

2. DESIGNING SYSTEMS FOR LOCAL DEMOCRACY

THREE CASE STUDIES

The rich array of national, regional, cultural, and community settings establishes various contexts in which local governance takes place. The role of local governance in a large country's federal system, for example, may be remarkably different from the role played by local authorities in small, highly centralized countries.

This chapter provides an overview of the principal choices for designing systems of local governance. It outlines various national contexts, basic types and forms of local democracy, and criteria for design. In three case studies, it then explores some of the major issues in the design of local governance systems, such as:

- **The debate over decentralization, and the case of the Philippines;**
- **Fiscal decentralization and the implications for fiscal policy, resource allocation, and budgetary autonomy; and**
- **Special considerations of federal systems and the role of international regional integration in the structure and function of local governance institutions.**

2.1 National Contexts

■ *The context of local democracy is either constrained or facilitated by the rules set at the national level.*

The scale of administration of local governance is directly affected by the degree of centralization in a country. The national context establishes the kinds of decisions that are made locally versus those that are directed (or constrained) by policy decisions made at the national or regional level. Municipalities differ significantly – often within a single country or setting – on the degree of devolution and the types

of governing responsibilities exercised at the local level. Clearly the size, function, and challenges of a global city such as New York City differ widely from those of a network of rural hamlets in Tanzania. Prefectures in relatively centralized France, with a long tradition of local self-government, differ dramatically from the newly-amalgamated metropolitan areas of a society in transition such as South Africa.

Various types of national contexts in which local decision-making occurs include the following:

- Highly centralized one-party systems, such as China;
- Integrated, relatively homogenous political systems, such as Norway or Japan;
- Relatively small countries, such as Austria or Senegal, with significant district-level decision-making;
- Federal systems, such as Australia, Brazil, India, or the United States, with a strong role for states;
- Highly-devolved political systems with strong local powers, such as Switzerland;
- Highly-devolved political systems with powers provided to ethnic minority or religious groups, such as local self-governance of native-American Canadians;
- Autonomous local government within a centralized context, such as in Hong Kong; or
- Situations of contested sovereignty, such as Sudan, Russia (Chechnya), or Yugoslavia (Kosovo).

Given the particular national context, some critical questions in designing systems of local democracy include:

- *Authority.* Does the municipal structure make policy and take major decisions, or does it mostly implement policy debated and created at a larger level, such as in a national or provincial (or in federal systems, state) parliament?
- *Financial capacity.* What is the all-important pattern of revenue flow and fiscal authority? Who controls the budget?
- *Capacity for policy implementation.* Does the structure and exercise of local authority create political space for civil society organizations and all major players on an issue to have an assured role in local decision-making processes?
- *Devolution to the appropriate level.* To what extent is power within a municipal structure devolved to the forum at which it is best exercised, such as decentralization of decision-making to wards, community groups, or special panels?

Figure 5**Local Governance in the Russian Federation**

An important example in the design of local governance systems is the experience of Russia. The new system of local democracy in Russia finds its immediate origins in the 1993 Constitution, which declares local government units independent of the central state. This is a dramatic shift from the Soviet era, when local authorities were directly under the authority of Moscow and the Communist Party under the rubric of “democratic centralism”. Much of the design of today’s local government system in Russia was created by central-level constitutional designers. Dr Liudmila Lapteva of the Russian Academy of Sciences notes that local self-government was not a result of citizens’ initiatives but mainly a result of actions by the federal authority. By 1997, authorities had established some 12,000 municipalities. Not all of these municipalities have locally elected authorities, however, as some regions of the Russian Federation appoint municipal leaders. Moreover, some of these authorities have had difficulty with financial independence and authority, also diminishing their independence from higher levels of state authority. This problem is exacerbated by ambiguity in the federal laws that give municipalities their power.

An important aspect of strengthening local democracy in Russia will be the development of a vibrant civil society that can help create demands for local democracy from below. The absence of a strong civil society limits citizen participation in local matters and has hindered popular participation in critical matters such as developing community budgets. To develop civil society it will be necessary to build on the experiences of organizations such as housing committees, youth, and local private enterprises. In Novgorod, St. Petersburg, and Moscow local governments have had some success in developing strategic partnerships with businesses; this has helped develop, for example, more participatory community planning processes and implementation. If Russia’s nascent democracy is to survive, emphasis is required on the training and capacity-building needs of the reformed municipalities to enable local authorities to work more effectively with, and to help develop, civil society organizations. (See the essay on “Local Governance in the Russian Federation” by Dr Liudmila Lapteva on International IDEA’s website, www.idea.int/ideas_work/11_political_local.)

2.2 Basic Types and Forms

■ *From mayoral systems to regional councils, there is a wide variety of types and forms of local governance.*

As discussed in Chapter One, local democracy consists of both the institutions of local government (i.e., mayors, councils, committees, and administrative structures) as well as the relationships among officials and civil society separate from the official government. With this broader understanding of local democracy, there are two fundamental sets of choices that affect the basic types and forms of local democracy.

- *Institutional choices* and institutional innovation may help enhance participation and promote conflict management. Political institutions reflect the agreed rules of the game. In local polities, one of the key levers of democratic practice is the electoral system (see Chapter Four).
- *Procedural choices* may include issue-specific participation processes such as special purpose town meetings, community budgeting, special youth or women's outreach efforts, or highly informal practices like the right to make a soapbox speech at City Hall (see Chapter Five).

Keeping these two fundamental choices in mind, we can examine six basic types of local governance:

- *Strong mayoral systems.* In strong mayoral systems, a single individual is elected as leader of the municipal area and this individual wields broad (and often charismatic) authority. The mayor is usually elected to one or more terms of office, and plays both a decision-making role to determine public policy and a symbolic role in representing the values, characteristics, and culture of a given city. These mayors are also executives, directing and managing the bureaucracy. Strong mayors often emerge in large "mega-cities" where opportunities for direct participation are limited by the size of the urban arena. Moscow is widely viewed as a city in which the mayor is an especially powerful elected official, overshadowing other public officials.
- *Strong council or parliamentary systems.* In some municipal arenas, a legislative group of city councillors wields the most authority. These elected councils have considerable legislative or parliamentary authority and in many instances they collectively administer the bureaucracy. Strong council or parliamentary systems often feature the employment of a professional city administrator or manager, who handles the city's business and who is held accountable to the council. Amsterdam is run by a city council and a "college" of aldermen. The council is the highest authority in the city of Amsterdam and is responsible for important

