRIATE POLICY SPHERE TO DECENTRALISE**

Any investigation of local performance in delivery of basic or essential services should begin by identifying what these services are and deciding on whether elected local government is the best level of authority to deliver the particular service. There is a general consensus that basic services are those that are consumed locally. Usually they relate to health, education, water, and sanitation (Ahmad et al. 2005).

Local government performance will vary depending on the appropriateness of assigning particular service-providing or -delivery functions to lower, as opposed to higher, levels of authority (Shah). Several factors affect which level of authority is best suited to perform a given

service. One factor is the need to maintain economies of scale. Some services require high levels of coordination of units that transcend the narrow locality. Certain services might be also particularly skills-intensive. Local governments might not have the technical expertise to provide and deliver the relevant services because they seldom attract the nation's top and most qualified personnel. Salaries tend to be lower than in national level bureaucracies or other agencies, and career prospects less exciting. These points are particularly salient in developing settings, where national governments invest little into training, research, and development, and sub-national—almost none of their resources (Prud'homme 1995).

Empirical findings in various countries support these arguments. States that have decentralised power and set up elected local governments also have a better record of providing access to essential drugs, building paved roads, or inoculating babies. At the same time, they perform less better in other policy areas, such as reducing youth illiteracy and providing sanitation facilities (Treisman 2002). A study of Tunisia found that local governments performed abysmally in water management. This record was substantially improved when a parastatal agency was put in charge of this policy area (Prud'homme 1995). In several Latin American countries, water and sanitation services decentralization resulted in a loss of economies of scale and poor service delivery. And in India, in what dovetails with Treisman's findings, decentralization was not found to improve education for the rural poor (Ahmad et al. 2005). Another study focusing on one Indian state, Kerala, found that decentralization helped improve road construction, housing, and child services, while the findings on progress in employment, agricultural support, and irrigation, were more ambivalent (Heller, Harilal, and Chaudhuri 2007). One literature survey of the drivers of primary healthcare performance found that in developing settings citizens often bypass the closest public healthcare facility in favour of either more costly private ones, or higher level public facilities. The reason for such choices is poor service quality of local public healthcare facilities (Filmer, Hammer, and Pritchett 2000).

In Uganda and Tanzania lack of local government basic public finance management and accounting skills hampered capacity to provide public services. This led to reduced spending levels in such essential areas as primary healthcare. Another example is Ethiopia, where decentralization occurred even at the low, third, *woreda* level, but where some *woredas* reportedly lacked individuals who could even read or write (Ahmad et al. 2005). This finding links in with our discussion (below) of the appropriate size of local government units. However normatively desirable local governments may be as agencies close to the people, they may not have the appropriate capacity.

Low citizen literacy and education are further reasons for low public sector accountability in specific policy fields. Local citizens often lack the knowledge to adequately assess the quality of complex services. The result is market imperfections in the sense that they cannot properly hold local policy makers accountable. What voters can assess are often wasteful, but highly visible projects, whose implementation also rewards narrow clients, but ultimately not the broader citizenry (Ahmad et al.). Lankina et al. found this to be the case in the Czech Republic, where one particularly badly performing municipality splashed out on a costly, but highly visible bridge across the river that flows through the city (Lankina, Hudalla, and Wollmann 2008).

Finally, local governments themselves could sabotage innovative policy efforts of state authorities. Central or regional government involvement may provide a critical push for services innovation. The state in fact, more so than elected local authorities, may play a critical role in enabling civil society in key policy areas. In Brazil, some popularly elected mayors obstructed state-led efforts at health reform because the Department of Health's power of appointment of health officials challenged their structures of patronage (Tendler 1997). By contrast, the state was effective in pushing through and publicizing innovation, thereby also creating a wider public debate and scrutiny. Such a perspective challenges the romantic notion that local governments are the best institutions for ensuring policy and services effectiveness.

Cross-country longitudinal studies focusing on specific policy areas, such as sanitation, healthcare, education, and infrastructure maintenance are needed in order to adequately assess under what conditions elected local authorities would perform these services better than other institutions. Unfortunately, few such studies are available. Many studies suffer from a methodological flaw of advocating "closely matching services with citizen preferences" without specifying the respective services (Huther and Shah 1998). They also create aggregate indicators of performance without distinguishing between various policy areas. Those that do focus on narrower policy areas or are case-study based also acknowledge the limitations of their method: simply too little time has elapsed since decentralization occurred. This makes it difficult to generalize about institutionalization or sustainability of given policies or performance record (Heller, Harilal, and Chaudhuri 2007).

### **FISCAL DECENTRALIZATION AND ACCESS TO CAPITAL MARKETS**

Local government performance is linked to the scope and nature of fiscal decentralization. Fiscal decentralization relates to taxation; central grants; borrowing/ access to capital markets; and allocation of local expenditure assignments. If local governments are denied the fiscal instruments and funding necessary to make real use of their political autonomy, decentralization is doomed to failure. Alternatively, excessive fiscal autonomy may undermine national government efforts at macro-economic stabilization. The ratio of "own" resources, such as taxes, to subsidies or grants, in local budgets, how access to capital markets is structured, and the share of local government expenditures in national expenditures are commonly used to ascertain the nature and degree of fiscal decentralization. Although many scholars call for far-reaching fiscal decentralization, such arrangements do not unambiguously lead to political autonomy or improved performance.

On the taxation side, an important question is how to endow local governments with incentives for economic promotion while ensuring that they provide services adequately and guaranteeing economic equality through financial compensation to disadvantaged municipalities. In a tradition that goes back to Tiebout (Tiebout 1956), scholars argue that fiscal decentralization provides incentives for municipalities to compete for business revenues through appropriate taxation mechanisms. This arguably increases their efficiency, and ultimately affects performance. This premise dovetails with theories of bureaucratic and institutional competition. (Dreher 2006). Public choice theorists have likened cities to private firms, which compete against one another in the efficient use of local resources and in attracting capital and quality workforce (Peterson 1981). Municipalities are seen as producers of goods and services, while local residents, as



consumers. The urban setting is regarded as a “market analogue” in such approaches. The localities try to outbid other towns in offering tax incentives to individuals. Citizens respond by opting to move to a locality that offers the best tax package (Judge, Stoker, and Wolman 1995: 7). Competition and democratic accountability are also enhanced. Citizens look at other municipalities or regions to judge the performance of their own unit in what has been described as “yardstick competition” (Besley and Case 1995; Dreher 2006).

It is generally recognised, however, that the picture is more complex in the real world. Local economic promotion and development is concerned with both wealth creation and employment and redistribution (Bennett 1990). Like social services, it generates “indivisible” public goods, which may be enjoyed by the citizenry as a whole (Clark 1985; Bish and Ostrom 1973). At the same time, it may provide “separable” goods which benefit specific groups, such as business contractors or the local elites. Moreover, policies that may be considered economically efficient may conflict with redistributive needs and pressures of marginalized social groups (Peterson 1981).

Many public finance theorists suggest that Tiboutian competition could be destructive even if it increases efficiency in the short term, and could lead to municipal “segregation.” A “race to the bottom”-type (Ahmad et al. 2005) low business taxation in richer localities would attract businesses and wealthy individuals to this particular locality, driving businesses and wealth away from others. Alternatively, high taxes on the rich and redistribution to the poor will tend to drive the former away from the locality and attract the latter. Decentralised systems by such logic are likely to increase, rather than decrease inter-jurisdictional disparities. In addition, because local governments are “open” systems (Peterson 1981), subject to greater spillover effects and shocks from external environments than are national governments, it is more appropriate to maintain fiscal arrangements that allow for retention of macroeconomic stabilization reigns with the centre. It is argued that control of a large share of taxes, particularly mobile ones (de Mello 2000), and public expenditures should therefore remain the prerogative of the national government (Prud'homme 1995). At the same time, local government accountability could be enhanced if municipalities possess an own tax base, with the power to set the tax rate, usually personal income tax (Litvack, Ahmad, and Bird 1998). They should also have the power to adjust tax rates to raise local revenues at the margins, thereby having less incentive to free-ride on central bailouts (Ahmad et al. 2005).

In the developing world moreover, some key assumptions of the Tiboutian model, such as the existence of effective mechanisms for the exercise of “voice” or “exit” may not hold. Electoral mechanisms may be dysfunctional or otherwise serve as poor sources of accountability because of elite capture or other reasons. Poor infrastructure, weak markets for land, labour and capital, and low incomes may preclude the facility of “exit” (Litvack, Ahmad, and Bird 1998). For instance, a study of decentralization in Uganda and the Philippines found that inter-jurisdictional mobility is “rarely driven by public health or education delivery” and that “voting has no effect on public good delivery” (Azfar, Kaehkoenen, and Meagher 2001: 64).

Aside from taxation, the nature of central grants could shape local performance in important ways. Dependence on national grants in some policy areas is unavoidable. This is because the national government retains the power to achieve nationally-set agenda in such key areas as

education or family planning (Litvack, Ahmad, and Bird 1998). Where the initiative in key policy areas is devolved to the localities, national health initiatives may be undermined. This was arguably the case with immunization in Uganda (Azfar, Kaehkoeenen, and Meagher 2001). At the same time, strong dependence on federal transfers has been shown to negatively affect local accountability. Such a dependence creates perverse incentives to divert or misallocate funds locally (Khemani 2004). One of the reasons for this outcome is that the money does not come from local taxpayers, who in turn do not have an incentive to monitor how it is spent. It is argued that decentralizing greater expenditure responsibilities than revenue sources results in a fall in the quality of services. A self-perpetuating dynamic ensues with ever greater demands for transfers from the national government (Litvack, Ahmad, and Bird 1998).

