

# ASSESSING THE MERITS OF DECENTRALIZATION AS A CONFLICT MITIGATION STRATEGY<sup>1</sup>

By

Joseph Siegle and Patrick O'Mahony<sup>2</sup>

## Abstract

Decentralization has emerged as a highly popular strategy for improving public sector efficiency, responsiveness, and accountability in the developing world. The increased opportunities for citizen participation and ownership under decentralized systems are also claimed to contribute to social and political stability. Skeptics contend, however, that by accentuating ethnic, political, and geographic divisions in often highly fragmented societies with weak state structures, decentralization raises the risk of civil and ethnic conflict. Given that 80 percent of democratizing countries (the locus of most decentralization) are in low-income countries and that poor countries are manifold times more susceptible to internal conflict than middle-income countries, the policy implications of these contending views are far-reaching. This paper reviews the theory and empirics of the intersection between decentralization and internal conflict. It assesses the aggregate relationship between various facets of decentralization and ethnic and civil conflict since 1995 using cross-national analysis focused on low-income countries. Finally, it presents case studies from Colombia, Ghana, the Philippines, and Uganda to illustrate the complex internal dynamics that influence the decentralization and conflict stabilization relationship. This study finds that decentralization has highly differentiated effects on ethnic conflict. Decentralization initiatives that support increased levels of local government expenditures, employment, and elected leaders have been less likely to succumb to ethnic conflict. Conversely, countries with higher levels of local government taxes or designated structures of regional autonomy have been more susceptible to ethnic conflict. Contexts with previous ethnic conflict, weak central government control over the security sector, and disproportionate access to natural resource revenues are particularly vulnerable.

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<sup>2</sup> Senior Advisor for Democratic Governance and Senior Development Specialist for Decentralization, respectively, Development Alternatives, Inc.

## I. INTRODUCTION

We live in a golden era of decentralization. Support for shifting power to local tiers of government has never been higher. This perspective is grounded in the belief that doing so will increase government responsiveness and accountability to citizens, increase government flexibility to address the diverse needs of often highly heterogeneous populations, reduce corruption through enhanced oversight, and foster the dispersal of power from what have often been highly monopolized political structures, among other attributes. In the process, it is argued, decentralization will augment greater political legitimacy while strengthening a sense of citizen ownership of their government.

Greater popular participation and a belief that citizen actions can help shape the nature and priorities of government are also commonly felt to foster greater social and political stability. If citizens believe government is concerned and responsive to their needs – and citizens have recourse when grievances have occurred – then there is little cause for armed struggle. Similarly, if decentralization fosters more space to exercise local customs and religious beliefs without fear of persecution, the risk of inter-group strife in ethnically diverse societies can be minimized. After all, the vast majority of a citizen's daily interactions with government are at the local level. If local government can be representative of and sensitive to the needs of citizens, would-be tensions can be proactively redressed.

Skeptics contend, on the other hand, that decentralization increases the risks of ethnic and civil strife. Loosening central control triggers an inevitable sequence of ever greater demands for autonomy, ratcheting up the centrifugal pressures on the state. Rather than building a stronger sense of ownership and affinity with the state, decentralized authority accentuates differences between regions, fosters citizen identification with ethnic or geographic groups rather than the state, and emboldens demands for particularized services by minority groups. By weakening incentives to consider national interests, decentralization encourages local politicians to stake out hard-line positions in defense of regional priorities, deepening political polarization.

The heightened attention on decentralization is an outgrowth of the ongoing global democratization movement. Over the past two decades, more than 100 countries have taken meaningful steps toward democracy – 80 percent of which are in the developing world. This has resulted in a sea-change of global governance norms. In the late 1980s, two-thirds of the world's states were “not free” according to Freedom House's annual tabulation. Today, that ratio is reversed. This has dramatically expanded the opportunities to pursue decentralization. It also places a large segment of the decentralization debate in the context of countries undergoing macro-level political and economic transitions.

The policy implications stemming from understanding the relationship between decentralization and intrastate conflict are far-reaching. How much of a risk does decentralization pose? If considerable, should decentralization be a prominent feature of democracy promotion efforts? If limited, under which contexts is decentralization most destabilizing? Are there instances where decentralization should not be pursued? Given that intrastate conflict has direct negative economic consequences for its neighbors and spills across borders a third of the time, there are regional security implications involved in these issues, as well. Moreover, since industrialized

democracies are often the sponsors of decentralization efforts, are faced with the dilemma of intervening in intrastate conflicts that have spun out of control, and are threatened by the emergence of new failed states, advanced democracies also have a compelling rationale to understand the risk potential of decentralization.

Despite the large stakes involved, for a variety of reasons, definitive answers to these questions remain elusive. Accordingly, the debate over the destabilization risks of decentralization continues to be largely driven by anecdotes. Through a review of existing research, fresh cross-sectional analysis, and several case studies, this paper attempts to sift through what is currently known about this relationship to help provide policymakers and practitioners with some empirically-grounded guidance when responding to these questions.

## II. FRAMING THE ISSUES

### A. Types and Dimensions of Decentralization

The decentralization literature has identified three major types of power sharing arrangements with subnational governments – devolution, deconcentration, and delegation.<sup>3</sup>

**Devolution** is the creation or increased reliance upon sub-national levels of elected government, with some degree of political autonomy, that are substantially outside direct central government control, yet subject to general policies and laws, such as those regarding civil rights and rule of law (USAID, 2000).<sup>4</sup> This is generally considered the most expansive form of decentralization, entailing a considerable shift toward political and operational control by locally elected officials. In a devolved system, local governments have clear and legally recognized geographic boundaries over which they exercise authority and within which they perform public functions (Rondinelli, 1998).

**Deconcentration** is the transfer of power to an administrative unit of the central government at the field or regional office level. Local officials are typically not elected but appointed. This is often considered to be a limited form of decentralization since the national government retains control over resources and priorities. Since independent local governments do not exist in many countries, deconcentration is often the form of decentralization that takes place (Litvack et. al, 1998). It is also the mechanism pursued by central governments focused on enhancing state penetration rather than local autonomy and citizen participation.

**Delegation** is the transfer of managerial responsibility for a specifically defined function outside the usual central government structure. Depending on how implemented, this type of decentralization could represent widely different aims. It could be a means of building the

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<sup>3</sup> Useful summary references of the meaning and background of the various facets of decentralization include: Blair, Harry. 1998. “Spreading Power to the Periphery: A USAID Assessment of Democratic Local Governance” for USAID’s Center for Development Information and Evaluation; and Ellison, Kenneth. 2004. “An Overview of Decentralization: Causes, Trends, and Challenges,” for USAID’s Center for Democracy and Governance.

<sup>4</sup> All definitions in this section are derived from USAID’s “Decentralization and Democratic Local Governance Handbook.”

capacity of local government officials in preparation for a subsequent move toward devolution. In this sense, it would be a starting point for decentralization. Alternatively, it could simply be a means by which central authorities maintain the status quo, while claiming a commitment to shared governance with subnational tiers (Ellison 2004).

Decentralization typically proceeds along three main dimensions of national-subnational power sharing:

**Political** decentralization involves the transfer of political authority to the local level through the establishment of elected local government, electoral reform, political party reform, authorization of participatory processes, and other reforms.

**Financial or fiscal** decentralization refers to the transfer of financial authority to the local level. It involves reducing conditions on the inter-governmental transfer of resources and giving local jurisdictions greater authority to generate their own revenue. As with most aspects of public sector administration, the allocation of resources is a revealing barometer of an initiative's priority.

**Administrative** decentralization entails the full or partial transfer of functional responsibilities to the local level (e.g. health care services, operation of schools, building and maintenance of roads, and garbage collection).

The wide range of possible combinations of types and dimensions of decentralization (rarely implemented in pure form) adds further complexity to assessing the potential impact of centralization and decentralization on internal conflict. Yet, the debate is still largely carried out in a dichotomous – decentralization vs. centralization tone. A survey of the decentralization experience in Africa is illustrative of the potential for misinterpretation (Ndegwa 2002). While nearly all African countries claim to have pursued decentralization since the democratization wave swept the continent in the early 1990s, objective assessments reveal only a third exhibit functioning decentralized structures. There was also a pattern of administrative decentralization without political decentralization, reflecting the preferred form of decentralization in nondemocratic countries. Perhaps most revealingly, local governments control less than five percent of national public expenditure in two-thirds of African countries. All African countries, except South Africa, posted shares of local expenditures below the average for developing countries – 14 percent.

The more practical emphasis would be to examine the appropriate balance between layers of government. Rodden (2003) discusses an emerging view of decentralization as “an organic, intertwined transfer of political, fiscal, and policy autonomy.” He calls for more nuanced analysis based on the complexity and diversity of several alternative forms of federalism and decentralization. Fiscal and policy decentralization often do not entail a shift in some fixed amount of authority or money from the center to regional or local governments but adding new layers, resources, or responsibilities to existing lower-tier governments in the context of overlapping spheres of authority.

A theme that emerges from these considerations is that decentralization is a collaborative process. Effective decentralization is dependent on the cooperation of and coordination with the central government. Central government officials must be willing and committed to share some of their authority and resources if decentralization is to be effective. Local government leaders, in turn, must be capable of managing additional authority while accepting central government oversight.

## **B. Decentralization and Internal Conflict in the Post Cold War Era**

### **Recent Trends in Intrastate Conflict**

Intrastate conflict accounts for nearly all episodes of armed conflict observed in the 21<sup>st</sup> century (Afghanistan and Iraq being stark exceptions). This continues a pattern seen since the 1980s – and accelerated with the end of the Cold War. Moreover, contrary to popular perception, the frequency and intensity of armed intrastate conflict has in fact declined by 60 percent since the early 1990s (Marshall and Gurr 2005). Thirty-six countries were faced with major armed conflict in 1991. By 2005, there were 16.<sup>5</sup> Rather than ushering in an era of instability and ethnic violence that many predicted, the end of the superpower rivalry has given way to a period of comparative historic calm (Marshall 2002). The powerful effect that the Cold War had on fomenting and sustaining internal conflicts in the developing world raises an important intertemporal cautionary flag to analysis attempting to identify causal factors to contemporary civil and ethnic conflict. Cross-national analysis drawing heavily on the pre-1990 time period is subject to misinterpretation – and misapplication in the 21<sup>st</sup> century context.

Another powerful factor on internal conflict is income level. Poor countries have been more prone to intrastate conflict in the post-Cold War period than relatively better off countries. Specifically, countries with per capita incomes below \$2,000 have been eight times as likely to engage in intrastate conflict in the post-Cold War period as countries with per capita incomes above \$4,000. Understanding how decentralization may affect conflict, therefore, must take place within a developing country framework. While the close link between poverty and conflict is well-accepted, the reasons for this are less clear. The legacy of the Cold War and the spate of long conflicts in the developing world this generated, the tendency for these conflicts to persist once started, competition for limited resources, weak institutions of power sharing and peace building, a history of autocratic political structures and use of repression, the relative ease with which small bands of rebels can destabilize weak states, and contagion from conflict in neighboring countries, among other possible explanations, all contribute to this outcome.

The fact that the dramatic decline in armed conflict occurred concurrently to the period of unprecedented democratic expansion is highly relevant to the questions that are the focus of this paper. The logic underlying the democratic peace – the phenomena that democracies rarely fight each other – appears to have more bearing on internal conflicts than previously assumed. Established democracies are several times less likely to give rise to violent civil conflict than are nondemocratic systems (Gurr 2000; Oneal and Russett 2001; Hegre et. al. 2001). The declining frequency of conflict raises additional inter-temporal variations in the dynamics of intrastate conflict to conclusion. This is supported by research showing that the risk of conflict in low-

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<sup>5</sup> As tabulated from data compiled by the Center for Systemic Peace.

income democratizers is declining more rapidly in the post-1990 period relative to low-income autocracies (Halperin et. al 2004). Other work finds a growing resilience among regimes in transition to democracy since the end of the Cold War than has been observed in previous eras (Marshall and Gurr 2005). The life expectancy of autocracies, in contrast, has been declining and is shorter than democracies (Przeworski et. al 2000; Hegre et. al. 2001). While fledgling democratic systems are more vulnerable to conflict than established democracies, the upsurge in the number of democratizers of the past two decades has not altered the steady downward trend in global conflict.

Whether this trend can be sustained remains to be seen. Counter-forces to these positive trajectories include the legacy of a large number of countries with weak capacity recovering from societal conflicts during the Cold War, the increased access to war materiel and personnel by sub-national actors, the growing resonance of Islamic radicalism in non-Arab societies fanned by funding from ultra conservative Wahhabi dogmatists, the spike in energy prices that is deepening the natural resource curse – the vortex of autocracy, underdevelopment, and instability, and the resurgence of China and Russia on the global stage (Marshall and Gurr 2005; Siegle 2005; Carothers 2006). Internal conflict also tends to be regionally concentrated with more than half of all episodes occurring in Sub-Saharan Africa. The Middle East and North Africa and South Asia are also disproportionately represented. These competing global trends underscore the fluidity of this subject area adding further caution to any analysis.

The remainder of this section reviews the theory and empirics surrounding two broad drivers of internal conflict – ethnic divisions and political polarization. It then turns to insights generated on two specific contexts that have garnered increased attention in the post-Cold War period – post-conflict and natural resource-rich developing countries.

### **Ethnic Divisions**

The conflict-mitigating rationale for decentralization in ethnically diverse societies is that by ensuring minority group representation, it provides political channels through which differences can be reconciled. The prospect for formal power within the national structure, furthermore, represents an incentive for minority group cooperation with the central state. Greater local control over the issues that affect the vast majority of citizen's daily routines, moreover, provides assurances to minority groups that their priority concerns will be considered. In this way, decentralization is seen as a flexible institutional mechanism to accommodate the varied priorities of diverse populations within a single state. The greater levels of minority participation and voice in the public sphere expected under decentralized systems are also seen as a stabilizing force. Similarly, by providing more layers of government, decentralized systems diffuse competition (and fears) away from a single, winner-take-all prize. Supporters of decentralization in ethnically diverse societies tend to view the state, rather than another ethnic group, as the greatest potential security threat to a given group (Rummel 1994; Horowitz 1985; Saideman et. al 2002). Accordingly, devolving state power is a mechanism to reduce this threat. Federal and unitary states differ significantly in how they approach decentralization in ethnically diverse populations. In unitary states, governments tend to use decentralization as a tool for eroding ethnic identity and solidarity. Federal states, in contrast, explicitly recognize the rights of ethnic groups in the belief that accommodation augments stability and unity (Schou and Haug 2005).

The principal concerns over decentralization in ethnically diverse societies are that it encourages ethnic identification, accentuates inter-group differences, and fosters discrimination against local minorities – all increasing the likelihood of ethnic strife. It is also argued that decentralization in ethnically diverse societies with weak central governments encourages inter-ethnic competition and collapsed states (Posen 1993). Moreover, the process of decentralization increases the probability that the dominant ethnic group or political party affiliation at local levels will differ from those at the national level. This potentially antagonistic equation can amplify central-subnational tensions, particularly during elections (Schou and Haug 2005).

Some research does find a positive relationship between degree of ethnic diversity and probability of conflict (Easterly and Levine 1997). However, this linkage is not robust. Subsequent analysis finds a parabolic relationship - countries with highly diverse and homogeneous populations are remarkably stable (Collier and Hoeffler 2000). In the latter, no threat from a competing group is felt; in the former, no one group is large enough to impose its will on the others and the mutual recognition of this reality leads to greater inter-ethnic assimilation. The greatest threat of ethnic conflict comes from societies where there is a dominant group comprising between 45-90 percent of the population. In these cases, minority groups fear they will be permanently excluded from politics and are inherently vulnerable to discrimination. At the same time, they are large enough to assert their priorities and be perceived as a threat to the majority. This is consistent with studies showing that societies with more concentrated minority populations are more susceptible to ethnic conflict (Saideman and Ayres 2001; Gurr 1993).

Empirical comparisons find that minorities in federalist states were significantly less likely to engage in violence and that federal states experience half the number of armed rebellions compared to unitary states (Bermeo 2005). Similarly, Saideman et. al. (2002) find that federalism is associated with more protest – but less rebellion. Federalism is also credited with controlling secessionist demands in the Russian Federation which has 89 potentially problematic autonomous units and over 100 ethnic groups, the exception being the brutal conflict in Chechnya. Nigeria and India are also cited as examples of countries with large numbers of ethnic minorities, where federalism is credited with reducing conflict. No cross-national study has shown that minority representation in government and local policing increases ethnic violence (Sambanis 2002).

Democracies that use proportional representation are found to be particularly effective at reducing ethnic tensions, even in societies with significant minority ethnic group concentrations (Saideman et. al. 2002). A related finding is that ethnic diversity appears to be more problematic in autocratic states. Specifically, economic growth in ethnically diverse societies with autocratic governments is three percentage points lower than the norm. In contrast, ethnic diversity is associated with no adverse effects in democratic states (Collier 2001). This is explained by the fact that autocratic governments have a narrow base of core supporters, which in ethnically diverse societies often breaks down along ethnic lines. Typically, the party in power and military are dominated by one ethnic group, frequently a minority.

Decentralization is more likely to be observed in countries that started out as federations or were the result of merging distinct ethnic and religious groups. It is less likely to be observed in countries that started out with highly centralized political systems or where there were large inflows of migrant populations who become territorially integrated and demand some peripheral autonomy and more resources (Sambanis 2002; Fearon and Laitin 2001). Vital to development and conflict mitigation, comparative studies show that decentralization contributes to enhanced popular participation (Crook and Manor 1998), though the depth of this participation may be limited (Blair 2000).

