

Las colecciones de Documentos de Trabajo del CIDE representan un medio para difundir los avances de la labor de investigación, y para permitir que los autores reciban comentarios antes de su publicación definitiva. Se agradecerá que los comentarios se hagan llegar directamente al (los) autor(es).

❖ D.R. © 2001, Centro de Investigación y Docencia Económicas, A. C., carretera México-Toluca 3655 (km. 16.5), Lomas de Santa Fe, 01210 México, D. F., tel. 727-9800, fax: 292-1304 y 570-4277. ❖ Producción a cargo del (los) autor(es), por lo que tanto el contenido como el estilo y la redacción son responsabilidad exclusiva suya.



**NÚMERO 97**

---

Allison Rowland

**POPULATION AS A DETERMINANT OF LOCAL OUTCOMES  
UNDER DECENTRALIZATION: ILLUSTRATIONS FROM  
SMALL MUNICIPALITIES IN BOLIVIA AND MEXICO**

### *Summary*

Decentralization is becoming a reality in many developing countries—or at least in some regions of these countries. The actual degree to which decentralization meets its stated goals, however, appears to vary within countries, depending on the particular characteristics of the local area to which power and responsibility are devolved. Based on research in Bolivia and Mexico, this paper suggests an approach to the evaluation of the impacts of decentralization policies which recognizes intra-national variation, illustrating the potential usefulness of this argument with reference to the population size of local jurisdictions.

### *Resumen*

La descentralización se ha vuelto una realidad en muchos países—o bien, en algunas regiones de estos países—. Sin embargo, el verdadero grado en que la descentralización cumple con sus objetivos explícitos parece variar aún dentro de un solo país, dependiendo de las características particulares del área local al que se entrega el poder y la responsabilidad. Basado en una investigación en Bolivia y México, este documento sugiere un acercamiento a la evaluación de los impactos de las políticas de descentralización que reconoce la variación sub-nacional, e ilustra la utilidad potencial de este argumento con referencia al tamaño poblacional de las jurisdicciones locales.

## *Introduction\**

While decentralization policies in developing countries have so far fallen short of the benefits promised by their proponents, observers of countries where decentralization has been even partially implemented would be hard-pressed to deny that some significant changes in the processes of government and administration have resulted. And not only are many things no longer done the way they were before, there also appears to be a proliferation of variety in local styles and practices of government. This proliferation across space could be considered both cause and consequence of decentralization policies, but it is not the purpose of this paper to try to determine the direction of this relationship. Instead, I wish to argue that while the modifications of local government practice that have followed decentralization policies vary greatly among regions within a single country, there is some predictable relationship between these and the population size of the local jurisdiction. More specifically, the effects of decentralization policies on small municipalities differ from the more widely-known effects on urban ones, and these differences, in turn, alter the outcomes of decentralization policies across local areas. This argument is important because it bolsters the broader contention that decentralization policies must take into account the intra-national diversity of local conditions and institutions if they are to achieve their desired objectives (Litvack, Ahmad and Bird, 1998; Palma Carvajal, 1995). While population size is certainly not the only local variant which helps determine the results of decentralization, it is a useful starting point because of its clarity and simplicity, as well as the ready availability of data for entire countries.

My argument results from a comparison of two countries which have made decentralization an integral part of broader programs of state reform: Mexico, since Constitutional reforms in 1983, and Bolivia, since the implementation of the Law of Popular Participation (LPP) in 1994.<sup>1</sup> These two countries are notable in Latin

\* Acknowledgements: The author wishes to thank Walter Guevara Anaya and Hugh Emrys Evans for invaluable guidance and assistance in the research and initial formulation of this article. The World Bank helped fund the field work in Mexico, while the Bolivian field work was made possible by a grant from the William and Flora Hewlett Foundation. The responsibility for opinions expressed here, of course, is strictly the author's.

<sup>1</sup> The meaning of *descentralización* varies across countries. While in Mexico it has come to mean the devolution of decision making powers to both state and municipal governments, in Bolivia, *descentralización* refers to the devolution of power only to the departmental level. Unfortunately, the more precise term in each case, *municipalización*, has no clear and concise counterpart in English. For this reason in this paper, I follow the common English usage of "decentralization" (see Cheema and Rondinelli, 1983) to refer to devolution of government tasks to the municipal level in both countries. As noted in more detail later on, in Mexico's case, decentralization mostly results from policies related to the Constitutional reform of 1983, while in Bolivia, it refers both to the Law of Popular Participation of 1994 and the Law of Administrative Decentralization of 1995. Another definitional issue also should be addressed: in Mexico, the term "local" (in Spanish, *local*) can refer

America for the relatively large proportion of population which lives in municipalities of fewer than 50,000 people: 46% in Bolivia and 27% in Mexico, or nearly 3.5 million people and 26.7 million people, respectively. Residents of these municipalities, whether in small towns or dispersed over rural areas, suffer some of the most extreme poverty in each country, and their access to public services tends to be minimal. On the other hand, the small population size of these municipalities, combined with the traditional neglect of local governments, suggest that gains from the decentralization of decision making in many policy areas could be particularly dramatic.

Both Bolivia and Mexico have experienced setbacks and limitations in the implementation of their decentralization policies. Still, there is an intriguing contrast in the pattern of changes in government and administration in each, depending on whether we consider large or small municipalities. In Mexico, a growing literature suggests that decentralization policies have helped improve the governments of large cities (Cabrero, 1996; Guillén, 1996; Ramírez Sáiz 1998; Ziccardi, 1995), but small town and rural municipalities appear to have been left behind (references to government in rural areas, if not necessarily the theme of municipal size directly, appear in Bazdresch, 1994; Díaz Montes, *et al.*, 1994; and several chapters of Cabrero, 1995; Rodríguez and Ward, 1995).

In contrast, Bolivian decentralization policies undertaken since 1994 have essentially confirmed pre-existing practice in large cities, but things have improved dramatically in the span of just a few years in some small municipalities, many of which were not even constituted as local jurisdictions before this date, and which had been literally ignored by central government for decades, if not centuries (Blackburn and De Toma, 1998; República de Bolivia, 1999; Thévoz, 1999). Although discernible progress has been restricted to a handful of small municipalities in Bolivia, the contrast between their sudden dynamism and the stagnation of the vast majority of their counterparts in Mexico could hardly be more marked.

This observation leads us to the main objective of this article: to examine the effects of decentralization policies on small municipalities and, more broadly, to argue that population size matters and should to be taken into account if decentralization policies are to be more effective. In this paper, I approach these issues through the development of two key hypotheses about the effects of decentralization policies on small municipalities, based on a review of existing academic work on the subject. I then test these hypotheses against information gathered in four municipal cases in Bolivia and seven in Mexico.

either to the municipal or the state level. Here, I use "local" in its English sense, as the municipal level of government.

***Small is beautiful—but is there such a thing as too small?***

Like most other Latin American countries, Bolivia and Mexico have each implemented decentralization policies designed to refocus public decision making from the national capital to local areas, and from central to municipal levels of government. The theoretical rationale behind these policies is that to the degree that local governments are given a bigger role in choosing the use of public resources, these choices will respond more closely to local needs and preferences—an outcome which favors efforts to make government both more efficient and more democratic. Much of the theoretical literature on decentralization and local government supports such views (for arguments derived from fiscal federalism, see Bennett, 1990; Bird and Vaillancourt, 1999; Oates, 1990, 1991; Shah, 1994; for arguments which favor decentralization because of its purported effects on levels of democracy and development, see Dahl and Tufte, 1973; Manor, 1999; Putnam, 1993; Rondinelli 1990; Smith, 1985; Tocqueville, 1969; World Bank, 1997, 2000).

But in spite of its theoretical attractions, decentralization has proven complex to implement. Perhaps the most commonly cited problem is that central (and regional) bureaucracies resist what is perceived as a diminution of their powers and authority (Cabrero, 1998:102; Manor, 1999: 60-61; Ostrom, Schroeder, and Wynne 1993: 164; Putnam, 1993: 21; World Bank, 2000). But there are other reasons as well, including a lack of commitment on the part of central government, muddled or unenforceable legislation, and the force of centralized political parties and electoral issues (Manor, 1999; Willis, Garman and Haggard, 1999). This paper focuses on problems in the implementation of decentralization policies that are played out at the local level. In other words, I ask how local institutions affect the processes of decentralization.