Scholars of fiscal decentralization generally agree that local accountability is enhanced when at least a share of central grants are unconditional or with “no strings attached.” Under such fiscal arrangements, local governments have greater ability to tailor expenditures to local preferences. Such unconditional grants, particularly if they are unstable and subject to short-term annual adjustments or negotiation, could be subject to political manipulation however (Litvack, Ahmad, and Bird 1998). This has been arguably the case in Hungary and Russia (Lankina, Hudalla, and Wollmann 2008). India is another example of national grant making benefiting certain states at the expense of others. Scholars have suggested that setting up independent oversight commissions to monitor politically motivated or clientelistic grant making could serve as a corrective to such practices. The empirical record of the effectiveness of such commissions is mixed however (Ahmad et al. 2005).

Generally, an established yardstick for measuring local autonomy is the share of local expenditures in proportion to total national expenditures. Some cross-national studies, using IMF’s Government Finance Statistics (GFS) on sub-national revenues and expenditures found a link between sub-national expenditure share and good governance indicators (Dreher 2006). Other scholars have cautioned against facile conclusions based on aggregate data. They show how some countries could in fact have little revenue autonomy even though the aggregate level GFS data would suggest otherwise. The false estimation of fiscal decentralization variables in turn could substantially change research results, allowing researchers to draw “sweeping conclusions” (Yilmaz 2002). Expenditure decentralization could also lead to variable performance depending on the policy area. Treisman’s cross-national study found that larger subnational expenditure assignments were associated with better provision of paved roads. At the same time, they were associated with higher youth illiteracy rates and lower sanitation levels (Treisman 2002).

Such cost-intensive expenditure assignments as healthcare or education might be formally a function of local government however de facto resources for these policy areas are allocated from regional or national governments. Scholars have found such arrangements to be detrimental to performance in essential policy areas. For instance, studies found low efficiency and high levels of corruption in healthcare provision in Nigeria, a country with some of the most far-reaching decentralization arrangements in the developing world. This evidence suggests that over-dependence on grants from the centre may undermine popular accountability and result in low performance outcomes (Khemani 2004).

Furthermore, it is not uncommon for local governments with large expenditure assignments to suffer from the unfunded mandates problem. Resources are often lacking in local budgets and there are delays or failures in appropriations from higher levels of authority. Lack of funding in turn likewise impacts on performance. Many countries have “concurrent responsibilities” in expenditure and finance between national and local governments, while not defining precisely which level of authority is responsible for what. The result is “budget gaming” with the localities not having an incentive to close spending gaps and, having spent the national grants, demanding direct financing of these services by the national government (Ahmad et al. 2005). This too results in distorted structures of accountability: local government can always blame the national or regional authorities for delays in transfers. They thereby avoid responsibility and detract blame for their performance weaknesses.

Finally, structures of access to capital markets are also important determinants of performance. Municipal borrowing could help fuel local economic development or plunge a municipality into debt or bankruptcy. The way municipalities access capital markets could encourage “soft budget constraint” scenarios (Ahmad et al. 2005; Dreher 2006). This happens when the national government steps in to bail a municipality out of debt. Alternatively, they may discourage it when rules of the game for borrowing or bankruptcy are transparent and clear. An example is Morocco, where transfers do not take account of borrowing (Litvack, Ahmad, and Bird 1998). New Zealand or USA, where the courts intervene, and the national government is not looked upon as a “banker of last resort,” provide further examples (Ahmad et al. 2005: 9). This too has implications for local government accountability. Moreover, structures of access to capital markets should be designed with careful consideration of other fiscal aspects of decentralization. One study found that when sub-national authorities are free to borrow, while simultaneously being dependent on intergovernmental transfers, there is a high likelihood of large and persistent aggregate deficits. Argentina and Brazil are examples of how such a situation could lead to fiscal crises (Rodden 2002).

## **THE STRUCTURE OF LOCAL GOVERNMENT AND LINES OF ACCOUNTABILITY**

The structure of local government itself might substantially affect local performance and accountability. This premise is extensively theorised and documented in new institutionalism-inspired studies of decentralization. There is now a large body of literature on how institutions account for cross-national variations in political outcomes (March and Olsen 1989; North 1990; Evans, Rueschemeyer, and Skocpol 1985; Ostrom 1990). Institutions are understood both as formal structures and as “rules of the game” affecting the incentives and behavior of political actors (Przeworski 1991). Scholars have suggested various ways of manipulating local actor incentive structures through institutional design. One could impose more or less centralist arrangements, change the size of municipalities or local electoral rules, or the formal relationships between the representative and the executive bodies (Keating 1995).

In designing local government institutions, five factors are of particular importance: the organization of the legislative bodies; the balance between elected local authorities and local executives and administrators; the manner in which executives are elected or appointed; councillor structures of accountability; and the manner in which the councils are elected. These

various arrangements have various impacts on local actor and voter incentives for particular types of preferences, decision making, and outcomes.

The first factor, legislative organization, refers to the way decision making is structured within the representative bodies, the formation of committees, and presence of conflict resolution mechanisms. For instance, there might be two distinct sets of preferences among legislators, but no system for assigning responsibility for shaping agreement into specific proposals or budgets. Councillors may be reluctant to openly take one position or another, hence the likelihood of a stalemate. Logrolling may also be more or less likely depending on the policy issue and structure of decision making. Scholars have argued that council committees may have an impact on how such conflicts and pressures are resolved and channelled (Olowu, Wunsch, and Ayee 2004).

Even in western settings little empirical literature exists on the structure, functioning and impacts of local council committees. Most studies focus on environmental influences on local governments, but not on the black box of policy making in committees. Committees are usually in place for facilitating councillors' effective and efficient policymaking. The limited empirical evidence that exists on American local government committees suggests that in practice their policy and legislative functions are quite limited. Size also affects the relative role of committees. Larger cities have diverse policy goals and citizen demands and have a greater need for such policy-facilitating structures. Reformed cities with city managers, at large elections, and non-partisan councils are less likely to rely on or have committees as decision making is centred on the administrative apparatus of the manager. By contrast, mayor-council local governments in larger jurisdictions and with large numbers of councillors were found to have committees with broader policy and oversight functions. Spending in such cities was also found to be higher than in cities without committees, but only in some policy areas, such as housing, community development, and fire protection. This led scholars to conclude that in areas with redistributive politics, committees are likely to increase spending that benefits their constituencies (Pelissero and Krebs 1997).

This first factor of legislative organization links with the second one related to executive weight. Strong leadership is important for shaping council outcomes in the absence of policy consensus. Institutional arrangements that assign strong weight to the local executive might be seen as detrimental to local accountability. Under such arrangements, local councils risk being marginalised and reduced to rubber-stamping the preferences of the local executive. At the same time, local governments with strong councils and weak executives risk being reduced to "debating chambers," unable to reach sound policy decisions or push through a developmental objective.

Much of the debate as to the weight of representative versus executive bodies in local government and their precise structuring centres on questions of politics versus administration. Democratic accountability is linked to these questions and is among the key factors in deciding on the merits of the respective arrangements. A simple summary of the politics versus administration dichotomy is the institutional separation of administration from politics (Montjoy and Watson 1995). Both the managerial administrative arrangements and those that privilege the political side of local government may create distorted structures of accountability.

The local government politics versus administration dichotomy is rooted in the turn of the 19<sup>th</sup>-early 20<sup>th</sup> century Progressive Era in America. Urban governance in America at the time was notoriously plagued by political machines, patronage, and corruption. Rather than being an instrument of democratic accountability, elections were a form of trading votes for favours to narrow, ward-based constituencies. In their classic study of United States' urban governance, Banfield and Wilson distinguish between public and private regarding forms of accountability. The former refers to broad-based service for the public good, and the latter—to patron rewards to clients in the form of jobs or other favours (Banfield and Wilson 1963).

The party machines that ran American cities had a strong presence in the local councils. Candidates for council positions ran on party ticket, and electoral districts were based on wards, which arguably encouraged narrow-based voting. In the context of the industrialization-fuelled influx of immigrant populations, elections and spoils division also acquired a pronounced ethnic and particularistic dimension (Ruhil 2003). Such politicised and patronage-based local governance arguably resulted in mismanagement, inefficiencies, and public waste.

The reaction of the Progressive Movement was to seek institutional engineering solutions that would depoliticise local decision making and free it from the power of urban political machines (Montjoy and Watson 1995). Reformed cities were to elect local councils based on city-wide at-large districts. This was to undermine partisanship in local decision making. Councillors had to garner the support of the city-based electorate, and not that of a small, ethnically-homogenous ward which they could control and manipulate through their patronage (Ruhil 2003). They would appoint a city manager, who would be above politics, and whose contract could be revoked should his efficient management of the city falter. Appointment and personnel decisions were also removed from politics, with hiring and firing decisions becoming the province of civil service commissions, and not politicians (Ruhil 2003). Some scholars found that city manager cities did perform better in terms of efficiency and local economic development (Lineberry and Fowler 1967; Ruhil et al. 1999; Hayes and Chang 1990; but see Morgan and Pelissero 1980). Democratic accountability of such cities has been questioned however. Under the guise of broad-based public service to the community, it has been argued, such cities best served the interests of the urban middle- and upper- classes and business interests which were behind the Progressive Movement in the first place (Ruhil 2003).

