

economy of decentralization. The goal of this report is to place this research within an integrated conceptual framework, to summarize its conclusions, and to draw implications for policy.

## The History of Participatory Development

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The idea of civic participation is as old as the idea of democracy (Elster 1998); it has existed in many different cultures throughout history. In ancient Athens, policy decisions were made deliberatively, in public settings, with every male citizen given the opportunity to state his point of view. In Hinduism and Buddhism, public debate and deliberation have long been seen as a superior form of discourse (Sen 2005). Local deliberative institutions in South Asia, where these religions predominate, have been documented dating back to about the fifth century BC (Altekar 1949). The Quran requires that communal affairs be decided by mutual consultation (*shura*) (Ayish 2008). In Islam, the community (*umma*) uses *shura* to not only deliberate but also provide inputs into public policy, which the ruler (*khalifa*) must consider.

In pre-European Africa, Zulu chiefs could not make decisions without first consulting their councils (*chila ya njama*). Although the chiefs exercised ritual power, their influence depended on their ability to persuade and convince, not coerce. Among the Akan people in West Africa, the authority of the chief was greatly circumscribed. He was required to act in concurrence with counselors; an attempt to act on his own was legitimate grounds for dethronement.

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Local decentralization has an even longer history than participation. Archaeological evidence shows that small city-states in Mesopotamia and districts in Egypt ruled for many hundreds of years before being unified (around 3200 BC) into centrally ruled nations. Through conquest, these nations formed even greater empires, but cities and districts within the conquered territories, although obliged to pay tribute and contribute soldiers to their overlords' armies, essentially enjoyed home rule. In addition, as soon as the hold of the conqueror faltered, local hegemony grew strong (Gardiner 1961; Kramer 1971).

Around 1200 BC, for instance, when the great powers of Egypt and Mesopotamia faced internal problems and invasion from the north, Phoenician vassal cities seized the opportunity to declare their

independence. Although each city continued to rule itself, the cities agreed to form a loose geopolitical alliance. For the next 600 years, even during periods of foreign rule, ships from the Phoenician alliance plied the Mediterranean and traded throughout their vast economic empire (Mann 1986). When Phoenicia was later conquered—first by the Greeks, then by the Romans—its cities were forced to levy, collect, and send back revenues to the central power, but their municipal life continued to thrive. Rome actually encouraged (nonsubversive) civic activity, contributing handsomely to public buildings and activities across the empire (Abbot and Johnson 1968).

Decentralized but loosely affiliated structures were also the rule in South Asia during the Mauryan (321–185 BC) and Mughal (1526–1857) eras. Village governments had considerable authority and power over practical affairs; the center was seen largely as a place of moral and symbolic authority that extracted taxes and tribute. In Africa, vassals used collective decision making to hold chieftains in check, and community members used consultations and popular assemblies to hold vassal governments accountable to the public at large.

The modern theory of participation was first coherently articulated in the 18th century by Jean-Jacques Rousseau, author of *The Social Contract*. Rousseau outlined a vision of democracy in which equal citizens assemble to make decisions in an interdependent, deliberative manner, to uncover the “general will”—that is, to forge a policy in which benefits and burdens are equally shared (Pateman 1976). Rousseau was searching for a vision of human progress in which communities and connectedness could complement the Enlightenment’s notions of individual liberty, and in which the human soul was more important than science (Damrosch 2007). To Rousseau, participation was more than a method of decision making. It was a process by which an individual developed empathy for another’s point of view and learned to take account of the public interest in order to gain cooperation. Participation therefore served an important educative function: the individual learned how to become a public citizen, and community members developed a sense of belonging. Rousseau intimately linked the notion of participation with the development of civic life—an idea that has had a profound influence on subsequent political thought.

Among the many 19th century philosophers who built on these ideas, perhaps the most notable was John Stuart Mill (1859, 1879),

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who also emphasized the educative value of participation. Influenced by Alexis de Tocqueville's laudatory descriptions in *Democracy in America* (1838) of local political institutions in the United States and the spirit of participatory democracy they fostered, Mill became deeply skeptical of centralized forms of government. His fears led him to argue that universal suffrage and participation in national government are of little use if citizens have not been prepared for participation at the local level. Mill applied this logic to notions of participation in industry, where, he argued, collective management would lead to individuals valuing public over individual interests.

Mill's vision of a participatory society was taken forward by G. D. H. Cole, Henry Maine, and other philosophers (known as the English Pluralists), who rejected the idea of a centralized state and argued that "individual freedom would best be realized in the groups and associations that made up the fabric of modern civil society" (Mantena 2009). Henry Maine is of particular relevance to contemporary development thought. Sent to India in the 1860s to advise the British government on legal matters, he came across several accounts by British administrators of thriving indigenous systems of autonomous village governments that had many characteristics of participatory democracies. These "data" led him to articulate a theory of the village community as an alternative to the centralized state (Maine 1876). In Maine's view, village communities, led by a council of elders (*panchayat*), were not subject to a set of laws articulated from above but had more fluid legal and governance structures that adapted to changing conditions while maintaining strict adherence to traditional customs (Mantena 2009).

Support for participation stems from a belief that it has both intrinsic and instrumental value.