- decisions. There are 45 seats on the council, contested every four years by the various political parties. The mayor of Amsterdam is appointed by the monarch of The Netherlands and chairs the council but does not have a formal vote.
- *Appointed authority.* Although much less common than previously, some cities are managed by authorities (often mayors or prefects) that are appointed (i.e., not elected) by provincial or national authorities. This type of local governance is often found in highly centralized countries or those with a strong system of regions or provinces. Policy is simply implemented by these appointed authorities, based on decisions made at higher levels of government. Sometimes, when a city is financially bankrupt or otherwise in crisis, central authorities will appoint an administrator on an interim basis until the problem is solved and authority can be returned to elected officials. In China, the administrators of most significant metropolitan areas are appointed by authorities in Beijing, and are accountable to the central government through both Communist Party and governmental channels.
 - *Ward or borough systems.* Some large cities feature a highly decentralized form of governance, where larger metropolitan areas are governed in wards or boroughs (neighbourhoods or collections of neighbourhoods) that enjoy devolved or delegated authority. (Devolved authority generally cannot be revoked, whereas delegated authority can often be withdrawn by those in higher levels of government.) Akin to federal systems at the national level, this type of governance is based on a division of authority within a broader arena. New York City has a central authority but it also has five major boroughs that enjoy significant authority and feature powerful elected posts and administrative authority.
 - *Regional councils.* Many cities today are really an amalgamation of what were once – prior to massive urbanization and economic development – smaller towns or villages. In some instances, large metropolitan areas still recognize the territorial boundaries and local self-governance rights of these original smaller towns, but there is a need to co-ordinate policy formulation and implementation across jurisdictional lines. Regional councils are collections of these authorities – for example, a regional mayor's forum – that work together to co-ordinate policy on issues such as transportation grids or expanding economic growth and employment. In Ghana, for example, there are 110 regional councils with elected authorities.
 - *Direct democracies.* Some municipal areas bypass leaders or parliamentary councils and take major decisions only with the direct participation of the people, either through a referendum or a village or neighbourhood meeting. Bureaucrats implement the decisions taken by the people as a whole. Switzerland, for example, con-

sists of 23 cantons. Each canton and half-canton (of which there are three, created for historical reasons) has its own constitution, parliament, government, and courts.

Direct democracy in the form of the *Landsgemeinde*, or open-air meetings of citizens, is found only in the cantons of Appenzell Innerrhoden and Glarus; in all the other cantons, voters make their decisions at the ballot box. All the cantons are divided into municipalities or communes. Around one-fifth of the 2,900 municipalities have their own parliament; in the other four-fifths, decisions are taken by a process of direct democracy in the local assembly. This type of governance is limited by the size of the city, although developments in communication technology such as the Internet may lead to new possibilities for more direct local democratic governance (see section 5.7).

2.3 Criteria for Comparison

■ *Size, density, and settlement patterns are important criteria in comparing municipal models.*

An important consideration in comparing municipal models world-wide is the measure of size, but in particular *density in relation to population size and territory*. Although this may not be true in all instances, there is a general belief that the more dense the population in smaller pieces of land, the greater the challenges of urban management. The rules that govern social interaction in highly dense urban arenas must take into account the close interaction of communities and the need to promote co-operation and conflict management. For that reason, large cities are also amenable to further subdivision and decentralization within cities into sub-metropolitan units such as districts, boroughs, neighbourhoods, and other “incorporated” entities. A useful notion in these types of cities is of *layered* or *nested* governance. That is, there are various layers of governance at different levels within large cities, with the subsidiary levels “nested” in other levels; a metaphor for this type of governance is a system of concentric circles, with each circle representing a broader level of government with a larger population. To the extent possible, it is widely believed that those decisions that can be taken at the level closest to the people should be taken.

Evaluating a municipality’s size helps us think about the possibilities for self-governance within national contexts and the devolution within a city to neighbourhood associations, community boards, property owners’ associations, or civic groups. As a design criterion, one must consider the ways in which the interplay between local governance and the sizes of municipal arenas provide advantages or disadvantages for various types of innovations in democratic practice, such as those described in Chapters Four and Five.

Another criterion to consider is *settlement patterns*. A critical issue in any urban arena is the pattern of settlement and the socio-cultural identity of neighbourhoods, districts, and other areas. This type of settlement normally occurs informally, however in some instances (e.g., Cape Town), settlement patterns by ethnic, racial or religious groups are the result of specific policies. Many cities today feature highly diverse or cosmopolitan areas where diversity and multi-ethnicity are a celebrated and vibrant aspect of a neighbourhood's identity. When settlement patterns are coincidental with distinct ethnic, racial, or religious communities issues invariably arise about the fair and appropriate distribution of services – for example, policing – and the connection between taxation and service delivery. Relationships among and between communities and city-level officials are critical in such situations.

For example, in Los Angeles, a large multi-ethnic city with a high degree of economic inequality, there is a constant tension between more prosperous areas (such as Bel-Air) and the more disadvantaged sections of town, notably South Central Los Angeles and Watts. In 1993, riots broke out over policing in Watts and other communities after an incident of police brutality (the Rodney King affair). Today, some residents of Bel-Air are seeking to secede (or separate) from the city because they claim that they are heavily taxed and do not see a concomitant share of city services for their contribution to the general coffers.

Other characteristics are also important. Comparing the size of cities and evaluating aspects of size as it relates to participation and conflict management is not a matter of simple merits and demerits of size (i.e., the traditional notion that small is better in facilitating direct links between government and the people). Rather, the issue is that the size of a city relates to certain characteristics that may help practitioners and citizens situate themselves comparatively and help identify various distinguishing features. Consider for example, these variables that might give some indication of distinguishing features of various cities.

- *Economic base.* What is the principal economic base of the city? For example, is tourism a major source of tax revenue? Is there a single manufacturer or economic sector that dominates?
- *Layout.* What is the layout or grid of the city? Are there distinctive physical features that define the municipality's boundaries?
- *Function.* Is the city a hub city, or a provincial capital? Or a national capital with special features such as a high number of public-sector employees?
- *Situation.* Is the city situated close to, or far from, national boundaries? Is there a concentrated city core or is the physical or geographic metropolitan environment more dispersed?

Figure 6**Categories of Size in Urban Arenas**

— **Mega-cities** (*more than 10 million residents*). These cities pose special challenges of local community self-control, administrative management, transportation, socio-economic inequality, and growth and development. The rates of new mega-city development are much higher in Africa and Asia – where urbanization is greatest – but less so in other regions such as Eastern Europe or Latin America, where most of the urbanization has already occurred. In Mexico, for example, population growth rates in the cities have begun to slow and Mexico City has seen a decline in population growth from 1980 to 1999.

— **Big Cities** (*one million to 10 million*). Big cities face many of the problems of mega-cities, albeit on a slightly smaller scale. Many provincial and district-level capitals fit this category, as do capital cities in many countries. Swelling populations pose challenges of growth, urban sprawl, informal settlements, along with the transportation, health, sanitation, education, or other service delivery problems. Increasingly, these cities are also affected by the forces of globalization in which they must compete on an international scale for investment and job creation. A good example of a city in this category is the fastest growing city in Africa – Durban, South Africa.

— **Cities** (*from 40,000 to one million*). Cities of this size are large enough to have all the problems and features of a major urban area, but in many ways are often more traditional and feel more like a small town. These cities may be more susceptible to being dependent on a single sector of the economy or to a particular industry or even company. On the other hand, small business often thrives in cities of these types and issues of transportation can be less acute.

— **Towns** (*5,000 to 40,000*). In a town there is urban life but traditions and rural roots are also present. Many of the difficult decisions in such towns are made by councillors and city managers, although mayoral roles may still be very important. Towns are also often more dependent on district or state-level structures of governance for revenue and for services.