Others, however, suggest that a shift to “progressive” forms of city administration reflected the changing ethnic and social mix of America and did in fact mirror the preferences of the wider electorate. The melting pot phenomenon gradually eroded the narrow ethnicity- or religion-based constituencies that sustained the political machines in the first place, with formerly homogenous wards becoming ethnically mixed (Ruhil 2003). Urbanization and increase in population size likewise made clientelistic politics less likely. It thereby also increased the need for more impartial, broad-based forms of local politics and decision making. Rather than being an expression of middle- or upper-class preferences, less politicised and more impartial forms of local government have been ostensibly an expression of the broader will of the changing American urban electorate.

Although rooted in the American context, these debates and empirical practice continue to be salient in other contexts. The era before the Progressive Movement shows how electoral

democracy at a local level may not result in outcomes that are conducive to broad-based democratic accountability. In fact, it shows how institutional arrangements that privilege ward-based party voting could perpetuate and institutionalise narrow ethnicity-, faith-based, or other such cleavages. This historical record resonates with contemporary efforts to develop local government in newly democratizing and developing settings. In ethnically-stratified or otherwise fragmented societies, absent a check on excessive politicisation of local government, there may be a risk of local councils turning into support infrastructures favouring the interests of particular groups. In such fragmented societies, where parties are often structured along ethnic lines, politicisation of local decision making may also imply politicisation of ethnicity. The rural and small size of the local government units or electoral jurisdictions is likely to perpetuate this trend. Both the American historical record and contemporary evidence from developing countries suggests that as urbanization and the size of constituencies increases, the potential for such particularistic voting even in politicised local governments decreases.

In American cities, and in other contexts, vesting power with a strong executive has been therefore regarded as a means for effectively managing a locality without interference from narrow political interests. Not just efficiency, but also accountability would also be strengthened in the process. A bureaucracy could be buffered from particularistic politics if policy making were subject to more hierarchical lines of accountability (Montjoy and Watson 1995).

Although precise institutional mechanisms for assigning the weight to the respective representative and executive bodies may vary from country to country, three types of institutional arrangements are most widespread and have received the most attention in the literature on local government. The first is the mayor-council institutional set-up, also called strong mayor system. Under this arrangement, there is an at-large or district-based elected council, and a popularly elected mayor, who wields strong executive, often charismatic, authority. The mayor both decides on public policy issues, and also has a strong symbolic role in representing the city (Sisk 2001). Various arrangements govern relationships between the mayor and council under this institutional set-up. The mayor may have charter-based veto authority over council decisions, and procedures may exist for council over-riding of this veto, or the mayor may entirely lack veto power. Because the political and administrative roles are not as sharply distinguished under such an arrangement, it has arguably had an effect on policy continuity. For example, empirical studies have shown how electoral turnover, particularly when a new mayor defeats an incumbent, result in proclivities for greater public expenditures and policy changes (Wolman, Strate, and Melchior 1996).

The second type of institutional arrangement is election of the mayor by the council, usually from amongst council members, with the council therefore possessing stronger weight vis-à-vis the executive. This system is also referred to as strong council or parliamentary system. The council has considerable legislative authority, with councillors also often collectively administering the bureaucracy (Sisk 2001). The mayor under such an arrangement is often reduced to chairing council meetings, has a largely ceremonial role, and usually limited administrative functions (Wollmann 2005).

The third type of arrangement, which is frequent under many strong council systems, and is an outgrowth of the Progressive Movement, is the council-manager institutional set-up. Under this

arrangement the council appoints on a contract basis a politically neutral administrator to run and manage the city. Although the manager is accountable to the council, he or she is expected to be free to administer local affairs without interference, while also having freedom in recruitment to the local bureaucratic apparatus (Booth 1968). Such an arrangement arguably precludes politically-motivated patronage (Montjoy and Watson 1995). It has been suggested that because of independence from political influences, city managers may be more likely to pursue policy innovation compared to elected mayors. Because their careers are at stake, they are ostensibly more guided by actual effectiveness and efficiency, rather than short-term electoral considerations and pressure-group demands, which would have been the case with elected political executives (Montjoy and Watson 1995). Not being subject to frequent politicised turnovers, such executives are also more likely to ensure policy continuity and to have credible commitments to other actors involved in local development, such as contractors (Clinger-mayer and Feiock 1997).

While many studies support this expectation of the manager role, others have suggested that the politics versus administration dichotomy is exaggerated. Managers in fact have come to play an important policy role, feeding information and advice to elected officials and otherwise shaping policy (Morgan and Watson 1992; Svara 1998). At the same time, councils may be in practice quite active in administrative matters, such as hiring decisions even when there is a manager. Rather than being a dichotomy, such a system is “based on combining representative democracy and professionalism in a unique approach to governance” (Svara 1998: 57). Empirical studies of other settings, such as Western Europe, support these premises. Even if a chief executive officer is a civil servant with administrative duties (Finland), in what is a “hybrid” role constellation, his or her role may be highly political. This is because of party political links, visibility, and national and even international roles of this position (Sandberg). At the same time, the ostensibly political, popularly elected mayors in West European democracies, such as Germany, often choose to maintain a non-political profile. They prioritise professionalism and their functions as administrators (Wollmann 2005).

Under a council-manager system, a popularly elected mayor may be a second executive elected by the council from amongst its members. Under such an arrangement, the mayor presides over the council, and his or her role is largely ceremonial (Svara 1987). As such, the mayor has been likened to a chairman of the board, “important but not crucial to the operation of the organization” (Svara 1987: 213). There is disagreement on the merits of this latter type of arrangement. Some scholars argue that because leadership cannot be collective, either the manager or the mayor end up being marginalized and are likely to engage in conflicts. In cities of larger size, it has been suggested mayors even end up securing a dominant role in local decision making thereby sidelining the manager (Morgan and Watson 1992).

Other scholars however have suggested that formal arrangements do not preclude effective leadership even by a largely ceremonial mayor and that destabilizing conflict between mayors and managers is in fact rare under such arrangements (Booth 1968). In such circumstances, leadership skills or “rare personal characteristics” (Svara 1987: 212) of the individual who fills this position become essential (Morgan and Watson 1992). Depending on which role such a mayor chooses for him- or herself, he or she could be a coordinator, stabilizer, goal setter, organizer, policy advocate, or even activist and reformer. These roles may have a positive impact

on local governance as long as these individuals see their role as “strengthening the other participants in the governing process rather than controlling or supplanting them” (Svara 1987: 225). Such an arrangement therefore has been advocated as one providing leadership, brokering between political and bureaucratic interests (Morgan and Watson 1992), and blending the merits and talents of the political arm of local government (elected officials) and professional administrators (Svara 1987).

The fourth type of arrangement is a commission form of municipal government, whereby elected commissioners also manage separate departments. The commissioners are both legislators and department chairs. All have equal powers even though one of the commissioners may have the title of mayor. Hiring decisions to appoint administrators are taken by majority vote under this system. The system has been criticised for violating the principle of the division of powers (Montjoy and Watson 1995).

As in Western settings, local government institutional engineering efforts in newly democratizing and developing countries face the challenge of finding appropriate balance between efficiency and democracy, politics and administration, council weight versus executive management and leadership. In practice, in many such countries executives end up wielding greater power than the legislative bodies (Olowu 2003; Lankina, Hudalla, and Wollmann 2008). Partisanship is also an issue in local councils, and institutional modifications have been introduced accordingly to reduce it in some countries. For example, in Ghana, multi-party elections are prohibited at a local level to avoid division of councils along party lines and enable them to focus on “bread and butter issues” (Olowu 2003: 47).

Not only do policy makers in these contexts encounter issues similar to those that reformers in early 20<sup>th</sup> century America faced, but they also confront additional challenges. For example, the structure of accountability of the local executive may not be only reduced to relations with the council and the electorate. Other accountability mechanisms may be in place reflecting partial and haphazard decentralization efforts. In some settings, mayors may be popularly elected and therefore presumably downwardly accountable. At the same time, they may combine their mayor functions with executive positions in other levels of authority, and be also subject to appointment and dismissal by them. This practice has existed in Russia where a popularly elected city mayor could be simultaneously an appointed minister in the cabinet of the regional governor (Lankina 2004).

The structure of bureaucratic accountability of local administrations, and not just the key executive, could likewise have a substantial bearing on local performance. The preceding sections have alluded to the complexity of policy areas, legal, and fiscal institutional environments in which local governments operate. Because local governments often perform state-delegated functions, or receive funding for them from regional or national bodies, authority and jurisdiction over certain policy areas or functions is bound to be overlapping. Rubin’s critique of the fad-inspired usage of accountability in the recent literature on decentralization warrants caution in making simplistic juxtapositions of “downward accountability” as inherently more conducive to better performance, and the stigmatised “upward accountability” to higher bureaucracies (Rubin 2005).



Some form of accountability to higher levels of authority may be unavoidable for local authorities performing state-delegated or state-funded tasks in addition to those that are within their exclusive sphere. What often hampers performance are not such structures of “upward accountability” per se, but confusion as to which agency is responsible for what, and distorted incentive structures. Local authorities are frequently deprived of even limited leverage over service-providing employees operating within their jurisdictions. The following discussion of empirical practice also makes clear that in many settings both the representative and executive arms of local government are accountable to, and are often subject to appointment-dismissal by, higher executive authorities. Such a constellation is particularly damaging for local performance and democratic accountability because effective checks and balances are absent.