The list of problems encountered at the local level includes a shortage of financial resources, minimal administrative experience, and more broadly, an absence of democratic and pluralistic traditions (Bienen, *et al.* 1990; Cabrero, 1996, 1998; Fiszbein, 1997; Nickson, 1995; Ramírez Sáiz, 1998; Smoke, 1994; Westergard and Alam, 1995; Ziccardi, 1995). However, most studies concentrate on the effects of decentralization on large cities, either because they analyze aggregate municipal data for an entire nation (and therefore, the trends of a few large cities skew the averages presented), or because they focus on specific case studies, which are usually large cities for reasons of access and importance at the national or international level (exceptions include Fox and Aranda, 1996; Manor, 1999; Nickson, 1995). The tacit hypothesis is that small municipalities are different from large ones only in quantitative terms, a position this paper contests.

### *Hypotheses about small municipalities*

My argument is that some municipalities face special challenges in their processes of government and administration because of issues related directly to their population size.<sup>2</sup> This section discusses two general hypotheses (considered complementary, not opposing) which are derived from the literature about decentralization and its effects on municipalities in general.<sup>3</sup> The objective is to reason through the implications of these broad findings for small municipalities, a process which helps focus the research questions I addressed in the fieldwork. The findings from the field regarding each hypothesis are presented later in the paper.

#### **Hypothesis #1: In democratic systems, units of government which include small populations are more accountable than larger ones because people can (and do) have closer interactions with local government officials.**

The theoretical and empirical literature on decentralization and local government tends to posit a relationship between the population size of a unit of government and the degree of accountability of leaders to local residents (Dahl and Tufte, 1973; Ostrom, *et al.* 1993; Putnam, 1993; Smith, 1985). This is one reason that decentralization is argued to have a positive effect on governance, since municipal units effectively divide up national populations for the consideration of local matters. The argument here is twofold. On the one hand, local residents are believed to find it easier to interact with their representatives when these representatives are known in the community, have their primary place of work there, and have the specific mandate to resolve local problems. On the other hand, government officials are also presumed to be more responsive to local residents when they are forced to meet personally with them on a regular (and often informal) basis, as well as to live in the locality they represent.<sup>4</sup>

This claim of better representation at lower levels of government is not without its critics, many of whom fear that in developing countries, extreme

<sup>2</sup> The population threshold considered in this paper (50,000) is arbitrary and owes more to convenience than any theoretical consideration. Precision in terms of population—if it is indeed necessary—is left for future research.

<sup>3</sup> One other hypothesis was considered for this research: that decentralization efforts are limited by the shortage of capable administrators in small towns and rural areas. The hypothesis is attractive in terms of the logic presented above, but because I was able to gather even less concrete information from the field work about it, I chose not to analyze it in depth here.

<sup>4</sup> As several authors point out, accountability is itself a complex concept, with a number of possible interpretations (Bird and Vaillancourt 1999:13; Blair, 2000:31). This paper is concerned with the responsiveness of political leaders to their constituents, rather than the other possible aspects of accountability, but the common argument that local residents need information in order to ensure the accountability of their political representatives is important, and considered later on.

inequalities in wealth, education and access to information may lead to distortions in the degree of influence that particular citizens have in local government (Bienen, *et al.*, 1990; Litvack, *et al.*, 1998; Manor, 1999; Ostrom, *et al.*, 1993; Samoff, 1990; Westergard and Alam, 1995). Some analysts suggest that this imbalance is particularly problematic in rural areas, where these interpersonal inequalities are more acute.

The danger of domination of local governments by elites—or simply of local government behaviors which do nothing to help the impoverished majority—has not been ignored in empirical studies of decentralization. Indeed, a number of analyses of municipal spending patterns under decentralization have tried to ascertain whether “demand-driven” budgeting (that is, budgeting that reflects the perceptions of needs expressed by local residents) has led to increased investment in basic infrastructure, such as water supply, roads and education, which are especially important to the poor. The results of these studies suggest that when democracy exists at the local level—that is, when elections are free, fair, and regularly-scheduled, and the poor are represented in the policy decisions of local governments—local budgets indeed reflect a concentration on items related to poverty alleviation (Bird and Vaillancourt, 1999; Faguet, 2000; Fox and Aranda, 1996).

In view of these findings, it bears repeating that a large number of factors beyond the population size of a local jurisdiction are involved in determining the levels of accountability and responsiveness of its government. However, if we agree that smaller population size facilitates interactions between citizens and officials, it is a small step to the conclusion that this is an advantage of municipalities of smaller population size within a single national institutional framework (that is, other things being equal).

The empirical question, which is addressed for the case studies here, is whether the evidence from Bolivia and Mexico points in this direction. Gathering detailed information on day-to-day patterns of interaction between citizens and officials was beyond the scope of this stage of the project. Instead, as a first approximation to the issue, I consider weaker, but nonetheless important evidence: the formal structures for citizen participation in local government, which is to say, the institutionalized opportunities for residents to influence policy makers, and vice versa.<sup>5</sup>

<sup>5</sup> In this sense, the concept of participation considered in this article differs from Blair (2000: 23), for example, who seems to limit “participation” to activities directly related to elections.

**Hypothesis #2: Small municipalities face severe resource constraints under decentralization because of limited local sources of finance. (Or, decentralization results in increased inequalities in public spending between the largest cities and other areas.)**

To the extent that decentralization policies are actually implemented, it is reasonable to predict a diversification of policy choices and outcomes among local governments. Indeed, this is often considered an advantage of decentralization, since it not only leads to a closer “fit” between local preferences and government policies (Oates, 1991; Tiebout, 1956), but also allows for policy experiments on a small scale which may later be copied by other jurisdictions (Smith, 1985).

However, the flip side of a diversification of policy choices and outcomes is the potential under decentralized government for increased regional inequalities, a particular concern in developing countries, where discrepancies between urban and rural areas in particular can be enormous. The fear is that as each local area is forced to rely more on its own resources, some will have a harder time reaping the benefits of decentralized arrangements because resource endowments—especially taxable property and activities—are unequally distributed across space (Prud’homme, 1995; World Bank, 1997).

Indeed, urban areas appear to have advantages in resource collection over small towns and rural areas.<sup>6</sup> The primary reason for this is the high dependence of local governments on the property tax, which is a more valuable asset in cities, where land prices are higher (Bahl and Linn, 1992). Outside urban areas, the demand for land is low and land markets may be nearly nonexistent, so it can actually cost a local government more to administer and collect property taxes than it gains by doing so. Other taxable activities (construction permits, vehicle taxes, and assorted nuisance taxes), are also likely to be fewer outside of cities because of low economic dynamism and the pervasive poverty of residents (Manor, 1999). Thus, even an excellent collection effort on the part of small municipalities may result in minimal revenues, and often, relatively greater dependence than their urban counterparts on central government monetary transfers.

A high dependence on central government transfers, in turn, can be disadvantageous for small municipalities because there is often great scope for discretion by central and intermediate governments in the distribution of these funds. This converts the distribution of public funds into a process of negotiation, in which

<sup>6</sup> It may be that urban municipalities also have to do more costly things with their revenue. However, it is not clear whether this relative expense is offset by other factors, such as the greater density of population served by—and thus, able to contribute to—such investments, nor whether rural and small-town municipalities actually spend relatively *more* to meet some of their responsibilities because of transport costs or the fixed cost of certain basic infrastructure (such as water lines), regardless of the number of people served by it.

the relative political and economic importance of large cities may lead to a neglect of smaller municipalities.

On the other hand, even under centralized arrangements, developing countries have been notoriously inefficient at redistribution—whether across regions or among individuals—so it is not clear that decentralization would result in the worsening of an already troubling situation. In addition, it may be that decentralization provokes closer attention to the issue of the remediation of regional inequalities, as well as initiatives for clearer legislation and more transparent redistribution of public funds (Manor, 1999).