— **Small Towns and Villages** (*less than 5,000*). Small towns and villages tend to be very traditional in their governance structures and are often networked into larger regions. In this form of municipal organization, opportunities for direct participation of citizens are maximized. The practical aspects of democracy in small villages, however, may have some similar-

ities to the role that neighbourhood councils may play in a mega-city. That is, scale is important but the definition of local politics may be more contingent on the degree of devolution to any given authority than to actual size of the metropolitan arena.

2.4 Decentralization

■ *Decentralization allows local government units the power to initiate, fund, and implement programmes meant for local development.*

Decentralization refers to the further devolution of power within various districts or urban arenas. A recent UNDP report on the role of mayors in decentralization notes that:

Some 70 countries are now actively engaged in political reforms aimed at decentralization and municipal governments, many of them in parts of the world where elected government were the exception only recently. In some other countries, however, the political will to implement strong decentralization measures lags behind the promulgation of constitutional amendments aimed at devolving government power to the local levels.

Decentralization often involves the need for extensive reform of intergovernmental relations. This reform process often challenges entrenched practices, vested interests, powerful actors, the inertia of existing institutions, and a lack of will for change. From the local perspective up, decentralization is challenged by the many ways in which the central government may circumvent and undermine local authority. From the national perspective, decentralization is sometimes seen as a way to undermine the authority and efficacy of national-level government, which must make tough decisions that benefit the entire country (sometimes at the expense of local actors).

Some major issues in decentralization include:

- *Hierarchical relations.* The interactions between national, regional, provincial, and municipal government.
- *Competencies and authority.* The degree to which the primary decisions on a particular policy issue are set and the extent to which any level of government is responsible for policy implementation.
- *Political autonomy.* Whether decisions can be made at the local level without influence, interference, or assistance from other tiers of governance.
- *Juridical independence and legal autonomy.* The extent to which legal institutions and processes influence local governance decision-making.

- *Financial flows and revenue generating capacities.* The fiscal dimensions of policy-making that relate to governmental income and taxation.
- *Co-operative governance.* The structures and processes by which governance is harmonized vertically (from national to local, or bottom-up), or horizontally (across arenas at various levels of government).
- *Layers and levels of participation.* The degree to which participation that occurs at various levels of governance is also present or affects policy-making at other levels of governance.

The case of decentralization and popular participation in the Philippines, one of the most successful new democracies in the developing world, is a good example of how the interplay between decentralization and democratization can benefit a country as a whole. As Proserpina Tapales demonstrates in the case study on page 50, decentralization in the Philippines has been a largely successful experiment. The programme, defined in the Local Government Code of 1991, set up special bodies at various levels of governance to address public policy issues such as local needs in health, sanitation, education, and economic development. Particularly successful has been the inclusion of methods for evaluating the effectiveness of various levels of authority in service delivery. The principal innovation, however, has been the introduction for the first time of practical ways to enhance citizen participation; these efforts have created opportunities for citizens to directly learn how to work together to solve community problems.

Figure 7**Advantages and Disadvantages of Decentralization****Advantages**

- *Self-government.* In highly decentralized systems, decisions are made closest to the people, promoting the realization of self-government and the maximization of democratic values of participation, inclusion, and accountability.
- *Democratic pluralism.* It is less likely that any single party or faction will control the entire system of government in a country; decentralization is conducive to democratic pluralism.
- *Economic efficiency.* Decentralization can promote economic efficiency as a closer partnership between governance and productive enterprises can be formed.
- *Regional objectives.* Regional mandates can be more easily determined and implemented if power is devolved locally.

- *Effective partnerships.* Local governance systems may have more flexibility in forming partnerships among the most effective policy formulators and implementers, for example local NGOs.

Disadvantages

- *Economically inefficient.* Some see decentralization as economically inefficient as the ability of central authorities to co-ordinate and implement national-level economic policy is diminished.
- *Lack of common standards.* Decentralization encourages a lack of common standards across decentralized areas, allowing for regional interests to dominate in a less restricted manner.
- *Economic and social disparities.* Opportunities arise for large economic and social disparities among regions, for example leading to the possibility of a bankrupt city or impoverished regional economies.
- *Resource gaps.* In some instances, decentralization leads to situations where authority is given legally, but no real resource flow follows and decentralization fails.
- *Barriers to citizen participation.* Sometimes, there are too many layers of decision-making and bureaucracy, and the proliferation of levels of official government creates new barriers to civic organization and citizen involvement.
- *Weak national unity.* Decentralization can weaken national unity, leading to a decline of loyalty to the national state and potentially encouraging separatist or secessionist tendencies.

2.5 Money Talks: Fiscal Policy

■ *The flow of revenue, taxation patterns, and spending are integrally linked to the fostering and promotion of local democracy.*

One of the most contentious issues in local self-governance is the ability of local authorities to collect and spend their own revenue. The flow of revenue and patterns of taxation and spending – fiscal policy – are integrally linked to the fostering and promotion of local democracy. Without adequate resources – either generated at the source by the local government or passed down from the provincial or central government – local democracy cannot thrive. Problems are especially acute when local areas generate significant national resources that are often redistributed elsewhere.

Some sound principles of fiscal policy can be summarized as follows:

- *Fairness* in collection and distribution of national resources;
- *Awareness of and prevention of environmental side-effects* from the exploitation of natural resources – such as mining or petroleum extraction – on the local population;
- *Transparency* in the collection and spending of resources;
- *Accountability*, to ensure that public funds are being spent in the community interest;
- *Community involvement* in the budgeting process;
- *Equity across municipalities* on rates of taxation and *per capita* spending; and
- *Technical assistance* to local authorities to assist them in managing public finance.

The latter point underscores the importance of seemingly technical issues – such as municipal finance – for local democracy. Understanding and influencing patterns of revenue raising and spending is critical to ensuring accountability and transparency. Knowing how and where the money flows is a critical issue for those interested in the quality of local democracy.

The case study by Arno Loessner on page 54, highlights lessons with regard to fiscal decentralization, including the following:

- Democracy and local governance should be strengthened with fiscal decentralization (FD) without diminishing the benefits that can arise from co-ordinated action at the centre.
- Clear and reliable rules must be in place to assign service delivery responsibilities.
- Vertical (intergovernmental) and horizontal (cross-sectoral) partnerships are important to reinforce partnership among levels of government.
- The cost of locally produced services should usually be met by locally collected taxes and user charges. To achieve this, legal authority must be granted to make local government taxing powers enforceable.
- Central government grants to local government must be timely and predictable.

2.6 Linkages Across Boundaries

■ *Increasingly, local governance systems need to learn how to manage the influence of cross-border decision-making and practices.*

Today, many local governance systems must take into account not only the national context but also the influences of governance beyond borders. This is particular-

ly the case for international regional integration, for example within the EU. Supranational organizations such as the EU engage in many activities that directly relate to the decision-making and service delivery functions of local governments, for example:

- Setting norms or rules to which local governments must conform;
- Managing interdependencies across borders and facilitating development within the subregion;
- Allowing for labour mobility;
- Setting standards for the workplace;
- Setting standards for the environmental consequences of industry;
- Providing resources in the form of grants and subsidies; and
- Providing technical expertise.