With respect to local government executive bodies, scholars point to the problem of “misaligned responsibilities” in many decentralizing settings (Khemani 2004). The studies cited here are illustrative of the general trend of a juxtaposition of the idealised “downward” versus negativized “upward” structures of accountability, and of the underestimation of the degree of local government accountability to the central bureaucracies even in industrialised Western democracies. Nevertheless, these studies also provide valuable insights into the confusing and poorly designed legal and institutional frameworks for local government services provision and delivery.

Pakistan has been cited as an example of “misaligned” structures of accountability accompanying decentralization. Here devolution of responsibility for education to the school districts occurred but school teachers remained provincial government employees. The district elected executive, the *nazim* has little authority over them (Ahmad et al. 2005). Uganda is another such example. Here despite devolution in healthcare, key decisions and drugs provision remain the prerogative of the centre, while salaries and staffing—of the district level. This undermines local incentives for efficiency and responsiveness (Azfar, Kaehkoenen, and Meagher 2001). And in the Philippines, despite decentralization of aspects of education, the centre maintains full responsibility for policy, curriculum, personnel, and operations. This is often the case with decentralizations in general, and has been recorded in India, Bangladesh, Malawi, and Tanzania. As one study suggested, “political and fiscal devolution may have proceeded apace, but administrative changes may only approximate deconcentration.” Rather than creating democratic checks and balances, such systems “confuses[s] incentives, weaken[s] accountability for service delivery, and create[s] conflicts of interest.” (Ahmad et al. 2005: 10).

At the same time, there is evidence that local councils could scrutinise and hold accountable even the state appointed bureaucrats at a local level. Crook and Manor demonstrate how in India’s state of Kerala power balance gradually shifted to the *panchayat* level despite the presence of state appointees at a local level. While the councillors did not have formal authority over these officials, they resorted to public shaming of ineffective bureaucrats, and to reporting on them to the line ministry bodies at the state level. The bureaucrats themselves perceived the merits of such control by elected bodies: should they be responsive to local needs, they could enlist the local councils’ support in lobbying for resources at the District Council level. Bureaucratic accountability to the elected local authorities was therefore strengthened even given the formal lines of upward accountability (Crook and Manor 1998).

Dual or overlapping formal structures of accountability could be also characteristic of councillors, and not just executives. As discussed above, this could be particularly damaging for the representative and checks-and-balances function of the local elected bodies. While executive positions are generally considered to be full-time occupations, in many settings, councillor positions are low paying, and are part time. In America, for example, most city councils, with the exception of some very large municipalities, have part-time local councils, and the frequency of their meetings varies. These individuals hold full-time jobs in other sectors and their council duties are motivated by civic spirit and volunteerism, and not necessarily career aspirations in politics (Pelissero and Krebs 1997).

The situation is similar in Western Europe. A recent comprehensive Council of Europe (CoE) report on the status and working conditions of local deputies found this to be the case in most CoE countries. Few councillors receive salaries although some form of allowance to cover council-related expenses is common. Even so, the report found that very limited funds are available for performing basic constituency services related to travel, special assignments, and representation. In some countries the law allows councillors to take limited time off their normal employment to perform their tasks as councillors. In others, however, it is usually public employees who enjoy this right, or it is not stipulated in legislation and councillors have to make special arrangements with their employers. Often, some limited time band is specified which includes formal council meetings, but not other council-related engagements, such as the writing of reports. No country was found to have an agreement that employer- granted leave entails no loss of pay, although in practice the record varies and some type of informal arrangements may be in place (Council of Europe).

Job security is also an issue according to the CoE report. Unlike local executives with the status of civil servants, who enjoy the right to keep their job and return to it once their term of office is over, this is uncommon for elected representatives working for firms or those who are self-employed. The CoE conclusion was that lack of job security presents substantial obstacles to performance of councillor duties. The CoE stressed the need for effective legal mechanisms against penalizing employees (such as loss of job security or remuneration) while they perform their council duties (Council of Europe). Recently, some European states or sub-national regions have initiated reforms to raise or introduce councillor salaries. In Scotland, for example, a minimum salary linked to the salary structure of Scottish MPs was recently proposed to encourage more qualified candidates, and those representing wider sections of the community, to stand for election.<sup>8</sup> A recent joint report of the rural communities of England, Wales, and Finland likewise urged a move away from “amateur” councillor to a more professional, “properly remunerated” one, so as to cope with the professional duties and diversify the representatives’ social profile (Communities 2007) .

At the same time, formal arrangements or informal practice are often in place to ensure that executive-representative functions are not overlapping in CoE states’ councils. In the Netherlands, executives from the provincial level of authority other than the governor are allowed to be elected to local councils, but political parties prevent this from happening. In Spain, Finland, and Norway legal arrangements prevent senior administrative officials

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<sup>8</sup> Helene Mulholland, “Call for £20,000 Councillor Pay,” *Guardian Unlimited*, 25 February 2005 (accessed 28 August 2007).

supervising the local authority from running for local council office, while in Italy and Luxembourg all such officials, and not just the most senior ones, face this legal ban. Some restrictions are in place in France as well, while in the UK higher-grade civil servants may not hold elected office in a local authority.

Provisions against conflict of interest involving other figures are also in place. In Belgium, Spain, Italy, and Luxembourg public works and local services contractors working with a local authority may not stand for election in that local jurisdiction. In these and other European countries various restrictions are also in place banning university professors, lawyers, judges, members of armed forces, and even clergymen from running for local councillor positions (Council of Europe).

In many newly democratising or developing settings by contrast, while councillors likewise tend to perform their duties on a part-time basis and are not remunerated, or only poorly remunerated, no safeguards against dual structures of accountability and conflict of interest are in place. In many such countries, particularly in smaller localities, councillors are also full-time executive functionaries dependent on, and accountable to, higher bureaucracies. Because their primary occupations and incomes are outside of their functions as local councillors, so is their accountability. In Russia, a comparative study of local councils found that in some areas the councils were packed with senior employees of medical and educational institutions, such as hospital directors and school principals (Lankina 2004). Organized social and political interests were not represented or under-represented in the local bodies. Instead, there was evidence of “executivization” of local councils, as well as the predominance of the managerial elite. The study found that state and municipal employees formed large proportions of the local deputy corps in many regions in Russia. In the region of Altay, for example, they constituted over half of all councillors, and almost a third in Buryatiya. At least 50 percent of councillors in Altay, Buryatiya, Kalmykiya, Mariy El, and Chuvashiya were heads of enterprises. Public employees, such as school principals, are appointed by higher-level bureaucracies on a contract basis. They may lean towards satisfying the political preferences of regional authorities because their jobs depend on short-term contracts, which could be revoked. Private enterprise directors however are likewise subject to control and manipulation by higher authorities because their tax privileges and licenses could be withdrawn at random. Such councillors are less likely to be properly accountable to the citizens that elected them (Lankina 2004). Other countries provide similar examples of dual structures of councillor accountability. In Ghana, a large share (one third) of the local councillors are formally appointed by state bodies, while in both Kenya and Ghana members of parliament could be *ex officio* members on local councils (Olowu, Wunsch, and Aye 2004). In India, some states have power to remove elected representatives or dissolve panchayats (Mathew and Mathew 2003). Another example of distorted structures of councillor accountability is Indonesia. Here the practice in many villages of having councillors chosen by the village head reduced their accountability to the villagers. By contrast, villagers who participated in government organizations were more vocal and influential during village council meetings, marginalizing the councillors even further (Ahmad et al. 2005).

In many countries, councillor positions also overlap with leadership of key patrimonial or other traditional structures. This likewise generates pressures for particularistic and not broad-based sources of accountability. In Indonesia, even the popularly elected councillors derive authority

from patrimonial ties to the state, and not the local citizenry that elected them. This situation even under democratic decentralization is a product of colonialism and Suharto-era politics. Under Suharto, local traditional authorities and village heads were relied upon to construct and perpetuate traditional, customary, and hereditary power. These traditional authorities served as social mobilization structures garnering support for the central state in exchange for recognition and reinforcement of their authority and disbursement of resources (Ito 2008). These actors use their patrimonial positions in society to get elected to the local councils in the first place. Unless we are dealing with settings where traditional authorities enjoy genuine popular support and are perceived to be legitimate actors, local councils could thus serve to perpetuate, rather than remedy, extant structures of social oppression or inequities, doing little to improve local performance.

South Africa provides an illustration of how traditional authorities could shape the design of local government institutions under democratic decentralization, which they then proceed to infiltrate and use to perpetuate patrimonial social practices. Munro writes how in the course of the negotiation of the 1993 Local Government Transition act, the Inkatha Freedom Party (IFP) in KwaZulu-Natal ensured that traditional authorities would be at the centre of local government. It pushed for the institutionalization of ethnicity, culture, and tradition-based group rights in the federal constitution and presented the rural chiefs as the “core of the Zulu nation” (Munro 2001: 301). It also allied itself with rural chiefs and urban machine bosses in control of important resources that were used to maintain citizen allegiance. In 1994, a key resource, tribal land, was vested with the Zulu king as trustee, while chiefs secured power of control over territories. The victory of IFP in the 1994 provincial elections gave them the final upper hand in shaping local government institutions. These elections also demonstrated how democratic process could be subverted by a top-down strategy with chiefs “turn[ing] out their subject to vote” (Munro 2001: 303). This strategy was successful not so much because people were “duped” into voting, but due to genuine allegiance to the party and the cultural traditions that it represented. Once local government institutions were designed and put into place, the overlap between party political and chiefs’ power was also transposed onto local electoral institutions (Munro 2001).