My second set of empirical questions for research in Bolivia and Mexico arises from these observations. Do small municipalities raise relatively less on a per capita basis from local sources than their larger counterparts? Do they depend on higher-level transfers for a larger percentage of public revenue? Are small municipalities less favored in the distribution of higher-level transfers?

#### *Notes on the research process*

The difficulties in trying to answer the questions posed by the hypotheses above for Mexico and Bolivia go beyond the obvious issues of relative size, level of economic development, political structure, and history. In terms of available information, we are faced with one country, Mexico, about which an extensive literature exists on nearly all aspects of politics and government, and which includes a growing body of work which considers decentralization and local government specifically.<sup>7</sup> In contrast, far less scholarly work has been published on Bolivian politics and government, and almost none of it focuses on the issues of this article. This imbalance presents practical problems, in that many of the generalizations presented about Bolivia had to be drawn from personal interpretations offered by interviewees, and could not be corroborated by independent academic studies.

Nevertheless, I did take advantage of existing research for each country by academics, multilateral institutions and government agencies, as well as interviews with people currently working directly with municipal governments. I also traveled to eleven small municipalities to conduct individual or group interviews with various local government officials, and reviewed any documents made available. In each of the cases, the research questions focused on the participation of citizens in administration, the process of setting local budgets and spending priorities, and local interactions with other levels of government. While on these visits, I also attended community planning meetings in Bolivia, and in Mexico, participated in large public meetings called specifically to air local residents' complaints about government administration and programs.

<sup>7</sup> Much of this work was published by Victoria Rodríguez and Peter Ward (1992, 1994, 1995; Rodríguez, 1997).

Seven small Mexican municipalities<sup>8</sup> were visited in mid-1998 as part of a separate research project on intergovernmental coordination. While the objectives of that project were different, the wealth of information about government and administration in small municipalities that was uncovered in the interviews and public meetings served both as the primary impetus for the development of the research reported in this paper, and as the basis for the findings on Mexico. However, the selection of municipalities reflects the concern of the original project with the poorest, and potentially most explosive, areas of the country. It is not, then, a representative sample and clearly avoids the handful of relatively successful small municipalities which are rumored to exist.

In Bolivia, informal interviews were conducted with officials of four municipalities, as well as with other officials and experts in the field, during the autumn of 1999.<sup>9</sup> Picked especially for this project, they are more likely to be representative of the variety of small local governments in the country. Still, because of the time and financial constraints of this project, this research should be considered as a first, exploratory step, designed to gather basic information and generate hypotheses which can be subjected to refinement and further testing in future studies.

### ***Comparing Local Governments Across Countries***

Limitations on space prevent a full discussion of municipal governments and decentralization policies in each of the countries considered here. Instead, I focus on some key points of difference between them, including the form of national government, the structure of local governments, the scope of local government responsibilities, the design of local finances, and the mechanisms for citizen participation.

#### *Unitary versus federal systems*

One of the most obvious differences between government in Bolivia and Mexico is that the former is a unitary state, while the latter is a federal one. This has implications for municipalities of all sizes, since intermediate governments—the Departments in Bolivia and the States in Mexico—can be more important to the immediate task of governing local jurisdictions than is the national level. In fact, the relationship between municipalities and the nine departmental governments in

<sup>8</sup> In the State of Guerrero, the municipalities of Malinaltepec (2000 population: 35,032) and Olinalá (22,522); in the State of Hidalgo, San Felipe Orizatlán (37,666); in the State of San Luis Potosí, Aquismón (42,831) and Xilitla (49,583); and in the State of Veracruz, Ixhuatlán de Madero (49,187) and Zontecomatlán (12,334).

<sup>9</sup> In the Department of La Paz, the municipalities of Coroico (1996 population: 11,702) and Patacamaya (16,685); and in Department of Cochabamba, Punata (31,924) and Titora (17,420).

Bolivia is relatively limited, aside from the department's role in the distribution of Compensation Funds (discussed at greater length later). The municipality—in both territorial and legal terms—is defined in national level legislation, and since the departments are essentially extensions of central government, the policies and practices of the latter tend to be more important for municipal governments.

Intergovernmental relations are much more complex for municipalities in Mexico, since as part of a federation, both the states and the central government have an important influence on municipal affairs. The national constitution and some federal laws do mention municipalities, and can be very specific about some duties and financial resources. Yet they are quite vague on many practical points, including notably, the role of the municipal council (*cabildo*). State constitutions should fill this gap, but they are often of little help, since they generally were copied almost directly from the national one, and therefore have little in the way of more specific provisions for municipal government. In practice, there is much discretion in the action of state governors, who, at least during the long epoch of single-party (PRI) rule during much of the 20<sup>th</sup> century, tended to dominate their jurisdictions. This pattern has begun to change in some states (see Mizrahi, 1995; Rodríguez and Ward, 1992; 1994; Ward, Rodríguez and Cabrero, 1999), although those in which my cases are located are not among the states known for innovation. In fact, all have been governed by the PRI since the Revolution, and still were heavily dominated by the Party at the time of this research.

In addition, until national constitutional reforms in 1999, municipalities in Mexico were technically an administrative branch of each state, and loyalties within the PRI (ruling party) traditionally meant the subordination of municipal government to the wishes of the state governor (Fagen and Tuohy, 1972; Graham, 1968). Although it is too early to assess the effects of these most recent reforms, some changes in the municipal-state relationship have become evident in the 1990s with the acceleration of the number of local officials elected from opposition parties. Still, municipal budgets and most plans continue to require the approval of state legislatures, which also have the power to dissolve municipal administrations and replace them with interim councils. This makes the municipality's relationship with the state in Mexico much more important than the relationship between the municipality and the department in Bolivia.

### *The structure of local government*

The structure of local government in Bolivia and Mexico is similar: in both cases, the municipality is headed by a popularly-elected mayor (*alcalde* in the former, *presidente municipal* in the latter) and a municipal council (*consejo* and *cabildo*, respectively). In each country, the members of the council are elected by party slate, with some fraction of seats reserved for the highest vote-getters among parties other than that of the mayor (non-partisan candidates are not permitted). Local elections in Bolivia are held nationwide every five years (the most recent was in December

1999) and re-election is permitted, while Mexico's local elections are for three-year terms, held according to state calendars, and do not allow for current office-holders to be reelected to the same posts.<sup>10</sup>

Despite electoral similarities, relations between the mayor and the council in each country vary significantly from one another. In Bolivia, the control of the municipal council over the mayor is made explicit in the LPP, which considers the council a deliberative and legislative body. According to interviews, although the mayor plays a leading role in setting the agenda for municipal activities and some role in forming the substance of the legislation, the municipal council is the more dynamic branch, closely involved in processes of policy design and endowed with the power to approve or reject the mayor's initiatives and executive actions.

In contrast, the role of the municipal council in Mexico is not at all clear, since in the one-party context under which municipalities were governed for much of this century, there was no need for definition: the council was basically a group of honorary posts, led by the mayor, used to reward loyal party service. Today, there is much debate within municipalities about whether the council members have legislative functions, or simply serve to receive complaints from the citizens and channel them to the municipal president. While the council does have the responsibility to approve the municipal budget, plans and other initiatives, this does not in practice translate into effective control of the mayor. Indeed, because electoral rules guarantee the mayor's party a majority in the council, there is usually little need for debate or negotiation on the mayor's initiatives (Guillén, 1996). This means that *presidencialismo* at the municipal level remains a common complaint today even in many non-PRI municipal administrations.

### *Local government responsibilities*

A review of the public service and planning responsibilities of municipal governments in Bolivia and Mexico suggests that in each case, careful thought was given to the types of activities that municipalities are likely to be able to perform most effectively, and in which they enjoy a comparative advantage in information over other levels of government.<sup>11</sup> In fact, neither country strays in a significant way from the recommendations commonly given by international agencies in this regard (see for example, Bahl and Linn, 1992; Shah, 1994).