Supranational organizations such as the EU may also weaken national-level governments. The principle of subsidiarity was mentioned before as a cornerstone of EU policy-making and this principle is buttressed by norms such as the provisions of the European Charter on Local Self-Government.

But there are also many instances in which cross-border co-operation and co-ordination is essential for good governance. This has been especially true in border regions that share a common resource, such as a river or marine estuary, or where there are relatively high levels of migration across international frontiers.

Local governance takes on special qualities when the metropolitan area spills across the borders of sovereign and independent states. One of the best examples of cross-border co-operation is between San Diego, California in the United States and Tijuana, a rapidly urbanizing city across the border in Mexico. In the essay on page 60 Carlos Juárez illustrates that cross-border co-operation in this area has faced many challenges due to its basic physical, economic, and cultural interdependence. In the economic sphere, it has been especially important to manage labour supply problems and illegal migration. Education of Spanish-speaking citizens of San Diego has also been critically important, requiring co-operation from officials on both sides of the border. Similarly, environmental interdependence – especially water, air quality, waste-water management, and waste disposal – has required extensive collective decision-making. He argues that in many situations in which cities sit astride international frontiers, democratic institutions across the border are required for coherent, effective governance.

CASE STUDY

**LOCAL GOVERNANCE, DECENTRALIZATION, AND PARTICIPATION
IN THE PHILIPPINES**

Proserpina Domingo Tapales

In February 1986, the world witnessed a political upheaval in the Philippines: the overthrow of the Marcos dictatorship by a peaceful, people-power revolution in Metro Manila, the capital of the Philippines. This paved the way for a return to democracy in the Philippines and inspired other countries with similar experiences of authoritarian regimes wishing to democratize.

The events of 1986 were brought about by a coalition of groups who had been active in the political struggle, representing different sectors including labour, peasants, students, nationalist industrialists, Catholic and Protestant religious groups, as well as by unorganized individuals who went out to barricade the streets after hearing the call on the radio by the influential Cardinal Jaime Sin. Not surprisingly, the euphoria that catapulted Corazon C. Aquino, widow of Senator Benigno S. Aquino to the presidency, brought with it a populist form of government. The 1987 Constitution enshrined people power and led to the passage of more democratic legislation. In 1991, towards the end of the Aquino administration, Congress passed the Local Government Code (Republic Act 7160), which ended centuries of centralized government in the Philippines. As a result, the Filipinos made another contribution to the developing world – the most revolutionary form of decentralization.

Decentralization and Participation

Spain introduced a highly centralized form of government after colonizing the 7,100 islands of the Philippines in 1521. The local government system superimposed on the islands reduced the independent city-states of pre-Spanish times to tax collection agents. The arrival of the Americans in 1898 did not change the centralist system, which was kept after independence and was further exacerbated by martial law. It took the 1986 peaceful revolution to decentralize the local government system in the country, culminating in the Local Government Code of 1991. The Code has three basic components:

- *Devolution of powers* to local chief executives (such as governors of provinces and mayors of cities and municipalities) in the implementation of basic services;
- *Increased sources of funds for local government units (LGUs)* through increased shares from nationally collected taxes as well as their own; and
- Most importantly, *mandating the participation of people* in different aspects of local activity.

People's political participation was strengthened: beyond voting, provisions of an earlier law on initiatives, referendums, plebiscite, and recall were reiterated. Sectoral representation in local councils (called *Sanggunians*) was provided. While the election for three mandated sectors (women, workers, and locally-identified special groups) has not been conducted, the young people are represented in all local councils, as are the village (*barangay*) heads.

A particular innovation of the Local Government Code is the creation of special local bodies for different activities at the local level. From the lowest *barangay*, Local Development Councils (LDC) exist to plan and prioritize local programmes and projects. While the *barangay* chairman, mayor, or governor serves as LDC head, and other officials such as the Chairman of the Council Appropriations Committee play major roles, 25 per cent of the members represent active non-governmental organizations in the community. Other local special bodies also carry NGO or private sector representation, including the Health Board, the Pre-qualification Bids and Awards Committee, the School Board, and the Peace and Order Council.

The Code also strengthened other participative mechanisms provided by earlier laws. At the *barangay* level there are conciliation panels composed of village officials and private persons who sit together to hear cases within the village, thereby minimizing the backlog of cases in the courts. Democracy is also practised in the periodic three-year elections at all levels – municipality, city, province, and national leadership. Youth and village leaders are also elected. Recall of elected local officials has been strengthened by the Code. Plebiscites have been actively utilized in the consultations among the voters on issues directly affecting them, like the conversion of a municipality into a city, or carving out a region from various provinces.

Making Participatory Democracy Work

However, legislation alone cannot ensure people's participation in governance. During the authoritarian regime, for example, referendums were used to force a fearful people to legitimize government policy proposals. In the case of post-1986 events, however, legislation merely instituted the participative mechanisms already at work. The 1987 Constitution legalized people's participation, while the 1991 Code spelled out the mechanics for it. What then emerged is a lively blend of co-operation between government and the people. There are also people's organizations (POs), associations of people for their mutual and collective benefit, such as associations of farmers and fisherfolk.

Many cases of local government/people co-operation have been documented. To encourage innovation among LGUs several government and foreign institutions have granted awards in areas of health, sanitation, agriculture, environmental protection, and efficient management. Noteworthy amongst these are the *Galing Pook* (good local area), the HAMIS (health and management information system), Clean and Green, and Republic Heritage awards.

The Center for Local and Regional Governance studied three outstanding local authorities for UNDP's comparative research on decentralization in 1997-1998, and identified factors that led to their success. The study focused on three areas – Irosin, Sorsogon on the island of Luzon; Balilihan in the island province of Bohol; and Surigao City on the island of Mindanao. All programmes started with health and expanded into other areas; all received *Galing Pook* awards; Irosin and Surigao City also received HAMIS awards.

The case studies reveal that several factors lead to successful local government programmes:

- the presence of a *catalyst* (in Irosin, Sorsogon, an NGO; in Balilihan, Bohol, the local mayor; in Surigao City, the health worker);
- *community organization* (people's organizations established in Irosin; the *puroks* – groups of 10-25 families living in a contiguous area – organized by the mayor in Balilihan; the Mothers' Clubs organized by the midwife in Surigao City);
- *leadership* (the mayors in Irosin and Balilihan, the midwife in Surigao City); and
- *government support* (all the local governments concerned provided funds for the programmes to sustain them).

In the Philippines the tripartite approach – involving the government (or local governments), NGOs, and people's organizations in the planning and delivery of programmes – is a strategy used in many areas for rural development.

Successful projects also have been spearheaded by the Philippine Business for Social Progress, which is funded by contributions of large business enterprises. There are successful modules of LGU/private sector co-operation. Marikina, Metro Manila cleaned up its river through government/private sector financial co-operation and Mandaluyong City, Metro Manila built a modern market through a build-operate-and transfer (BOT) scheme.