Community development and government decentralization thus have a common intellectual history, stemming from a belief that participation has both intrinsic and instrumental value. Participation in decision making, Maine believed, makes individuals into public citizens by training them to think in terms of the public good rather than merely private interests; it builds the capacity for collective action and what modern social theorists would call "agency." Participation also has instrumental value in developing the ability of citizens to hold the state and markets accountable and to influence decisions that affect their lives. As the concept evolved, two distinct forms of participation emerged: participation in Rousseau's sense of building a collective identity and participation in the sense of electing a representative government.

## Participation in Asia, Africa, and Latin America

Rousseau, Mill, and Maine had a deep influence on colonial thought. In India, which became fertile territory for colonial experiments in governance, the liberal British Viceroy Lord Ripon instituted local government reforms in 1882 for the primary purpose of providing “political education” and reviving and extending India’s indigenous system of government (Tinker 1967).

Maine’s description of autonomously governed and self-reliant Indian village communities also influenced Mohandas Gandhi, who made it a central tenet of his philosophy of decentralized economic and political power, as articulated in his writings on village self-reliance, collected in his book *Village Swaraj* (Gandhi 1962). Gandhi saw the self-reliant village as the cornerstone of a system of government and of economic life. The village was to be “a complete republic, independent of its neighbors for its own vital wants, and yet interdependent for many others where dependence is a necessity.” Gandhi’s village-republic would be emblematic of a “perfect democracy,” ensuring equality across castes and religions and self-sufficiency in all needs; it would be driven by cooperation and nonviolence. Gandhi remains a central figure in the participatory and decentralization movements in both India and the development community at large, particularly among people who see participation as an antidote to the community-corroding effects of economic growth and modernization.

Decentralization in colonial anglophone Africa followed a similar trajectory, as the colonial powers adopted a policy of “decentralized despotism” (Mamdani 1996). The principal colonizers established administrative systems to efficiently govern and extract revenues from the conquered territories. The British established “indirect rule” that was, according to Mamdani, based on the lessons they had learned in India from the innovations in local self-government initiated by Ripon. The British converted traditional chiefs into “administrative chiefs” responsible for several functions at the lowest level of the civil administration, granting them fiscal and functional autonomy as long as they did not challenge the colonial state. Decentralization in colonial India and Africa was as much an effort at streamlining colonial power as it was an effort at good governance.

In the French colonies, by contrast, decentralization involved the direct application of French administrative structures, culture,

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civil law, and education to the colonies. The early colonies, such as Senegal, were organized according to the French local government model, based on urban communes represented by municipal councils. Citizens of the “four communes” of Senegal (Dakar, Gorée, St. Louis, and Rufisque) even elected representatives to the French parliament in Paris. Developments in Senegalese communes mirrored political developments in France: when, in 1831, French communes were given legal status and the principle of elected municipal councils was established, these changes applied to the communes in Senegal.

As the French acquired more territory and extended their control over larger populations, they reversed their policies and began to rule their new African colonies indirectly, through Africans. They established a *code de l'indigénat*, which outlined the legal system under which indigenous populations were to be governed (Levine 2004). This law provided for the establishment of administrative *cercles* ruled by appointed indigenous authorities, religious courts, and the native police. *Cercles* comprised cantons, and cantons comprised villages. Villages were governed by *chefs du village*, cantons by *chefs de canton*, and *cercles* by *cercle commandeurs*, each of whom was appointed by and responsible to the French authorities. The administrators who supervised these chiefs were recruited, trained, and fielded by the central state. Ribot (2009) points out that in “all these decentralized systems, the colonial rulers used local ‘customary’ chiefs to administer the rural world—that is, maintain law and order, collect taxes, and conscript labor. The systems were created to manage Africans under local administrative rule.”

In Latin America, Spanish and Portuguese rule left a centralized legacy (Selee and Tulchin 2004; Grindle 2007; Eaton 2008). Colonial systems were based on the extraction of wealth and required highly centralized structures to coordinate the process. In Mexico, for example, the conquistadores appointed local councils tasked with maintaining law and order and overseeing food and water supplies (Grindle 2007); the councils were supervised and held in check by district agents, who were also responsible for tax collection.

After independence, countries in Latin America modified these structures to conform with the more federalist notions from France and the United States. In Brazil, for instance, the First Republic (which followed the centralized empire established immediately after independence) had pronounced federal features but provided little or no support for local governments or municipalities. With its collapse, in

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1930, decentralization gave way to centralized institutions (Melo and Rezende 2004) and, paradoxically, “municipalism” became a hallmark of the more centralized developmentalist period.

### History of Policy in Participatory Development

By the end of World War II, the disintegration of colonial regimes made reconstruction and development the central endeavors in Africa and Asia. Driven by the Bretton Woods institutions, development was viewed as a “big” undertaking, influenced by structural theories and planning models. “Small” development also had proponents, particularly among policy makers at the United Nations and the U.S. Agency for International Development (USAID), who tended toward a communitarian vision of human progress. Their influence led to a first wave of participatory development in the 1950s that by 1960 had spread to more than 60 countries in Africa, Asia, and Latin America (White 1999; Arizpe 2004).<sup>3</sup> By 1959, USAID had pumped more than \$50 million into community development projects in about 30 countries. In the context of the Cold War, community development was seen as a means of protecting newly independent states against the dual threats of external military aggression and internal subversion. Perhaps the most important motive was to provide a democratic alternative to Communism (White 1999; Arizpe 2004).