Control over voters could be both informal and formal. A study of local governance in Russian regions draws on Banfield’s classic work on political influence in a local setting to conceptualise these as “structures of control” (Banfield 1961). Traditional authorities at the helm of social networks, such as the chiefs in Africa, or heads of kinship clans, and elders, such as in Russia’s North Caucasus regions, often marshal genuine respect and allegiance by network members. There are elaborate structures of rewards for those who comply and sanctions against those who deviate from network norms (Munro 2001; Lankina 2004). Such traditional structures of control explain why in clan- and kinship-based societies in Russia’s ethnically-defined regions, the regional elite manage to deliver staggering 80 or even higher percent votes for regional or federal presidential incumbents or political parties that are in power. As in Indonesia, in Russia, the national or regional power elites encourage the perpetuation of such traditional structures of control because of the facility with which “the right” votes could be delivered (Lankina 2004; Ito 2008).

Formal organizations may be also conceptualised as structures of control. This could be characteristic of any organizational settings, but particularly so in contexts with a historical

record of being “administered societies” (Kassof 1964). Countries with socialist legacies fit this description well. Even in post-communist contexts, the employment structure of many localities centres on the public sector or, in mono-industrial towns, on one or two enterprises. Not just employment, but also recreation revolves around these enterprises. Enterprise managers have powerful influence over employees because they control the flow of rewards and could exercise sanctions. They become important players during elections, either pressuring employees to vote for certain candidates, or enjoying strong support if they choose to run themselves (Lankina 2004). Once elected, they proceed to use public office to ensure preferential treatment for their enterprises, favourable tax regimes, or circumvention of environmental standards. Although citizens may have voluntarily cast their votes for these individuals, this is a distortion of the whole concept of voice and accountability. Dependent on enterprise heads for their jobs, they will continue to vote them into office even as public roads, the environment, and social services deteriorate.

Other studies have also shown how even decision making within the elected authorities could be shaped by patrimonial social structures. As one scholar of South Africa wrote, “patriarchy remains rife among many gender insensitive councillors.” “Once elected to local politics, the participation of women in male-dominated structures is often inhibited by patriarchal norms” (Ballington 2001: 193). This finding echoes that of Crook and Manor in India. These scholars show how the election of marginalized groups to Indian panchayats does not always ensure that they will exercise voice on behalf of their constituencies. In fact, within-council decision-making reproduces social structures of hierarchy and inequality (Crook and Manor 1998).

### SIZE OF THE LOCAL GOVERNMENT UNIT

The size of local government unit is usually discussed quite broadly as one of the main reasons for decentralization. It is suggested that local preference matching would be better at a local level given intimate familiarity with local dwellers and their preferences (Yilmaz 2002). What size is the best however, is not given extensive consideration in the literature. There is a tendency to expect local governments to perform equally well a variety of services irrespective of their size (Prud'homme 1995). Scholars also tend to use “local” in reference to states in federal systems, while drawing broader inferences about the impact of decentralization and local government on performance and accountability (Khemani 2001). The insights from the literature on federalism (Shah; Treisman 2002; Sharma 2005) as applied to local governments could be misleading. This is because the magnitude of states in a federation is very different from those of local governments.

There are direct and indirect links between the size of the local government unit, that is, the territory and populations that it covers, and its performance.<sup>9</sup> The population size of the municipality and the area that it covers is central to deciding on the nature and scope of policy which is most appropriate for it. Litvack et al. suggest that “decision-making should occur at the

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<sup>9</sup> Even where data are provided on the number of municipalities in a given country, as well as on how many settlements a municipality covers, sometimes even the most comprehensive assessments of the drivers of local performance neglect to provide the information on the population or geographic size of the settlements that are being studied (Azfar, Kaehkoenen, and Meagher 2001).

lowest level of government consistent with allocative efficiency,” with variable “optimal size” for each service area (Litvack, Ahmad, and Bird 1998: 10). Prud’homme provides another convenient distinction among three factors that one ought to consider in deciding on the most appropriate service-provision or -delivery area for local governments: its “externability,” “chargeability,” and “technicity” (Prud’homme 1995: 215).

A village-level local government unit could not be expected to take full charge of highways, because their importance extends beyond the narrow administrative unit of a given locality (“externability”). Assigning this policy area to larger units, with jurisdiction encompassing several municipalities, would be more appropriate. Services for which local consumers could be easily charged, such as water or power are more appropriately assigned to the local level than those that are not, such as education (“chargeability”). And administrative capacity and skills, “technicity,” would be another factor when deciding on which local unit would be best for providing a particular service. Managing such policy areas as healthcare is highly skills intensive. Local governments in larger urban or county settings, or state authorities, are more likely to attract qualified staff than are those at lower, village levels of authority, where not just professional qualifications, but basic literacy is an issue. Moreover, local government reforms tend to stall precisely because political and fiscal decentralization is not accompanied by overall public administration reforms that would address issues of adequate staffing (Ahmad et al. 2005).

Some studies specifically addressed the impact of small-sized units on performance and found greater levels of accountability and improved service delivery. This was arguably the case in Uganda after decentralization (Olowu, Wunsch, and Ayea 2004). Other studies however suffer from a contradiction of advocating or criticizing decentralization, while not identifying the size of the unit that is best conducive to good performance. One study of the effects of local government on social capital includes a discussion of the merits of the proximity of the local government to the local citizenry. At the same time it finds that “confidence in government is also boosted by large subnational governments” (de Mello 2000: 20). And yet, a large subnational government is also likely to have jurisdiction over a very large territory, and is quite distinct from the Tocquevillian ideal upon which the study’s arguments of the link of local government proximity and social engagement are based. So even if large subnational governments are positively associated with social capital, it may not be for reasons stated in the study.

Likewise, one study sought to ascertain the greater or lesser likelihood of vigilant voting in local versus national elections. Vigilant voting is when citizens evaluate incumbents retrospectively on the basis of overall performance. The study contrasts this with myopic voting, whereby only performance in the year preceding the election is taken into account (Khemani 2001). In the study “local” refers to the state level of authority in India. While the findings point to greater likelihood of vigilant voting, and hence, levels of democratic accountability, at state levels, they may not be applicable to lower, local government levels of authority. The reasons are information asymmetries among the various social strata and generally lower levels of information on local, compared to state, politics.

In fact, comparative empirical work in developing settings revealed that in smaller localities, citizens tend to rely on traditional community leaders or friends and family, rather than the media, for information on local public affairs, while relying on the media for information on national politics. This practice facilitates elite capture and weakens accountability. Moreover, local officials themselves tend to serve as the main source of information on local government. At the same time, as a study of Uganda and the Philippines showed, local authorities do not always show evidence of having better information on local needs than higher levels of government. This likewise makes the whole concept of accountability problematic. Physical proximity does not guarantee that sub-national governments will possess the required information. And citizens will not always make the effort to inform the local authorities of their preferences (Azfar, Kaehkoenen, and Meagher 2001).

Linked to this finding is evidence that creating units at very small rural levels of authority might do little to correct extant structures of social exclusion, marginalization, or oppression, and can even exacerbate them. Crook and Manor found that in Kerala, in areas with elected bodies at or just above the village level, “it is very difficult to break down the dominance (in both gender and caste terms) of conservative men from landowning castes. Women councillors who press their claims at that level risk embarrassment and intimidation, and the Scheduled Castes risk harassment and violence” (Crook and Manor 1998: 79).

It has been also well documented that small, particularly rural, jurisdictions with traditional or patrimonial social structures in place become convenient material for top-down social organizational control or manipulation. This becomes evident during local or national elections (Ames 1994; Pugh and Cobble 2001; Munro 2001). In ethnically-fragmented or post-civil war communities, failure to comply might mean violence or even threat to one’s life (Pugh and Cobble 2001). This contrasts with larger, more fragmented, and competitive municipalities where top-down structures of influence over voters would be less dominant.

Caution should be therefore exercised in generalizing the findings of decentralization in general to lower local government levels. The same applies to studies that use the number of sub-national tiers as a right-hand variable to assess the impact of decentralization on performance (Dreher 2006). One study found that higher numbers of sub-national administrative tiers negatively affect performance. At the same time a higher share of sub-national unit employees is positively associated with good performance. This logically implies that polities with fewer tiers but covering larger jurisdictions and performing complex services are better for performance. Again, this contradicts many of the key premises upon which faith in decentralization is based, such as proximity to the local populations.

While there is much normative faith in the Tocquevillian ideal of the proximity of local decision making to the locality and its people, there is little evidence that the smaller the local government unit, the better will be its performance (Khemani 2004). An important consideration to keep in mind is that the “pastoral” (Rubin 2005) over-romanticisation of the small, rural, local unit does not square with the reality of high urbanization, including in the less industrialized settings. In conflict zones too, formerly rural residents have tended to congregate around urban centres. Africa provides a good illustration of this trend. Urban population is estimated to form half of the population of the African continent by 2020 (Olowu, Wunsch, and Aye 2004). This shift will

have profound effects on social service and other needs, such as schooling and other forms of education, thereby affecting the most appropriate size and policy scope of local governments.