Conclusions

The success of recent innovative programmes at the local level in the Philippines can be attributed to a number of factors, including the following:

- *People's participation*. Much of the success is due to the close collaboration between the local government and the people. But people's participation is not an overnight phenomenon. People had been prepared in advance through community organizing efforts and through the work of NGOs. Ironically, the Marcos years spawned non-governmental organizations intended to augment the delivery of basic services. Some organizations documented crimes against human rights committed by the dictatorship to bring them to the world's attention. Others assisted different sectors of society – the peasants, fisherfolk, women, overseas contract workers, and so on.
- *Leadership*. In all stories of successful local programmes innovative and committed leadership by the local government has been a crucial factor. The initiative of

the local leaders has motivated people and helped to assure funds for the programme. In many instances leadership provides the structural mechanism for programme implementation.

- *Decentralization.* These efforts could not have taken place under the old system of centralization in the country. The policy of decentralization pronounced in the Local Government Code of 1991 reversed the centralist system, and provided more autonomy to local governments and their chief executives, which enabled them to provide better services. The Code provided for “devolution”, or political decentralization, which gave local government units the power to initiate, fund, and implement programmes meant for local development.

But decentralization in the Philippines was primarily a social occurrence. “People empowerment” started as a response to the authoritarian regime, and it climaxed in the 1986 social upheaval that led to more efforts toward greater empowerment. In such a situation a push toward decentralization of power to the communities is inevitable.

The empowerment of the people in the Philippines, as expressed through people’s participation in governance and local government powers, is an irreversible trend. Especially over the last decade, local governments and people have learned how to work together. Moreover, the 1986 people power revolution has been accompanied by the emergence of a new type of leadership – younger, more idealistic, more in control, and more aware of the new powers they have been given. Of course, not all efforts lead to success; but success stories abound and serve as inspiration to local governments and to people around the world.

E S S A Y

PARTNERSHIPS FOR GOVERNANCE**Models for Workable Fiscal Decentralization**

Arno Loessner

An approach to governance that involves citizens in the work of their government enhances sustainable democracy. Fiscal decentralization (FD), the devolution of revenue and expenditure authority to local levels, can benefit such an approach. Its purpose is to have the work of government reflect the desires of constituents by letting local units of government allocate resources in accordance with local demands, thereby increasing citizen interest and participation, and making government more responsive, efficient, and accountable. When public officials have the resources they need to address local concerns, citizens will not permit them to pass off responsibility to others. In a democracy, officials will want to respond to the needs of their constituents, because their re-election depends on it. Despite these arguments in its favour, experience shows a reluctance to proceed with FD.

A number of reasons can explain this reluctance:

- some transfers of authority have substituted one elite group at the centre for another at the local level;
- local officials may lack financial management capability;
- central government officials may resist sharing power or may feel that too much decentralization will destabilize national policy; and
- local officials fear more responsibility without resources or the power to generate resources locally.

To carry out FD effectively a number of lessons must be kept in mind, including the following.

- *The challenge is to strengthen democracy and local governance with FD without diminishing the benefits that can arise from co-ordinated action at the centre.*

FD must not negatively impact the capacity of the central government to formulate and carry out national policies for sub-national income balance (equalizing wealth and resources across regions within a country), macro-economic stability, and national economic development.

The IULA Declaration of Local Self-Government (IULA, 1985, 1993) and the proposed World Charter of Local Self-Government (IULA, 1998) emphasize the concept of subsidiarity, in which public services and revenues are assigned to the lowest level of government competent to implement them.

Macro-economic policy and sub-national equalization (ensuring fair distribution of wealth and resources) are appropriate responsibilities of central government.

Governments at all levels should be partners in economic growth and help do their part to balance the distribution of revenue equally to all regions. Local governments should be consulted and included in deliberations.

■ *Clear and reliable rules must be in place to assign service delivery responsibilities.*

With adequate macro-economic policies in place to provide for economic and political stability, local governments should have responsibility for local services with appropriate intergovernmental transfers from the centre to provide for special needs of ethnic or indigenous populations and service quality standardization. There may be intermediate or regional levels of government, depending upon the geographic size of the country, the extent of externalities, and opportunity for economies of scale.

■ *To reinforce partnership among levels of government, it is important to develop vertical (intergovernmental) and horizontal (cross-sectoral) partnerships.*

While there is no single way to measure degrees of FD, it is advisable to seek supportive intergovernmental relationships, as opposed to segregating service responsibilities. The existence of conditions for centralization does not necessarily require centralization. Grants to local jurisdictions can encourage delivery of services with positive spillovers beyond municipal boundaries. Similarly, negative spillovers such as air and water pollution can be addressed with a combination of corrective regulations and grants. Inter-municipal agreements and special districts can achieve economies of scale.

The table below presents a model that organizes services to benefit from the comparative advantages of each level of government. Some services are assigned exclusively at the national level (e.g., defence, macro-economic policy, judiciary) and some are more or less exclusively local in nature, such as the enforcement of local laws and property rights, but most services benefit from shared responsibility. Trust, probity, and competence are necessary, but if any of these is lacking, officials in other levels of government will see it in their interest to try to restore them, making intergovernmental and cross-sectoral partnerships important to sustainable democracy.

Democracy benefits from government relationships with the private sector and with NGOs. These sectors can bring additional resources, new approaches, and a service delivery capacity that spans across government boundaries.

Figure 8

Assigning Responsibilities in an Integrated System of Governance The Example of Water Supply

Organization	Service provision responsibilities	Expenditure and revenue responsibilities	Production and delivery responsibilities
Central government	Water quality standards, agreements with other nations on water rights, social and economic development standards	Credit-worthiness rating, bond bank, grants/loans to regions and local authorities, rules for debt limits, procurement, audits, and financial reporting	Project co-ordination and technical assistance. Overview to ensure plan meets national economic development and regional equity requirements
Regional government	Regional standards and needs, regional plans	Regional taxes and charges to cover costs of debt amortization, and operation and maintenance	Operation of regional pipelines, pumps, treatment plants to benefit from regional planning and economies of scale
Local government	Regional standards and needs, regional plans	Collect local taxes and charges, and serve as "agent" for other layers of governments	Billing, maintenance, connections, and planning

Balancing the Books

- *The cost of locally produced services should usually be met by locally-collected taxes and user charges. To achieve this, legal authority must be granted to make local government taxing powers enforceable.*

The first test of any public revenue assignment system must be to insure that revenues are sufficient to meet the local share of expenditure assignments. Local officials must determine that the tax base is adequate, tax rates are correctly set, and revenue collection is efficient. These tests are more likely to be robust if local own-source revenues play an important part in local fiscal policy. In order to make local officials more accountable, central governments are encouraged to stress the linkage between local costs and benefits and to commit to an appropriate level of local own-source revenues that will make this link as clear as possible.

Area-wide services, and services mandated by central government, such as payments to redistribute income, should be supported by intergovernmental transfers from central to local level to prevent unfunded mandates. Central government may encourage the production of local public goods and services by using the national tax base to make direct grants to municipalities restricted for the sole purpose of fulfilling directives given at the central level. This is particularly efficient if local discretion is permitted to tailor service delivery to local needs and conditions. As FD matures, restricted grants may be replaced or supplemented with unrestricted “block” grants to allow local areas greater discretion in their application. In such grants, localities are given more discretion on how to spend the money transferred from the central government.