In the 1950s, the communitarian approach was also promoted in India, primarily by the U.S. government and the Ford Foundation, where it resonated because of its compatibility with Gandhian ideals. The Ford Foundation approach drew on ideas from regional planners in the United States who were concerned about the erosion of communities with the onset of modernization and urbanization, as well as on Gandhi’s ideas about sustainable village communities (Immerwahr 2010). In 1952, a Ford Foundation–supported program based on participatory models of community development was launched in 16,500 villages; the government of India soon expanded the program to cover the entire country.

Funding for community development programs began to dry up in the early 1960s, because of their perceived failures and because the specter of famine in Asia made the more top-down, technical approaches to development seem more urgent. White (1999) argues that community development programs during this period were undermined

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by the inability of donors to incorporate the lessons learned about elite capture or to engage in genuine partnerships with beneficiaries. As a consequence, community development programs were widely perceived, whether correctly or not, as having failed to achieve their stated objectives. They were more or less completely abandoned by the end of the 1960s.

As donor interest in local participatory development waned, there was a revival of interest among radical thinkers. Particularly influential were Frantz Fanon's *The Wretched of the Earth* (1961) and Paulo Freire's *Pedagogy of the Oppressed* (1970). Fanon's work, which was sometimes accused of exhorting readers to violence, was born out of frustration with the racism, torture, and vindictiveness of the colonial administration in Algeria. In *The Wretched of the Earth*, he critiques both imperialism and nationalism and calls for the redistribution of wealth and technology that orient effective power in favor of the poorest people.

Freire was influenced by Fanon and by liberation theologians in Brazil. His lifelong commitment to adult education helped him explore the ways in which the oppressed could overcome powerlessness and "unfreedom." In *Pedagogy of the Oppressed*, he stresses the need to develop an educational system that is more "dialogic," is rooted in students' lived experiences, and values local and diverse kinds of knowledge. This kind of education becomes a tool for "conscientizing" illiterate (and oppressed) populations. In effect, Freire argues for a model of education that does not consider students' minds a *tabula rasa*. Instead, the role of education is to make students more self-aware and sensitive to their position and to that of others—a theme very similar to Rousseau's notion of the "general will."

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During the 1960s and 1970s, policy makers began to shift their focus to agricultural and industrial growth. This shift was given intellectual support from the apparent success of industrializing planning models of Soviet Russia and from early neoclassical growth models. The McNamara era at the World Bank focused first on large infrastructure projects and later on the centralized provision of housing, education, and health. Politically, centralized polities appeared to be viable and desirable. Even in the established democracies, mainstream democratic theories emphasized the representative rather than participatory features of democracy and the desirability of stability rather than the involvement of the lower classes. Democracy came to be thought of as merely a method of aggregating preferences by choosing leaders,

and the deliberation and civic empowerment aspects of the concept were deemphasized (see Schumpeter 1942 and Dahl 1963 for typical formulations).

Also during this period, economists, who had long been skeptical of community-centered development, began to have a profound influence on development policy. The early literature on development policy was strongly influenced by the work of Mancur Olson (1965, 2), who argued that without coercion or some other special device to make individuals act in their common interest “rational self-interested individuals will not act to achieve their common or group interests.” Olson was concerned with “exploitation of the great by the small,” because people with smaller interests in a public good would tend to free-ride on the efforts of people with greater interests.

Hardin’s (1968) powerful idea of the “tragedy of the commons” had even broader implications for a range of economic issues, including the domain of the public and the private, decentralization of power to local governments, and the provision and management of common-pool resources. Like Hardin, property rights theorists such as Demsetz (1970) and North (1990) argued that common property resources would be overexploited as demand rose unless the commons were enclosed or protected by strong state regulation. This view generated a great deal of pessimism in multilateral development institutions about the viability of local provision or management of public goods or the commons. It created a strong impetus for centralized state provision of public goods, central regulation of common-pool resources, and an emphasis on private property rights.

At the same time, there was strong support among economic theorists for decentralized government with electoral democracy. Economists approached this problem in several ways. Tiebout’s (1956) work on the theory of local government expenditures emphasized the efficiency of decentralized governance. He argued that in a community context, if mobility were relatively costless, individuals would reveal their true preferences for levels and combinations of public goods provision by “voting with their feet”—moving to the locality that offered their preferred tax-benefit mix. Competition among jurisdictions supplying different combinations of local public goods would thus lead to an efficient supply of such goods.

The Tiebout hypothesis later came under heavy attack on the grounds that its assumptions—full information about community

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characteristics, costless mobility, no externalities, no economies of scale, and static preferences—were untenable in developing countries, and indeed in many developed countries as well. Nevertheless, Tiebout continues to be widely invoked to support the view that competition among local jurisdictions in the provision of public goods increases allocative efficiency—and consequently to justify a push toward decentralization.