## OUTSOURCING

Finally, questions of accountability and performance are linked to the nature of governance (and not just government) structures. Studies of municipal service provision (financing) and/ or delivery (production) have shown how task-sharing between state, municipal, and private bodies and NGOs could lead to positive performance outcomes. Task sharing may have positive implications for production and allocative efficiency, cost of delivery, and the extent to which local demand is reflected in social services. Competition in service delivery among various providers could have implications for greater equity, as it may drive prices down for essential services such as water or electricity (Litvack, Ahmad, and Bird 1998). Municipalities alone may simply lack the skills, resources, staff, and technical expertise, or indeed the incentive to run these services properly. A proper mix of public and private providers could also boost performance because of the disciplining nature of citizen mobility between the two sectors (Filmer, Hammer, and Pritchett 2000).

While such a division of responsibility is inevitable, extreme forms of new public management miss out on important distinctions between market contexts in which private business and public authorities, respectively, operate (Gyford, Game, and Leach 1989). While in a private competitive market, the service provider has direct accountability to the consumer, in what has been defined as the “short route of accountability,” in public services delivery, there are two major accountability relationships: between politicians’ accountability to citizens, and between politicians and service providers, that is, the “long route of accountability.” With decentralization, it has been argued, a third link in the chain of accountability is introduced, namely central governments. Democratically-elected councils may not hold some service providers accountable because they remain formally under the authority of, or employed by, national government ministries or agencies (Ahmad et al. 2005).

The complexity of these relationships accounts for mixed performance outcomes in newly decentralizing or democratizing settings where national and local legal and policy frameworks allowed for greater involvement of the private and/ or NGO sectors. In many post-communist states, for example, municipalities have enjoyed discretionary authority over the contracting out of social services. Local governments have been able to choose among various service-delivery instruments, namely by municipalities, through contracting out, or through grant provision to non-profit organizations. The performance record varies from country to country however (Lankina, Hudalla, and Wollmann, 2008).

Within the same country, assessments of the record of such public-private sector arrangements may also vary. Shah cites Chile as a positive example, where Catholic schools compete with public schools for education financing (Shah). Other scholars provide a dissenting voice however and argue that the impact of such competitive mechanisms could be mixed. They argue that while aspects of education provision improved with devolution, they did not always have the expected positive impact on the quality of education. Rural and low-income student performance declined while that of pupils from higher income and socio-economic levels improved (Parry



1997). This is because of incentives for grade inflation and competition for better students. This result is of course discouraging for developing settings where an important rationale behind decentralization objectives is poverty reduction and addressing socio-economic disparities.

### **LEADERSHIP SKILLS**

Leadership skills of individual local councillors or executives are often neglected in studies of local government performance. Leadership is important for effective lobbying of national authorities to mobilize scarce resources. It is also essential for generating consensus on policy areas or pushing through a vital developmental agenda. Case studies of local governance in various settings have shown how sound leadership could make a difference for local performance. Even within the same national setting, where local governments have similar institutional arrangements, financial resources, and degree of autonomy from state authorities, leadership skills could make some municipalities perform better than others. Usually cross-national studies of local government neglect this factor because they average out performance for local governments in the country. Leadership is also hard to measure, and factoring it in would require case study analysis, which might not be always feasible.

One important study that pointed to the role of leadership in affecting local performance is Tendler's work on Brazil (Tendler 1997). In explaining performance in municipalities in two states, she highlights the role of state level leadership, which created a "strong sense of 'calling' and mission" around new programs, boosted by information campaigns, prizes for good performance, and wide media publicity of best practice cases (Tendler 1997).

National governments embarking on decentralization in earnest and donors supporting a decentralization agenda could play an important role in encouraging good local leadership, publicising leadership best practice, and encouraging leadership experience sharing between different municipalities. Author interviews with mayors and local councillors in Central and Eastern Europe often reveal a strong perception of lack of efficacy: confronted with chronic under-funding, under-staffing, and a host of social and economic problems in the locality, local functionaries find it all too easy to blame performance weaknesses on these factors (Lankina, Hudalla, and Wollmann 2008). Publicising best practice stories of municipalities that face similar conditions, but manage to sustain a high level of performance, could help alter perceptions of low efficacy and show that individual leadership could make a difference. Local leaders may not be able to affect outcomes (effects), but they can certainly make a difference for outputs (actual provision of services) (Treisman 2002; Putnam 1993).

### **ROLE OF BROADER GEOGRAPHIC FACTORS AND IMPACT OF DONORS**

Broader geographical and "neighbourhood" factors also affect local performance in a variety of ways. In general, scholars now increasingly recognise the geographic clustering of democratic winners and losers. Moreover, performance variations related to aspects of governance (Huther and Shah 1998) or that of specific institutions, such as local governments, have also been shown to show patterns of geographic clustering (Shah). The causal mechanisms that lead to such clustering are hard to discern. Indeed, most explanations of institutional outcomes in a given

country are usually sought in domestic variables, such as levels of socio-economic development, experience with democracy or decentralization, or dependence on the national government. Systematic research into how external factors related to broader regional or international environments and targeted donor aid filter into the local level is still in its infancy.

Quantitative data that would make such cross-national research feasible is scarce. The most credible and widely used indices compiled or used by such agencies as the World Bank, the IMF, or Transparency International, are national level. These data are inadequate for sound analysis of local governance because ideally, data for both right hand-side and left-hand side variables should be for the sub-national level. For example, if we want to study the impact of donors (independent variable) on local performance (dependent variable), then we would need to disaggregate data for donor aid into its sub-national components. For the dependent variable, we would have to collect data on individual municipalities and their performance. This task is of course much more complicated than simply taking aggregate data from statistical agencies or other institutions without disaggregating it into data for each municipality. Data availability in turn limits the scope of research questions that could be asked. Over two decades into donor-driven decentralization, and volumes of studies related to it, most cross-national research is still done on local government as a whole, and we still do not know how external factors affect local governments.

One way of ascertaining the causal mechanisms that lead to geographical clustering of sub-national performance variations is the “geographic incremental” framework (Lankina and Getachew 2006). This framework may be appropriate for decentralized countries whose national-level politics exhibit authoritarian tendencies, but where “enclaves” of democracy are found in sub-national localities. Making the causal link between external factors and local outcomes, while including domestic controls, allows for a more nuanced understanding of the drivers of local performance, particularly given that in many countries decentralization initiatives are external donor driven in the first place. Moreover, such a framework allows to ascertain the neighbourhood factor. Not just donors, which may be geographically remote, but also immediate “neighbours” could affect local performance either because they provide targeted aid to their neighbours, or because they serve as a model—good or, for that matter, bad.

These external factors are also important for addressing questions of local government accountability. Accountability is usually assumed to be solely a function of domestic factors. Usually it is linked to electoral or appointment-dismissal mechanisms and citizen oversight. There are however material forms of accountability, which drive behaviour and performance: material rewards could be awarded or withdrawn depending on performance. At the same time, there is what may be called “normative accountability.” Mayors or councillors would be more or less likely to perceive certain actions as normatively desirable depending on the networks they are socialised in, which could in turn influence these perceptions. One study found that localities receiving European Union aid and those with mayors sitting on the Council of Europe Congress of Regional and Local Authorities were more likely to opt for a democratic form of election of city mayors. This was despite the national government efforts to undermine local democracy by pushing for appointed local executives (Gel'man and Lankina 2008). Normative accountability could make local leaders, who regularly socialize with counterparts in democracies, less prone to

engage in some blatantly authoritarian practice. Whether it is indeed the case or not is of course an empirical question, but one that merits serious consideration and study.

Ascertaining the precise nature and origin of external influences, be they targeted aid, or other, and their impact on local performance would be therefore important for coming to grips with what policies or strategies to improve local performance work and what do not. Nuanced cross-national comparisons of this kind would better interrogate both the premises that are driven by unquestionable faith in the appropriateness of donor-driven decentralizations, and those that criticise such efforts as being part of a neo-liberal conspiracy of privatization, which ultimately undermines local democracy.

## Measuring and Evaluating Performance

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Evaluating and measuring performance has been the thorniest issue of local government studies (Clark and Ferguson 1981; Bish and Ostrom 1973; Crook and Manor 1998). Three methodological approaches to assessing performance may be identified.

The first one is by studying local public opinion with regard to the level of satisfaction with local government, most notably with the degree of its responsiveness (Crook and Manor 1998; Azfar, Kaehkoenen, and Meagher 2001). Responsiveness has been defined as “the capacity of governmental organization to satisfy the preferences of citizens.” Proponents of this approach argue that it is appropriate because local populations are the main consumers of local services, moreover, that they are the “best judges of their own interests” (Bish and Ostrom 1973: 22). This approach suffers from a shortcoming in that local public opinion may not be a reliable source for evaluating local government performance. This is confirmed in studies of settings as diverse as Russia, England, and India. A study of Russia has shown, for example, that local governments are often blamed for poor services even if they had no authority over a particular service, which may be actually performed by the central state or the regional government (Startsev 1999). Focus group studies involving local populations in the United Kingdom have also revealed that local people often express opinions regarding municipalities based more on “common sense” or prejudice, than on awareness of local policies (Lowndes, Pratchett, and Stoker 2001: 450). And in India, local voters could hold state governments most responsible for essential social services even where elected local governments are in place (Ahmad et al. 2005).