There are only two major differences between the countries in this respect. First, as mentioned earlier, the fact that Mexico is a federal country implies that

<sup>10</sup> In more than 400 municipalities in the State of Oaxaca, a different procedure is followed for municipal elections, the so-called "*usos y costumbres*," which purports to allow for selection of municipal authorities according to the traditional procedures in indigenous communities.

<sup>11</sup> In both countries these tasks include, but are not limited to: water and sewage provision; public sanitation; public safety (preventive policing); public lighting; markets and slaughterhouses, cemeteries; parks and gardens; local streets; municipal development plans; land use controls; and construction permits.

states, too, have some say in the assignment of municipal responsibilities. Indeed, until constitutional reforms of 1999, states could legally assume control of so-called municipal public services, and they tended to do so when there was a chance to make money from such an arrangement.<sup>12</sup> Now, states are required to have the consent of municipalities to take over local tasks, but the efficacy of this reform, especially in small municipalities, cannot yet be evaluated.

In contrast, the fact that Bolivia has no sovereign intermediate level of government means that tasks assigned to municipalities are either done by them (sometimes with the help of NGOs or foreign aid missions), or not done at all. Under the LPP in Bolivia there is also a clear chain of events for cases in which the municipal level is in disagreement with the actions of the central government.<sup>13</sup> Finally, although the LPP envisaged the formation of municipal "commonwealths" (*mancomunidades*) among the smaller municipalities to require them to pool their resources and set up inter-municipal agencies to undertake certain activities, these have not yet materialized because of an executive order which postpones this aspect of the law (República de Bolivia, 1999). There are a growing number of independent municipal associations made up of local governments of all sizes, but these function primarily as information clearinghouses and lobbying organs rather than service providers.

The second major difference between the tasks assigned to municipalities in these two countries is that Bolivian local governments are responsible for the construction of basic health and education facilities, as well as for the maintenance of this infrastructure and the pre-existing physical plant transferred to them when the LPP went into effect. The key question is whether central transfers are sufficient to allow municipalities to do these important jobs properly, but data constraints make this difficult to answer. In Mexico, responsibility for infrastructure and payroll in health and education were transferred to the state level in 1992 with varying degrees of success. While there is some enthusiasm for "municipalizing" public primary education, this appears unlikely to happen in a widespread way any time soon, since states themselves complain that they lack the personnel and financial resources necessary to carry out these functions (Arnault, 1992; Ornelas, 1997; Ward, *et al.* 1999).

### *Local government finance*

As in the assignment of municipal responsibilities, the assignment of sources of municipal finance in Bolivia and Mexico follows widely-accepted guidelines for decentralized government. The principal local source of income is meant to be the

<sup>12</sup> See Guillén (1996) and Massolo (1993), although in these cases the situations were later rectified. Problems regarding control of water and of transportation issues, however, are still reported in many municipalities.

<sup>13</sup> In one of the small municipalities studied, this mechanism has proven not entirely satisfactory, but at least the procedures are clear.

property tax, and this can be complemented by charges for local public services. But despite their exclusive control over certain tax bases, the major source of income for local government in both countries, even in large cities, tends to be transfers from the central level (see below).

In Bolivia, revenue sharing to municipalities take the form of *co-participaciones*, the term for the 20% of nationwide tax collections which, since the implementation of the LPP in 1994, is distributed among municipalities on a per capita basis. To receive these funds, which are deposited to municipal bank accounts on a daily basis, a municipality must elaborate its budget and annual operating plan with the approval of the local council, and must publish its budget report from the previous year.

In Mexico, the system of central transfers is much more complex, in part, once again, because both federal and state levels are involved. In addition, Mexico's system of federal revenue-sharing (*participaciones*) was not designed specifically to support decentralization efforts, and owes more to questions of reform of the national and state tax collection systems (the SNCF, *Sistema Nacional de Coordinación Fiscal*) (Sempere and Sobarzo, 1993). The outcome of this difference in practical terms is that states are allowed a wide margin for discretion in the distribution of these monies among municipalities in their jurisdictions.

The total amount of the revenue-sharing "pie" in Mexico amounts to 20% of the national income from taxes. This fund is distributed to state governments according to a complicated and often-criticized formula which attempts to take into account tax effort, population and poverty levels (Díaz Cayeros, 1995; Sempere and Sobarzo, 1993). The states are then supposed to distribute 20% of the amount transferred to them to the municipalities in their jurisdictions. In other words, the amount distributed to municipalities as a group via *participaciones* is about 4% of the total national fund, a much smaller share than that received by Bolivian municipalities.

In each country there are also some targeted grants available to municipalities. In Bolivia, municipalities which present acceptable proposals for specific projects are eligible for Compensation Funds (*Fondos Compensatorios Departamentales*) administered by the departments, and these surpass even revenue-sharing in their importance for municipalities. Central government ministries and international agencies are additional sources for occasional funding. In Mexico, a system of direct grants from central government to municipalities (known as *Ramo 33* or more formally, Federal Contributions to States and Municipalities—*Aportaciones Federales para Entidades Federativas y Municipios*) was begun in 1998. This system avoids the intervention of state government in the distribution of two specific funds—Municipal Social Infrastructure (FAISM) and Contributions for Municipal Strengthening (FAFM)—by use of a formula which takes into account municipal population and several measures of poverty and isolation in the jurisdiction. States are allowed to set rules regarding the use of these funds by the

municipalities, including the mechanisms for decision about local projects, but at the time of this research few states had done so.

Municipal spending in both countries tends to be concentrated in recurrent expenditures, rather than investment, in spite of provisions to the contrary in Bolivian law. Indeed, the LPP attempts to limit the amount spent by municipalities on recurrent expenditures to a mere 15% of the annual budget, though it appears that this restriction has not been firmly enforced. In contrast, Mexican municipalities face no such limitations, and tend to devote a much higher percentage to recurrent expenditures. On an aggregate level, in a sample of 300 municipalities in 1995, the ratio of recurrent to capital expenditures was nearly three to one (derived from INEGI 1998). Unfortunately, while more detailed analysis of municipal expenditure is certainly desirable, it is highly problematic, due to incomplete data in both countries and conceptual difficulties in interpreting the multiple ways of classifying expenditures.<sup>14</sup>

#### *Structures for citizen participation in local government*

The major legislation regarding citizen participation in Bolivia is directly related to decentralization. Indeed, as noted above, in Bolivia it is the Law of Popular Participation (LPP)—and not the so-called decentralization legislation—which sets the bases for more powerful municipal governments. According to the LPP, each municipality must set up a Vigilance Committee (*Comité de Vigilancia*, CV) which is charged with reviewing and approving the local budget and the annual operating plan. The members of the CV are elected from neighborhood or rural community associations (*Organizaciones Territoriales de Base*, OTB), which can take advantage of the CV to communicate their preferences about potential projects. Thus, the LPP mandates citizen input and oversight into the decisions of local government, and it also provides municipal officials with incentives for making these work, since the central government withholds *co-participación* funds from municipalities until their CVs sign off on the budget.<sup>15</sup> As we note later on, there are surely differences among municipalities in the degree to which the LPP's good intentions are subverted, but here the point is to call attention to the institutionalized mechanisms for citizen participation.

In Mexico there is no single law which delineates the scope of citizen participation in local government, and each state may have its own mechanisms to encourage it in its Constitution, the *Ley Orgánica Municipal* (administrative laws for municipalities), the urban planning laws, or not at all. In addition, the PRONASOL program (1988-94) imposed its own scheme for citizen participation in local

<sup>14</sup>Faguet (2000) provides an interesting analysis of municipal expenditure data for Bolivia, but it concentrates only on intersectoral comparisons within the country.

<sup>15</sup> The LPP draws the line at responsibility for deciding on budget priorities or the daily practices of local administration. These duties are retained by elected officials and appointed administrators.

government (see Cornelius, Craig and Fox 1994; Dresser 1991) and some municipalities continue to use these structures (the CDMs, *Comités de Desarrollo Municipal*).