Brancati concurs that political decentralization is more successful in reducing ethnic conflict and secessionism, provided that regional parties do not dominate the political system. Regional parties are more likely to precipitate ethnic conflict and the drive to secession by mobilizing constituencies on ethnic or geographic grounds. Regional parties may also produce legislation that threatens other groups in a country or block legislation that can alleviate tensions already present in a society (Brancati 2005).

Area specialists tend to come to significantly different conclusions about the stabilization effects of decentralization (Bermeo 2005). Those skeptical of federalism serving a conflict mitigating function base their arguments largely on the Eastern Europe experience where decentralization policies generated conflict and promoted secession or partition and greater intolerance towards minority groups left behind (Roeder 1991; Snyder 2000). Proponents of federalism, on the other hand, tend to cite successful examples from Asia, Africa or Latin America to show how political decentralization reduces ethnic conflict.

In a thoughtful review of the literature, Schou and Haug (2005) conclude that decentralization fulfills a conflict-mitigating role when it (i) broadens popular participation, including minority groups, (ii) brings sub-national groups into a bargaining process with the government, (iii) increases state legitimation through broadened local popular participation, (iv) establishes state outreach and control in remote areas, (v) builds trust between groups that participate in local governance institutions, and (vi) redistributes resources between regions.

Decentralization risks increasing conflict potential when (i) it increases competition between local and national powerholders. This may entail subnational actors using decentralized resources for political mobilization, including the capacity of groups to break away. In response, central governments may attempt to undermine devolved powers to regain authority; (ii) lacking central government oversight, it increases interregional conflict, particularly in the reallocation of resources between regions precipitating demands in resource-rich regions for separation.

A shortcoming of this literature is the limited number of large-N cross-national studies of developing countries (Schou and Haug 2005). This has led to an overreliance on anecdotal findings. The majority of studies claiming that decentralization decreases ethnic conflict and secessionism are based on successful examples of decentralization, while the majority of studies claiming that decentralization increases ethnic conflict and secessionism are based on failed examples of decentralization in East Central Europe (Brancati 2005). We should therefore not be surprised by the highly varied perspectives on the relationship between decentralization and ethnic conflict.

## Political Polarization

Given their limited ability to accommodate diverse interests, ethnic factionalism is a major vulnerability of autocratic systems. Conversely, because they rely on cooperation and compromise, political factionalism – the polarization of distinct political or social groups – is a risk predominantly faced by young democracies (Marshall and Gurr 2005).<sup>6</sup> Decentralization may accentuate this risk because incentives under decentralized structures may reward incompatible or uncompromising political platforms, advancing parochial interests, and creating a contentious atmosphere in which negotiated solutions to policy differences are difficult to achieve (Marshall and Gurr 2005). In other words, subnational political leaders in decentralized systems may find it expedient not to seek compromise with the central government. In a system where local leaders are only accountable to their local constituents, competitive politics will almost necessarily reward taking ever more ‘patriotic’ positions in defense of the region or group. Replicating this dynamic across subnational regions throughout a country, it is easy to envision scenarios where there is little middle ground in which to govern in the national interest.

Decentralization is also considered a vulnerability in transitional political systems because local structures often lack accountability mechanisms, making them particularly prone to local elite capture (Bardhan 2004). Moreover, while most decentralization theory assumes citizen ‘mobility’ – the ability and willingness of individuals to move to better-performing jurisdictions if dissatisfied – this mechanism of accountability generally does not apply in developing and transition countries where many households do not have the resources or employment prospects to move. Local elite capture, in turn, tends to be related to a lack of local democratic practices based on uneven political participation and competition, lack of information available to citizens, lack of central government oversight, and lack of independent media. “In the traditional discussion of decentralization and federalism, the focus is on checks and balances, on how to restrain the central government’s power, whereas in many situations in developing countries the poor and the minorities, oppressed by the local power groups, may be looking to the central state for protection and relief...(Accordingly) “decentralization by itself is unlikely to be a panacea for problems of accountability (Bardhan 2004).

Some scholars link decentralization to greater inequality – a potential source of relative deprivation, grievance, and instability (Linz and Stepan 2002). However, these studies do not specify whether these disparities are a reflection of the greater economic productivity of certain regions (consistent with decentralization theory) or an outcome of privileged positions afforded some groups over others. This also needs to be compared with the systematic inequities between ethnic and political groups that has been a hallmark of centralized autocracies and a prime source of intrastate strife. Similarly, Treisman (2002) finds that states with more tiers of government tend to have higher perceived corruption. Yet, it is unclear how the relatively more visible petty

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<sup>6</sup> Together the two forms of factionalism alone predict 80 percent of the cases of instability in newly independent African countries.

corruption encountered at the local level under decentralized arrangements compares to the often unseen, grand corruption that can occur in centralized structures.

Decentralization is also believed to increase vulnerability to external influences by opening up ready cleavages outside actors can exploit. Of particular risk are contexts in which an ethnic group engaged in sectarian conflict has a strong base of support just across the border. Indeed, secession is more likely if the groups are located close to international borders (Lake and Rothchild 2002). There is also some evidence linking countries with large diasporas (i.e. countries that have had a long history of conflict) with sustained internal conflict due to the additional access to resources this represents (Collier 2000b). Similarly, there are indications that ideologically motivated funding from the ultra-conservative Wahhabi-sect of Islam targeting youth in Muslim cultural centers, youth organizations, schools, madrassas, and mosques has contributed to the increasingly militant views of previously moderate Muslim populations (seen, for example, across the Sahel). Inter-religious tensions and demands for greater autonomy and the supplanting of secular with Sharia law is likewise on the rise in these societies (Berman 2003; Lyman and Morrison 2004).

Proponents counter that decentralization helps mitigate civil conflict by facilitating the dispersal of power from the center to the periphery – compensating for historically highly centralized power structures established under autocratic governments. Decentralization, thus, builds additional checks and balances into a political structure, while attempting to establish a more stable political equilibrium between the center and periphery. Spreading power among a wider array of actors, furthermore, provides them greater incentives to participate and cooperate, helping to reduce grievances, moderate extremist or violent positions and incorporate them into the political process. In this way, decentralization can build a national dialogue, cohesion, and state legitimation. The greater responsiveness and accountability of government that is closer to citizens also facilitates more active participation – an important contributor to stability.

Empirical study of 28 ethno-federal states finds that federalism reduces the threat of secession (the extreme outcome of self-determination) and violent partition *with the notable exception of federal states that contain a “core ethnic region”*, defined as a region with an outright majority of the population or a population that exceeds the second largest group by 20% or more. Seven of 14 such cases ultimately collapsed. Examples include Czechoslovakia 1990-92, the Mali Federation 1960, the USSR 1990-1 and Pakistan 1970-1 (Hale 2004). A broader sample of countries also finds multinational federations to be highly vulnerable with additional failures in Kenya, Uganda, Tanganika, Nigeria, Ethiopia, Indochina, and Burma (Schou and Haug 2005). Important qualifications emerge, however. Ethno-federal states lacking a core ethnic region proved very resistant to secessionism and collapse. Of the 13 cases that were so categorized between WWII and 1999, not a single one collapsed (Hale 2004). Imposed federalist systems also have a poor track record. Every federalist country that split apart or turned toward unitarism in the 20<sup>th</sup> century was imposed by an outside power (Bermeo 2002). The bad track record of multi-national federations, accordingly, owes as much to the fact that (i) they were forced together and were autocratically governed (e.g. USSR and Yugoslavia); (ii) they did not genuinely accommodate national minorities; (iii) they were dominated by certain ethnic groups; and (iv) the extreme ethno-national diversity in the communist federations made them particularly unstable (McGarry and O’Leary 2002; Schou and Haug 2005).

These results dovetail with a growing literature on secession that rejects the notion that separatist demands are inevitable outcomes of autonomy. Rather secession is likely to be pursued only if all of the following conditions occur: (a) groups have a distinct cultural identity; (b) groups are territorially concentrated; (c) there is significant group-level grievance, possibly driven by economic inequality, political discrimination or a threat of cultural annihilation; (d) the economic benefits of membership to the state are not significant for the aggrieved group; (e) cleavages are not cross-cutting and the conflict is concentrated between the government and a single ethnic group; (f) the political benefits of membership for the group's elites are smaller than their expected political gains within a new state; and (g) there are no security benefits to remaining in the state (Sambanis 2002). Secession, meanwhile, is not necessarily a stable outcome, since successful secession (partition) does not reduce the risk of war recurrence (Sambanis 2002).

### **Post-Conflict**

The literature on decentralization in post-conflict environments is limited. A rationale for pursuing decentralization in post-conflict environments is that it represents an opportunity to break away from what are often highly centralized and repressive power structures of a recently displaced regime. Decentralization in post conflict settings is seen as a way to guard against attempts to reassert this monopoly on power. The domestic political logic of decentralization for stronger or more dominant groups in post conflict contexts is that it signals to weaker parties a willingness to compromise and accommodate. This reassurance establishes a basis for transition toward peace. At the same time, a dominant party's offer of decentralization could be interpreted as a sign of weakness and could provide a political platform for local leaders to compete for national political power – or pursue secession. Decentralization in post-conflict contexts is considered even more difficult in that the requisite levels of trust and reciprocity required for this system to work effectively are particularly lacking in post-conflict environments. Similarly, given the typically weak fiscal position of governments in post-conflict contexts, tensions between national and subnational governments are likely to be especially acute.

Decentralization in post-conflict situations is also complicated by the fact that certain regions may be armed. Pursuing decentralization in these contexts is tantamount to ceding the central government's monopoly over the legitimate use of coercion. Since this also increases the risks of secession, it is an option central authorities will likely only pursue as a last resort (Sambanis 2002). On the other hand, minority representation in police forces is a necessary element of negotiated post-civil war settlements as a means to increase confidence and effective monitoring of violations of the peace (Sambanis 2002).

According to Lake and Rothchild (2001), there are highly restricted contexts in which political decentralization after civil war has been successful: multiple groups compete for political influence at the national level, none can dominate the state, each is led by moderates tolerant of the desire for autonomy of the others, and democracy is robust. Perhaps it is unsurprising, therefore, that of the 55 civil wars that have reached a successful settlement since 1945, none had territorial decentralization included as part of the settlement (Lake and Rothchild 2002). The more observable tendency is towards more centralization after civil war, seen for example in Argentina, Nigeria, Pakistan, and Venezuela (Lake and Rothchild 2001).

## Rentier States<sup>7</sup>

There is a growing recognition of the deleterious effects on development resulting from economies that are heavily dependent on exportable natural resources – the aptly named “natural resource curse.” This phenomenon is generally studied in the context of corruption. However, “resource rents” both undermine and perpetuate poor governance. Public scrutiny is generally weaker in countries with high natural resource rents because of lower taxation and a higher probability of patronage politics (Collier and Hoeffler 2005). Once economies are dominated by the logic of extraction, they are even less inclined to invest in the institutions necessary for capitalist development creating a pernicious path dependency for rentier states (Acemoglu 2001; Dauderstadt 2006). Oil, for example, has transformed the institutional structures of many countries – in the Middle East, the Gulf of Guinea, Central Asia, Latin America, and Southeast Asia (Oliveira 2006).

Democracies with relatively stronger political and economic institutions are comparatively immune from the resource curse (Robinson et. al 2002; Mehlum et. al 2005). Sequence matters though. Countries that have developed stable democratic institutions prior to the discovery of the resource wealth are much more likely to realize the developmental benefits of these resources. Even so, natural resource dominated economies tend to undermine weak democratic institutions, particularly electoral competition. Strengthening the checks and balances of democratic systems, notably a free press, are vital for negating these adverse effects (Collier and Hoeffler 2005).

Resource-rich countries are also significantly more conflict prone than others (Berdal and Malone 2000; Sala-i-Martin and Subramanian 2003; Ross 2004). Much depends on the structure of the economy and the type of resource. When resources are geographically concentrated and difficult to exploit (i.e. “point source resources”), it is easier for the central government to control the revenues (often with the help of multinational enterprises that possess the necessary technology). Resource-rich countries with point source resources tend to be more oppressive and not respect human rights (Soysa 2006). The combination of revenues and oppression does tend to make these authoritarian systems durable, however. When resources are scattered and rely on cheap labor for exploitation, the revenues are more difficult to control. If regulated legitimate markets do not emerge, conflicts are very likely to emerge in countries lacking strong political institutions (Dauderstadt 2006). These contexts provide ripe opportunities for local warlords to emerge and finance their operations by controlling these resources (e.g. diamonds in Sierra Leone, coltan in the Democratic Republic of Congo, timber in Cambodia, or drugs in Afghanistan or Colombia) (Rubin 2005).

Disputes over natural resource management at the local level have led to demands for greater community participation through decentralization reforms. Yet, a common thread in cases of decentralization and local natural resource management is the volatility of the process. While in

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<sup>7</sup> Rentier economies are societies in which a large proportion of income is gained from the manipulation of rents – the difference above equilibrium prices resulting from monopolistic control over a good or service – rather than in the form of wages and profits resulting from work and productivity enhancement. Similarly, in rentier states, a large share of government revenue is derived from rents rather than taxes.

theory granting the local community more control over natural resources will facilitate more accountability and equity of the revenues generated, the institutional infrastructure and regulatory environment needed to manage this process is often lacking at the local level. Triggers including disputes over land tenure, boundary issues, and licensing can quickly expand into full-blown conflicts.

Drawing on two case studies from Southeast Asia (Ratanakiri, in Cambodia and Sagada, in the Philippines) Regan Suzuki (2005) argues that decentralization in natural resource-rich local environments is more likely to deepen rather than mitigate tensions and conflict. Decentralization-related conflict is more likely when decentralization reforms are “indeterminate” such as when there are conflicting institutional frameworks, lack of clear roles and responsibilities, and a weak legislative structure. This opens the door to local elite capture which undermines the enforcement of enabling legislation, stymieing the decentralization process and causing it to lose legitimacy. Territorial delineation, furthermore, is vulnerable to exploitation by external economic and political interests.

A study of decentralized forest management in Malinau, Indonesia, similarly, indicates that the changes brought about by decentralization have spurred intra- and inter-group conflict. Decentralization encouraged a boom in small-scale timber harvesting, dramatically increasing the number of actors competing for these resources. The ensuing competition fanned previous tensions and created new sources of conflict (Sudana 2005). The problem has been worsened by local governments issuing as many permits as possible with the goal of generating additional local revenue. Protests, sometimes violent, have become a new phenomenon among local communities. At the same time, reforms have created opportunities for local communities to demand a share in the benefits. The resulting competition for compensation paid by mining and logging companies has triggered jurisdictional boundary disputes between communities as well as within communities. Conflicting claims over land and territories have exacerbated the problem. Uncertain government policy, the lack of appropriate conflict resolution approaches, and low conflict management capacity of both communities and local government have resulted in prolonged and increasingly bitter rivalry between ethnic groups. Of the 94 cases of conflict observed in this area between 1967 and 2002, 69 (73.4%) occurred during the period after decentralization 2000-2002 (Sudana 2005).

### **III. DATA FOR QUANTITATIVE ANALYSIS**

#### **Decentralization Data**

The key constraint to reliable cross-national analysis on decentralization is the shortage of comparable measures across a sufficiently large sample of countries to enable meaningful generalizations. Since most intrastate conflict and contemporary democratization is occurring in low-income countries, coverage for this group of countries is particularly important. Yet, most available data on decentralization focuses on the OECD countries. An exception is a decentralization dataset of 166 countries covering the mid-1990s created by UCLA political science professor, Daniel Treisman (Treisman 2002). Treisman defines and constructs a dozen variables on six facets of decentralization – vertical, decision-making, appointment, electoral,

fiscal, and personnel – from some 130 constitutions and more than 200 publications on the structure of local governments. The most relevant of these variables for this analysis are:

- Number of tiers of government – the number of administrative levels at which a political executive was (1) funded from the public budget, (2) had authority to administer a range of public services, and (3) had territorial jurisdiction.
- Electoral decentralization – the proportion of tiers at which elections are held to pick executives (or the legislatures who then choose an executive).
- Two indicators of decision-making decentralization: (1) “residual authority,” if the constitution assigns to a subnational legislature the exclusive right to legislate on issues that the constitution does not specifically assign to one level of government; (2) or “autonomy,” when a constitution reserves decision-making on a specific set of questions explicitly to the subnational legislature. Owing to its greater specificity, a subnational legislature deemed to have autonomous decision-making authority is considered more empowered than the more ambiguous “residual” authority.
- Two measures of fiscal decentralization: (1) revenue decentralization – the share of total tax revenues that subnational tiers receive; (2) expenditure decentralization – the share of total public expenditures funded from subnational budgets.
- Personnel decentralization – the share of total government personnel employed at subnational tiers.
- Federal – a dichotomous classification of countries identified to have federal systems as determined independently by Elazar (1997) and Saideman et. al. (2002).

Table 1 illustrates the median values of some of these decentralization measures by geographic region. These indicators of decentralization demonstrate considerable variance between regions – reflecting a broad range of experience. Scores for Western Europe, by and large, reflect more decentralized governance structures than other regions, while those for Africa and the Middle East are typically among the least decentralized.<sup>8</sup> This is not merely a function of income level. South Asia and the former Soviet states also score in the top end of many of these measures (the latter no doubt a reflection of their inherited communist governance structures). The correlation between subnational employment and per capita income, for example, is a noteworthy but modest, 0.33. If limited to countries with per capita incomes below \$4,000, the correlation drops to 0.13. Similar patterns are observed for the subnational expenditure and taxes indicators<sup>9</sup> – a generally positive pattern that diminishes at lower income levels. Surprisingly, the relationship actually reverses for subnational expenditures. Within a sample of countries with per capita incomes below \$4,000, the correlation is  $-0.24$ , suggesting that local expenditures typically represent a larger share of total public expenditures among lower-income developing countries<sup>10</sup> than relatively more wealthy countries.

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<sup>8</sup> The relatively high level of subnational employment for the Middle East should be considered in light of overall low levels of subnational expenditures.