By the mid-1980s, critics of the top-down approach began to complain that many large-scale, centralized, government-initiated development programs—from schooling to health to credit to irrigation systems—were performing poorly while rapidly degrading common-pool resources and having significant negative environmental and poverty impacts. These complaints reawakened interest in local decision making and the local management of resources. Led by Chambers (1983) and others, a new participatory development movement applied these ideas to small-scale projects in ways that allowed the poor to act as informed participants, with external agents serving mainly as facilitators and sources of funds. Further support came from the increasingly strong critique of development from academic social scientists such as Escobar (1995) and Scott (1999), who argued that top-down perspectives were both disempowering and ineffective. Meanwhile, highly successful community-driven development initiatives—such as the Self-Employed Women’s Association in India, the Orangi Slum Improvement Project in Pakistan, and the Iringa Nutrition Project in Tanzania—were providing important lessons for large donors (Krishna, Uphoff, and Esman 1997).

Thinking in mainstream development circles was also significantly affected by the work of Hirschman (1970, 1984); Cernea (1985); and Ostrom (1990). Hirschman’s (1970) notions of “voice” and “exit” helped development practitioners understand how collective agency could improve well-being. Hirschman’s (1984) own attempts to apply these ideas to participatory development helped confirm his theories. Cernea (1985) showed how large organizations such as the World Bank could “put people first” by working systematically at the local level. Ostrom’s (1990) work on the management of common-pool resources shifted perceptions about the potential for collective action in poor communities. She argued that what made Olson’s and Hardin’s work most powerful also made it dangerous as a foundation for policy making, as their results depended on a set of constraints imposed for purposes of analysis. The relevance of their theories for policy making, she contended, was an open question rather than a foregone conclusion. In the real

world, the capabilities of the people involved can be changed, altering the constraints. Ostrom and others assembled considerable evidence from case studies showing that endogenous institutions often managed common-pool resources successfully. Thus, Hardin’s “remorseless tragedies” were not an inevitable outcome of community management.

Sen’s (1985, 1999) effort to shift the focus of development from material well-being to a broad-based “capability” approach also deeply influenced the development community. Central to this approach were strategies to “empower” poor people—an agenda taken on by the World Bank and other donors as part of their response to criticism of top-down development. Arguments for “participatory development,” as advocated by Chambers (1983) and others, led to the inclusion of participation as a crucial means of allowing the poor to have some control over decisions that affected them.

These intellectual developments paralleled the rise of pro-democracy movements, which led to the breakdown of authoritarian regimes in many parts of the world (Leftwich 1993; O’Donnell 1993). The 1980s and 1990s witnessed the collapse of totalitarian systems in Eastern Europe, the former Soviet Union, and Indonesia and the radical redistribution of power and authority in Brazil and the Philippines. The rise of democratic movements and the conviction that centralized state institutions were corrupt, unaccountable, and unable to deliver public services led to a growing belief in the value of decentralized government. Mexico is a typical example. By 1982, international donors had begun to advise the country’s central government to both initiate structural adjustment and share administrative and fiscal responsibilities with lower tiers of government (Mizrahi 2004; Grindle 2007).

USAID was among the earliest donors to extend explicit support to democratic decentralization. In the late 1980s, with the fall of Communism in Eastern Europe, the agency spelled out its agenda to support democratic local governance. It viewed decentralization as a “means to empower citizens locally and to disperse power from the central government to localities” (USAID 2000, 4). By the early 1990s, the British and French governments, the Development Assistance Committee, the European Council, the Heads of State and Government of the Organization of African Unity, and the Commonwealth Heads of Government had all (re)committed to strengthening democracy, participation, and accountability through the mechanism of decentralization. The United Nations Development Programme began to explicitly

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extend assistance to decentralization in 1992; by 1999, it had spent more than \$138 million on decentralization projects.

The World Bank was perhaps most instrumental in popularizing the concept of decentralization, by articulating the pressing significance of governance issues, especially in Africa. Its focus on governance was motivated by the difficult economic climate of the 1980s, coupled with the realization that investment lending required an appropriate policy framework to achieve its objectives. Its influential publication, *Governance and Development*, summed up the benefits of local decentralization as resulting in significant improvements in efficiency and effectiveness (World Bank 1992).

Support for decentralization was by no means unqualified: some observers noted that the “pure decentralization of fiscal federalism theory” (Prud’homme 1995, 202) could jeopardize macroeconomic stability and increase regional disparities within countries. Nonetheless, by 1996, the Bank recognized the role of citizen participation in holding state structures accountable as key to effective local government.