■ *It is particularly important that central government grants to local government be timely and predictable.*

If central government does not follow through on revenue distribution, unexpected revenue gaps render local budgets useless and undermine the credibility of government officials throughout the system. Local officials and their national associations must enforce revenue transfers as a condition of FD.

Central government may need to act unilaterally and/or impose certain limitations to balance local autonomy and national stability. Most central governments reserve the right to limit local authority over spending, tax rates, tax assessments, and tax bases. These limits should not be punitive; indeed central government should consider the impact of macro-economic policies on local authorities and take compensating actions, as appropriate. Compensating action policy requires an understanding of sub-national *fiscal capacity* (tax base) and *fiscal effort* (measured by the effective tax rate: local tax payments divided by personal income).

Capital Finance

Intergovernmental partnerships are important to capital budgeting as well. Central government can partner with local government to encourage investments with benefits that spill over local boundaries, and to assist poorer areas that lack sufficient fiscal capacity. As local officials consider capital outlays, it is important to understand the impact of the outlays upon subsequent operating budgets (e.g., maintenance

expenses) and to determine the capacity to handle these ongoing expenses before making the capital outlay.

While co-ordination of the capital and operating budgets is essential, a separate capital budget should be prepared, regardless of the source of funds used for capital expenditures, and the budget document should show the results of tests of fiscal capacity. The capital budget will usually cover a period of six years on a rolling basis. This is appropriate, given the nature of capital projects and their funding, but it does mean that the budgeting period will usually exceed the length of term of elected local officials. Central governments typically want to retain some control over local debt. If a local jurisdiction becomes over extended and is unable to pay annual debt repayments, meeting these obligations will be the responsibility of central government. For example, in the United States, only two of the 50 states have not imposed debt limits on cities. Restrictions are usually for capital projects and typically include a debt limit expressed as a proportion of tax capacity, which is contained in the state-issued municipal charter. Restrictions may specify the purposes for which debt may be incurred, prescribe procedures for issuing debt, and stipulate types of permitted debt obligations. Thirty-nine states require voter approval for issuance of bonds by local governments.

In addition to setting rules for local government debt, it is helpful to clarify capital expenditure partnerships with other sectors. In some countries interest income paid to bondholders is exempt from taxation by the central government, which makes locally-issued bonds more attractive to investors and helps forge important intergovernmental partnerships.

Credit-worthiness ratings by private international credit rating companies are increasingly important as governments realize the potential to tap into the assets of capital markets and banks world-wide. Ratings companies systematically evaluate the capacity of governments to repay debt with interest and render their assessment of fiscal strength in a risk rating. Lenders rely heavily upon credit-worthiness ratings. These ratings can be a useful evaluative tool for citizens as well as investors.

Bond buyers expect to receive higher earnings (interest payments) on monies loaned to higher risk borrowers. Improved ratings will usually mean lower risk to lenders, which means bonds can be sold at lower borrowing costs. Although local governments strive for better ratings, in some cases they are limited to the overall rating given the central government of a country through a "sovereign" rating cap. This alone should be sufficient incentive for local officials to want to work with central government to insure effective national economic and legal systems. In the event of default, the responsibility for local debt falls upon central government, so the sovereign cap is a means of providing accurate risk assessment to borrowers no matter how well managed the local government or how viable the projects. It also prevents local governments from acquiring credit-worthiness ratings that allow them to compete with the central government for borrowed credit.

Implementing Fiscal Decentralization

Effective FD strategy emphasizes public administration processes and rules more than personalities. Rules assign service provision, production and expenditure responsibilities, and allocate revenues between levels of government. Rules govern budgeting and reporting, cash management, procurement, audit, and debt. Donor organizations, bond rating companies, and those who invest in public sector projects expect these rules to be enforceable and predictable, defined in law, capable of revision as needed, and binding upon all levels of government. Predictability is a prerequisite of FD. Properly and equitably administered, these assignments and rules can yield a more efficient public sector that attracts private financial resources.

Experience confirms the importance of partnerships with “supporting organizations” in achieving sustainable decentralization. Two such organizations are national associations of local authorities and universities. The World Bank argues that national associations can act as a “counterbalance” to the authority of central government, thereby contributing to the success of decentralization. National associations conduct research and articulate policies. IULA, whose members are national associations, is working to strengthen their capacity to carry out these roles. Universities can also play an important role by enriching public understanding of local democracy. Roles include educational outreach programmes that extend universities beyond the traditional classroom, educating students in public administration and providing training for practitioners, and applied research in financial management to enable and sustain the FD process.

CASE STUDY

SAN DIEGO, CALIFORNIA USA AND TIJUANA, MEXICO **Co-operation and Democracy on the US-Mexican Border** Carlos E. Juárez

The San Diego-Tijuana border region is a contiguous, interdependent urban region bisected by an international frontier. It offers a valuable case study of unprecedented partnership between two municipalities, and highlights some of the challenges facing border regions at different levels of political and economic development. Since at least the mid-1980s, greater cross-border co-operation has also helped to foster greater local democracy on the Mexican side, with Tijuana emerging as a leading city in Mexico's rebirth of democracy, with vigorous political competition, a vibrant civil society, and a well-organized private sector.

Geographical Context

The San Diego-Tijuana region consists of the County of San Diego in the south-west corner of the US state of California, and the Municipality of Tijuana, capital city of the Mexican state of Baja California. The two cities are located across from each other on the extreme western end of the international boundary between Mexico and the United States. The approximately four million people of the San Diego-Tijuana region are highly urbanized and concentrated near the coast in the valleys, terraces, and low hills inland from the coastal range of mountains. Most of the region's population is located within 15 miles of the ocean and 20 miles on either side of the international boundary.

As the population and economy of the region has grown substantially, the US and Mexican portions of the transborder region have become more inextricably linked. Economic interaction, cultural ties, and shared transborder environmental, transportation, and other urban management problems and opportunities have increased significantly over the past decades. On one side of the nearly 2,000-mile-long border lies the United States of America, one of the most highly industrialized, technologically advanced countries in the world. To the other side lies Mexico, a developing country in transition. It is unlikely that there are two more distinctly different countries anywhere sharing a border; the political and social systems of the two countries are radically different. Those differences present a serious challenge for co-operation and management of several major global issues. But they also present an invaluable opportunity for fostering greater local democracy on the Mexican side as public officials and private citizens from both cities deepen their level of interaction.

Historical Background

Some historical background is crucial to understanding the border region's complex interdependence. The international boundary line between USA and Mexico was

established in the mid-nineteenth century, a time when the seeds of many of today's border issues and problems were sown. The Prohibition Era in the US, beginning in 1919, brought enormous changes to Tijuana as gambling, horse racing, tourism, entertainment, and the availability of alcohol fuelled its economy. Dependent upon San Diego and Southern California, Tijuana in the 1920s experienced rapid urban and economic growth. Significant amounts of capital, mainly from the US, built cabarets, bars, hippodromes, casinos, and hotels; industries such as beer and wine production grew. Many of the businesses created in Tijuana during this golden age of tourism (1919-1929) were staffed mainly by Americans and the economic ties to San Diego and Southern California were firmly established; they have persisted until today.