<sup>9</sup> Notably, there are fewer data points for the fiscal decentralization measures than the others. Accordingly more caution is required in interpreting any results generated, even though these measures rely on comparatively more objective sources of information.

<sup>10</sup> The pattern holds down to the under \$1,000 per capita income category.

While comparable indicators from other datasets are difficult to find, to give a sense of its reliability, Treisman’s measure of expenditure decentralization obtains a 0.97 correlation with the World Bank’s estimate of subnational share of expenditures for 51 countries over the same time period.

**Table 1. Median Levels of Decentralization Measures by Geographic Region (%)**

Decentralization Measure	# of Obs.	Sub-Saharan Africa	East Asia	South Asia	Latin America	Middle East	Eastern Europe	Former Soviet Union	Western Europe
Subnational share of public employment	90	23.1	41.0	50.0	20.8	35.8	26.4	35.4	48.4
Subnational share of public expenditure	67	4.7	10.8	37.6	9.6	8.4	16.9	27.6	24.1
Subnational share of total taxes	53	4.0	6.5	n/a	6.7	6.3	7.3	24.2	13.4
Autonomous Authority	133	6.9	11.8	20.0	23.5	0.0	8.3	15.4	33.0
Residual Authority	133	3.8	5.9	20.0	22.2	0.0	16.7	7.7	23.8
Federal	164	4.8	5.2	28.6	14.8	5.3	9.1	7.1	23.8
Percent Elected	155	33.3	35.4	33.3	62.5	0.0	83.3	33.3	69.0
# of Tiers	164	4	4	4	3	3.5	3	4	3

The measures of decision-making decentralization also show Western European governments relying more heavily on their subnational layers. A third of subnational legislatures in Western Europe have specific areas of policy responsibility (i.e. “autonomy”). Latin American and South Asia are in a second tier of subnational decision-making authority with between 20-25% of subnational governments having the constitutional right to initiate legislation in certain areas. In contrast, no Middle Eastern states were considered to have granted such discretion to subnational layers as of the mid 1990s. While the federalism indicator was based on different criteria and compiled independently from the Treisman measures of decision-making decentralization, there was a high degree of congruency. The percentage of countries within each region considered to have federal structures generally fell within the range observed by the residual and autonomous authority categorizations. Western Europe and South Asia have a relatively greater share of federal systems, followed by Latin America. There are surprisingly sharp distinctions in correlations among these terms, however. The correlation between autonomous authority and federalism is 0.50 compared to a 0.90 level found between the latter and residual authority. Federal systems that were also categorized as having residual authority for subnational authorities include Australia, Germany, Mexico, Pakistan, Russia, the United States, and Yugoslavia.

Another cross-national measure of decentralization that provides a degree of “ground-truthing” of the Treisman measures is a variable of “centralization of state authority” generated by the Polity III regime type and political authority index (Jagers and Gurr, 1995). Covering 147 countries, Polity’s measure of centralization is based on the degree of geographic concentration of decision-making authority. States are scored as unitary, intermediate, or federal. This definition most closely mirrors Treisman’s measures of local government autonomy or residual authority as well as the independent variable on federalism. Correlations with these “concentration of decision-making authority” indicators were strong – 0.72 with residual authority, 0.74 with federalism, and 0.49 for autonomous authority. Recall that the residual authority and federalism measures were more closely correlated to each other than the indicator autonomous authority. That the Polity centralization measure closely tracks these correlations is consistent with these variables’ emphasis on institutional structures of decentralization. Similarly, Polity’s centralization variable generates correlations of 0.48, 0.42, and 0.22 with subnational expenditures, taxes, and employment respectively – very comparable to correlations found with Treisman’s measures of residual authority and autonomy.

Political decentralization, as reflected in the percentage of subnational tiers with elected representatives, reveals a tri-modal distribution. At the high-end are Eastern Europe, Western Europe, and Latin America with between 62-85% of subnational tiers holding elections. The extent to which Eastern Europe adopted such mechanisms of political decentralization in the early years of its democratic opening is particularly noteworthy. It also bears noting that this is a *de jure* measure that does not distinguish genuinely competitive elections, leaving open the possibility that in some cases it is capturing the pro forma machinations of pseudo-democratizers. Indeed, the correlation between percent of elected subnational executives and level of democracy was only 0.54, suggesting plenty of scope for *de facto* disenfranchisement. Even so, the correlation between percentage of elected tiers and lower rates of infant mortality, commonly viewed as the best overall measure of social well-being, was 0.37 for countries with per capita incomes below \$4,000 – higher than any other measure of decentralization. This is consistent with the argument that leaders selected by and accountable to local populations will pursue policies that improve service delivery of key public goods. The second cluster in the elected tiers distribution comprises Sub-Saharan Africa, East Asia, South Asia, and the former Soviet Union where roughly a third of all subnational tiers hold elections. Finally, no subnational leaders were recorded as elected in the Middle East during the mid 1990s.

Relatively little regional variation is observed in the measure of tiers of government. The median levels all fall between 3-4 layers of public sector hierarchy. Notably, even though Western Europe was consistently towards the top of the other measures of decentralization, it is on the low end of tiers of government, posting a median level of three. Indeed, the indicator for number of governmental tiers was not strongly correlated with any of the other decentralization measures. Countries with the highest number of tiers (6) include Cameroon, Gabon, Ghana, Kenya, Senegal, Taiwan, Tanzania, and Uganda. Interestingly, while there is a modest correlation between numbers of governmental tiers and population size (0.25), as one would expect, this relationship does not hold for countries above the median number of tiers. The correlation between population size and number of tiers among countries with more than four tiers of government was -0.12, suggesting that the rationale for adopting more tiers of government was not primarily based on a calculus of increasing levels of citizen access.

Consistent with this interpretation, the correlation between total number of governmental tiers and level of democracy is -0.31. More tiers of government do not necessarily mean greater representation. Paradoxically, number of governmental tiers was the decentralization measure most strongly linked with *higher* rates of infant mortality.

The measures of fiscal decentralization were closely linked, as would be expected. The correlation between local expenditures and taxes was 0.86 and between subnational expenditures and employment, 0.72. The relationship between subnational taxes and employment was notably weaker, however, 0.54.

There was also a general tendency for political and fiscal decentralization to move together.<sup>11</sup> The correlation between percent of elected subnational tiers and subnational expenditures is 0.32, and 0.35 for subnational employment. The association with subnational taxes was somewhat weaker (corr=0.22). Average subnational expenditures in countries that scored in the top tier of the democracy index were 22% compared to the 15% registered by countries in the lower tier. In short, fiscal decentralization measures show a consistently positive, though not uniform, relationship with democracy. Similarly, the indicator of employment decentralization should not be interpreted as a proxy for greater levels of local democracy. The correlation between democracy and subnational employment among low-income countries is nil. Among countries with per capita incomes above \$4,000, the correlation is 0.44. These results would again seem to point to the importance of decentralization occurring within a genuine democratic framework if the beneficial effects from decentralization are to be realized.

Consistent with decentralization theory, there is also a consistently positive relationship between measures of decision-making decentralization (local government autonomy, residual authority, and federalism) and fiscal decentralization (subnational expenditures, taxes, and employment). These effects were strongest for federal systems or where subnational authorities had residual legislative authority. The correlation between federalism and subnational expenditures was 0.56, for subnational taxes 0.46, and subnational employment 0.31. Countries that were classified as federal had mean levels of subnational expenditure of 36% compared to 17% for nonfederal systems. Importantly, among countries with per capita incomes below \$4,000, this pattern only holds for the expenditure and tax (i.e. not employment) measures.

Positive, though modest, relationships are seen between political decentralization (percent of locally elected tiers) and decision-making decentralization. Correlations fell in the range of 0.16-0.22. It is logical that greater degrees of local authority would be linked to higher percentages of locally elected leaders. However, as these correlations suggest, this is not necessarily the case. Certain political systems like Azerbaijan, the Comoros Islands, Malaysia, Pakistan, Uzbekistan, and the former Yugoslavia may have a degree of subnational autonomy though retain unelected local leaders. This, in turn, urges caution in generalizing any interpretations of either decision-making or political decentralization.

The fact that this dataset only covers one time period (i.e. the mid-1990s) is a major drawback of its applicability. Ideally, we could draw on panel data that would expand the opportunities for

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<sup>11</sup> A finding consistent with Sambanis (2002) using independent data.

longitudinal analysis that would better capture the dynamic and sequential dimensions of the decentralization process. This is particularly true for countries that have undergone substantial regime and governance (including decentralization) reforms since the mid 1990s. (Arguably, these measures would not change dramatically from one year to the next, otherwise, however). Annual or bi-annual data compilation also significantly contributes to data reliability and minimization of missing entries. An advantage of having access to data from the mid-1990s, on the other hand, is that this provides an opportunity for historical analysis not possible with contemporaneous iterations. This is particularly meaningful for this analysis since the early and mid 1990s marked the apex of intrastate conflict. Moreover, to the extent that decentralization influences future conflict potential, the mid-1990s data can be assessed against conflict lags through 2005. In sum, the Treisman decentralization dataset is far from perfect. Nevertheless, this is the most complete cross-national dataset of various aspects of decentralization, including coverage of developing countries, of which we are aware. As such, it provides a useful baseline from which to identify patterns and relationships associated with various types of decentralization – and against which other measures and analysis can be compared.

## Conflict Data

Episodes of conflict are drawn from the *Major Episodes of Political Violence 1946-2005* dataset compiled by the Center for Systemic Peace. This dataset provides annualized information of 316 conflict episodes. Conflicts are delineated as episodes of organized and sustained collective violence resulting in at least 500 battle-related deaths, at a rate in excess of 100 per year. Table 2 lists all civil and ethnic conflicts initiated since 1995 as well as those that were ongoing as of 2005. Civil conflicts are defined as major episodes of armed conflict involving rival political groups. Ethnic conflicts are armed conflicts between ethnic groups or involving a distinct ethnic group and the state. In addition to identifying episodes of armed conflict, this dataset assesses the magnitude of societal impact from the conflict, based on a scale of one (smallest) to ten (greatest). Magnitude scores reflect state capabilities, scope of death and destruction, population displacement, and episode duration. In short, the magnitude measure is an acknowledgement that not all conflicts are equally devastating. What may be a major destabilizing event in Liberia may register as a relatively small episode in China or India.

**Table 2. Ethnic and Civil Conflicts Initiated Post-1995 or Ongoing**

Country	Conflict Type	Years	Conflict Magnitude (0-10)	Polity IV Democracy in 2003 (0-10)	FH Freedom Index in 2003 (2-14)	Federal System (Saideman; Elazar)
Albania	Civil (Pyramid Schemes)	1997	2	7	10	Not Federal
Angola	Civil (Cabinda separatists; FLEC)	1975-2005+	1	1	5	Not Federal
Burma	Ethnic (Karen, Shan, et. al)	1948-2005+	4	0	2	Not Federal
Burundi	Ethnic (Hutus vs. Tutsis)	1993-2005	4	Transitional	6	Not Federal
CAR	Civil (attacks by Bozize loyalists; coup)	2001-03	1	1	4	Not Federal
Colombia	Civil (FMLN; drug lords)	1984-2005+	4	7	8	Not Federal

Congo	Civil War	1997-99	3	0	7	Not Federal
	Civil (Ninja militants in Pool)	2002-03	1	0	7	Not Federal
Cote d'Ivoire	Civil (north, south, and west)	2000-05+	2	0	5	Not Federal
DRC	Civil (ouster of Mobutu and aftermath)	1996-2005+	5	Transitional	4	Not Federal
Ethiopia	Ethnic (Oromo separatists)	1999-2000	1	3	6	Not Federal
Georgia	Ethnic (Abkhazia)	1998	1	5	8	Not Federal
Guinea	Civil (Parrot's Beak clashes)	2000-01	1	1	5	Not Federal
Guinea-Bissau	Civil (coup attempt)	1998-99	2	1	6	Not Federal
Haiti	Civil (Unrest following ouster of Aristide)	2004-2005+	1	1	4	Not Federal
India	Ethnic (Kashmiris)	1990-2005+	3	9	11	Federal
	Civil (Maoist insurgency)	2001-05+	1			Federal
Indonesia	Ethnic Aceh; GAM militants	1997-2005	1	8	9	Not Federal
	Civil (ouster of Soeharto)	1998	2			Not Federal
	Civil (East Timor)	1999	2			Not Federal
	Ethnic (Moluccas; Muslim/Christian)	1999-2002	1			Not Federal
	Ethnic Dayaks/Madurese immigrants	2001	1			Not Federal
Iraq	Ethnic (Kurds)	1996-98	1	0	4	Not Federal
Israel	Ethnic (Arab Palestinians/PLO)	1965-2005+	2	10	12	Not Federal
Lesotho	Civil (May elections)	1998	1	8	11	Not Federal
Liberia	Civil (LURD, ouster of Charles Taylor)	2000-03	1	Transitional	4	Not Federal
Nepal	Civil (UPF "People's War")	1996-2005+	2	1	7	Not Federal
Nigeria	Ethnic (Delta province; Ijaw, Itsekeri, et. al.)	1997-2005+	1	4	8	Federal
	Ethnic (Christian-Muslim; Plateau, Kano)	2001-04	3			Federal
Pakistan	Ethnic (Pashtuns in South Waziristan and NW Frontier)	2004-05+	1	0	5	Federal
	Ethnic (Sunnis, Shiites, Ahmadis)	2001-05+	1			Federal
Philippines	Ethnic (Moros)	1972-2005+	3	8	11	Not Federal
Russia	Ethnic (Chechnya)	1999-2005+	4	7	6	Federal
Rwanda	Ethnic (Hutu guerrillas)	2001	1	0	5	Not Federal
Saudi Arabia	Civil (Islamic	2003-2005+	1	0	2	Not Federal

	militants)					
Solomon Islands	Ethnic (Malaita/ Isatabu islanders)	1998-2003	1	Transitional	10	Not Federal
Somalia	Civil War	1988-2005+	5	0	3	Not Federal
Sudan	Ethnic (Darfur)	2003-2005+	4	0	2	Not Federal
Thailand	Civil (Anti-Drug Trafficking)	2003	1	9	11	Not Federal
	Ethnic (Malay-Muslims in southern region)	2004-05+	1			Not Federal
Turkey	Ethnic (Kurds in southeast)	2004-05+	1	8	9	Not Federal
Uganda	Ethnic (Langi and Acholi)	1986-2005+	2	0	7	Not Federal
Yemen	Civil (followers of al-Huthi in Sadaa)	2004-2005+	1	1	6	Not Federal
Yugoslavia	Ethnic War (Kosovar Albanians)	1998-99	4	6	11	Federal

### Political and Economic Data

Democracy is measured using the Polity IV dataset on regime characteristics. This dataset assigns component and composite scores for democracy and autocracy for every country in the world (with populations above 500,000) from 1800 to the present. The (0-10) democracy score is based on institutional features of a state's political system, notably checks on the chief executive, regularized and competitive mechanisms for the selection of the chief executive, and institutional protections for popular participation in the political process (Jagers and Gurr 1995; Marshall and Jagers 2000).

Freedom House's *Annual Index of Political Freedom* is also used to measure democratic progress – as both a supplement and point of comparison with the Polity IV democracy measure. Freedom House produces annual scores of a country's political rights and civil liberties, based on a systematic assessment process involving 23 different questions. Each measure is assigned a score from 1-7 and the combined total is used in an aggregate categorization of countries into Free, Partly Free, and Not Free groupings. Every country, covering the years from 1972 to the present, is included.

Socioeconomic data is drawn from the World Bank's well-known *World Development Indicators 2005* dataset. This provides annualized data on some 700 economic, social, and institutional measures from 1960 through 2003 for all countries in the world. Corruption is represented on a 0-6 (worst-best) scale by the private firm Political Risk Services' International Country Risk Guide. This variable measures corruption within the political system that distorts the economic and financial environment. It has a 0.87 correlation with Transparency International's Corruption Perceptions Index.

## IV. METHODOLOGY

The literature to date presents many equally compelling – and contradicting – perspectives on the links between decentralization and intrastate conflict. Accordingly, a primary aim of this analysis

is to establish an aggregate benchmark of how these phenomena interact, if at all. Is there a discernible statistical pattern linking decentralization to civil or ethnic conflict (or conflict mitigation)? If so, what dimensions of decentralization are most susceptible or beneficial?

We use three main steps in our methodology to address these questions:

(1) Logit regressions. Our dependent variables are the onset of ethnic or civil conflict, respectively, since 1995 (the base year of our decentralization data). The two types of internal conflict are assessed separately since the theorized impact of decentralization on each differs. Employing a dependent variable (conflict) that is initiated subsequent to the baseline period at which decentralization characteristics are measured, moreover, provides us greater confidence of the potential causal effects of the independent variables. It also reduces possible bias from the endogenous effects of conflict on decentralization or governance and vice versa. Logit regressions allow us to test these dichotomous dependent variables (conflict or no conflict) in cross-sectional analysis. The principal independent variable is decentralization (as operationalized sequentially via the seven different forms of decentralization described above).

Controls for other common explanatory factors to conflict are employed to isolate the distinct effects decentralization may have on ethnic or civil conflict. These include conflict history,<sup>12</sup> per capita income, infant mortality rates, population size,<sup>13</sup> trade, ethnolinguistic differentiation, fuel exports, mineral exports, rates of inflation, and geographic region. Since low-income countries face a considerably higher risk of intrastate conflict than middle or upper-income countries, this analysis limits its focus to countries with per capita incomes below \$4,000.<sup>14</sup>

(2) OLS regressions. A second round of multivariate regressions, using ordinary least squares (OLS), is then employed to assess decentralization's effect on the *magnitude* of ethnic and civil conflict, respectively. Doing so allows us to assess whether decentralization contributes to the severity of a conflict's impact on society. It also introduces a linear dependent variable that serves as a check on any possible anomalies generated from the dichotomous nature of the logit analysis. The dependent variable is the magnitude of post-1995 ethnic and civil conflicts, respectively, five and ten years out (i.e. in 2000 and 2005). The lagged dependent variable provides a clearer measure of decentralization's potential explanatory power on internal conflict. Additional regressions on magnitude of conflict include cases of ongoing internal conflict initiated prior to 1995 (which comprise roughly half of all ongoing conflicts). Doing so provides

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<sup>12</sup> Defined as the existence of ethnic or civil conflict, respectively, in 1990.