If the move toward local decentralization was driven largely by a desire for better governance, community development was driven by the belief that investing in the “social capital” of communities would lead to their empowerment and give them a sustainable capacity to fashion development in their own terms. The inclusion of participatory elements in large-scale development assistance came quickly at the World Bank, in social investment funds (Narayan and Ebbe 1997) and other forms of assistance. Initially focused on targeting poverty, these projects moved toward a more holistic effort to encourage participation through institutions that organize the poor and build their capabilities to act collectively in their own interest (Narayan 2002). The World Bank’s (2001) *World Development Report 2000/2001: Attacking Poverty* focused on empowerment as a key priority of development policy. Its publication led to a broad-based effort at the Bank to scale up community-based development. The *World Development Report 2004: Making Services Work for Poor People* identified local accountability and local decentralization as important elements of programs that seek to improve the delivery of public services (World Bank 2004). More recently, donors have recognized that strengthening governance is key to effective development and that improving civic participation, or the “demand side” of governance, should be an important object of community development and decentralization. With this second wave of interest in participatory

approaches to development, participatory notions have, once again, been absorbed into the mainstream of development thought and practice.<sup>4</sup>

Thus, the two types of local participation—community development and local decentralization—have common goals and intellectual origins. They became distinct modalities promoted by distinct ideological camps in the second half of the 20th century. In the current (21st century) wave of interest in local participation, policy does not distinguish clearly between the two interpretations. Many decentralization programs with local electoral democracy place local deliberative forums at the heart of decision making (examples include participatory budgeting and *gram sabhas* [village assemblies]), and many community-driven projects build electoral accountability into their leadership selection process. Thus, lessons from the evidence on village democracy could have implications for the design of community-driven projects, and lessons from participatory forums in community-driven projects could have implications for the design of decentralization programs. For this reason, both are treated here within the common framework of local participatory development.

## Organic versus Induced Participation

Achieving participatory governance and building civic capacity has historically been an organic rather than a state-led process—a process spurred by civic groups acting independently of, and often in opposition to, government. Organic participation is usually driven by social movements aimed at confronting powerful individuals and institutions within industries and government and improving the functioning of these spheres through a process of conflict, confrontation, and accommodation.

Such processes are often effective because they arise endogenously, within a country's trajectory of change, and are directed by highly motivated, charismatic leaders who mobilize citizens to give voice to their interests (grievances, rights, and concerns) and exploit political opportunities. Social movements demand change by confronting situations they find untenable; they ultimately achieve their goals when they are able to influence the political process or obtain political power. They engage in a process of creative destruction. First, they imagine a world in which social and political relationships are more equitably arranged—or

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at least restructured in a manner congruent with the interests of the movement—they articulate their vision of this world to expand their influence. Then, they mobilize citizens who believe in this vision to fight for the cause, often at considerable personal cost.

*Organic participation* is a broad term that covers a variety of civic activities. It has historically been the norm for civic expression. It includes social movements that fight for greater democratic expression and for the rights of the underprivileged, such as the civil rights movement in the United States and the anti-apartheid movement in South Africa. It also includes attempts to build membership-based organizations to improve livelihoods and living standards, such as the Grameen Bank in Bangladesh or the Self-Employed Women's Association in India. Organic participation may also include labor movements that form unions to protect workers and trade associations formed to represent the interests of a particular industry.

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*Induced participation*, by contrast, refers to participation promoted through policy actions of the state and implemented by bureaucracies (the “state” can include external governments working through bilateral and multilateral agencies, which usually operate with the consent of the sovereign state). Induced participation comes in two forms: decentralization and community-driven development.

The important difference between induced and organic participation is that powerful institutions extrinsically promote induced participation, usually in a manner that affects a large number of communities at the same time. In contrast, intrinsically motivated local actors drive organic participation.

There is often some overlap between organic and induced participation. Governments may decentralize because of the efforts of social movements, and the designs of induced participatory programs are often built on organic models. A government may decide to scale up the efforts of small-scale organic initiatives and thus turn them into induced initiatives. An important question is whether efforts initiated by organic participation can be scaled up by policy interventions in the form of projects. Rather than wait for the slow process of the endogenous development of civic capacity, can policy interventions harness the capacity of citizens to help themselves and improve the quality of government and the functioning of markets?

The organic development of civic capacity is a complex process that is deeply imbedded in a country's history, its internal conflicts,

its conception of nationalism, its levels of education and literacy, the distribution of education and wealth, the nature of the state, the nature of economic and political markets, and a variety of other conditions. Organic participation is driven by self-motivated leaders who work tirelessly, with little compensation, often at a high opportunity cost. They are constantly innovating, networking, and organizing to get the movement to succeed. When this complex process of organic change, driven by intrinsically motivated people, is turned into policy—projects and interventions to induce participation—it has to be transformed into manageable, bureaucratically defined entities, with budgets, targets, and extrinsically motivated salaried staff as agents of change. This transformation is common to all large-scale, state-led policy initiatives; it has been famously characterized by Scott (1999) as “seeing like a state.” But participatory interventions are different from other types of policy initiatives, because they are based on an inherent irony: the government is creating institutions structured to resist failures in government. When government induces participation by means of projects, its agents often must act against their self-interest by promoting institutions whose purpose is to upset the equilibrium that gives them considerable personal advantage. Moreover, by devolving power to the local level, higher levels of government cede power, authority, and finances to communities over which they may have little control.

Despite these challenges, in recent years, some countries have successfully induced participation by actively promoting participatory spaces within decentralized systems of governance. One of the best-known cases involves participatory budgeting in Porto Alegre, Brazil. Baiocchi (2005) reviews the history of Brazil’s transition from dictatorship to democracy in 1985, placing the Porto Alegre experiment within the context of this shift. By 1988, decentralization to the local level was codified in the new Brazilian constitution, and municipal elections were held. Two years later, a candidate from the Workers Party, which had become a leader in the citizens’ rights movement during the dictatorship, was elected mayor of Porto Alegre.<sup>5</sup> The new mayor introduced participatory budgeting. After some years of experimentation, by the year 2000 participatory budgeting assemblies were drawing more than 14,000 participants from the city’s poorer classes and achieving substantial success in improving a range of development outcomes. About 9–21 percent of the city’s annual budget was dedicated to pro-poor investments, leading to almost full sewerage and

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water coverage, a threefold increase in municipal school enrollment, and a significant increase in housing for poor families.