A second approach would be to explore consumer satisfaction using a much smaller sample of respondents from particular institutions that are either recipients or deliverers of local government services or both, be these public or private agencies. An investigation of local government employees’ satisfaction with their own work and their views of the issues facilitating or hampering local performance could be also included in this research. The consumers of economic development programs could be for example enterprise managers. Consumers and deliverers of social policies could be staffs and clients of schools, hospitals, homeless shelters, foster homes, or NGOs. The local administration respondents would be staffs in local government departments in charge of social services.

Using this method, one study, for example, examined service delivery by police, social workers, teachers, and small traders. Three sets of actors were interviewed: service providers, such as the police and schools; consumers of the respective services; and city leaders (Clark et al. 1981). This and similar studies suggest that if the particular policy area is within the scope of a local authority, local performance in a particular field could be a reliable indicator of that of local government as a whole. While a particular agency or an NGO may be separate from local government, it may be still integrated into the local government policy-making process. This is because local government service provision decision making, that is, deciding on whether to make a service available and to arrange for its delivery, affects the actual production of the service by the respective non-local government agencies (Hawkins). A consumer- and provider-satisfaction approach to specific institutions would also allow for a nuanced perception of the diverse factors affecting local services, which may not be revealed in large-scale population surveys. Research on urban politics indicates that “reasonably reliable” data could be obtained

from interviewing a dozen or so informants (Clark et al. 1981: 34). This method has been used together with other methodological instruments in some studies of local government performance in essential services in the developing world (Azfar, Kaehkoenen, and Meagher 2001; Crook and Manor 1998).

The approach has been also used more generally in studies that ascertain other aspects of local government performance, such as its ability to engage the citizenry and enhance local participation. Heller and his collaborators used a sample of thirteen key respondents in each of the rural panchayats selected randomly for their study of participatory democracy in Kerala. Such a method, they argue, is well suited for medium-n studies provided that the range of opinions could be maximised. In their case, both members of the ruling and opposition parties were surveyed, and the sample was spread across three sectors of government, elected representatives, and civil society groups (Heller, Harilal, and Chaudhuri 2007).

A third and related approach, which should complement the latter one, would be to devise evaluation criteria for local government “outputs.” This method is commonly used in studies of decentralizing settings, with scholars coming up with own measures of outputs, relying on audit data, or carrying out household surveys in randomly selected samples of households and/ or municipalities (Besley et al.; Khemani 2004; Azfar, Kaehkoenen, and Meagher 2001). The most widely cited comprehensive effort at measuring outputs is Putnam’s study of regional reform in Italy. Putnam evaluated institutional performance by looking at twelve indicators of policy processes (cabinet stability, budget promptness, statistical and information services); policy pronouncement (reform legislation, legislative innovation); and policy implementation, or how policy translates into specific action (such as building clinics or roads) (Putnam 1993). In-depth examination of internal decision making and legislation, surveys with local officials, and with the broader electorate, were employed for measuring performance along these dimensions.

This latter “output” approach is also most often employed in cross-national quantitative studies of local performance. It may not always be replicable however considering the vast cross-national differences in data availability and policy contexts. The methodological problems inherent in such an approach when applied to different settings have been identified in the foregoing discussion. The data are used at very high levels of aggregation, which do not permit a nuanced understanding of local realities. Outputs in such analyses could well arguably be outcomes, beyond the authority or influence of local governments. And causality is often unclear. While such studies provide valuable insights into broader patterns of influences on local performance, they should be regarded as a first step in the analysis, and should be followed by nuanced case-by case and policy-by policy exploration of the drivers of local performance.

Whichever approach is taken, comparative service evaluation is a complicated task, because service-providing systems are different in each country. As Bird and Yilmaz write with regard to measuring the effects of decentralization in general, “if one cannot be confident of measuring the independent variable, then one cannot state with much confidence that decentralization is associated with one or more outcomes” (Yilmaz 2002). In one state a given service area may be the exclusive responsibility of local government, while in others it may be shared between different levels, or is the exclusive task of the *meso*, regional, level, or the central government. Moreover, in recent years many countries have experienced a decentralist shift not just between

different levels of public authority, but also between the public and private, or non-for profit sectors. In some Central European countries, such as Hungary, for example, the central government requires NGOs to maintain contracts with municipalities as a precondition for allocating municipal grants. Cooperation between public and private agencies becomes an important factor that determines availability of central funding, and ultimately the quality of local social service provision (Osborne and Kaposvari 1998).

Litvack, Ahmad, and Bird provide a list of possible combinations of how local services could be produced or provided. A combination of central, local, and regional authorities could be in charge of providing services in one policy area, or they could be provided fully or in part by the public sector, while being produced by the private sector, or produced and provided by private actors. These combinations will vary by sector or even by local government within the same country, not to mention that they will vary substantially across countries (Litvack, Ahmad, and Bird 1998). Moreover, formal arrangements may be the same in two countries, but other institutions, political factors, or informal practices would make their actual functioning vastly different.

The above discussion illustrates the complexities involved in performance measurement and evaluation. In different states or even municipalities within one national setting the degree of public versus non-public agency involvement may be different (Helgason 1997; Bennett 1994; Hatry 1994; Sevic 2003). It is also important to bear in mind that local authorities may have to balance between distinct groups of policy choices, such as development, redistribution, and routine local services (Wong 1989). Prioritizing one policy area might come at the expense of quality performance in others.

Public services measurement instruments designed for a particular urban setting may be also inappropriate in others and may yield unreliable or distorted results. For example, similar production inputs may result in quite different outputs in an area with different characteristics, such as a sewage system which may be much more costly in hilly as opposed to flat areas (Bish and Ostrom 1973). Likewise, corporate style benchmarking may not be an appropriate evaluation tool: municipalities may provide similar services, but their quality may vary. Even if service quality may be good in one area, not all residents may have access to the respective facilities. This would be the case with healthcare if we use the criteria of the number of hospitals in a locality. Variation in the availability of facilities to all residents makes measurement of service quality difficult (Gottdiener 1987). Governments may also locate clinics in areas where health had been good in any case, thereby leading researchers to overstate the impact of such clinics (Filmer, Hammer, and Pritchett 2000).

Another example of measurement complexities is trying to evaluate the effects of variable fiscal policy choices. Such choices might be assessed quite differently depending on citizen preferences. Redistributive policies or the imposition of protective social safety nets may have a positive effect on the well being of socially disadvantaged populations. These policies may also drive businesses out of the city, however and this might negatively affect the local economy (Peterson 1981).

Finally, it is important to bear in mind that local governments *do* have limits. They are parts of wider regional and national political, institutional, and socio-economic contexts. Their shortcomings may therefore to a greater or lesser extent also depend on these broader structural or political factors outside of their control (Peterson 1981). A nuanced examination of local performance should be sensitive to the variable local or broader contexts in which municipalities operate, and the complexity of the local policy choices that they face.

## Discussion, Research Questions and Hypotheses

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A complex array of factors shape local accountability and performance. The preceding sections have identified key factors discussed in the literature on local government performance and decentralization more generally. They are the broader political and economic environments in which local governments operate; voice through elections and oversight; the scope and nature of local government powers vis-à-vis the national or regional governments and fiscal decentralization; peculiarities of local political cultures; ethno-social fragmentation of a given community; the size of the administrative unit; the precise policy areas that local governments are in charge of; the nature of national and local party systems; the structure of local government; outsourcing mechanisms that are in place; leadership skills; broader external neighbourhood or other factors, as well as donor involvement. There is a general consensus that all of these factors matter for local performance. Much of the disagreement in the literature is precisely how the peculiarities of each of the dimensions identified above shape local performance, as indeed the particular mix of the above dimensions. Are smaller local jurisdictions better than larger ones? Is local authority over education and healthcare more conducive to good performance than when these areas are within the exclusive authority of central state bodies? Are strong party systems and party presence in the councils conducive to local accountability? What about settings that might have various combinations of the above factors? What mix is the most appropriate?

Furthermore, empirical research in different or even the same national setting(s) often results in completely opposite findings or interpretations. While some scholars regard Chile as a paragon of performance in local education, others point to substantial problems with it, such as a negative impact on access to quality education by the socially-disadvantaged groups. The reason for such disagreements is the multi-dimensional nature of local performance and factors affecting it. All of the factors identified above should be considered together in order to make sound judgement about what drives local performance. The reality is however that often studies that focus on participatory aspects of local performance neglect policy outputs and the quality of essential services; while those that focus on service efficiency may neglect the extent to which the public had been involved in designing the policy and could hold policy makers accountable. The champions of party presence in local councils may neglect the wider socio-economic and inter-governmental factors. These contextual influences might subvert the accountability and “linkage” function of party systems.

Some general conclusions could be nevertheless derived from the literature review. They point to “ideal-type” situations that may not be fully present in the localities, but could serve as material for generating hypotheses for further research.

On balance, decentralization, when factors discussed in this paper are taken into account, could have a positive effect on democratic accountability and performance. If a country is still in the process of local government reform, hyper-decentralization should be avoided, and the administrative size of the unit, that is, the territory and population that its jurisdiction would cover, should be considered carefully. Even in the “perfect” conditions of an industrialized ethnically homogenous democracy, devolving too much policy and taxation authority to local governments could result in low performance outcomes for reasons related to “technicity,”



“externability,” and “chargeability.” In the extreme opposite case of underdeveloped, undemocratic, and ethnically- and socially-stratified community, such hyper-decentralization could be prone to enclavization, exacerbation of extant socio-economic inequalities, and poor services.