<sup>13</sup> Standardized measures (natural logs) of per capita income and population size are used in every estimate as a means of controlling for these effects and limiting the possible over/underweighting of extremely large or small nominal figures. Population size is an important control for both decentralization and conflict. Larger countries are compelled to have more subnational layers (though this does not imply that there is a greater degree of local autonomy or decision-making authority). Similarly, if but by random probability, countries with larger populations are more likely to experience a higher frequency of conflicts. Infant mortality rates are commonly used as a proxy for income as it is known to be a reliable aggregate measure of service delivery and societal well-being. It has also been shown as a significant predictor of state failure (Esty et. al 1999).

<sup>14</sup> In constant US\$, with 2000 as the base year, derived from World Development Indicators 2005.

a means to capture major differences between new and ongoing internal conflicts. While this approach opens up the possibility of endogenous effects, this influence is limited by the five and ten year lags used.

(3) Case studies of Colombia, Ghana, the Philippines, and Uganda are then analyzed to provide some qualitative intra-national insights of how the dynamics of decentralization may have influenced the conflict outcomes experienced in these individual contexts. These countries were selected because they face significant societal fissures that have manifested themselves in a range of conflict outcomes, they are recognized as having undertaken substantial decentralization initiatives, they represent different stages of contemporary democratizers – the regime classification that is more likely to pursue genuine central-local power sharing, they comprise a cross-section of small to mid-size states and economies,<sup>15</sup> and they provide geographic balance with a focus on Africa - the locus of contemporary intra-state conflicts. These case studies examine the respective country's recent political and conflict history with the intent of highlighting the societal fissures that must be overcome. Within this context the country's decentralization experience is reviewed with an emphasis on the motivations, approach (devolution, deconcentration, delegation), timing, leadership commitment, and obstacles encountered. Finally, the ways in which decentralization has mitigated or contributed to conflict is assessed.

## **V. RESULTS**

### **A. Ethnic Conflict**

Results from the statistical analysis indicate that the effects from decentralization on incidences of ethnic conflict initiated since 1995 are highly varied. Certain characteristics of decentralization, namely, higher percentages of elected subnational tiers, expenditures, and employment are significantly linked to lower levels of ethnic conflict. In contrast, formally established federal structures, subnational legislatures with residual governing authority, and higher levels of tax revenue at the subnational level are all significantly associated with greater probabilities of ethnic conflict.

Not surprisingly, context matters greatly. Previous ethnic conflict (i.e. in 1990) and population size were consistently significant in predicting new cases of ethnic conflict post-1995. The observed persistence of ethnic conflict is well-known (Collier 2003). Once a country has fallen into conflict, it is very difficult to climb out of the trap of exacerbating conditions that prolong these tragedies. Notably, degree of ethnic fractionalization was not found to increase the propensity ethnic conflict since 1995. Likewise, a regional control for Sub-Saharan Africa was not significant indicating that factors other than regional distinctiveness explain Africa's higher frequency of ethnic conflict. Finally, level of democracy, while consistently negatively associated with new cases of ethnic conflict, was typically not significant, or only marginally significant, in these estimates. This is, in part, attributed to the exclusion of cases of ongoing ethnic conflict (often autocratically governed) so as to minimize possible endogeneity. Lest this result be misinterpreted, it is commonly recognized that greater levels of political legitimacy are

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<sup>15</sup> Colombia has a per capita income level above \$2,000, the Philippines is just above the \$1,000 mark, and the two African cases are at roughly \$275.

associated with lower levels of armed internal conflict (Esty et. al. 1999; Oneal and Russet 2002; Marshall and Gurr 2005).

We now turn to some of the details underlying these findings. Table 3 (in Appendix) summarizes the results of those decentralization indicators that demonstrate mitigating effects on ethnic conflict.<sup>16</sup> In column (i) the term reflecting percentage of elected leaders at the subnational level is negatively linked to subsequent incidences of ethnic conflict. This is significant at the 90 percent confidence level. While modest, the percentage of elected local tiers is robust – significant across varying configurations. This includes the exclusion of the democracy term, indicating that the decentralization measure is picking up characteristics distinct from democracy. Columns (ii) and (iii) demonstrate similar patterns. Low-income countries with higher levels of subnational expenditures and subnational employment in the mid 1990s were less likely to experience ethnic conflict in the subsequent decade. These results were also significant at the 90 percent level of confidence. The subnational expenditures result is highly trenchant since fiscal decentralization – the shifting of greater shares of funds to the subnational level – is considered by many to be the most difficult and authentic commitment of a national government to decentralization. To recap, decentralization measures that empowered local governments with resources (financial and human) and strengthened the legitimacy of local leaders were linked to lower levels of ethnic conflict.

Meanwhile, the results suggest a higher risk of ethnic conflict among countries with certain types of decentralized systems. Countries that provide subnational legislatures “residual autonomy” to write legislation in all areas not explicitly addressed in the national constitution have been far more prone to ethnic conflict than other low-income countries.<sup>17</sup> Table 4 column (i) shows this relationship is quite strong with a z-score of 2.50 (significant at the 99 percent level) – a result that is robust to various configurations and samples. The residual autonomy pattern is closely paralleled by the equally robust, if somewhat milder relationship seen between formally designated federal structures and ethnic conflict. Column (ii) of table 4 shows that this relationship is significant at the 95 percent confidence level, controlling for the host of other explanatory factors. Notably, when the sample is further limited to the 91 countries with per capita incomes below \$2,000 (not shown), the significance of the federal term grows stronger – equaling the 99 percent levels seen for the residual autonomy variable. The federal political systems of Nigeria, Pakistan, Russia, and Yugoslavia – all of which suffered new incidents of ethnic conflict post-1995 – largely account for this result. This pattern is further corroborated by the result in column (iii) for centralization of state authority generated by Polity III. The more decentralized the geographic concentration of decision-making authority, the greater the likelihood that it was associated with ethnic conflict. Notably, these results remained significant for a full sample of countries (rather than just the lower-income category on which we have focused). In other words, three independent measures assessing the legal autonomy of

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<sup>16</sup> Larger coefficients signify that a unit change in the independent variable, in this case corruption, is associated with a relatively larger impact on the dependent variable (civil conflict). In logit analysis, the coefficients need to be transformed before they can be interpreted, however. Our focus here is on identifying statistically significant and robust relationships.

<sup>17</sup> By contrast, subnational legislatures assigned decision-making “autonomy” on specific issues in the constitution were not statistically linked to higher probabilities of ethnic conflict.

subnational structures all consistently find that such arrangements were more prone to ethnic conflict post-1995 than countries without such structures.

The second stage of our quantitative analysis examines patterns between the various measures of decentralization with *magnitude* of ethnic conflict lagged five and ten years out using ordinary least squares (OLS) regressions. Since this approach emphasizes depth of conflict rather than solely focusing on frequency, it is a potentially useful means to generate new insights and confirm the general tendencies of the relationships observed in the logit analysis. Using a linear dependent variable (magnitude is assessed on a 0-10 scale) also provides a check against any statistical anomalies showing up solely due to the dichotomous nature of the ethnic/civil conflict dependent variables. However, since the lagged observations are limited to a specific year (i.e. was there an ethnic conflict initiated post-1995 ongoing as of 2000 or 2005, respectively), the OLS estimates are based on a smaller sample of experiences than that used in the logit analysis.

The results from the OLS analysis largely corroborate the patterns observed in the logit analysis. Those decentralization variables that were positively associated with ethnic conflict in the logit analysis remain positive under OLS and those that were negatively associated with ethnic conflict previously are so under this arrangement, though the latter (i.e. those associated with mitigative effects on ethnic conflict are not statistically significant in the OLS estimates). In contrast, all of the decentralization terms found to be positively linked to ethnic conflict in the logit analysis, plus subnational taxes, are also significant here.<sup>18</sup>

Level of subnational taxes was consistently positive though not significant in the logit estimates. In the OLS models this term is strongly significant with a t-score of 5.24 (99 percent level of confidence) in the 10 year lagged (i.e. 2005) estimate shown in table 5 column (i). Low-income countries with relatively higher rates of subnational taxes in the mid-1990s were more likely to experience more intense ethnic conflict ten years on. Columns (ii-iv) of table 5 show the significant relationship (at the 95-99 percent level of confidence) of the three proxies of federalism/legal regional autonomy considered earlier. All three were strongly significant at both the 2000 and 2005 intervals, which when coupled with the patterns seen under the logit analysis, represents a very robust relationship. Illustratively, four of the 11 countries that experienced ethnic conflict in 2005 were considered federal systems – Russia, India, Pakistan, and Nigeria – in descending order of magnitude.

The OLS analysis also highlighted the importance of contextual factors. Ethnic conflict in 1990 was a strong predictor of magnitude of post-1995 ethnic conflicts ongoing in 2005. This variable is significant at the 95-99% confidence level for models (i-iii). As with the logit estimates, levels of democracy in 1995 were consistently (though typically not significantly) negatively associated with magnitude of ethnic conflict over the next decade. Meanwhile, low-income countries that scored strongly for their controls on corruption in the mid 1990s were also consistently less

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<sup>18</sup> This was true for the 2000 and 2005 estimates, though only the latter are shown in table 5. Similarly, estimates were run for all ongoing ethnic conflicts in 2000 and 2005 (rather than just those initiated post-1995). The results from these estimates did not reveal any major insights on the differences between new and ongoing conflicts. Rather, by and large, the factors found significant in models of new ethnic conflicts were the same as those found significant for ongoing conflicts.

likely to experience intense ethnic conflict in 2000 and 2005. For models (i) and (iv) this significance attained the 95 percent level of confidence. Unlike democracy and conflict history, corruption is not universally considered in conflict models.<sup>19</sup> Given the strong theory linking corruption to exclusion, inequitable access to economic advancement, suppressed economic performance, and ethnic or regional grievance, this relationship bears further exploration.

A somewhat surprising result generated from the magnitude of ethnic conflict estimates is that infant mortality rates were, at times, *negatively* significant within this low-income sample. That is, lower levels of infant mortality, which are closely associated with higher per capita incomes, were associated with higher intensity ethnic conflicts in 2000 and 2005, controlling for other factors. This is illustrated in table 5 column (i), for example, where the t-score for infant mortality rates is -1.62, significant at the 90 percent confidence level. This finding runs contrary to the well-established relationship between poverty and conflict (and reinforced by the civil conflict estimates below). Upon closer inspection, this finding reflects the relatively intense ethnic conflicts experienced in comparatively better-off Russia, Turkey, Sri Lanka, and the Philippines during this period. This counterintuitive result is a reminder that there are different categories of conflict susceptibility. While most ethnic conflict may occur among poor, comparatively corrupt countries with autocratic governments, there is a notable group of lower-middle income exceptions. Ethnic conflict, moreover, is driven by factors that transcend income level or competition over resources.

## **B. Civil Conflict**

Logit estimates of civil conflict yield few insights into links with decentralization. None of the decentralization measures considered was consistently statistically significant in explaining the occurrence of post-1995 civil conflict. This includes measures that were significant to mitigating or predicting ethnic conflict – subnational expenditure, employment, percent of locally elected tiers, taxes, and various measures of federalism.

Several contextual factors did show up as statistically meaningful in explaining the occurrence of new civil conflicts, however, and therefore may have a bearing on decentralization strategies. Higher infant mortality rates and level of fuel exports were both positively and consistently linked to the propensity of civil conflict begun since 1995. In other words, relatively poorer countries and those that rely heavily on fuel exports (i.e. traits of oil cursed countries) were more likely to succumb to civil conflict (see table 6 column (i)). The significance of the infant mortality term reinforces the well-known linkage between poverty and intrastate conflict. Column (i) of table 6 shows this relationship to be more powerful than any other term considered in the civil conflict analysis (significant at the 99% level). The implication from this analysis, then, is that poverty is a stronger predictor of civil than ethnic conflict. Recall that infant mortality (and per capita income more generally) registered as insignificant or *negatively* associated with ethnic conflicts initiated post-1995 (among a sample of countries with per capita

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<sup>19</sup> Some previous analysis has found that corruption indicators serve mainly as proxies for income level. This is attributed to the fact that these indices are primarily perception based. Indeed, collinearity with infant mortality rates was observed in our logit analysis (and therefore corruption excluded). However, our OLS analysis of this low-income sample of countries finds the two terms to have distinct effects in the models tested.

incomes below \$4,000). This implies that poverty (and the likely inequality that accompanies it) may play a relatively more central role to conflict in societies without acute ethnic tensions.

The logit analysis of civil conflict also found countries that rely relatively more on fuel exports to be more susceptible (significant at the 95% degree of confidence).<sup>20</sup> The relatively stronger link between fuel exports and civil (rather than ethnic) conflict suggests that competition for economic resources may be a more central feature of civil conflicts than the potentially more complex factors driving ethnic conflicts. This finding may provide insights for further exploration into the instability associated with “oil cursed” societies.

Of note, this analysis did not find a significant link between previous civil conflict (i.e. in 1990) and the probability of civil conflict breaking out post-1995. This finding runs counter to the well-established link between previous and future intrastate conflict. Once countries succumb to conflict, they are considered to have much higher risks of lapsing back into conflict even years after a cessation of hostilities may have been negotiated. The lack of a relationship between previous and subsequent civil conflict observed in this analysis suggests that the path persistence of internal conflict may largely be a function of ethnic conflict.<sup>21</sup> Accordingly, countries that emerge from civil conflict may not be forever condemned to a conflict-ravaged future.

The OLS estimates of post-1995 civil conflict magnitude show that corruption and higher infant mortality rates in 1995 were both independently linked to more acute levels of civil conflict in 2000 and 2005 (not shown). The infant mortality rate finding indicates that poorer countries are not only more susceptible to civil conflict but are more likely to endure greater levels of devastation (controlling for population size). Corruption, which typically benefits one political group over others, is a logical source of grievance for civil conflict. That it is linked to more acute conflict implies that the lack of accountability that enables public corruption may also contribute to the pursuit and maintenance of egregious policies that run a country into the ground.

When cases of ongoing conflict were included in the sample of OLS estimates, the number of significant explanatory factors increased (see table 7). Civil conflict in 1990 and percentage of fuel exports, inflation rates, and corruption in 1995 were all significant in predicting higher magnitudes of civil conflict in 2000. Inflation and corruption were also significant in estimates of civil conflict magnitude in 2005 (though the overall explanatory power of this estimate was much lower). The significant finding linking previous civil conflict with intensity of civil conflict in 2000 does not contradict the observation above of the absence of a relationship in cases of new civil conflict found in the logit analysis. Rather, it is a function of these estimates including ongoing cases of civil conflict. Given that roughly half of all civil conflicts in 2000 and 2005 had been ongoing for more than ten years, this is highly reasonable. Inflation is an indicator of macroeconomic instability, which is regularly considered a predictor of conflict. Rapid inflation is also known to generate a stronger sense of anxiety among everyday citizens than other measures of economic performance.

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<sup>20</sup> Mineral exports, by contrast, did not register as significant.

<sup>21</sup> This result corroborates a finding by Marshall et. al. 2005. This finding may also be a reflection of the Center for Systemic Peace’s more stringent criteria for coding the ending of a conflict.

## C. Case Studies

To complement and supplement the cross-national statistical analysis, case studies of Colombia, Ghana, the Philippines, and Uganda are examined to illustrate the often complex relationships between decentralization and conflict risk. These countries were selected because each faces deep societal fissures that must be managed by their democratization and decentralization strategies. Colombia is commonly viewed as a context in which decentralization may have contributed to the civil unrest. The decentralization effort in Ghana, in contrast, is considered to have been a part of a successful stabilization strategy. The Philippines represents a case of ongoing conflict that is seemingly impervious to resolution despite the introduction of democratic procedures. Uganda provides an example of a decentralization initiative launched in a post-conflict environment with the aim of augmenting stability. While Colombia has long been regarded as a democracy, Ghana and the Philippines have only relatively recently joined the democratic path and are still very much strengthening their democratic processes. While difficult to classify, Uganda has also made progress in its respect for civil liberties and move toward political competition.

### *1. Colombia – ‘Pacification through Decentralization’*

#### **Recent Political and Conflict History**

Colombia’s 42 year old civil conflict is rooted in the so-called “Era of Violence” (1948-1958) in which liberal and conservative political parties waged a civil war that claimed over 250,000 lives. Communist self-defense groups emerging from this period of conflict gave rise in the mid-sixties to the Revolutionary Armed Forces of Colombia, or FARC, which has fought an insurgency campaign to topple the Colombian regime ever since. During the 1980s, right-wing paramilitary groups formed in response to the state’s inability to protect landowners from guerilla attacks and extortion. More recently, the conflict has become inextricably linked to the drug trade, with guerillas and paramilitaries involved in narco-trafficking to finance their activities. The result is continued instability and marginalization across large swathes of rural Colombia with much of the conflict now motivated by control of the drug trade instead of political or ideological objectives.