Another important, if less than ideal, example of an entire country trying to introduce empowered participatory governance is the *panchayat* (rural governance) reform in India. Before the enactment of the 73rd amendment to the constitution, in 1992, village democracy in India was extremely uneven, despite the fact that most state constitutions mandated regular village elections and gave village governments some degree of fiscal authority. The amendment addressed these problems in several ways:

- It set up a three-tiered *panchayat* system consisting of *gram panchayats* (village councils), *block panchayats* (block councils), and *zila panchayats* (district councils).
- It systematized *panchayat* elections to all three levels, established independent election commissions, and gave the *panchayats* more fiscal authority and political power.
- It mandated that *gram sabhas* (village meetings) be held at regular intervals throughout the year, to allow anyone in the village to discuss budgets, development plans, and the selection of beneficiaries and to interrogate *gram panchayat* and local administrative officials on any issue.
- It reserved a proportion of seats on *gram panchayats*, including the position of *gram panchayat* president, for members of disadvantaged castes (according to their share of the village population) and women (who are allocated a third of all seats in the *gram panchayat* and a third of *gram panchayat* presidencies on a rotating basis).

By making deliberative processes through the *gram sabha* a cornerstone of village government, the central authorities in India created a civic sphere that was not organically derived but, rather, sponsored by the state—in effect, blurring the boundary between the state and civil society and between organic and induced participation. By reducing its monopoly on power and altering its relationship with citizens, the government changed the terms of citizens' engagement with the power structure. However, although a constitutional amendment sparked reforms in village democracy, responsibility for implementing those reforms remained with state governments, which has made the quality of the implementation variable, and dependent on local state politics.

Village democracy in China is another example of a centrally driven policy change toward decentralization and participation. Through much of China's long history, the central state has ruled the countryside only indirectly. In fact, during the Ming (1468–1644) and Qing (1644–1911) dynasties, the imperial bureaucracy extended only to the *xian* (county) level, leaving control of the countryside largely in the hands of the local gentry and elites. It was not until the modern era (comprising the Republican Period [1911–49] and the People's Republic of China [1949–present]) that the central government consolidated its control of the countryside. Beginning with land reforms in 1949 and accelerating with the collectivization of agriculture in the mid-1950s, the state established official bureaucracies at the county, township, and (through the Communist Party Secretariat and branches) village levels. Despite tight governmental control for state purposes, however, rural citizens remained marginalized when it came to social services, and the vast majority of national resources went to build cities and industry. It was not until the 1970s that administrative power was decentralized to rural communes, which were converted into townships and villages. In these new entities, the more entrepreneurial officials soon began using their newfound authority and discretion to take advantage of opportunities opened up by market liberalization. Within a few years, China's countryside became a dynamic new source of economic growth.

Politically and administratively, however, decollectivization and the break-up of the communes left a vacuum in governance below the township level. To fill this gap, China enacted the Draft Village Organic Law (1987) and the Village Organic Law (1998), which reaffirmed villagers' right to self-government, the popular election of local officials, and the central Communist Party's role in village rule. These reforms recognized the village as the most important funder and provider of local public goods and services for the rural population. They vested land ownership rights in the village or collective and allocated use rights to households on terms regulated by national law. Electoral democracy at the local level now coexists with nominated or appointed Communist Party rule at the apex. Since 1998, China has held direct elections for village committees, the organizational blocks of rural life that are responsible for public services at the local level. The electoral process, enshrined in Article 14 of the Organic Law on Villagers Committees, combines a process of public nomination with secret ballots. The design of this process was based on a series of pilots encouraged by the



**In China, the introduction of local democracy was entirely the result of a technocratic decision by the center.**

government in as many as 24 provinces (Zhenyao 2007), making China one of the few countries in the world where popular deliberations have been organized to determine electoral mechanisms.