The closest thing in Mexico to national legislation on citizen participation in local government is found in the National Democratic Planning System (*Sistema Nacional de Planeación Democrática*, SNPD), which was established in 1982 as part of the Planning Law. This system provides the basis for citizen participation in local planning through the formation of a COPLADEMUN (*Comité de Planeación para el Desarrollo Municipal*), composed of representatives of local non-governmental organizations, including not just neighborhood associations, but also non-territorial groups such as producers' or women's associations. However, the precise rules for choosing representatives for the COPLADEMUN vary from state to state, as do their duties and prerogatives.<sup>16</sup> Under such circumstances, it is difficult to know exactly what procedures, if any, are actually followed at the municipal level. Nor is it clear how the CDMs were designed to relate to the COPLADEMUNs.

### ***Revisiting the hypotheses***

Perhaps not surprisingly, neither of the hypotheses about small municipalities suggested at the beginning of this paper was completely borne out by the evidence collected in Bolivia and Mexico. Real life is simply much more complex than such sweeping generalizations. However, in broad terms, I find that small municipalities tend to be more accountable than large ones in Bolivia, but not in Mexico. Small Mexican municipalities also appear to face more severe resource constraints than do their Bolivian counterparts. This section summarizes the findings and suggests some explanations for them.

**HYPOTHESIS #1: In democratic systems, units of government which include small populations are more accountable than larger ones because people can (and do) have closer interactions with local government officials.**

The evidence collected in the case studies in Bolivia and Mexico—which, to repeat, was limited to discussions of formal mechanisms of citizen participation—suggests that governments of small municipalities have improved their accountability under decentralization, but only where central authorities are willing and able to impose sanctions against those local governments which do not respect centrally-mandated structures for citizen participation. Thus, the explicit linkage between revenue

<sup>16</sup> Only one of the four states where my case studies were located (Hidalgo) has specific municipal legislation (in the *Ley Orgánica Municipal*) which delineates the role of the COPLADEMUN. The other states have no municipal legislation, aside from sections of the state constitutions which essentially repeat the federal provisions regarding municipalities. They do not mention the COPLADEMUN system at all.

sharing and the CVs and OTBs, laid out in Bolivia's Law of Popular Participation, guarantees that local residents have some input into the formulation of the municipal budget—at least in municipalities which depend on central government transfers for large portions of their budgets.<sup>17</sup>

In three of the four cases where interviews were carried out, the municipal CVs had discussed and approved the local budget for 1999, and evaluations of the 2000 budget were underway. This success was due in large part to the activities of a USAID-sponsored project known as Democratic Development and Citizen Participation (DDPC), whose mission is to help municipalities implement and institutionalize this process. In the only municipality where the CV and budget discussions were not consolidated, the DDPC was just beginning to develop a partnership.<sup>18</sup>

Meanwhile, the LPP seems to have changed little in terms of accountability in Bolivian cities. While the question was not investigated explicitly in this project, a well-known political commentator outlined three principal obstacles to improved accountability in urban areas (W. Guevara Anaya, personal communication, October 19, 1999). First, the largest municipalities are juicy targets for the principal political parties, not only because control of these offers opportunities to convince citizens to vote for them in national-level elections, but also because of the possibility of distributing public employment and siphoning off public funds for partisan uses (on the tradition of patronage among Bolivian parties, see Gamarra and Malloy, 1995). In contrast, the political and financial pickings for national-level parties are much slimmer in smaller municipalities, and high-ranking officials are less likely to protect these authorities when they are caught with their hands in the public pot.

Second—and again for reasons of size and political importance—large municipalities are unlikely to be punished by the Senate with suspension of their grants if they do not abide by the participation rules established in the LPP. What is more, since larger local governments are less dependent on *co-participaciones* because of their ability to generate revenue from local sources, they may be less sensitive to this threat. Smaller municipalities, in contrast, are well aware that they would be left with virtually no operating revenue if their transfers are cut, and that

<sup>17</sup> Some researchers argue, however, that these structures are neither effective nor appropriate in municipalities whose population is principally indigenous (Goudsmit and Blackburn 2000; Lema 2000; Rivera Cusicanqui 1990). The question of whether indigenous groups should be forced to comply with political processes based on notions of individual rights, or conversely, whether a liberal democratic state can tolerate community-based rights for some citizens, is hotly disputed in Mexico as well.

<sup>18</sup> This dependence on outside consultants to make effective the mechanisms of accountability of the LPP raises questions about their viability in those small municipalities which are not reached by outside help (see also Blackburn and De Toma, 1998: 35-36), but this may be a reflection more of the low pre-existing administrative capacity of small municipalities than of a design flaw in the Law itself. See Manor (1999: 113-114) for a discussion of limitations to local planning initiatives, especially in rural areas.

little outcry would be raised by political parties, media, or others with national influence.

Third, the specific mechanism of citizen participation—the Vigilance Committee—does not appear to function as well in large municipalities as it does in smaller ones, in part because each CV represents a larger population, thus diluting the presumed benefits of citizen participation. Each urban district entitled to a representative in the CV can be inhabited by as many as 50,000 people, while the corresponding unit in less-urbanized municipalities usually contains 3,000 people or less. The aggregation and representation of the interests of this much smaller number of citizens in the CV is presumably more feasible in these municipalities.

The finding of reasonably well-developed use of mechanisms of accountability and citizen participation in small Bolivian municipalities contrasts sharply with the situation observed in the seven small municipalities studied in Mexico. In the latter, local officials complained that the organs of citizen participation, particularly the COPLADEMUNS, were either marginalized in the discussions of local matters or simply did not exist.<sup>19</sup> The irrelevance of these mechanisms for citizen participation in municipal matters is not hard to explain: since they are merely consultative bodies with no budget authority, and because there are no sanctions imposed by higher levels of government for ignoring them, there is little reason for local elected officials to bother with the associated effort and expense. Many municipal officials also appear eager to avoid the potential for stirring up political debate about their own actions, and some local council members seem to be jealous of the potential usurpation of what are already ill-defined official functions.

Another reason to doubt that the smallest municipalities in Mexico are more accountable to local residents than are larger ones is that the central government has traditionally maintained important direct links with rural residents, channeling much larger amounts of public investment and aid to individuals through federal ministries (in recent administrations, through the Agriculture and Social Development Ministries, SAGAR and SEDESOL) than through revenue-sharing with municipalities. Federal direct investment for much of the 20<sup>th</sup> century dwarfed the budgets of small local governments (even taking into account revenue sharing), which helps explain why residents are usually more interested in meeting the eligibility requirements for federal programs than in working with local officials.<sup>20</sup> Thus, the relationship between local residents and federal officials remains an important part of rural life in Mexico—much more so than in urban life. This also contributes to the marginalization of municipal political institutions like the local council.

<sup>19</sup> Only in one municipality (Olinálá) did the COPLADEMUN appear to function on a regular basis, and even there, officials referred to it by the old PRONASOL term, CDM, “to avoid confusing people with the new (*sic*) term.”

<sup>20</sup> As state governors gained power relative to the national president under President Ernesto Zedillo (1994-2000), this central government intervention in local areas diminished somewhat in the most powerful states. However, even where federal officials were forced to negotiate their actions with their state counterparts, it was rare for municipalities to be included in this process.

Finally, it should be noted that in both Bolivia and Mexico there are tensions between the relatively urbanized “capitals” of municipalities (*cabeceras*) and their rural hinterlands, which also fall under the jurisdiction of local authorities. The traditional complaint in both countries is that the areas outside the administrative center of the municipality are neglected even by the local government (for Mexico, see Fox and Aranda, 1996). However, some municipal officials interviewed suggested that this pattern appears to be changing in parts of Bolivia, as rural dwellers within small municipalities begin to use the LPP to assert their presence through Vigilance Committees. In several Mexican states, in contrast, rather than spurring an improvement in the mechanisms of representation, these types of intra-municipal conflicts have led to the creation of new, even smaller municipalities, many of which are unlikely to ever be financially viable.