At present the state is unable to subdue the insurgents militarily. Nor is it able to extend basic social services to rural areas. This in spite of significant advances made under President Uribe (now in his second 4 year term) who has improved state security presence through huge increases in military and police spending. Between 2002 and 2005, murders dropped from 28,837 to 18,111; massacres from 680 to 48 and kidnappings from 2,986 to 800. (ICG Policy Briefing, Latin America Briefing Nr.11, 20 October 2006). These results were achieved, some believe, at the expense of badly needed social reforms that would address the root causes of the conflict. With one of the most unequal levels of wealth distribution in the region, 55% of Colombia’s 44 million citizens continue to live below the poverty line; 22% of children do not attend school and an estimated 13 million have no access to health care. As a direct consequence of the ongoing internal armed conflict, Colombia now has well over 2 million internally displaced persons - the second largest displaced population in the world, after Sudan. The

conflict is centered in rural areas where, in the absence of the state, armed groups have filled the vacuum and there is a severely weakened or non-existent justice system. It is in these rural areas where virtually all the coca leaf and opium poppies are grown and the drug processing facilities are located. Moreover, security forces have a long history of committing human rights violations which continues to fuel distrust and fear of the government.

Starting in the mid-1980s, the Colombian government implemented an ambitious decentralization strategy in an attempt to reduce violence, exert full state control over its territory and establish its monopoly over the use of force. The rise of insurgent groups and paramilitaries, it was thought, was linked to the state's weak legitimacy and failure to provide its citizens basic services and protections which, in turn, fueled grievances. Decentralization was seen as a way of enticing insurgent groups back into the political process and bring government closer to the people through improved service delivery. Now, twenty years since the start of these decentralization reforms, evidence is emerging that Colombia's decentralization process may actually have contributed to an increase in violence and instability, because it provided armed groups the incentive to transform the conflict into a struggle for local power and territorial control.

### **Colombia's decentralization experience**

The belief that bringing government decision-making closer to the people would defuse the grievances driving the conflict led to the implementation of Colombia's decentralization strategy. As part of a major reform effort Colombia adopted a new constitution in 1991, the drafting of which was influenced by non-traditional actors, including former guerillas. The 1991 constitution was designed to foster decentralization, democratization, modernization, and combat corruption with a comprehensive political, administrative and fiscal decentralization strategy. The first significant step was the introduction of direct elections for mayors in 1988 and governors in 1991, as well as legislative bodies at both levels. Prior to this, governors were appointed by the president, and mayors by the governors. The goal was to open a previously closed political process to non-traditional parties (i.e. parties other than the Liberals or Conservatives) and encourage armed groups to participate. Today, more than 50% of the mayors in Colombia's 1,097 municipalities have been elected as independents.

The 1991 constitution strengthened fiscal decentralization by stipulating that 50 percent of all revenues collected at the national level were to be transferred to municipalities and the bulk of this spent on health and education. Governors and mayors were to be responsible for managing these resources. Other important fiscal decentralization features in the new constitution included the equitable distribution of natural resource royalties among all regions. Depending on the region, natural resource royalties can represent as much as ten times the level of fiscal transfers. Sub-national governments were also permitted to borrow without central government approval. The aim was to provide local entities sufficient resources to carry out their new responsibilities. Between 1982 and 2002, total transfers went from 1.9% of GDP to almost 6%. This increase was due principally to the increase in municipal transfers, which went from 0.5% of GDP to 3.1%, thus superseding departmental transfers (Sanchez and Chacon 2005).

There was also a significant delegation of authority in the area of administrative decentralization, with sub-national governments assuming substantial powers in the area of education, health, irrigation and other services as well as the right to prepare and execute budgets. However, sub-national governments do not have authority over spending decisions but instead were required to comply with centrally-defined sectoral requirements. In fact, financial transfers consisted mainly of payroll costs for education and health workers with little or no local discretion to change the use of the transferred funds. Similarly, Colombia's national politicians retain significant authority over spending decisions through earmarks, consistent with a deconcentration approach to decentralization. As a result, while Colombia underwent a major restructuring of its governance systems, the locus of decision-making authority remained in Bogota.

The central government began this increased transfer of resources to departments and municipalities while the country was still engulfed in political violence and the state lacked a security presence and authority at the local level. Meanwhile the security sector continued to come under central control. Governors and mayors were required to answer to the president on all security matters. Yet, the central government lacked the presence and capacity to prevent irregular groups from taking over and controlling many departments and municipalities. The combination of increased resources with the lack of a robust security presence at the local level opened the way for armed groups to seize control many local governments. Thus, despite the handsome narco-trafficking and natural resource rents the various armed groups controlled, the opportunity to control the licit public revenues at the local level, which the decentralization process enabled, presented a very attractive political target for armed groups seeking to displace the legitimate state (Eaton 2005).

### **The Effects of Decentralization on Development, Conflict, and Stabilization**

Colombia's decentralization process did achieve some political and economic advances. In terms of political decentralization, it opened up the closed political structure which had been controlled by the Liberal and Conservative parties. The first mayoral elections in 1988 brought non-traditional parties into the fold. Members of various insurgent groups ran for local office and roughly 100 mayors from outside the two dominant political parties were elected. Fourteen of them were former guerillas. Voter turn-out for mayoral elections also increased and with it a greater sense of empowerment. Between 1988 and 1997, sitting mayors were only reelected twice in 316 municipalities and three times in 20 municipalities. Fiscal and administrative decentralization led to significant improvements in access to education, health, irrigation and other social services. Secondary school coverage grew from 48% in 1990 to 75% in 2000 and over 60% of poor families now had access to health care services.

Yet, these improvements in living standards did not translate into reduced strife. Whereas at the beginning stages of the conflict (1974-78), the causes of violence could be attributed to poverty and exclusion, this is no longer the case. Sanchez and Chacon show that decentralization allowed irregular groups to win new territorial influence (through intimidation or alliances) with local political groups to take control of the expanding levels of municipal resources (Sanchez and Chacon 2005). Violence against local political leaders started to soar in 1988 with the introduction of the popular election of mayors. Prior to this date, such political violence was rare. The decentralization of the political process provided armed groups the opportunity to

engage in further political violence to undermine and control local governance. Among the tactics used were protection rackets, kidnapping, assassinations and voter intimidation to control election outcomes and territory. Between 1988 and 2001 armed actors assassinated 70 mayoral candidates and 92 council candidates. 1997 was the worst year for political violence with 57 assassinations, 100 kidnappings and 369 retirements from politics due to intimidation (Sanchez and Chacon 2005).

In their 2005 paper, Sanchez and Chacon use newly available historical conflict, municipal and economic data (1985-2002) to present statistical evidence of a significant link between decentralization efforts and escalating violence. Their econometric exercises show that the intensification and geographical expansion of armed conflict throughout the 1980s and 90s can be attributed to the significant increase in financial transfers to sub-national governments. The study finds that irrespective of ideological orientation, Colombia's armed factions expanded their authority and political influence by taking advantage of the decentralization process to seize and control state financed public goods and services at the local level and by forming strategic alliances with local and regional leaders. In short, the decentralization process had a profound impact on armed group methods and objectives. "In fact, the entire rationality of action in the fight for power changed – when power is decentralized, and transferred to local institutions, it becomes more vulnerable to external influences" (Sanchez and Chacon 2005).

Armed groups thus quickly seized on the significance of fiscal decentralization and the accompanying increase in municipal resources this entailed to expand their influence on local and regional government and society (Rangel 1997). They did this by extorting municipal goods and services and controlling the public procurement and contracting process through violence and intimidation – a process known as 'armed clientelism'. Armed groups, such as the three discussed below, could engage in these activities with virtual impunity by impeding and controlling the judicial system through intimidation and assassination of judges and police. Decentralization, thus, enabled irregular groups to turn an ongoing low-level conflict into an intense competition for local power (Sanchez and Chacon 2005).

Since Uribe's election in 2002 political violence continues, although sharply reduced. Between 2000 and 2004 over 200 council members were murdered. In 2002 more than 350 mayors were in exile, unable to live and exercise their offices in their own municipalities due to threats against them. In 2003 that number had dropped to 107. As of 2005, no mayor has had to move his or her office out of the municipality, an indicator of greater security in rural areas credited to President Uribe's policy of democratic security.

Since its creation in 1965 as a communist peasant self-defense force aimed at overthrowing the state, the FARC (*Fuerzas Armadas Revolucionarias de Colombia - Ejercito del Pueblo*) has undergone significant change and growth. Although suffering numerous defeats at the hands of the government, FARC gained a national profile in the mid 1980s, consolidated territorial control and became a national insurgency. Since the 1980s there have been peace negotiations between the government and FARC that were interrupted and resumed time and again. FARC justified its violence by charging that the state was illegitimate and responsible for poverty, repression and social injustice. FARC was able to finance its expansion through a variety of means: the plundering of productive activities (oil, coal, gold, manufacturing, energy, transport, etc.), the

bleeding of municipal finances (direct extortion or redirecting local investment), kidnapping and the drug trade. In regions where illegal drugs were produced, FARC also established a 'tax system' that covered all level of production (cultivation, processing and trafficking).

One of the strategies employed by FARC and other armed groups to gain control over local governments was to attack local police stations, drive police forces out, take over security functions and then take credit for improved security. It is through such strategies that the guerilla presence in municipalities increased from 173 in 1985 to 622 (out of a total 1098) by 1995 (Sanchez and Chacon 2005). FARC thus gained influence through violence and intimidation to get their representatives elected and appointed to local government posts. Once in control, FARC expropriated money and resources through patronage and kickbacks by controlling the contracting process (Duncan 2005). This has resulted in a parallel government beyond the influence or control of central government.

Like FARC, all of Colombia's regular and irregular warring factions intensified their activities with the start of decentralization. ELN (*Ejercito de Liberation Nacional*) and *Autodefensas Unidas de Colombia* (AUC, the paramilitary forces) also increased their attacks, kidnappings, torture, assassinations, massacres and mass displacement of hundreds of thousands of Colombian civilians. ELN financed itself through kidnapping and through the extortion of multi-national oil companies. ELN had been virtually wiped out by the military in the 1970s, but decentralization enabled it to resuscitate itself in oil-producing regions by extorting money from oil companies and by gaining control of municipalities and their licit oil revenues.

The AUC emerged in response to the inability of the state to defend citizens and property and to counter the kidnappings and extortion of the guerillas mostly in the protection of large land owners and drug barons. In the process, the AUC seized land used for coca cultivation leading to large-scale displacement and by 1994, the AUC had a presence in 26 of 32 departments and 373 of 1098 municipalities. Decentralization thus enabled paramilitaries to claim political authority through local elections using the same tactics as the guerillas. In 2006, the government succeeded in demobilizing 35,000 AUC irregulars, although there are widespread reports that AUC has broken the agreed ceasefire and continues to perpetrate massacres. AUC paramilitary structures, having entrenched themselves in local government power structures, continue to control systems of local patronage, including government and large numbers of businesses and industries (Rangel 1997).

### **Conclusion of Colombia Case Study**

Decentralization in Colombia highlights the risk inherent in attempting to strengthen sub-national entities when the central government is weak and cannot claim a monopoly on the use of force. The state's attempt to integrate armed combatants and disaffected factions into the political process – known as 'pacification through decentralization' - failed because decentralization instead provided the incentive for irregular groups to seize control of authority and resources at the local level to finance and escalate their violence and expand their territorial control. Armed groups were able to do so for two reasons: local governments had less repressive capacity than the central government so local leaders were more susceptible to intimidation and as more resources were transferred to local governments the 'pot' available for plundering

increased” (Sanchez and Chacon 2005). This took place throughout the 1990s while support for armed groups in general was declining and public opinion was turning against the FARC in particular largely because of FARC’s intransigence during the peace process. The majority of Colombians now viewed FARC as a terrorist group that distanced itself from its original ideological roots and support base by relying on kidnapping, murder and drug trafficking to survive. The enormous rise in Uribe’s popularity in 2002 was in direct proportion to the fall in popularity of FARC and other armed groups.

In tandem to this, “decentralization worsened rather than improved the security situation in Colombia because the central government failed to provide one of the few governmental functions – public order – that was not decentralized” (Eaton 2005). The lack of a security presence at the local level explains why armed factions were able to seize control of local jurisdictions with relative impunity. Eaton concludes that absent an effective police presence in the sub-national jurisdictions whose power is to be increased, the certain risks posed by decentralization outweigh its possible benefits. He also emphasizes the importance of sequence. “If Colombian reformers had decentralized either political authority or economic authority but not both simultaneously, armed groups would not have been able to derive such significant gains from decentralization” (Eaton 2005).

The decentralization process underway in Colombia has not been a full-fledged exercise in devolved authority, but rather a more limited transfer of delegated authority. The center still maintains considerable control over sub-national spending decisions. Yet, even with significant controls in place, the national government was unable to prevent armed groups from seizing control of local governments. The risk of local capture, therefore, is often greater with more limited forms of decentralized authority, such as delegation.

Colombia is therefore a case study in how decentralization was implemented with the express intent to mitigate and end the now 42 year old civil conflict but instead has had the exact opposite effect. The key lesson to be derived from Colombia’s experience is the risk associated with decentralization when central institutions are weak and there is an inadequate security presence at the local level to prevent capture and competition over local government resources, goods and services by armed groups. This outcome may have been mitigated if an “asymmetrical decentralization” had been pursued. This is where decentralization takes place only in those regions that have an adequate security presence to prevent abuses. Alternatively, sequencing political, fiscal, and administrative decentralization such that authority is not devolved all at once could have reduced the opportunities for armed groups to seize local government functions in the process of decentralizing.

## ***2. Decentralization and Stability in Ghana***

### **Recent Political and Economic History**

Four and a half decades after independence, Ghana is on a steady, upward democratic path and is enjoying the most sustained period of economic expansion since independence from Britain in 1957. Ghana’s 22 million citizens have endured considerable turbulence leading up to its current resurgence, however. Following a decade of relative stability under the leadership of charismatic

independence leader, Kwame Nkrumah, the country endured a series of coups military governments, a prolonged contraction of the economy, and extended periods of scarcity. Ghana's modern political history has been dominated by Jerry Rawlings, who as an army Flight Lieutenant led a coup against the ruling military junta in 1979. After a purge of corrupt senior military officers, he turned power over to a civilian government, only to seize it again in 1981. He oversaw a military government from 1981 to 1992. He then served as an elected president from 1993-2000.

Ghana's contemporary political liberalization experience began in the early 1990s with the adoption of a new democratic constitution, the legalization of political parties, the emergence of an independent media, and an upsurge of civil society organizations. Flawed elections in 1992 and 1996 allowed Rawlings to retain power as a civilian head of government. However, in competitive multiparty elections in 2000 for which Rawlings did not stand, the opposition New Patriotic Party (NPP) party came to power. John Kufor, head of the NPP, remains president having won reelection in 2004 in a vote deemed free and fair.

Under pressure from international donors, Ghana adopted a market-oriented economic strategy in the mid 1980s. Fiscal and monetary policy was tightened, public sector employment was reduced, property rights were protected, an onerous regulatory environment was simplified, and trade and international investment were encouraged. These policies are credited with stimulating Ghana's previously anemic economy. Shops began carrying more goods. New businesses and employment were created. Ghanaian agricultural exports, namely cocoa, timber, and pineapples have steadily expanded, as has its mining sector (gold). Ghana's economy has had five straight years of expansion. Real GDP growth in 2005 was 5.8%, sustaining the pace set in 2004. Its per capita GDP is now \$380.

### **Societal Fissures**

Ghana has also enjoyed relative freedom from armed conflict over most of its post-colonial history. This relative stability is not to be taken for granted. Ghana has multiple sharp ethnic, religious, and geographic cleavages that make for a highly combustible combination. In total, there are 92 different ethnic groups. When consolidated into six major groups, the politically and culturally dominant Akan tribe comprises 49% of the population. The next two largest groups (Mole Dagbani and Ewe) each make up an additional 15% of the total population. These ethnic and geographic delineations are overlaid by a religious divide with Christians (70% of the population) concentrated in the south and Muslims (who represent 16% of the population) in the north. The southern coastal areas, moreover, are relatively wealthier and have access to superior infrastructure than the arid, up-country regions in the north. Land rights tensions between farmers and pastoralists are another common point of friction. Finally, concentrations of gold in the west of the country generate economic disparities on geographic lines. At independence, at least three groups asserted ambitions for independence.

The most serious episode of armed violence in Ghana occurred in 1994. Smoldering land rights tensions between the northern Kokomba and Dagomba tribes erupted into inter-ethnic conflict. (The dominant Dagomba see the pastoralist Kokomba as intruders onto Dagomba traditional lands). The fighting spread to other groups and resulted in over 1,000 deaths. Similarly,

reflecting the underlying tensions, a disagreement in 1994 over the price of guinea fowl in the local market triggered conflict between the Kokombas and Nanumbas leaving 2,000 people dead, 200,000 displaced, and 400 villages destroyed before the national army was able to restore order (IRIN 2006). These episodes demonstrate that distrust and competition between ethnic groups can be so strong that otherwise routine personal disagreements can quickly escalate into inter-group violence. There have been other smaller incidents in recent years such as in 2002 when two factions of the Dagboni group clashed resulting in the deaths of 30 people, including the Paramount Chief of the Dagbon Traditional Area in Ghana's Northern Region. This violence has generally been between majority and minority ethnic groups within a particular region and frequently between farmers and pastoralists over land rights. While these incidents show that the threat of ethnic conflict in Ghana is real, they are seen as the exception rather than the norm (Asante 2004). In comparison to its neighbors in Liberia, Sierra Leone, Nigeria, Togo, and especially Cote d'Ivoire (with which Ghana shares many demographic features), however, Ghana is widely considered to be an island of stability in the region.