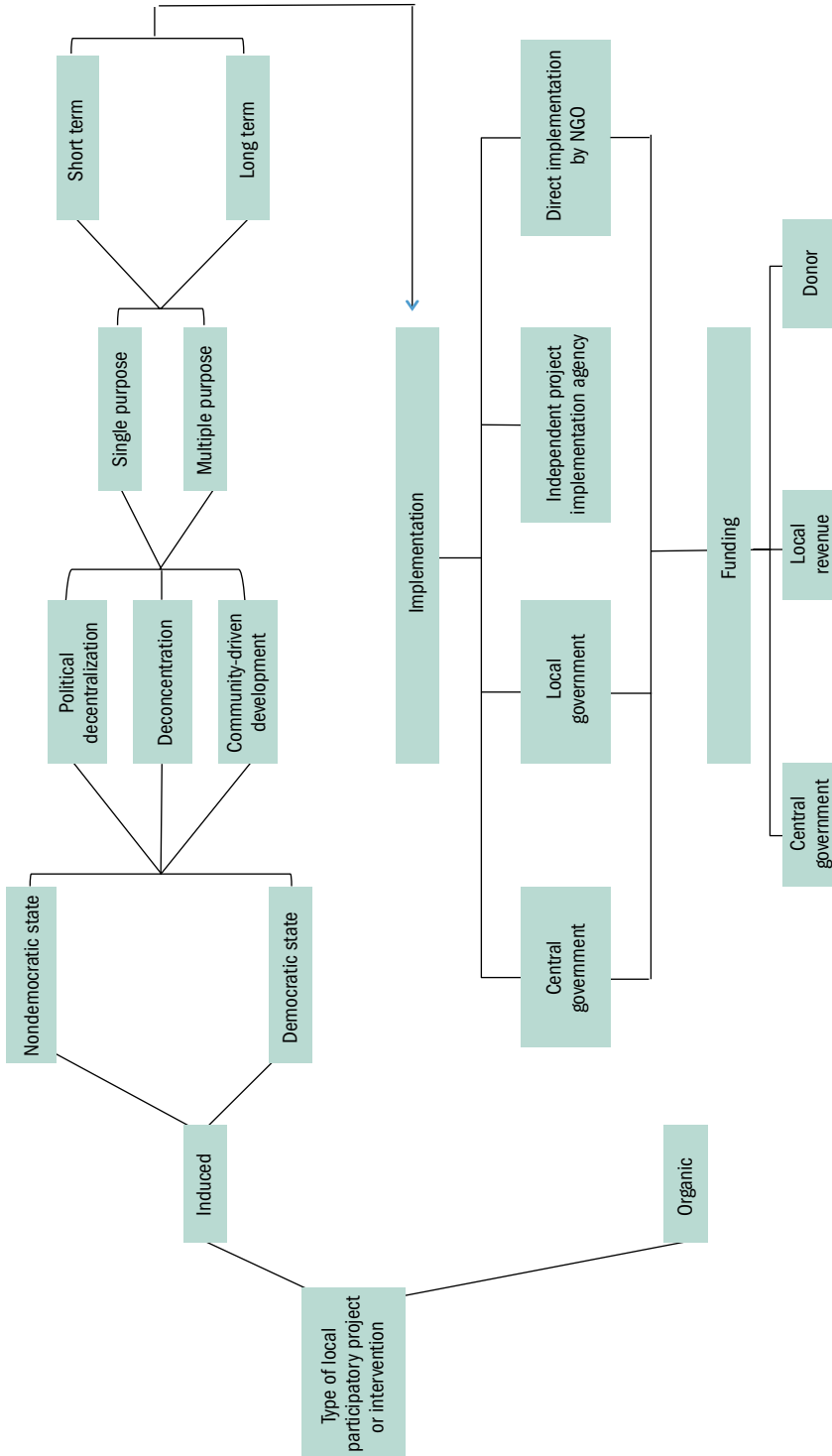
In Brazil and India, participatory innovations were the culmination of long periods of engagement by social movements that exploited political opportunities at the center to slowly move the case for participatory democracy forward. This was not the case in China, where the introduction of local democracy was entirely the result of a technocratic decision by the center. As such, local democracy is more an administrative mandate, which could be withdrawn.

Unlike participatory innovations in decentralized local governments, community-driven development interventions are usually packaged as “projects” and designed as grants or loans that work within, and are often implemented by, existing government institutions. They are consequently greatly influenced by the institutional structures and incentives of donors and bound by their time frames (usually three to five years). At their best, these projects attempt to speed up the rate of institutional change by nudging reforms in a direction to which national governments are already committed. More typically, community-driven development projects work in parallel with local governments, often bypassing them by setting up competing sources of authority within communities. Some projects have very ambitious goals (“reduce poverty by 20 percent,” “rebuild trust,” “enhance civic capacity”). Others have more circumscribed objectives, such as the introduction of a participatory mechanism into particular arenas (schools with parent-teacher associations, rural clinics with village health committees). Many projects that are not classified as community driven also use deliberative and participatory processes for limited objectives, such as selecting deserving beneficiaries for targeted programs, forming village committees to manage the construction of a village infrastructure project, or establishing microcredit groups.

Figure 1.1 illustrates the difficult task of characterizing the different modalities of induced participation. The nature of participation is influenced not just by the social and political context in which it is situated but also by the way in which it is designed. Both the context and the design have a strong influence on incentives for implementers and beneficiaries and, consequently, on accountability and the sustainability of the intervention.

A country’s political system matters a great deal. In democracies, electoral incentives shape participatory interventions. Participatory

Figure 1.1 A typology of induced participation



**In democracies, electoral incentives shape participatory interventions.**

projects are often pushed through just before elections as an easy way to dole out money to voters. There is a constant tension between central and local governments, with central governments attempting to reclaim powers that have been locally devolved. Stable democracies also allow for more stable trajectories of decentralization. They have an affinity for empowered participation functioning in the presence of strong civic institutions, which can play an important role in local empowerment.