By the 1940s, the economic links were strengthened by severe labour shortages in the US during World War Two. One response to the labour issue was the establishment by the two governments of the *Bracero* Programme that allowed for short-term contract work by Mexicans in the United States. This programme, which continued in one form or another until 1964, had significant impact on San Diego and Tijuana. It provided the labour that San Diego needed, not only during the war, but also for the great period of urban growth in the post-war years.

Tijuana's economy is relatively isolated from the national economy of Mexico and has developed largely through its connections with the US economy. The best example is the *maquiladora* industry (border industries, mostly manufacturing, that take advantage of low labour costs and less strict regulatory environments) established in Tijuana and other Mexican border cities beginning in 1964 to create jobs for former *braceros* who lost their jobs as a result of the termination of the *Bracero* Programme. The economy of Tijuana and Baja California has been stimulated by the rapid expansion of the *maquiladora* industry, and since the inauguration of the North American Free Trade Agreement (NAFTA) in 1994, the economic linkages between San Diego and Tijuana have grown and intensified. The region is now a powerful symbol of globalization: in recent years, it has been growing at an annual rate of seven per cent, and Mexico ranks second to China as a destination for developing-world investment.

From an economic perspective, San Diego and Tijuana are:

- asymmetrical in terms of size and influence on each others' economy;
- complementary in terms of goods and services produced and the techniques used to produce them; and
- increasingly integrated in terms of exports/imports, transborder shopping, and patterns of commuter workers.

Transborder Economic Linkages and Issues

The extraordinarily high demographic and urban growth of San Diego and Tijuana since 1940 has physically brought the cities together to share the same contiguously-settled urban space in a large metropolitan region divided by a porous international boundary. Physical proximity has brought a host of issues such as renegade sewage

flows from Tijuana to San Diego, movement of disease, transborder air pollution, and transborder traffic and transportation problems that have made it difficult to ignore the international context of these issues.

The economies of San Diego and Tijuana, their transborder linkages, and their ties with their respective national economies and the world economy are not well understood. On the US side, methods of gathering basic economic data often do not easily permit separating out city of San Diego-specific information. On the Mexican side, data collection is much poorer. In terms of understanding the linkages across the border, many of the flows are not measured in any meaningful way and often data collected on one side of the border are not comparable with data from the other city. Despite these difficulties, a picture of the transborder regional economy has emerged through a number of studies so that a description of the region and its components is possible with some degree of confidence.

Social and cultural factors, in some ways, have lagged behind other factors in creating cross-border linkages between San Diego and Tijuana. For much of its history, San Diego was not a border town in the sense of being an international city. The population of Mexican origin in San Diego was small – only 14.9 per cent in 1980 – so there was minimal transborder family and cultural interaction. In some ways, Los Angeles, with its very large Hispanic population and direct social and cultural ties to Mexico, was more of a border town than San Diego. By 1990, however, San Diego's population had changed considerably. Strong demographic and urban growth in the southern part of the county and a rapidly growing Hispanic population had increased the city's social- and cultural-level connections across the border. In 1990, over 20 per cent of the city's population was Hispanic and with more economic ties to Tijuana and Mexico, more San Diego residents came to have an international focus.

As the percentage of San Diego's Mexican population has increased, family and cultural ties have also increased between the two cities. It has been a two-way flow. Expanded business opportunities in the 1980s for San Diegans in Tijuana that were related to the growing *maquiladora* industry and new investment possibilities brought by NAFTA, led to more San Diegans crossing to Tijuana to live and work. Tijuana's population, by contrast, is relatively homogeneous. Currently, there are about 35,000 workers who reside in Tijuana and commute on a regular basis to work in San Diego legally, with most of these individuals concentrated in low paid, service sector jobs. By contrast, many of the American and other foreign managers who work in Tijuana tend to reside on the US side of the border. The result is a steady flow of daily commuters back and forth to their respective jobs.

Despite the differences between the Tijuana and San Diego portions of the metropolitan region, there are similarities in the development of the twin cities over the past several decades. Most striking is that both cities experienced high rates of economic growth and rapid urban expansion. This was driven largely by the generation of jobs on both sides of the border and the subsequent immigration in response to economic opportunity. An area of considerable controversy in the region relates to the ongoing

debate about the costs associated with San Diego providing a series of social and governmental services to people from Tijuana and *vice versa*, about the benefits brought to San Diego by documented and illegal workers from Tijuana, and about the contributions to tax revenues that people from Tijuana make to San Diego and from San Diego to Tijuana.

Another area of tension and controversy relates to drug trafficking, an issue that accelerated in the 1980s and 1990s, as Mexican drug cartels, including one based in Tijuana, emerged as powerful actors in Mexican politics. The trafficking of illicit drugs from Tijuana into San Diego is a large enterprise that produces significant profits. It has also led to growing insecurity in the region as the violence associated with the drug economy led to the assassination of many public officials on the Mexican side.

Education

A strong area of interaction and linkage has been education. Higher education in the San Diego-Tijuana area has played an important regional role, not only in terms of the formation of human capital for the transborder metropolis, but also in the analysis of regional issues. The products of this research eventually trickle down to broader society and to decision-makers in the public and private sectors. Academic and public/private partnerships are increasingly becoming crucial to meeting the challenges of regional issues and to taking advantage of bi-national opportunities.

In the 1970s, at San Diego State University (SDSU), several units were established to enhance the university's ability to work on important regional issues and to understand and facilitate interactions with Mexican border institutions. In 1983, the Institute for Regional Studies of the Californias was organized at SDSU to continue this effort. Since the early 1980s, ties between SDSU and Mexican border institutions have grown considerably. By 1996, SDSU and Mexican universities implemented a transborder co-operative undergraduate degree programme and had additional undergraduate and graduate transborder programmes on the drawing board. Additionally, an ongoing series of seminars at SDSU, "Californias in Transition", has been bringing together researchers and practitioners from both sides of the border since 1992. The establishment of *El Colegio de la Frontera Norte* (COLEF, the College of the Northern Border) in Tijuana in the early 1980s and the emergence of the *Universidad Autónoma de Baja California* (UABC, National Autonomous University of Baja California) as major centres of research on regional and transborder issues created a critical mass of Mexican scholars for interaction with counterparts across the border in San Diego and elsewhere.

As the *maquiladora* industry and NAFTA emerged as significant national and international issues, the University of California-San Diego (UCSD) began to devote more systematic attention to aspects of the border reality. UCSD's Center for US-Mexican Studies has taken the lead in this area, but also important have been the Institute of the Americas, the Graduate School of International Relations and Pacific Rim Studies and variety of other departments at UCSD.

The universities of the San Diego-Tijuana region play a significant role in the formation of human capital in the transborder zone. As the programmes of study have evolved to reflect the policy concerns of the bi-national region, generations of future leaders have graduated with new skills and tools with which to meet the challenges and take advantage of opportunities presented in the new global world at the transborder regional level.