**HYPOTHESIS #2: Small municipalities face severe resource constraints under decentralization because of limited local sources of finance. (Or, decentralization results in increased inequalities in public spending between the largest cities and other areas.)**

Up-to-date information on municipal budgets is hard to come by and hard to interpret even where it is available. However, standardized data on local income within each country is available for a large sample of Mexican municipalities nationwide for 1997, and for all Bolivian municipalities for 1996. This data was used to compute a broad picture of the budgets of large and small municipalities within each country, which was supplemented by information on the particular cases of interest here.

The first observation from the nationwide analysis is that in per capita terms, Bolivian municipalities of all sizes handle more money than do their Mexican counterparts (Table 1). While, as noted above, the uses to which local administrations must put this money are not identical, it is one rough indication that Bolivia is more decentralized than Mexico, especially given the relative size of public income in the two countries (Mexico’s central government revenues per capita were four times larger than Bolivia’s in 1997, according to calculations based on World Bank (n.d.)).

*Table 1*  
Municipal income in large and small municipalities  
in Bolivia (1996) and Mexico (1997)  
(US dollars per capita<sup>1</sup>)

	<i>Total municipal income</i>		<i>From local sources</i>		<i>From revenue sharing</i>		<i>From other sources<sup>2</sup></i>		<i>Population</i>	
	<i>Bolivia</i>	<i>Mexico</i>	<i>Bolivia</i>	<i>Mexico</i>	<i>Bolivia</i>	<i>Mexico</i>	<i>Bolivia</i>	<i>Mexico</i>	<i>Bolivia</i>	<i>Mexico<sup>3</sup></i>
National	62	44	14	19	21	24	27	2	7,588,392	88,770,402
Urban municipalities <sup>4</sup>	70	51	23	23	20	26	27	2	4,126,706	62,075,104
Small municipalities <sup>5</sup>	54	30	4	13	22	22	28	1	3,461,686	26,695,298

1. Currencies converted at the rates of 5.1 *bolivianos* and 8.0 Mexican *pesos* per US dollar.
2. For Bolivia, includes transfers from departmental Compensation Funds, as well as credits and donations from international agencies; for Mexico, includes municipal debt.
3. Population in 2000; does not include Federal District.
4. Population of at least 50,000; excludes 5 Mexican municipalities for which financial data were unavailable.
5. Population of less than 50,000.

Source: Derived by author from INE (n.d.); INEGI (n.d.); Viceministerio de Planificación Estratégica y Participación Popular (n.d).

This comparison also sheds light on the other research questions suggested by the literature. First, in aggregate terms, in both Bolivia and Mexico, small municipalities have smaller budgets per capita than do large municipalities. And, as expected, small municipalities also gather less of their income from local sources, and thus are more dependent on revenue sharing and other transfers as a proportion of total income. However, in Bolivia neither revenue sharing nor locally-generated income account for as much municipal income as do “other sources,” which include departmental compensation funds, credits and donations.

Are small municipalities somehow ignored or underrepresented in the distribution of higher-level transfers, reflecting a sort of urban bias? In Bolivia, while the distribution of *co-participaciones* does not have an explicitly redistributive aspect (that is, it does not attempt to somehow tie the amount of transfers to levels of local poverty), the change in the distribution of revenue-sharing to municipal governments to a per capita system represents a redistribution of this pot in favor of small municipalities. These received about six percent more per capita from transfers than did urban ones in 1996. Indeed, from 1993 to 1998, the amount of revenue sharing delivered to the municipality of La Paz *decreased* by 25 percent in real, per capita terms, suggesting that it was not so much “urban bias” as “capital city bias” which operated before the reforms (figures derived from INE (n.d.) and Viceministerio de Planificación Estratégica y Participación Popular (n.d)).

In contrast, municipal budgets in Mexico are smaller on a per capita basis in small municipalities than in large ones, and central government transfers do nothing to redress this imbalance. Indeed, there is much resistance in Mexico to the idea of changing the formula for federal revenue sharing to a simple per capita basis, as is done under the LPP in Bolivia. Ironically, the reason usually cited for this reluctance is the perceived need to focus public resources on the poorest areas of the country, which tend to be outside large cities.<sup>21</sup> But as this research shows, the municipal governments in the rural areas actually received about 15% *less* per capita in 1997 through central transfers than did the big cities. This is not surprising given that state governments intervene in the distribution of these funds among the municipalities in their jurisdictions: the largest Mexican cities in each state probably have more weight in negotiations for these funds than do the small municipalities.

The past few Mexican federal administrations have led well-publicized efforts to combat poverty through programs which target the most impoverished regions of the country. These were carried out principally by the Agriculture and

<sup>21</sup> One prominent example of this reluctance is the Ley Bartlett, a Puebla State law named for the then-governor (1998), which among other things, attempted to reform the state’s own revenue-sharing system to compensate rural municipalities for the effect of the new Ramo 33 program (which grants more money to municipalities with higher populations). Supporters of the Ley Bartlett claimed that rural areas should receive additional help from the state through a transfer of revenue sharing from the larger municipalities. Critics argued that the law was blatantly partisan because the urban municipalities which stood to lose revenue-sharing funds to rural areas were governed by opposition parties. In a February, 2000, ruling the federal Supreme Court allowed most aspects of the law to stand.

Social Development Ministries, but the financial information published by these ministries does not allow for the determination of the municipal location of their projects, so the extent to which their spending in fact represents regional redistribution is not clear. What we do know is that it is *not* municipal government that is controlling these resources, which means that the presumed benefits of decentralization—including accountability to citizens and the incorporation of greater information about local conditions into project design—are not being reaped.

To summarize, in Bolivia, both local government and rural areas were neglected before the implementation of the LPP and its supporting legislation. This means that little public investment reached these areas, and any increase in this amount represents an improvement in the regional distribution of public expenditure. However, in Mexico central government has been a looming presence in rural areas, since their inhabitants formed the base of support for the PRI since at least the 1940s. But most public investment in rural areas has been done directly by federal ministries, either on infrastructure or as subsidies to rural residents, and in many cases this spending has been criticized as clientelistic and directly tied to electoral politics (for a brief history see Paré 1990). Municipal government, in contrast, has been almost completely marginalized in this process of small-town and rural expenditure. Ironically, then, the seemingly equity-neutral mechanism for distribution of federal revenue sharing in Bolivia appears in practice to be more progressive in terms of regional income distribution than does Mexico's method, in spite of rhetoric to the contrary.

### ***Conclusions***

Based on the research findings presented here, I argue that there is some relationship between the institutional parameters present in municipalities and their respective size-classes. I have not attempted to be very specific about the size-classes concerned—and these would presumably vary from country to country—but this study suggests that in small municipalities, patterns of citizen participation and of local public finance may indeed be different from expectations based on findings from large cities.

It is worth considering, however, whether population size is a useful way to classify municipalities. For example, some researchers have found that even personal characteristics of local decision makers may have more impact on a particular municipality's fate under decentralization than does any aspect of the policies themselves (Fiszbein, 1997; Tandler, 1997). I do not disagree with this point, and indeed, argue that the current trend of increasing variation among local governments can be expected to continue precisely because of the rising importance of mayors and other local actors in municipal life.

Indeed, as mentioned from the outset, population size is but one basis upon which the municipalities in a single country may be characterized. Other indicators, such as levels of poverty, economic base, ethnic differences, levels of democracy,

and the quality of local governance surely have implications for the degree and kind of local impacts of national decentralization policies. The goal of this article is not to create an exhaustive list of these local factors, much less develop measures for them at the local level, given the obvious complexity of this task. Rather, it explores one variable, population size, in some detail, with the hope that this admittedly limited analysis offers some idea of the theoretical and practical difficulties to be encountered in this terrain, as well as the potential benefits of entering it.