Internal institutional design of an (ideally) medium-size local authority should give careful consideration to balance between the political and technocratic side of local government. A popularly elected and accountable chief executive or an appointed city manager should wield sufficient power to push through developmental or other policy agenda, but should be also held in check by the local council. At the same time, while upward accountability of the executive arm of the administration is inevitable in some policy areas, it should be avoided for local councils. Legislation targeting the inclusion of under-represented groups could help address the problem of the colonization of councils by those accountable to higher bureaucracies, traditional, or patrimonial leaders. Legal mechanisms should be in place ensuring that the chief executive is not simultaneously accountable to higher bureaucracies. While party presence in local councils, which could be ensured through proportional representation, could serve an important accountability-enhancing and linkage function, it may not be desirable because it helps proliferate “veto players.” Furthermore, in countries with a tradition of a strong link between national parties and politics, where parties have weak roots in society, and where a record of civic cooperation and cross-cutting cleavages are absent, party presence in local governments would encourage patronage.

The policy scope should be realistic, with only basic services reserved for small- to medium-size local governments in less developed contexts during the initial years after local governments had been set up. At the same time, officials performing these basic functions should be accountable to the local authorities. When these officials are also accountable to line ministries or other higher bureaucratic structures, the lines of accountability to the respective authorities should be clear. The policy scope could be expanded over the years, once public administration reform and training of local authorities had occurred. Substantial field research into local government performance of this author in various national contexts suggests that local governments in small- to medium-size localities are not desperate to take on complex policy areas. Assigning realistic policy spheres will only enhance local efficacy. At the same time, it is prudent to provide local authorities with sufficient authority and taxation powers at the margins to create incentives for local economic promotion. Again, empirical evidence suggests that few resources could be required, with leadership skills and innovation going a long way to make a difference for the locality.

Effective public scrutiny mechanisms should be in place to monitor local government performance. This is another reason why size matters. Local government units that are larger in size will also have a greater diversity and quality of independent press outlets. Having one main local newspaper funded and run by the local administration is an unacceptable form of public scrutiny. Special structures of oversight, which have proven their effectiveness, such as participatory budgeting, vigilance committees, and ombudsmen, should be put in place. In less developed settings with high socio-economic inequalities, targeted measures should be adopted aimed at reducing information and resource asymmetries and thereby involving even the marginalised social groups in scrutiny and participation. Regular visitations by local government

authorities should be organised to villages or towns forming part of the larger administrative unit of local government jurisdiction. Public discussion meetings of the kind that exist in India's state of Kerala should be organised at regular intervals. And public transportation should be in place for the poor to travel to the seat of the local authority.

Outsourcing or other form of services co-production should be encouraged provided that the co-producing agencies could be held partly or fully accountable by the local authorities. National government funding for such co-producing schemes should go through the local authorities, which could then have discretion over, and allocate funding, on a competitive basis. This would help improve the accountability chain involving local clients and service providers. Councils should be able to hold NGOs or private bodies accountable for their services, and could be in turn held accountable by the local citizenry for the service delivery provider choices that they make. At the same time, general and discretionary national grant making to the localities should be transparent, and should be publicised widely in the local media. This would allow the monitoring of potential patronage, or consistent under-allocation of funds to some localities at the expense of others, in turn allowing voters to hold national policy makers accountable.

Sceptical voices notwithstanding, donors or other external actors could play a strong and positive role in nurturing structures of local accountability and performance. This support could take anything from training of local officials, to support for independent media outlets, to publicising best practice cases or giving awards to effective local leaders.

The first set of key hypotheses based on a discussion of the more optimal scenarios, would then be as follows:

Medium size municipalities, with authority over basic, less complex services; with non-mobile assets power of taxation and transparent and stable revenue allocations from national or regional governments; with popularly elected local executives or council appointed managers; with clear lines of downward and upward accountability of the executive arm of local government; with councillors that do not have strong dual structures of bureaucratic or patrimonial accountability; with councils that are not elected based on proportional representation, but reserve seats for disadvantaged socio-economic groups; with structures of oversight, with innovative services co-production schemes involving NGOs and private bodies accountable to local governments, will perform better than those where either all or any of these above conditions are absent.

A second set of hypotheses relating to wider political and socio-economic environments, which should be incorporated as controls in devising comparative studies of performance, would be as follows:

The longer the country has been a democracy; the higher its overall level of economic development; the lower the level of corruption in the country as a whole; the less ethnically- and socially-fragmented a particular locality in question; the greater the tradition of participatory political culture and civic engagement; the closer it is to democratic neighbours; the more aid it receives specifically targeting local government development; the greater the likelihood of good performance.

Despite the complexity and multi-dimensionality of the above hypotheses, they are testable using both quantitative and qualitative techniques. The research design for the quantitative dimension of a study testing the above hypotheses would involve selecting municipalities based on the size of the unit, for example, roughly 50,000-100,000 people. Another sample would include municipalities of a smaller size, to test counter-hypotheses. Data for each municipality, or, absent substantial within-nation variations, for each country, would be gathered. The data would cover authority over services; outsourcing; manner of election or selection of local executive; whether the executive and councillors have dual structures of bureaucratic or patrimonial accountability; whether the council is elected based on proportional representation or not; or whether seats are reserved for disadvantaged socio-economic groups. Variations within this sample would then be examined using the controls as specified above.

For the dependent variable, measures for outputs for the particular localities in the sample would be employed. Ideally, they would include both policies which are mandated, and those that are more discretionary and are better indicators of innovativeness, such as economic promotion. In-depth “consumer and provider satisfaction” interviews with key local actors, as well as field research in a select group of either “most similar,” or “most different” localities would accompany the study to facilitate further generalizations (Przeworski and Teune 1982). In highly socially- and economically-stratified or ethnically-fragmented settings, particular care would be given to studying potential asymmetries in who benefits from local policies. This would allow to address the methodological problem of having broader indicators for the performance of the locality as a whole, while not identifying how members of particular groups might be excluded from the benefits of a certain policy.

Such a methodology would contrast with the vast majority of extant cross-national quantitative studies of local government performance, which either lump together all municipalities, or even state authorities in federal states, or do not seek variation within the sample of municipalities of a particular size. Because data would be gathered for individual municipalities as well, it would allow to uncover within-nation variations and would therefore provide a more nuanced understanding of both the contextual and locality-specific drivers of local performance.

Data requirements for such an undertaking would be considerable. And yet, the compilation of cross-national micro-data on sub-national levels of authority is long overdue. An important reason for the fixation of many of even the most sophisticated studies on the national level or high levels of aggregation on sub-national levels is that data availability drives research questions and methods. When conducting large-n cross-national studies related to democracy, economic development, or decentralization, scholars inevitably have to rely on credible and established indices, such as those compiled by the World Bank, the IMF or other reputable institutions, the most widely used data for fiscal decentralization being the IMF Government Finance Statistics (GFS) and Freedom House, Polity, and World Bank indicators for democracy and governance. These data are mostly national level.

Not only are such indices or ratings widely used because they are based on expert data that is as solid and reliable as it gets, but also because they include annual adjustments. They are therefore an invaluable source for temporal analysis. Nevertheless, there are pitfalls involved in reliance on such data. The year-by-year country data reduce the number of observations, thereby limiting

what one can do with it statistically. Actors or processes that are not captured by annual data become “blind spots,” left out of the analysis. And most importantly for this analysis, by averaging out country-wide data, they fail to capture within-nation variations. These variations may be enormous in territorially-large countries, but also smaller ones with high regional socio-economic disparities (Munck and Snyder 2007).

While the scholarly and policy community has long shifted its focus from the national to lower levels of authority given the global decentralization trend, data availability has not caught up with this trend. The few studies that have come up with own data on local performance report the challenges involved in working with local data. Data, particularly in developing settings, tend to be old or incomplete, or otherwise unusable for analysis because of low administrative capacity for record keeping or simple lack of time because of focus on addressing other pressing problems (Litvack, Ahmad, and Bird 1998). Local councils often fail to record expenditures properly, or one municipality’s record keeping may not be comparable with that of another one, even within the same country. Moreover, a rather perverse sense of secrecy characterises some municipalities, particularly in post-authoritarian settings, or those that often do have something to hide. This author was denied access to stenographic records of some local governments in Russia, and had to go through enormous lengths to obtain data related to budgeting in another one. The attempts of individual scholars to uncover the drivers of local performance are commendable however the methods are bound to be crude given the lack of data. The sheer enormity of the data-gathering effort for each local authority restricts the sample to only a few countries or cases. Only if and when cross-national data on municipal levels of authority are available, could more comprehensive and refined assessments of the drivers of local performance be made. Some scholars, like Treisman, have gone a long way to bridge this data gap by coming up with own local government indices. Nevertheless, even Treisman’s data do not allow to uncover within-nation variations in municipal set-up, structures of accountability, ethnic fragmentation, or other variables at the level of individual localities. Against this background, the World Bank Decentralization Thematic Group’s project to merge cross-country data collection efforts for establishing a comprehensive database of fiscal and institutional variables is an important step forward (Litvack, Ahmad, and Bird 1998).

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