### **Ghana's Decentralization Experience**

Ghana has had subnational units of government dating back to 1859 and the creation of a Municipal Ordinance under the British colonial system. Local leaders were typically tribal chiefs, through whom the British would work to implement their developmental plans. Accordingly, the subnational layers of this delegated decentralization structure were organized with a top down orientation. Starting with Ghana's first post-independence president, Kwame Nkrumah, Ghana's leaders (both civilian and military) have shown great sensitivity to the sharp cleavages in the society and have tried through a series of formal and informal mechanisms to compensate for this fragility while engaging in a sustained campaign of strengthening national unity. The 1957 Avoidance of Discrimination Act banned the formation of political parties along ethnic, religious, and regional lines. This effectively sidelined all existing regional parties that had autonomous ambitions (Asante 2004). This was reinforced in the 1969, 1979, and 1992 Constitutions, which all contained explicit provisions aimed at curbing ethnic based electoral politics. The Political Parties Laws of 1992, for example, state that "Leadership and membership of political parties are not to be restricted to any particular ethnic group. Names, symbols, colour, or motto should not have exclusive or particular sectional significance or connotation. Nor should parties be formed for the sole purpose of seeking the welfare, advancement or interests of members of any particular group." Similarly, the Directive Principles of State Policy contained in the 1992 Constitution seeks to manage political competition and inequality in the public sector by stressing national integration (Asante 2004). Article 34 (5) requires the state to actively promote national integration by "prohibiting discrimination and prejudice on the grounds of place of national origin, circumstances of birth, ethnic origin, gender or religion, creed or other beliefs." In this way the state has attempted to "foster a spirit of loyalty to Ghana that overrides sectional, ethnic and other loyalties; and strive to achieve reasonable regional and gender balance in recruitment and appointment to public office" (Republic of Ghana 1992).

All leaders have carefully adopted a policy of balanced ethnic representation within their cabinets. Reflecting this norm, candidate John Kufor, an Akan, chose Alhaji Aliu Mahama, a Dagomba (Northerner) as his running mate in the 2000 presidential elections. Similarly, it has been the norm to ensure the equitable distribution of economic infrastructure (e.g. bridges, roads,

public offices) and social services throughout all regions. For example, special efforts were made to ensure that educational services benefited the historically disadvantaged north (Asante 2004). The policy of informal ethnic balancing in hiring applies as well to bureaucratic and technocratic positions in the public sector. As a result, the composition of the military and other government officials has by and large reflected the cultural and ethnic diversity of the country (Gyimah-Boadi and Daddieh 1999).

Ghana has a presidential-parliamentary system where elections for the executive, legislature, and local government leaders are determined on a first-past-the-post basis. Presidential winners must earn 50 percent of the votes cast (with run-offs between the top two vote-getting candidates in cases where no winner emerges on the first ballot). While Ghana's electoral system is majoritarian based, the more than 50 percent threshold for presidential candidates encourages political parties and elite to forge alliances and seek support from outside their traditional ethnic strongholds (Asante 2004). These electoral rules have helped avoid the polarizing effects of political parties reinforcing ethnic divisions. Nonetheless, ethnicity still remains a mobilizing force in Ghana today particularly along North-South (Muslim-Christian) and Ashanti (sub-group of the Akan) vs. Ewe lines (Asante 2004). Yet these divisions are for the most part being managed through the political process. Moreover, the largest ethnic groups, particularly the Akans, are themselves politically fragmented and do not behave as coherent political units. This has facilitated cross-ethnic coalitions.

In the late 1980s, the Provisional National Defence Council (PNDC), led by Flight Lieutenant Jerry Rawlings, decided to strengthen the central government's commitment to decentralization. The official justification for this was to empower local communities, increase popular participation, accountability, stability, improve efficiency, and slow the rural to urban migration. As part of this initiative, the country's 110 District Assemblies (DAs) (expanded to 138 in 2002), organized by 10 regions, were given legislative and implementational authority for 86 specific functions include planning, finance, budgeting, infrastructural development (Ayee 1997). An underlying motivation for the decentralization reforms was that this would help bolster Rawlings standing vis-à-vis international donors, on whom Ghana depended. Lacking political legitimacy, Rawlings needed to point to some signs of movement toward greater pluralism. Allowing a degree of autonomy at the local level, meanwhile, was not threatening to the ruling coalition that dominated the national political sphere (Ayee 1997).

Regardless of the impetus, the decentralization program yielded some positive results. Local empowerment was enhanced and citizens did become more involved in the policy issues affecting them. In fact, the decentralization push is credited with awakening the spirit of volunteerism at the community as well as an awareness that responsibility for their own development lay with them. Second, the decentralization of the late 1980s is also credited with improving access of people living in outlying, rural areas to government officials. Third, coupled with the subsequent move toward greater political liberalization, decentralization eased the frustration and factional infighting of aspiring politicians and young leaders who were able to direct their energies toward productive ends in the local political and civil society arenas (Ayee 1997).

The shift of power to the periphery was tempered, however, by continued fiscal, administrative, and political reliance of the districts on the central government. In 2002, despite authorization to raise local revenues through selected fees and property taxes, roughly 75-85% of district revenues came from the national government (Inanga and Osei-Wusu 2004). Most departments and agencies at the district level still receive their budgetary allocations from their parent ministries in Accra rather than the district or regional coordinating offices (i.e. delegated decentralization). These realities partly reflect central bureaucrats' reluctance to create structures that would allow the districts to take on more of the responsibilities for which they were officially designated. Despite occasional rhetorical flourishes to the contrary, it appears that the national political leaders have not made a point of pushing these bureaucrats very hard either (Ayee 1997). Furthermore, the executive branch still appoints 30% of the district leaders, maintaining significant central government influence at the local level (typical of deconcentration). District Assembly members that are elected, meanwhile, are regularly turned out of office reflecting local communities' desire for change (Ayee 1995). Yet, many local leaders feel they are unjustly blamed for shortcomings over which they have little fiscal or decision-making authority.

In short, Ghanaian leaders have pursued a gradual, incremental approach to decentralization. This has taken on forms of delegation and deconcentration, which has been slowly evolving into a genuine, though limited, political, fiscal, and administrative autonomy. Despite the tentativeness of these initiatives, it bears keeping in mind that Ghana ranks high relative to other African countries, in the extent of its decentralization. Ghana scores in the top five Sub-Saharan African countries in the degree of its political, fiscal, and administrative decentralization (Ndegwa 2002).

### **Effects of Decentralization on Ethnic Divisions and Political Polarization**

Assessing the causes for conflicts that did not happen is always harder than for those that did. Nonetheless, by most accounts, Ghana has grown increasingly stable over the period it has implemented and gradually expanded its decentralization strategy. Most Ghanaians now feel they have a voice in selecting their local leaders and influencing the priorities of local government. This relatively high level of political participation and sense of ownership have directly contributed to the stability.

The increasingly pluralistic political landscape at the local level, where centrally appointed leaders from the governing party must jointly govern with elected leaders from opposition parties, is a source of growing tension. This is exacerbated by the ambiguity of responsibilities between different sets of officials and between the layers of government. This ambiguity results from the changing nature of the relationship as well as the differences in the official and defacto application of these responsibilities. Nevertheless, these tensions are being directed through political channels. Any perception that decentralization is moving too slowly has not led to greater inter-ethnic tensions or strife. Similarly, while fissures are still evident across Ghanaian society, the encompassing manner in which Ghanaian leaders have governed has helped ensure that decentralization is not deepening them.

While decentralization is generally considered to have had a mitigative effect on armed conflict in Ghana, this case is noteworthy in that decentralization was pursued as one initiative among several that were aimed at defusing what could be a highly combustible ethnic context. Specifically, decentralization was implemented alongside: a strong political norm of inclusion of minority group representatives in senior positions of governing coalitions; electoral laws that are structured to encourage cross-cutting coalitions and prohibit regionally based parties; a tangible policy of redistribution in support of poorer regions; and an ongoing national unity-building campaign, among other initiatives. It is the combination of efforts (and the signals this sends to all groups) that seems to have been so crucial in building social stability over the course of Ghana's political transition.

### **Conclusion of Ghana Case Study**

The case of Ghana has shown how decentralization efforts in even potentially volatile ethno-geographic-religious contexts can contribute to national stability. Perhaps most importantly, Ghana did not pursue its decentralization strategy in isolation but has adopted a series of formal and informal measures that foster inclusiveness, cross-ethnic coalition building, and a sense of Ghanaian national pride. In many ways, these complementary assurances to minority groups buy national leaders the time (and credibility) to take a gradual approach to decentralization. In Ghana's case, given its sharp societal cleavages, weak sense of nationhood, and a proclivity by several ethnic and geographic groups for secession at independence, this appears to have been a prudent strategy. Indeed, even as Ghana nears 50 years of independence, sensitivity to these divisions remains paramount. Ghana's experience would seem to highlight the advantage of erring on the side of decentralizing slowly in ethnically diverse and concentrated societies (again provided other assurances are in place). Moving slowly leaves open the option of accelerating at a later point. This approach also recognizes the need for balance between local autonomy and centralization and that this balance will likely change over time. The fact that Ghana's districts rely heavily on the central government for fiscal revenues would appear to be a positive, unifying strand in this effort. Ghana's experience is also an example of how deconcentration and delegation can be effectively employed as part of a gradual move towards greater local power sharing. It is the commitment of Ghana's national leaders to inclusiveness and protections for minority groups that has fostered credibility in Ghana's limited decentralization efforts.

### ***3. Decentralization and Conflict in the Philippines***

Since the fall of the Marcos dictatorship (1972-1986), the Philippines has displayed many of the basic hallmarks of a democratizing country, including the separation of powers, a competitive political system, a vocal and active civil society and a free press. Yet this country continues to suffer from endemic conflict on many levels and is home to two of the world's longest running armed conflicts. The resulting political instability and state weakness continue to undermine overall efforts to improve the country's economy and governance.

The causes of conflict in the Philippines are complex but include the forced displacement of religious and ethnic minorities, the historic neglect of rural areas, and local disaffection with political structures. Complicating this is the government's inability to remove numerous policy and institutional obstacles that hinder sustainable development, poverty alleviation and conflict

resolution. The intensity of conflict, whether measured by incidents or casualties, has increased since the late 1990s. During the Arroyo administration (2001 – present), total armed encounters as well as the number of casualties, reached their highest levels since the Marcos dictatorship was toppled in 1986 (UNDP Human Development Report 2005). This escalation in conflict occurred alongside efforts by the state to introduce far-reaching decentralization reforms starting in the early 90s which, it was thought, would help to alleviate persistent poverty and grievances which were seen as the main conflict-drivers.

## **Recent Development and Conflict History**

The Philippines' development has not lived up to post-independence expectations and lags significantly behind its Southeast Asia neighbors. 39% of Filipinos have incomes below the national poverty line and the 11% unemployment rate is the highest in the region. The Philippines' ranking on UNDP's Human Development Index (HDI) dropped from 77<sup>th</sup> out of 173 countries in 2002 to 84<sup>th</sup> in 2004. According to the 2005 Philippine HDI four out of the five poorest provinces are in Southern Mindanao and their human development levels are comparable to the world's poorest countries in Africa. The poorest 10 provinces in the Philippines, in almost every aspect of human development, are also the most conflict-ridden.

The conflict in Mindanao, home to a majority of the country's Muslims, must be understood against a long history of separatism, dispossession of land, and the failure of successive national administrations to address social and economic decline. It is a region suffering from poor infrastructure, high poverty incidence, and separatist violence that has claimed the lives of more than 120,000 in the last three decades. The roots of the insurgency have been summarized in six key elements: (1) economic marginalization and destitution; (2) political domination and inferiorization; (3) physical insecurity; (4) a threatened Moro and Islamic identity; (5) a perception that government is the principal party to blame; (6) a perception of hopelessness under the present governance structure. This is the context in which the demands for autonomy and – for some groups - independence under a separate state are being made (UNDP HDR 2005).

Since 1971 the government of the predominantly Roman Catholic Philippines has faced armed opposition from several Muslim groups. Initially the Moro National Liberation Front (MNLF) sought greater autonomy for the island of Mindanao. More recently the Moro Islamic Liberation Front (MILF) and the fundamentalist Abu Sayyaf Group (ASG) have been demanding Mindanao independence. Following the 1972 declaration of martial law by President Marcos and several years of intense fighting, the government agreed to a 1976 framework that led to an autonomous region of four Mindanao provinces in 1990. In 1996, the government and the MNLF signed the Final Peace Agreement. However, other Mindanao Muslim rebels and Christian groups opposed the settlement. Following a cease-fire accord jointly signed in mid-1997, peace negotiations between the MILF and the government resumed in November 1998. By the end of 1999 peace talks had made no progress and in 2000, President Estrada called off the talks with the MILF, unleashing military attacks against the rebels. By mid-2003, the MILF had reached a peace agreement with the government but fighting with the ASG and Jemmah Islamiyah continued. The conflict has had a significant impact on poverty and social indicators with over a million people displaced during the military campaign against the MILF in 2001, and over 100,000 during a more recent (2003) offensive.

Beyond Mindanao, the long-running insurgency of the Communist New People's Army in the Philippines continues to hamper democratic development. Since 1969, the Communist Party of the Philippines (CPP) and its military arm, the New People's Army (NPA), have fought the national government for political control and land reform and to steer the country's political and economic development towards a socialist future. Their grievances include: (1) widespread and deep poverty and an inequitable distribution of wealth and control over the resource base; (2) poor governance, as seen in the poor delivery of basic social services, the absenteeism of elected local officials, corruption and inefficiency in government bureaucracy, and poor implementation of laws, including those protecting the environment; (3) injustice and abuse by those in authority, human rights violations, corruption, and delays in the administration of justice; (4) structural inequities in the political system, including control by an elite minority, traditional politicians and political dynasties, and enforcement of such control through private armies; and (5) exploitation and marginalization of indigenous cultural communities, including lack of respect and recognition of ancestral domain and indigenous legal and political systems (National Unification Commission, 1993). The NPA's armed struggle against military forces, police, and civilian militia units resulted in heavy casualties during the 1980s. Failed 1986 peace talks with the rebels were not revived until after the government's 1992 National Unification Commission established an amnesty and negotiation process. In 1998 the government postponed planned peace talks and in spite of renewed efforts in 1999 and 2001, the peace process remains stalled. The NPA, based in Mindanao, continues its strategy of targeting government, particularly military, officials and installations as well as foreign-owned investors and businesses and remains a significant threat with NPA strikes country-wide, but concentrated in the Northern Luzon and Mindanao regions.

The root causes of both insurgencies have in common persistent demands for increased local autonomy to improve governance and promote development and better service delivery in impoverished areas. An empirical study of the Philippines' provinces reveals that the lack of basic services and perceived inequalities in social benefits and relative deprivation are more reliable predictors of armed conflict than poverty. The absence of basic services such as electric power, education, reliable water and road transport are seen to determine whether communities regard themselves as deprived or not. The well-known availability of services to mainstream communities in the country are a point of comparison for neglected and desolate areas, turning hardship into palpable grievances and making people receptive to other ideologies and movements (2005 UNDP Human Development Report).

### **The Philippines's Decentralization Experience**

Geography alone can explain the persistent historical demands for devolved governance in the Philippines. With over 7,000 islands, travel and communication are challenging and costly and development is inequitable in part because of the difficulty in reaching and responding to the needs of remote areas. With an estimated population of 80.1 million and a land mass slightly larger than Arizona, the Philippines sub-national government is divided into 79 provinces, 117 cities and 1,495 municipalities and 41,935 barangays. In addition to these local government units, there are 13 regional offices to coordinate between central departments and local governments and three special regions, including the ARMM and the Cordillera Administrative

Authority. Although these political subdivisions enjoy a degree of autonomy, they remain and act as agencies of the national government (i.e. a form of delegated decentralization) and come under the supervision of the President through the Secretary of the Department of Interior and Local Government (DILG) – 80-90% of whose budget and personnel is dedicated to the police system, which shares responsibility with the army for fighting the communist insurgency and Muslim rebels.

Prior to the arrival of the Spaniards (1521), Filipino settlements were autonomous political units of 30-100 families, overseen by a local chieftain who, with a council of elders, exercised all executive, judicial and legislative authority. Since then there has been a long tradition of over-centralized government. Spain consolidated villages in towns, cities and provinces and centralized all state functions in Manila, which to this day is still referred to derisively as ‘imperial Manila’. Following independence from Spain (1898), the 1899 constitution provided for decentralization including administrative autonomy, popular and direct elections of local officials and local taxation, but this was largely reversed under the US occupation (1902-35). Following independence from the United States in 1946, decentralization has been a constant theme represented via a variety of initiatives. However, these were largely limited to de-concentrating or delegating central government functions. Under the Marcos dictatorship, elections were suspended, congress abolished and local officials appointed, supervised and controlled by the President. A year after the ouster of Marcos in 1986, however, a new constitution was adopted that provided for decentralization to local authorities.

In the late 1980s, in the face of the repeated reemergence of communist armed activity in the Philippine countryside and the ongoing insurgency in Mindanao, decentralization was seen as a principal means to improve security by bringing government closer to the people. Under the Aquino administration (1986-1992) two major initiatives in decentralization were launched. The government created two Autonomous Regions providing a degree of political decentralization to the indigenous peoples of the Cordillera in the north and to the Muslim regions of Mindanao in the south. The other initiative was the passage of the 1991 Local Government Reform Code (LGC) which provided for increased taxation powers to local communities, fiscal decentralization of the budget of major line agencies, and the establishment of municipal development councils at the local level. In general, the LGC was not designed to shift significant political or operational control to Local Government Units (LGUs), but rather delegate resources and responsibility for centrally defined functions. The autonomy of an LGU - autonomous region, province, city, municipality and barangay - as well as its political and administrative powers, are *derived powers*, not inherent ones.