That said, and without suggesting that this limited research project is conclusive, I want to outline some of the potential implications of these findings about small municipalities, since central governments, international agencies and academics are continually refining the decentralization policies already in effect in developing countries. First, the relative disadvantage of small municipalities in the collection of local revenue seems amply borne out by this research, and suggests that even apparently non-progressive but highly structured transfer schemes, such as Bolivia's *co-participaciones*, may be better than the Mexican alternative, which is to allow regional (state) governments wide discretion in the assignment of federal funds to municipalities within their jurisdictions. Indeed, the disadvantages of per capita distribution of central government grants seem to be outweighed by their advantages in clarity and simplicity, since the amount of these transfers is public and somewhat predictable (on the benefits of simplicity in intergovernmental finance, see also Bird and Vaillancourt 1999:38). More complicated formulas that attempt to take into account other factors merely open the door to differing interpretations, endless negotiations and pervasive disputes. Perhaps more important, the per capita aspect of these grants makes it obvious even to people with very little formal education that their own presence in the municipality leads to a larger budget for local government, and that this gives them a right to have some say in its use. The fact that the elected members of OTBs and Vigilance Committees in Bolivia are specifically charged with overseeing the budget makes this point even clearer.

Second, the finding that central government enforcement of the institutionalized mechanisms for accountability to citizens determines whether they are used at all in small municipalities has important implications for the refinement of decentralization policies. While there can be little doubt that difficulties and abuses exist in municipalities of all sizes in both countries, Bolivia appears more advanced than Mexico in the use of these mechanisms outside the major cities because they are explicitly linked to the provision of revenue-sharing funds from central government. In Mexico, the mere existence of such mechanisms—a minimal indicator of accountability, to be sure—is spotty at best. Intense electoral competition in most large municipalities provides an alternative mechanism of accountability for local governments, but electoral challenges to the ruling party are still much less common in smaller municipalities.

Based on our evidence, we cannot suggest that either country has overcome one of the most often-cited dangers of decentralization outside, the concentration of power in local political bosses or elites who use their positions to tyrannize and

exploit residents. However, other recent studies suggest that progress is being made in Bolivia to address the problem, as evidenced by the election in 1995 of indigenous persons and/or rural residents to one third of all municipal council posts (Thévoz, 1999) and by changes in municipal spending patterns since the LPP went into effect which appear to favor the poor (Faguet, 2000; República de Bolivia, 1999). In contrast, in Mexico, central government so far has been unwilling to establish and enforce the mechanisms necessary to redress these problems, even though the basis for a reasonable system, the COPLADEMUNs, already exist on paper and have functioned in some areas.

The findings presented here about the effect of intergovernmental transfers on small municipalities and the use of mechanisms of local accountability echo the findings of several other studies (based on much more detailed evidence than that collected here) about central government responsibilities under decentralization. The argument is that decentralization does not imply that central agencies simply step aside, but rather, that they engage in a new set of tasks to help both local governments and citizens reap the benefits of decentralization (Bird and Vaillancourt, 1999; Fox and Aranda, 1996; Manor, 1999; Tandler, 1997). These tasks include support for administrative capacity building in local governments, as well as the development of systems to monitor and evaluate local government performance and make this information widely available to residents.

If my results are correct, they can also be interpreted as support for what some researchers have termed "asymmetric decentralization" (Litvack, *et al.*, 1998; Shah, 1994; Nickson, 1995 and Palma Carvajal, 1995 also alludes to this, although with somewhat different terms). This would imply a kind of multi-track policy for decentralization which could offer different kinds of responsibilities and opportunities to municipalities, according to their particular capacities. Following my argument, a package of specific policies could be designed for small municipalities in order to help overcome the constraints related to their size. That is, the goal is not to treat small municipalities simply as immature versions of large municipalities, but as a different type of creature with different needs and potential.

This proposal is not without its difficulties, since differential treatment for units of government with the same legal status is not likely to go uncontested in the political arena. However, if the system is designed to allow municipalities themselves to determine the advantages of being considered under the different policy "packages," these kinds of fights may be avoided.

It is worth emphasizing, in closing, that municipalities of all sizes appear better off today than they were before decentralization policies went into effect. Thus, we should not abandon decentralization policies because their results have not been exactly what was expected, but rather, we should expand and deepen our understanding of why these results differ from predictions. This way, a continual refinement of these policies may lead to more appropriate approaches to the vast variety of local circumstances, not just among countries, but within them.

## References

- Arnault, A. (1994). La federalización de la educación básica y normal, 1978-1994. *Política y Gobierno*, 1 (2), 237-274.
- Bahl, R. W. and Linn, J. F. (1992). *Urban public finance in developing countries*. New York: Oxford University Press.
- Bazdresch Parada, M. (1994). Gestión municipal y cambio político. In M. Merino (Ed.), *En busca de la democracia municipal* (pp. 25-60). Mexico City: Colegio de Mexico.
- Bennett, R. J. (1990). Decentralization, intergovernmental relations, and markets: Towards a post-welfare agenda? In R. J. Bennett (Ed.), *Decentralization, local governments, and markets: Towards a post-welfare agenda* (pp. 1-26). Oxford: Oxford University Press.
- Bird, R. M. and Vaillancourt, F. (1999). Fiscal decentralization in developing countries: An overview. In R. M. Bird and F. Vaillancourt (Eds.), *Fiscal decentralization in developing countries* (pp. 1-48). Cambridge: Cambridge University Press.
- Blackburn, J. and De Toma, C. (1998). Scaling-down as the key to scaling-up? The role of participatory municipal planning in Bolivia's LPP. In J. Blackburn and J. Holland (Eds.), *Who changes? Institutionalizing participation in development* (pp. 30-39). London: Stylus.
- Blair, H. (2000). Participation and accountability at the periphery: Democratic local governance in six countries. *World Development*, 28 (1), 21-39.
- Cabrero Mendoza, E. (1995). *La nueva gestión municipal en México: Análisis de experiencias innovadoras en gobiernos locales*. Mexico City: Miguel Angel Porrúa.
- Cabrero Mendoza, E. (Ed.) (1996). *Los dilemas de la modernización municipal: Estudios sobre la gestión hacendaria en municipios urbanos de México*. Mexico City: Miguel Angel Porrúa.
- Cabrero Mendoza, E. (Ed.) (1998). *Las políticas descentralizadoras en México (1983-1993): Logros y desencantos*. Mexico City: Miguel Angel Porrúa.
- Cheema, G. S. and Rondinelli, D. A. (Eds.) (1983). *Decentralization and development: Policy implementation in developing countries*. Beverly Hills: Sage.
- Cornelius, W. A., Craig, A. L. and Fox, J. (Eds.) (1994). *Transforming State-society relations in Mexico: The National Solidarity strategy*. La Jolla: Center for U.S.-Mexican Studies, UCSD.
- Dahl, R. A. and Tufte, E. R. (1973). *Size and democracy*. Stanford: Stanford University Press.
- Díaz Cayeros, A. (1995). *Desarrollo económico e inequidad regional*. Mexico City: Miguel Angel Porrúa.
- Díaz Montes, F., Zafra, G. and González Mechor, S. (1994). Oaxaca: diversidad municipal y participación ciudadana. In M. Merino (Ed.), *En busca de la democracia municipal* (pp. 135-162). Mexico City: Colegio de Mexico.
- Dresser, D. 1991. *Neopopulist solutions to neoliberal problems: Mexico's National Solidarity Program*. La Jolla: Center for US-Mexican Studies, University of California, San Diego.
- Fagen, R. R. and W. S. Tuohy (1972). *Politics and privilege in a Mexican city*. Stanford: Stanford University Press.
- Faguet, J. (2000). *Does decentralization increase government responsiveness to local needs? Decentralization and public investment in Bolivia*. Discussion Paper 999. London: Centre for Economic Performance.