Environmental Issues

A number of transborder environmental issues are of concern in the San Diego-Tijuana region. Some of these problems are the result of rapid population growth and urbanization in the region without accompanying adequate physical infrastructure. At the same time, some of the problems are related to inadequate regulation, enforcement, and compliance. The problems of water supply and water quality are also critical issues affecting both cities. Tijuana not only faces severe problems with water supply but with the declining quality of water. In the San Diego-Tijuana border region, not only is there a shortage of water sources, but existing surface streams and aquifers are threatened by raw sewage dumping, agricultural run-off, and industrial and hazardous waste pollution. Provisions of NAFTA have opened up mechanisms for greater co-operation and funding of environmental issues, although important differences in political and administrative structures continue to hamper an effective long-term solution.

Political and Administrative Features

Two very different political systems meet at the border, which makes co-operation on mutual problems much more complicated. Mexico is highly centralized. Political power flows from the presidency, as do economic resources. Local governments are relatively weak in Mexico. Traditionally, Mexican municipalities have had no secure and adequate source of funding so they have relied on transfer payments from state and federal governments. There is no civil service in Mexico, so with each new municipal president, governor, or president, there is massive turnover in administrative staff. This makes continuity in programmes difficult and works against continuity in transboundary co-operation. This is particularly a problem in the case of Tijuana where new municipal administrations take office every three years.

There are few direct governmental and administrative direct counterparts across the border. Areas that are local responsibilities on the US side are often state or federal responsibilities in Baja California. California (US) local governments are able to raise financing for infrastructure through issuing bonds and taxing mechanisms, but these options are extremely limited in Baja California and Mexico.

The juxtaposition at the border of the highly-centralized Mexican political system with the decentralized federal US political system has broad implications for the daily lives of border residents. The differences in the two political systems historically have hindered bilateral co-operation on transborder issues of importance to border residents. While the foreign relations departments (the US Department of State and the

Mexican *Secretaría de Relaciones Exteriores* [SRE]) are technically in charge of developing and implementing foreign policy, the Mexican SRE is much more successful than its US counterpart in controlling, supervising, and limiting transborder contacts and relations between Mexican government agencies at the state, local, and federal levels, and their counterparts in the US.

Due to the federal system of the US, many different government agencies make decisions with foreign implications. Agencies from the US border states and from the city and county local governments likewise initiate policies that have importance for Mexico and its border region. While the US State Department tries to monitor these actions, it does not attempt to enforce absolute control. However, in Mexico policy tends to emanate mainly from, and is more tightly controlled by, the Foreign Relations ministry.

These important differences in political and administrative structures clearly make local transborder co-operation more difficult. Direct administrative counterparts often do not exist in the twin cities. Usually, local government agencies in San Diego are able to initiate projects independently and develop financing. Whereas Tijuana agencies are constrained not only by restricted mandates for independent action, but have extremely limited financial and technical resources and trained human capital. The great disparity in resources available to local governments on opposite sides of the border is not adequately appreciated in discussions of transborder co-operation. The significant financial asymmetry of public finances makes it clear why Tijuana has so much difficulty in meeting the basic urban service needs of its rapidly growing population, and why it is often difficult for the municipality to participate in activities with counterparts in the US.

Another difference in the political and public administration systems across the border is the nature of public service and office holding. In San Diego, the majority of local, state, and federal government employees fall under various sorts of civil service systems. This assures that the professional staff most responsible for the day-to-day running of agencies will remain in place even when there is a change in the elected officials. In Tijuana, the situation is quite different. There, with the change of administrations, whether federal, state, or local, government employees at all levels are replaced by new political appointments. Hence, continuity and institutional memory are much more fragmented in public administration on the Mexican side of the border. An additional element is that in Mexico, upward career movement often means jumping from agency to agency through a series of political appointments. While this produces individuals with significant experience in many areas of government, it tends to work against the most capable people staying in one agency to provide leadership and continuing expertise. Bureaucrats in the US tend to advance careers through promotion within the same agency, continually upgrading their knowledge and skills in that one particular area. All of these factors constitute bottlenecks for effective bi-national governmental co-operation.

Future Challenges and Opportunities

With respect to transborder collaboration and planning, there are many perspectives on the kind of relationship the two cities should aspire to develop. One is that San Diego and Tijuana are on independent development paths and therefore should collaborate only to the extent necessary to keep out of each other's way and facilitate – through the provision of infrastructure – normal interaction between the neighbouring cities. This is the peaceful co-existence option. Another view holds that the two cities must develop a close partnership by forging a joint vision of the future of the region with a plan and appropriate transborder institutions for achieving it. This vision must not be clouded by wishful thinking and inaccurate information about the region, nor by narrow and elitist agendas. Rather, it must be based on solid and reliable data, a realistic recognition of the significant differences and asymmetries from one side of the border to the other, and participation of all sectors of the transborder region in the processes of self-definition and planning. This will provide the basis for this process to move forward effectively into the future.

Irrespective of one's view regarding a transborder policy, it is clear that close, ongoing collaboration is essential to managing the many spillover environmental and health problems as well as to developing the infrastructure needed to facilitate the region's increasing integration. The only question at this crucial juncture in the region's history is what kinds of transborder institutions can be both effective and politically acceptable. The increasing self-identification of San Diego-Tijuana as a linked bi-national region along with growing economic integration, social and familial transborder linkages, and co-operation and collaboration in higher education, local government, environmental protection, public health, infrastructure planning, and other areas, suggests that the region is now prepared to move forward with the development of more rational mechanisms for co-ordination and management of the region.

The growing interdependence of the region in recent years has led to a wide array of consultative mechanisms, some formal and others more informal in nature. The two neighbouring cities could help facilitate public management of the region by establishing a transborder management authority to begin the slow and complex process of better managing and planning the bi-national region into the twenty-first century. Initially, the effort needs to be directed towards narrow, specific aspects of transborder management; regional transportation planning is a good example. Once successful working partnerships have developed and a record of positive achievements has been established, then the efforts should be expanded to encompass more complex tasks such as regional economic development planning, or transborder ecosystem management.

Lessons for Local Democracy

The cross-border co-operation between the municipalities of San Diego and Tijuana has helped to create an unprecedented partnership to help address many common

issues. What is equally important, though somewhat more difficult to gauge, is the impact this relationship has had on democratic development on the Mexican side. While San Diego is clearly a developed "local democracy", and part of one of the more institutionalized states in the US, Tijuana remains a city with a more limited degree of democracy, though one clearly in transition. Indeed, since the mid- to late-1980s, the city has emerged as an important stronghold for the centre-right National Action Party (PAN, *Partido Accion Nacional*), which now controls the national government since the historic July 2000 election of President Vicente Fox, which marked the first change in power in modern Mexican history.

It could well be argued that the close links between the two neighbour cities, particularly through various consultative mechanisms, has helped to foster a more independent streak in public officials in Tijuana. Close links between the two municipalities help to develop a more open process of decision-making, and can lead to a certain degree of learning on the part of Mexican authorities. This suggests that local democracy is something that can indeed be affected by international forces, especially in an era of increasing globalization.

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