Given its empowerment perspective, the LGC (and its implementation) is an instrument to promote sustainable development and address related problems of poverty, inequity and security. With regard to administrative decentralization, under the 1991, LGUs are delegated responsibility for delivering health (field health and hospital services and other tertiary services), social services, environment protection (community-led forestry projects), agricultural services (agricultural extension and on-site research), public works, education, telecommunication services, tourism, and other services such as investment support. Furthermore, LGUs are responsible for enforcing certain regulatory powers such as reclassification of agricultural lands, environmental laws, inspection of food products, quarantine and the national building code. The

LGC also increased the financial resources available to LGUs by (1) broadening their taxing powers; (2) providing them with a specific share from the national wealth deriving from their area, e.g. mining, fishery and forestry charges; and (3) increasing their share from national taxes, i.e. internal revenue allotments (IRA). The governmental and corporate powers of LGUs were also enhanced by granting them full autonomy in the exercise of proprietary rights and the power to enter into (1) loans with other LGUs; (2) build-operate-transfer (B-O-T) arrangements and joint ventures with the private sector and (3) sell bonds. More significant, the LGC laid the legal infrastructure for participation of NGOs in the governance process by mandating their participation in the local development council, the local health board, and the local school board (Guiza, 2002).

To perform these functions, the LGC raised the Internal Revenue Allotment (IRA) shares of local governments to 40% of revenues collected by the Bureau of Internal Revenue, distributed as follows: provinces / cities (23%); municipalities (34%) and barangays (20%). The distribution formula is computed based on population (50%); land area (25%); and equal sharing (25%). Local governments have the authority to levy taxes, fees and charges which they retain and use for their own purposes. Since the Local Government Code was approved in 1991, local government revenues have increased from P 27.4 billion in 1992 to P 120.3 billion in 1999, and expenditures jumped from P 24.4 billion in 1992 to 110.8 billion in 1999.

### **Effects of decentralization on development, stabilization and conflict**

Political, fiscal and administrative decentralization as foreseen in the LGC has been implemented unevenly and incompletely. Following some initial progress in fiscal (IRA allotments) and civil service transfers, the fiscal and administrative decentralization process stalled in the mid-1990s. Implementation has been stymied by the government's inability to address institutional impediments including a politicized and unresponsive public administration; a lack of sustained political will to overcome vested interests; and a perceived corrupt legal and regulatory environment. These factors have combined to thwart efforts to improve governance, sustainable development and basic service delivery, particularly in the most impoverished rural areas. Consequently, Philippines's decentralization strategy, designed to have a mitigating effect on conflict, has not achieved its overall aim. Nonetheless, there is and continues to be considerable anecdotal evidence showing that the LGC unleashed an entrepreneurial spirit in many LGUs that has resulted in greater innovation, participatory planning and increasing citizen pressure for improved service delivery (Rood 1998; Brillantes and Moscare 2002; Guiza 2002).

Although the LGC provided LGUs with more powers, responsibilities and resources, the preparation and funding of national programs still remains highly centralized, restricting the ability of LGUs to respond to local needs. Moreover, the coexistence of national, regional, provincial, city, municipal and barangay governments, combined with the separation of legislature and executive at almost every level has created a large, inefficient and costly bureaucracy. Another key impediment is the continued concentration of wealth in the hands of a few oligarchic families who control the state bureaucracy either by influencing the bureaucracy, holding public position themselves or making the politicians beholden to them by financing their election campaigns. The state, considered much weaker than most Southeast Asian states, finds it difficult to withstand the pressure from these elites and inequity remains widespread.

The Philippine government remains a top-heavy, centralized administrative structure. The example cited most often is the substantial increase in the central budget of the Department of Health, even though most of its staff was transferred to local governments. Although the LGC increased financial resources available to LGUs, they are more dependent than ever upon the central government for their discretionary budget, with an estimated 80% of local revenue tied to centrally determined budget categories. The LGU share of the IRA meant that LGU budgets tripled or quadrupled starting in the early 90s, a significant advance in fiscal decentralization, but this increase is low when measured against the new functions and responsibilities devolved to LGUs, such as the significant number of devolved national government personnel (with higher salaries than their local counterparts) and a range of other unfunded mandates. This has meant that a number of LGUs, especially municipalities and provinces, are unable to afford the cost of delegated responsibilities in spite of an increased share of the IRA.

Another critical impediment to empowering LGUs, and one that particularly impacts on rural areas, is that budget authority for public works has not been decentralized and continues to be included in the national budget. Instead, public works are assigned to local governments through individual negotiations between the President and members of Congress who decide on the selection, budget and implementation of development projects. These Countryside Development Fund allotments, also known as ‘pork’, are controlled by members of Congress with an estimated \$1.14 million allocated to each of the 250 members, amounting to \$284.4 million in 2000. The fund allotments are primarily used for construction projects and are believed to be heavily politicized and fraught with corruption (Azfar, Gurgur, Meagher, 2000). Thus, there are two conflicting aspects to intergovernmental fiscal transfers in the Philippines. One is the well-defined intergovernmental fiscal transfer system that, although inadequate for the purposes, has the function of a rational and proper redistribution of income, as seen in the distribution criteria of the IRA. The other transfer is based on individual negotiations between politicians and as a result most central-local coordination is carried out through political, not administrative channels, and bypasses Local Development Councils.

Corruption in the Philippines remains endemic with estimates ranging from PP 100 million (USD 2.28 million) per day up to a total of one trillion per year and appears to have increased since decentralization, despite the fact that reducing corruption was one of the original motives for decentralization. “There are more players with less coordination – corruption has moved from a centrally-coordinated system under Marcos (who reined in the powerful landed classes in return for a stake in official patronage) to a more decentralized system with few overall disciplines” (Azfar, Gurgur, Meagher, 2000). Azfar and Gurgur (2001) also find that corruption in municipal governments in the Philippines lowers health outcomes, such as the immunization rate of children, vaccination of newborns, prevents the treatment of patients, discourages the use of public health clinics, reduces satisfaction of households with public health services, and increases waiting time of patients at health clinics. Corruption also has a negative effect on education outcomes: it reduces test scores, lowers national ranking of schools, raises variation of test scores within schools and reduces satisfaction ratings. Other empirical evidence measuring decentralized service delivery performance is singularly lacking. However, empirical surveys conducted to measure whether voting patterns, media coverage and citizen mobility have

increased the efficiency of decentralized education and health services provide little evidence that these services are improved (Azfar, Gurgur, Meagher, 2000).

The other substantial decentralization initiative, the Autonomous Region of Muslim Mindanao (ARMM), established in 1989 as an experiment in regional autonomy, is widely seen as having failed. Autonomy has not brought durable peace and prosperity to Mindanao which continues to have the worst human development indicators in the country. Education and health care were two of the responsibilities devolved to the ARMM and recent UNDP statistics show ARMM having the lowest functional literacy, life expectancy and per capita income of all Philippine regions. Corruption in ARMM is particularly rampant. The ARMM installed double the number of national structures with 25 departments and over 19,000 staff serving a population of 2 million. After the peace agreement was signed in 1996, MNLF chairman Nur Misuari and his cohorts proved quickly how their governance of ARMM was corrupt, inefficient, and dependent on favors from Manila. Ten years on, the deep-rooted grievances of the Moros in Mindanao remain unresolved. The ARMM has also failed to reduce the level of violence and armed conflict and calls for secession, clan wars, political violence and terrorism remain serious concerns. On the one hand, there is little doubt that the central government undermined autonomy in Mindanao by interfering in the political processes and preventing maturation of the region's political institutions. On the other, the MNLF contributed to the weakening of Mindanao's autonomy by its failure to assert its powers and failing to have clear goals on how to govern a regime of self-rule for the Moros.

### **Conclusion of Philippines Case Study**

The 1991 Local Government Reform Code was heralded as a panacea that would provide sub-national units of government with the increased autonomy they need to pursue region-specific economic development. This, in turn, would address many of the grievances that fuel ongoing conflicts. However, systemic impediments compounded by corruption have led to institutional gridlock resulting in the LGC being implemented unevenly and incompletely, especially in rural areas. The full potential of the LGC, even though it falls short of full-fledged devolution, has not been realized, certainly not in conflict-ridden regions, which are not confined to Mindanao, as NPA violence occurs throughout the country, including in Visayas and Luzon.

As a result, the rapid and extensive delegation of power, responsibility and resources to LGUs in the 90s has not had the salutary effect of contributing to securing peace and better governance. Incomplete implementation of the LGC may have done more harm. Vested local power brokers still hold sway independent of government influence, and the LGC, it can be argued, has strengthened the authority of these independent power brokers to capture resources and take advantage of increased delegation of authority. Even after the political decision to decentralize was made in the early 90s, national politicians had incentives to preserve centralized control over fiscal policy. On numerous occasions, legislators attempted to reverse and then circumvent decentralization since it threatened their status as brokers claiming personal credit for negotiating fiscal transfers from the centre.

Genuine political devolution did not take place in the ARMM either, which remains dependent on central government for funding and support and Manila continues to select its rulers. Faulty

implementation of autonomy, with continued control from the central government, has prevented this region from considering anything less than outright secession. Because, or in spite of, the uneven and incomplete implementation of decentralization, there is now a growing popular embrace of federalism. But just as decentralization under the LGC was unable to deliver on improved socio-economic development because of endemic and systemic state weakness, it is arguable whether federalism will have the desired effect of accelerating development and promoting peace.

As of this writing, the 1987 constitutional settlement and the role of local government itself is currently under debate, with a presidential Constitutional Commission set up to deliberate revisions to the constitution and LGC. 'ConCom', which reported to the president in December 2005, has proposed shifting to a parliamentary form of government, the creation of autonomous territories and the strengthening of local autonomy.

#### *4. Decentralization in Post-Conflict in Uganda*

##### **Recent political and conflict history**

Uganda's contemporary political history starts in 1986 with the victory of Yoweri Museveni's rebel National Resistance Army over the despotic Milton Obote and his military government after five years of war. This closed the chapter on two decades of mass and often wanton violence at the hands of Obote and Idi Amin that had caused the displacement of millions of Ugandans and severely destabilized and traumatized this nation of 25 million people. Uganda has enjoyed relative stability since and after two decades of accelerating growth is regaining its position as the "pearl of East Africa."

The political system established by the National Resistance Movement (NRM) under Museveni is difficult to categorize. The NRM has presented itself as a "no party" democracy with the rationale that political parties will only heighten ethnic identification and polarization in the ethnically diverse nation. In fact, Uganda has been run as one-party state with a generally robust respect for civil liberties, including a partly free press. Indeed, Museveni is considered to have made more efforts at fostering inclusion of all major ethnic groups in his cabinet than his predecessors, though it is felt that over time, greater preferences have been shown to individuals with ties to the southern and central regions of the country from which many of the NRM leadership hail. Museveni has resisted the introduction of political competition until 2006, when the country's first multiparty elections in 25 years were held, if under less than free and fair conditions. Museveni was re-elected president after pushing through a controversial constitutional amendment that allowed him to stand for a third term. During the campaign, his primary challenger was charged with sedition but never arrested.

Since the NRM came to power, there has been persistent but intensifying fighting in the north and east of the country stemming from two main conflicts:

- The most notorious is the conflict with the Lord's Resistance Army (LRA), led by the rarely seen Joseph Kony. What started as a minor series of ragtag attacks has become a major irritant and embarrassment for the Museveni government who

has been unable to put a lid on this source of instability. Despite almost two decades of fighting, the motives and aims of the LRA are not very clear. Its most specific demand is that Uganda be governed by the Ten Commandments. Some 30,000 people have been killed and 2 million displaced. Moreover, LRA raids into villages have led to the abduction of thousands of children who are subsequently forced into being child soldiers – often in the same areas from which they were “recruited.” The LRA has bases in South Sudan and receives funding from the Sudanese government.

- In the Karamoja region of northeastern Uganda – several hundred thousand people have been displaced as a result of escalating conflicts between Nilotic pastoralists and Bantu farmers. The clashes, which started as age-old cattle raiding (and now involve full-scale looting), have become more violent and widespread in recent years with the greater accessibility to fire arms flowing into the region from Sudan and Kenya.

More generally, social fissures in Uganda revolve around competition between tribes in the north (Nilotic) who are the minority versus those in the south/center of the country (Bantu). Average incomes of southerners are roughly twice that of those in the north and social services are substantially better. Prior to the rise to power of the NRM, the northerners had dominated political life in Uganda since the British colonial days of the early 20<sup>th</sup> century. They maintained this position of privilege, despite their minority status via their control of the military and election-rigging (UNU/WIDER).

The largest of the historically privileged groups, the Buganda, representing 25% of the population, continue to recognize their tribal leader as king, and persistently assert their desire for autonomy – an aspiration other ethnic groups share as well.

### **Uganda’s Decentralization Experience**

The roots of Uganda’s decentralization experience emerged from the NRM’s five year struggle to topple the Obote regime. During this time the NRM created local political bodies called Resistance Councils (RCs) to build public support for their movement. At the conclusion of the conflict, the RCs were converted into the new government’s local governance structure and touted as a major decentralization of power. In fact, the degree of influence exerted by the RCs was limited. Yet, given the highly centralized power structures employed by previous governments, simply creating a local governance structure was an innovation.

While Museveni himself later characterized the RCs as a form of limited deconcentration, they did form the basis for Uganda’s full-fledged decentralization initiative of 1992 and codified in the country’s new constitution in 1995. Uganda’s local governance structure involved a hierarchy of five tiers each comprised of an elected Local Council (LC). The creation of a formal structure of local governance usurped power and roles traditionally wielded by tribal chiefs. Accordingly, the move towards decentralization was contentious with some tribal leaders preferring a federalist structure that would ensure them greater autonomy. To them,

decentralization was merely “borrowed power” that could be revoked at any time the central government so decided (Ahikire 2002).

As articulated in the 1997 Local Government Act (which amended the constitution), the objectives of Uganda’s decentralization were:

- To transfer real power to the districts (including functions, power, responsibilities, and services) and reduce the workload of government officials working in central government.
- To ensure democratic participation in and control of decision-making by the people concerned
- To improve service delivery
- To improve financial accountability by establishing a clear link between payment of taxes and provision of services
- To provide for the election of Local Councils (and to improve the ability of local councils to plan, finance and manage the delivery of services to their constituents).

Often described as a radical decentralization initiative, the statutory authority and responsibilities transferred to local government were sweeping. In one interpretation, local government became responsible for virtually all activities of the public sector, especially the planning and oversight of development activities, so long as this did not undermine the central political leadership’s control of “high politics.” Centrally-based civil servants were, in turn, to focus on policy, coordination, and oversight. According to the statute, local districts were also accorded the legal authority to make laws, so long as they were consistent with the constitution and national legislation – a judgment left to the Attorney General’s office (Onyach-Olaa 2003). Characterized by senior government officials as a devolution of power, the decentralization went so far as to include some aspects of the security sector. Local Defense Units (LDUs), which were under the control of the LCs, were set up at each locality in the country. Members of LDUs would be recruited from communities themselves and selected by community members, while the central government would provide equipment and training.

The Local Government Act also specified a large role for civil society. Citizens have the right to participate in annual budget conferences at each level of local government. In one LC, citizens choose from a menu of options of infrastructure improvements. Community members then participate in committees to oversee and ensure accountability of those projects that are implemented. Similarly a significant role for NGOs was incorporated into the decentralization strategy. These groups had demonstrated considerable capacity and effectiveness at delivering services to the community level during the long years of upheaval in Uganda and were therefore seen as an appropriate vehicle through which to mobilize community participation for rural development (Onyach-Olaa 2003).

Funding for the LCs is committed via block grants that are intended to cover basic operating costs. These are augmented by “conditional” grants based on LCs attaining certain prerequisite or performance criteria such as poverty reduction. Finally, there are equalization grants aimed at compensating poorer districts for the relatively lower revenues they can be expected to gather

from licensing and other fees. In this process, Uganda instituted the innovative practice of publishing the amounts that the central government disburses to each LC in local newspapers. This has greatly enhanced the independent information available to local populations, enabling them to know what to expect in terms of service provision. It has simultaneously served as an effective deterrent to financial abuse (Golola 2001).

The increased flows of resources through local government have necessitated the creation of independent tracking mechanisms at the central level. This has greatly improved the proportions of resources that reach local communities. A well known example is a case in the early 1990s when the tracking mechanisms determined that only 20% of primary education grants were reaching schools. Subsequent reforms, including paying funds directly to the institution involved and requiring public disclosures of revenue allocations at each designated facility has increased the proportion of funds reaching schools to 90% (Reinikka et. al. 2002).

There is a general consensus that the decentralization reforms have led to greater public participation in local government activities than had previously been the case. This is considered by many to be most important benefit of the decentralization initiative (Golola 2001). Moreover, decentralization has helped overcome a dependency mentality that had developed among many everyday Ugandans who tended to wait for government to deal with the development challenges facing the country. This led to the weakening of local initiatives. With the empowerment of local government, there is a greater willingness to challenge local officials. And the accessibility of local radio has made it the medium of choice to debate local issues (Devas 2005). Heightened expectations and demands for better service have been translated into action at the ballot box - 75% of elected LC officials were turned out of office, on average, in the four local elections between 1986-2002 (Onyach-Olaa 2003). And perhaps most importantly, service delivery has improved markedly in the years since the decentralization initiative has been launched, especially in the health and education sectors as reflected via innovations, reduced costs, expanded coverage, and improved primary school exam scores (Golola 2001).

Despite these successes and the clear statutory authority underpinning the LCs, there remains considerable ambiguity over the respective roles and responsibilities between local and central government officials. Significant funding constraints for the LCs and a lack of qualified staff often mean that day-to-day governance responsibilities shift back to the center by default if not design. This is manifested in considerable tensions between LCs and line ministries over planning, priority-setting, staffing, and resource allocation for specific activities. Consequently, despite the devolutionary label, many LCs feel they are in an ongoing struggle to avoid becoming nothing more than implementing agencies of the line ministries (Onyach-Olaa 2003).