- Fiszbein, A. (1997). The Emergence of Local Capacity: Lessons from Colombia. *World Development* 25 (7), 1029-43.
- Fox, J. and Aranda, J. (1996). *Decentralization and rural development in Mexico: Community participation in Oaxaca's Municipal Funds program*. Monograph Series 42, Center for U.S.-Mexican Studies. La Jolla: University of California, San Diego.
- Gamarra, E. and Malloy, J.M. (1995). The patrimonial dynamics of party politics in Bolivia. In S. Mainwaring and Scully, T.R. (Eds.), *Building democratic institutions: Party systems in Latin America* (pp. 399-433). Stanford University Press.
- Goudsmit, I. A. and Blackburn, J. (2000). En los municipios. Planificación participativa: una experiencia ambigua. *T'inkazos: Revista boliviana de ciencias sociales*, 6. La Paz: PIEB.
- Graham, L. S. (1968). *Politics in a Mexican community*. Gainesville: University of Florida Press.
- Guillén, T. (1996). *Gobiernos municipales en México: entre la modernización y tradición política*. Mexico City: Miguel Ángel Porrúa.
- INE (n.d.). *Información Estadística*. Instituto Nacional de Estadística. La Paz: República de Bolivia. Retrieved February 6, 2001, from the World Wide Web: <http://www/ine.gob.bol>
- INEGI (1998). *Finanzas públicas estatales y municipales de México, 1992-1996*. Aguascalientes: Instituto Nacional de Estadística, Geografía e Informática.
- INEGI (n.d.). *Sistema Municipal de Bases de Datos*. Retrieved February 6, 2001, from the World Wide Web: <http://www.inegi.gob.mx>
- Lema, A. M. (2000). Cuatro pueblos, tres secciones de provincia, dos elecciones y una ley. Indígenas y/o alcaldes en Urubichá, Gutiérrez y Villa Montes. *T'inkazos: Revista boliviana de ciencias sociales*, 7. La Paz: PIEB.
- Litvack, J., Ahmad, J. and Bird, R. (1998). *Rethinking decentralization in developing countries*. World Bank Sector studies series. Washington, DC: World Bank.
- Manor, J. (1999). *The political economy of democratic decentralization*. Directions in Development series. Washington, DC: World Bank.
- Massolo, A. (1993). Descentralización y reforma municipal: ¿fracaso anunciado y sorpresas inesperadas? *Revista Interamericana de Planificación* XXVI (101-102), 196-230.
- Mizrahi, Y. (1995). Democracia, eficiencia y participación: los dilemas de los gobiernos de oposición en México. *Política y Gobierno* II (2), 177-205.
- Musgrave, R. A. (1959). *The theory of public finance: A study of public economy*. New York: McGraw-Hill.
- Nickson, R. A. (1995). *Local government in Latin America*. Boulder: Lynne Rienner.
- Oates, W. E. (1991). *Studies in fiscal federalism*. Brookfield, VT: E. Elagar.
- Oates, W. E. (1990). Decentralization of the public sector: An overview. In R. J. Bennett, ed. *Decentralization, local governments, and markets: Towards a post-welfare agenda* (pp. 29-42). Oxford: Oxford University Press.
- Ornelas, C. (1997). La descentralización de la educación en México: El federalismo difícil. In E. Cabrero Mendoza (Ed.), *Las políticas descentralizadoras en México (1983-1993): Logros y desencantos* (pp. 281-348). Mexico City: Miguel Ángel Porrúa.
- Ostrom, E., Schroeder, L. D. and Wynne, S.G. (1993). *Institutional incentives and sustainable development*. Boulder, CO: Westview Press.
- Palma Carvajal, E. (1995). Descentralización y democracia: El nuevo municipio latinoamericano. *Revista de la CEPAL* 55, 41-54.

- Paré, L. (1990). The challenge of rural democratisation in Mexico. In J. Fox (Ed.), *The challenge of rural democratisation: Perspectives from Latin America and the Philippines* (pp. 79-90). London: Frank Cass, Ltd.
- Prud'homme, R. (1995). The dangers of decentralization. *World Bank Research Observer* 10 (2), 201-20.
- Putnam, R. D. (1993). *Making democracy work: Civic traditions in modern Italy*. Princeton: Princeton University Press.
- Ramírez Sáiz, J. M. (Ed.) (1998). *¿Cómo gobiernan Guadalajara? Demandas ciudadanas y respuestas de los ayuntamientos*. Mexico City: Miguel Ángel Porrúa, UNAM.
- República de Bolivia (1999). *La problemática de los gobiernos municipales de escasa población: Consideraciones socioeconómicas para un tratamiento diferenciado*. La Paz: Viceministerio de Participación Popular y Fortalecimiento Municipal, Ministerio de Desarrollo Sostenible y Planificación, República de Bolivia.
- Rivera Cusicanqui, S. (1990). Liberal democracy and *Ayllu* democracy: The case of Northern Potosí, Bolivia. In J. Fox (Ed.), *The challenge of rural democratisation: Perspectives from Latin America and the Philippines* (pp. 97-121). London: Frank Cass, Ltd.
- Rodríguez, V. E. (1997). *Decentralization in Mexico: From Reforma Municipal to Solidaridad to Nuevo Federalismo*. Westview: Boulder, Colorado.
- Rodríguez, V. E. & Ward, P.M. (1992). *Policymaking, politics, and urban governance in Chihuahua: The experience of recent PANista governments*. U.S.-Mexican Policy Report No. 3. Austin: Lyndon B. Johnson School of Public Affairs, University of Texas, Austin.
- Rodríguez, V. E. & Ward, P.M. (1994). *Political change in Baja California: Democracy in the making?* Monograph Series, 40. La Jolla: Center for U.S.-Mexican Studies, University of California, San Diego.
- Rodríguez, V. E. and Ward, P. M., eds. (1995). *Opposition government in Mexico*. Albuquerque: University of New Mexico Press.
- Rondinelli, D. A. (1990). Decentralization, territorial power and the state: A critical response. *Development and Change*, 21, 491-500.
- Samoff, J. (1990). Decentralization: The politics of interventionism. *Development and Change*, 21, 513-530.
- Sempere, J. and Sobarzo, H. (1993). La descentralización fiscal en México: Algunas propuestas. In R.A. Cadena (Ed.), *México, hacia un nuevo federalismo fiscal* (pp. 165-196). Lecturas 83. Mexico City: El Trimestre Económico.
- Shah, A. (1994). *The reform of intergovernmental fiscal relations in developing and emerging market economies*. Policy and Research Series 23. Washington, DC: The World Bank.
- Smith, B. C. (1985). *Decentralization: The territorial dimension of the state*. London: George Allen & Unwin.
- Smoke, P. J. (1994). *Local government finance in developing countries: The case of Kenya*. Nairobi: Oxford University Press.
- Tendler, J. (1997). *Good government in the tropics*. Baltimore: Johns Hopkins University Press.
- Thévoz, L. (1999). *Decentralization in Bolivia: A model under construction*. Bolivia: Community Studies in Planning and Land Use Management (CSPLUM).
- Tiebout, C. M. (1956). A pure theory of local expenditures. *J. Political Economy*, 64, 416-424.
- Tocqueville, A. (1969). *Democracy in America*. Translated by George Lawrence. Edited by J.P. Mayer. New York: Anchor Books.

- Viceministerio de Planificación Estratégica y Participación Popular (n.d.). Red FAINDER. La Paz: República de Bolivia. Retrieved February 6, 2001, from the World Wide Web: <http://www.vppfm.gov.bo/new/>
- Ward, P. M., Rodríguez, V. E. and Cabrero Mendoza, E. (1999). *New federalism and state government in Mexico: Bringing the states back in*. Austin: U.S.-Mexican Policy Studies Program, Policy Report No. 9. University of Texas, Austin.
- Westergard, K. and M. Mustafa Alam (1995). Local government in Bangladesh: Past experiences and yet another try. *World Development*, 23 (4), 679-690.
- Willis, E., Garman, C. and Haggard, S. (1999). The politics of decentralization in Latin America. *Latin American Research Review*, 34 (1), 7-56.
- World Bank (1995). *Local government capacity in Colombia: Beyond technical assistance*. A World Bank Country Study. Washington, DC: World Bank.
- World Bank (1997). *World development report*. Washington, DC: World Bank.
- World Bank (2000). *World development report*. Washington, DC: World Bank.
- World Bank (n.d.). *World Development Indicators database*. Retrieved February 9, 2001, from the World Wide Web: <http://www.worldbank.org/data/dataquery.html>
- Ziccardi, A. (Ed.) (1995). *La tarea de gobernar: Gobiernos locales y demandas ciudadanas*. Mexico City: Miguel Ángel Porrúa.