Nondemocratic countries, particularly countries that have a history of careening between democracy and dictatorship, have more unstable polities. As a result, citizens cannot always act in ways that are consistent with the expectation of long-term change. This uncertainty, in turn, reduces their confidence that the increase in local power brought about by a project will result in lasting change, making them more fearful of eventual retaliation by local elites. Even nondemocratic countries that have stable, technocratically driven administrations can demonstrate a commitment to local decentralization, motivated by allocative efficiency. Thus, there can be situations in which democratic participation at the local level is coupled with a more authoritarian structure at the center.

The next node in figure 1.1 categorizes participation into three modalities: political decentralization, deconcentration, and community-driven development. In politically decentralized systems, community leaders are democratically elected through credible and competitive elections. At the same time, power and finances are devolved to local governments. Administrative decentralization occurs when central authorities allocate some functions of government to lower-level administrators, who generally report to the central state. Community-based and community-driven development refer to projects in which communities, functioning outside a formal system of government, are given funds that they manage to implement subinterventions. In practice, these modalities often overlap, or exist in parallel, with a variety of sub-modalities. For instance, some community-driven development projects are designed to strengthen local democratically elected governments or create alternative power structures to counter the power of nonelected local administrators.

**The stability of political decentralization depends on the extent to which the center is committed to local democracy.**

The stability of political decentralization depends on the extent to which the center is committed to local democracy; decentralization is most stable when village and municipal democracies have been granted constitutional sanction. Political decentralization sharply increases the incentives for electoral accountability and therefore for the sustained

empowerment of citizens, but it can be influenced by clientelistic politics. In deconcentrated systems, local administrators tend to face incentives driven by the center; they are therefore usually characterized by upward rather than downward accountability. Effective deconcentration, which is technocratically driven, can also result in the efficient allocation of tasks. It is, however, not generally conducive to the development of sustained local participation.

The effectiveness of community-driven interventions at the local level is highly conditioned by local capacity, in particular the capacity for collective action. Local social structures and levels of elite control can play a strong role in its functioning. In such interventions, the challenge is for state agencies responsible for projects to internalize the intrinsic and instrumental values of participation and to ensure that projects are implemented in a manner that meets their stated intentions. If participation is introduced to solve a principal-agent problem in a situation in which the central managers of an agency lack the information and the capacity to monitor the quality of services in local communities, participation will likely be seen as a complement to their objectives. In contrast, if central agencies are enmeshed in a nexus of accommodation and capture with local elites, which would be jeopardized by effective participation, central government officials will more likely see participation as a threat.

In its early stages, the process of participation may be more noisy than useful; changing this dynamic requires sustained engagement and a strong commitment from the center. The nature of the state thus affects the quality of participation. A state that is reasonably effective and seeks to improve its ability to deliver local public goods and services could provide an enabling environment for participation. A weak state that is dominated by elites and enmeshed in structures of expropriation and that introduces participation only in response to external donor pressure probably would not provide such an environment.

The next node in figure 1.1 indicates that participatory interventions that focus on a single objective (such as parental control over schools) are fundamentally different from interventions with multiple purposes (such as devolution of a set of powers to village governments or livelihoods projects that provide everything from credit and jobs to nutrition and sanitation). The structure of incentives in each is different. It affects the extent and nature of community participation and the involvement of higher levels of government.

The effectiveness of community-driven interventions at the local level is highly conditioned by local capacity, in particular the capacity for collective action.

An important concern, depicted in the next node in figure 1.1, is whether the intervention has a long or short horizon. Interventions with long-term horizons—say, an effort to introduce local democracy at the local level that has constitutional sanction—fundamentally improve the incentives of citizens to confront local elites and fight for their interests. Interventions with short-term horizons will incentivize individuals to extract all the rents that they can from the project during its tenure.

The top half of figure 1.1 maps some of the permutations within which participatory interventions can be designed. Each permutation results in different incentives, which influence the effectiveness and sustainability of the project. It suggests that a community-based effort to manage village schools run within a political decentralized system within a democratic country is more likely to lead to a sustainable and equitable improvement in welfare than a well-funded community-driven development project with a three-year horizon that is run by a deconcentrated administration within an unstable authoritarian country.

The bottom half of figure 1.1 shows how project implementation matters. Central governments, local governments, NGOs, and independent project implementation agencies can all run induced participatory projects. Typically, some combination of these bodies runs projects (for instance, the central government or the project agency may hire an NGO to implement a project at the local level). Who manages project implementation has implications for accountability and the quality of implementation. If democratically elected, local governments can be the most downwardly accountable. NGOs and project implementation agencies are deeply affected by the incentives of their organizations; unless their organizational incentives are set up in a way that encourages them to do so, they may not be accountable to the demands of communities.

#### Funding matters.

Funding also matters. Is funding derived entirely from central allocations to local communities? Is it dependent on local revenue generation through taxes and community participation, or is it entirely dependent on donor funds? Each situation is affected by a different political economy and incentives for community participation. If, for example, a community-based effort to manage schools is managed exclusively by NGOs and dependent on donor funds, it might be well funded and well managed in the short term but it would be subject to the risk of failure in the long term. In contrast, if the intervention is managed by local governments and funded by local taxes, implementation may be ineffective in the short term, because of clientelism and the inability of