The gap between the stated and defacto degree of decentralization in Uganda is no doubt partly a result of central government bureaucrats resisting the requirement to give up some of the authority and resources they currently control. There are also legitimate coordination challenges in reconciling top down and bottom up development strategies while ensuring some degree of consistency across regions and economies of scale are realized. An outcome of these debates is LCs having to negotiate earmarks set by officials in the central government.

Beyond these inevitable challenges, there is also a question of commitment by senior political leaders to the decentralization project. This skepticism is reinforced by periodic statements and positions taken by senior leaders that have undercut the decentralization effort. For example, during the 2001 presidential campaign, President Museveni announced the abolition of a long unpopular poll tax imposed on all adult males. This tax, however, was an important source of income for district governments, accounting for up to 40% of revenues in some cases (Golola 2001). The lack of prior consultations with the LCs that depended on this revenue underscores the persistent position of weakness of local government vis-à-vis the center.<sup>22</sup>

This illustration points to another Achilles heel of Uganda's decentralization process – the inadequate level of resources available to local governments to fulfill all of the responsibilities with which they are vested. While the 1997 Act authorizes local governments to raise and retain all local revenue, in fact, the scope for this is limited. The central government, meanwhile, has retained for itself the major sources of revenue – natural resources including minerals, water resources, the environment, and national parks. As a result, whether by design or default, most LCs remain heavily reliant on central government funding. As shown in the quantitative analysis, this is not necessarily unhealthy – but it is inconsistent with the official and public message Uganda's leaders convey.

### **The Effects of Decentralization on Conflict and Stabilization**

Uganda's decentralization initiative has a mixed track record in reducing the country's underlying social tensions that pose a risk of armed conflict. The LCs have been very effective at restoring a respect for the rule of law and basic property rights at the local level in what had been a climate of general lawlessness and insecurity for much of the previous decades. This, in turn, has provided a foundation for private sector investment in Uganda, steady economic growth, and the expansion of civil liberties (Golola 2001). Indeed, Uganda has done so well in its stabilization efforts that the tendency is to compare it to other transformational development experiences in Africa rather than post-conflict contexts. Relative to the acute fragility in which Uganda's decentralization efforts have been initiated, Uganda has made extraordinary progress in its stabilization efforts.

Yet, decentralization has not facilitated an end to the conflict with the LRA, which has been intensifying in recent years. Counter-insurgency operations require gaining the support of the local population, rather than solely relying on military solutions. Accordingly, decentralization holds considerable potential value as a mitigative force. Efforts along these lines have been

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<sup>22</sup> Another illustration of the central government's lukewarm commitment to decentralization is seen through its handling of the Local Defense Units (LDU). Despite the enthusiasm surrounding their creation, the LDUs were never legally established by parliament. Nor has the central government committed resources for their training and equipping, as agreed. Recently, the LDUs were brought under control of the central government with expectation that they will be treated as regular armed forces (Golola 2001). While the notion of creating security structures outside the control of the central government in a post-conflict setting was always risky, the mixed signals the central government has given surrounding the LDUs is in some way emblematic of the broader decentralization initiative.

constrained by distrust of the government by northern districts most affected by the LRA raids, however. Similarly, the national government is struggling to find ways of strengthening local government without inadvertently empowering the rebels. That the LRA is based outside of the country, moreover, leads many government leaders to treat this as an inter-state rather than intra-state conflict – and therefore something to be addressed by central rather than local government. Given the bizarre nature of the LRA leadership and that the LRA receives considerable external support from Sudan, it is not clear that any other organization structure deployed by the Ugandan government would have been more successful in resolving this conflict. In short, it is difficult to conclude that decentralization or the lack thereof in northern Uganda is responsible for the sustained conflict with the LRA.

Meanwhile, decentralization has accelerated divergence among districts. Some LCs have been better managed and more innovative in attracting investment and spurring the creation of jobs. This has created some resentment and feelings of relative deprivation among certain groups in less dynamic districts or between rural and urban districts where the tax base varies so widely. The general tendency has also been for districts in the south and central parts of the country to achieve relatively greater progress in service delivery and economic vitality. More pointedly, the north has not experienced the rapid decline in poverty observed in the south. This has accentuated differences in ethnic composition between regions.

In some cases, decentralization has facilitated the domination of LCs by local elite who have subjected local minorities to various forms of discrimination and hardship. Some observers believe decentralization has exacerbated ethnic tensions by codifying the preferences of the local majority even when this contravenes established practices. An example of this is farming communities denying pastoralists grazing or migrating rights over land they have traditionally used in off-seasons. Such prohibitions have amplified the long-running Karimajong and Katawi tensions in the north (Akihire 2002). Skirmishes between individuals involving cattle raiding have, aided by weapons flows from Sudan and Kenya, turned much more quickly into violent inter-group conflicts.

Criticisms by certain local minorities that their political rights are being abrogated under the existing district structures have led to the formation of new districts and the reconfiguration of others to mirror better the ethnic composition of local geographic areas (Akihire 2002; Kayunga 2001). While well-intentioned, the effect has been to accentuate ethnic differences, slow integration, and overlay a political matrix onto the existing ethnic boundaries.

Intra-jurisdictional group distinctions have also been heightened as a result of decentralization by the adoption of “Son of the Soil” practices by certain districts. This practice allows districts to give hiring preferences to individuals native to that district. In some cases, the effect has been to terminate non-native staff and hire native candidates as a form of patronage (Akihire 2002). From a national perspective, Son of the Soil laws reduce incentives for group integration and limit opportunities for the most talented staff to advance.

Finally, certain ethnic groups remain unsatisfied with the decentralization framework and continue to agitate for some form of autonomy as an alternative. The Buganda (comprising 25% of population, historically privileged, and maintaining a recognized king) are the most vocal

proponents of a federal structure. Their vision is the restoration of the king as executive, control over fiscal policy, and territorial autonomy for the Buganda kingdom (which comprises the capital in Kampala). If successful, other former kingdoms would follow suit.

### **Conclusion of Uganda Case Study**

Uganda has embarked on an ambitious decentralization process that has generated a wide range of benefits for the society – greater levels of popular participation and initiative in public affairs, improved transparency, enhanced service delivery, and a dynamic economy, among others. That this was initiated from the ashes of several decades of devastating conflict and that Uganda has concurrently attained the level of stability that it has, is a remarkable accomplishment.

Nevertheless, it is important to recognize that Uganda is pursuing a hybrid decentralization model. While national leaders claim that power and authority have been devolved to local government, in fact, the central government retains the dominant role in the flow of resources and setting of priorities. As such, the decentralization process is unfolding more slowly than initially proclaimed. Given Uganda's conflict history and centrifugal tendencies, this is not a bad thing. The decentralization framework has helped change Ugandans' expectations of their government. Moreover, the decade of decentralization experience gained has helped build the capacity of local government institutions including staffing and financial management. The tensions between the local and central government authorities have also raised awareness of the need for dialogue and consensus-building between the various layers of government (Golola 2001). While the process has been slow and halting, at times, Uganda is much farther ahead on its decentralization efforts than nearly every other African country.

In sum, Uganda faces ongoing ethnic and geographic fissures that make it vulnerable to greater levels of instability. Uganda's decentralization process must be mindful of this reality if the transfer of power to local government augments rather than undercuts stability in the country. Key among the issues to be reconsidered is the practice of ethnic based identification for employment screening in certain local jurisdictions. Along these lines, the central government should be cautious in responding to pressures for creating autonomous regions or federalism. Our cross-national analysis suggests that such policies would likely only further polarize existing tensions. Rather, an empowered local government with strong ties to central institutions would appear to offer the best prospects for achieving the appropriate balance between local and central authorities and traditional versus national identities. Regardless of the decentralization structure pursued, an important missing ingredient appears to be a strong complementary effort by the central government to encourage greater integration of groups throughout society. Individuals wishing to relocate to more vibrant parts of the country should be encouraged to do so. This requires central government capacity to ensure minority rights are protected everywhere. Son of the Soil-type preferences should be prohibited as part of national policy. All such integrative efforts should be undertaken within a renewed framework of national unification. Meanwhile, increased levels of national government financing to transparent and accountable LCs in the north can potentially contribute to the stabilization of this region by diminishing polarizing fears that the central government is demonstrating preference to the more vibrant south.

## VI. ANALYSIS

The results from this study show that the relationship between decentralization and intrastate conflict is more complex than can be captured in any single summary statement. Rather than finding that decentralization is always a stabilizing or exacerbating factor to internal conflict, the results from this research show wide divergences depending on types of decentralization, conflict, and context.

Most fundamentally, the effects of decentralization on conflict outcomes were far more apparent for ethnic than civil conflict. Most quantitative conflict analysis does not distinguish the two, treating all intra-state conflict under the category of civil conflict. While there are cases of overlap between ethnic and political conflict, the underlying grievances and motivations of the two conflict types differ, a point recognized in the theoretical literature. Accordingly, there is a strong conceptual rationale for examining the two types of conflict separately. That the multivariate analyses undertaken for this study identified substantial differences between the two types of conflict – for both decentralization and contextual factors – affirms the potential insight to be gained by examining the patterns of these conflict types independently.

Within the ethnic conflict estimates, the effects of the various decentralization indicators were highly differentiated – demonstrating both beneficial and deleterious effects. Relatively greater levels of subnational expenditures, employment, and percentage of elected subnational tiers were statistically linked to lower levels of new ethnic conflict since 1995. In other words, decentralization that was marked by greater degrees of legitimacy, control over expenditures, and capacity seemed to have mitigative effects on ethnic conflict. These findings are consistent with arguments that when local leaders are answerable to the general public, have the discretion to pursue identified local priorities, and are empowered with a base level of financial resources and staffing, the results will be more responsive government, better service delivery, and greater stability.

Interestingly, the two measures of fiscal decentralization considered – share of local expenditures and taxes – behaved very differently in explaining ethnic conflict. More extensive local government expenditures were linked to a lower propensity of post-1995 ethnic conflict. In contrast, greater levels of local taxes were associated with more frequent ethnic conflict. This pattern suggests that it is local government control over expenditures rather than source of revenues that improves government responsiveness to local citizen priorities. Indeed, it may be that a relatively greater share of local expenditures originating from national sources serves a valuable conflict reduction function by strengthening the bond between the national and sub-national levels of government, particularly in the many developing and democratizing countries where national identity is weak. Local governments that raise a large share of their own resources, on the other hand, may feel comparatively less affinity with and need for national structures. Greater levels of local government control over revenues may also heighten inter-regional tensions when large disparities in access to local resources emerge. This is certainly the case in many natural resource revenue generation arrangements where local governments jealously protect their access to these revenues. Regions with marginal natural resource endowments demand redistribution, while better endowed regions chafe at the need to subsidize their poorer counterparts. This, in turn, may fuel sectarian tensions, especially if the geographic

boundaries mirror ethnic cleavages. Sizeable locally generated revenues controlled by local elite also empower them to pursue policies of discrimination against local minorities. In short, the divergent effects of two dimensions of fiscal decentralization are potentially highly relevant and worthy of further examination.

Measures of legal provincial autonomy, meanwhile, are consistently linked to higher levels of ethnic conflict. Specifically, three different measures of decentralized legal authority – Treisman’s residual authority, independent indices of federalism, and Polity III’s centralization of state authority – all followed similar patterns of behavior. Systems where federalism was formalized or provincial governments granted some degree of autonomy were consistently linked to higher probabilities and magnitude of post-1995 ethnic conflict.<sup>23</sup> The interpretation of this pattern requires more extensive analysis than was possible under this research. This result supports the thesis that local autonomy affords local elites greater leeway to accentuate ethnic distinctions and limit the rights of local minorities. The risks of such a dynamic were seen in the Ugandan case study. This finding also points out the often nebulous nature of designations of autonomy, even in a constitutionally-mandated federal structure. It may be that this ambiguity is an underlying source of conflict under these systems. Emboldened by their autonomous designation, provincial leaders may attempt to assert more authority than they actually have – creating heightened tensions between national and provincial leaders. Alternately, a federal structure may raise expectations of provincial leaders to effect change. However, if they lack the resources and capacity to address these priorities, then this arrangement is likely to be a source of disappointment and potentially grievance eventually leading to conflict. Indeed, provinces in many non-federal systems have greater discretion over policy and finances than those in some federal structures. Accordingly, rather than encouraging legal structures of provincial autonomy, this analysis points to the relatively greater importance of decentralization initiatives that enhance the legitimacy, spending discretion, and capacity of local authority – expenditures, employment, and elected leaders.

Civil conflict has few reliable explanatory factors – decentralization or otherwise – suggesting a greater degree of case specificity. Civil conflicts did more closely mirror income levels consistent with the well-established poverty-conflict nexus. Relatively poorer countries were more subject to the onset of civil conflict, even within the limited low-income samples (i.e. below \$4,000 and below \$2,000 per capita incomes) used in this analysis. Accordingly, the median per capita income level of countries that succumbed to civil conflict over the past decade (\$449) was lower than those that engaged in ethnic conflicts (\$632). In other words, ethnic conflict may pose a relatively greater risk to lower-middle income countries than civil conflict in the post-1995 period (e.g. Indonesia, Russia, Serbia, Thailand, and Turkey). These results suggest that income was relatively less of a motivating factor for ethnic conflicts. Accordingly, the risk of ethnic conflict may persist even for countries making good progress developmentally.

In sum, the relationship between decentralization and intrastate conflict does not fit neatly into any single summary classification. We cannot say, for example, that political decentralization is superior to administrative decentralization. The data with which we are working simply does not

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<sup>23</sup> Notably, a second Treisman measure of local decision-making authority was not significant. The distinction of this measure (“autonomy”) was that local legislatures had responsibilities over certain specific as opposed to “residual” functions.

allow us to imply who controls the subnational expenditure and employment measures (which both show mitigative effects on ethnic conflict). Nor are we able to weigh in authoritatively on preferences on the delegation-deconcentration-devolution spectrum. Such determinations are further complicated by the hybrid approaches commonly employed in practice, as seen in both the Uganda and Ghana case studies. Rather, the important distinction seems to have more to do with the value of enhancing local government service delivery capacity – resources and personnel – coupled with legitimately elected local leaders.<sup>24</sup> Local governments with these qualities are apparently better able to address the priority needs of their respective constituencies and by so doing, contribute to greater stability.

At the least, the results generated in this analysis force us to recognize that decentralization is not an unmitigated good. Under certain circumstances decentralization can be a contributing factor to higher rates of ethnic, and to a lesser degree, civil conflict. This in turn, requires us to consider the circumstances under which decentralization heightens the risks of conflict. Several contextual risk factors stood out in this analysis. These include:

- Highly inequitable local revenue sources, typically from natural resources but increasingly from illicit sources such as drugs or unreported customs fees
- Countries with a history of ethnic conflict
- Provinces where the central government does not have control over security
- Political parties organized along ethnic or geographic identity lines
- Societies where there are large concentrations of minority groups
- Countries with comparatively higher rates of corruption for their income cohort

The focus on context underscores an obvious but sometimes overlooked reality in the discussion of the relationship between decentralization and conflict. Namely, two-thirds of ethnic and civil conflict is occurring in nondemocratic political environments. Accordingly, it is integral to distinguish between decentralization occurring in democratizing settings from decentralization implemented in closed systems. Conflating decentralization experiences can confound our thinking about how decentralization may contribute to or mitigate internal conflict. The augmented legitimacy and local government responsiveness that apparently contribute to lower levels of ethnic conflict through political and fiscal decentralization cannot be assumed to materialize in nondemocratic settings. Accordingly, promoting decentralization as a conflict mitigating tool irregardless of context, even in democratic settings, is imprudent. On its own, decentralization is unlikely to overcome the conflict augmenting effects of an inhospitable environment. Worse, it could have a detrimental impact.

Parallel to an assessment of contextual risks is the need for institutional risk assessments. This analysis has highlighted the nontrivial share (i.e. 25%) of new intrastate conflicts occurring among relatively established, lower-middle income democracies such as Thailand, Turkey,

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<sup>24</sup> The relationship between greater percentages of elected subnational tiers and lower levels of ethnic conflict points to the value of political decentralization. However, it is the degree to which these local elections contribute to the *legitimacy* of local government that seems to make the difference on conflict mitigation rather than the mere act of holding local elections. A substantial portion of countries experiencing intense civil conflict hold elections for between 15-33% of their subnational tiers.

Indonesia, India, and Nigeria (as well as ongoing cases of Colombia, Sri Lanka, and the Philippines). Colombia is illustrative. It ranks near the top of certain decentralization measures such as subnational employment and expenditures. However, as brought out in the case study, its weak accountability structures have contributed to the long-lasting civil conflict there.

Accordingly, decentralization strategies need not only assess whether a political context is democratic but whether there is sufficient accountability. On one 0-50 point accountability scale,<sup>25</sup> we see that low-income countries that succumbed to ethnic or civil conflict in the past decade average accountability scores four points lower, respectively, than those that do not experience conflict – a statistically significant difference. This accountability divergence holds up with regards to ongoing civil or ethnic conflict even among countries considered democracies. The Philippines case study highlights the undercutting impacts chronic corruption has on democracy's conflict mitigating tendencies

In other words, it is the strength and accountability of a state's political institutions that cross-cuts the relative merits of the various facets of decentralization from a conflict mitigation perspective. Creating accountable, legitimate political structures at the national and local levels will augment the conflict mitigating potential of decentralization strategies. Building mechanisms of vertical (*vis-à-vis* citizens) and horizontal (between branches of government) accountability would also limit some of the most acute risks of conflict from decentralization (e.g. pseudo-democratization/decentralization, local elite capture of the decentralization process, or rentier economies taking hold at the local level). This has a direct bearing on the decision to pursue decentralization versus other priorities.

The relevance of accountability of political institutions dovetails with an observation on the importance of authenticity and balance in pursuing decentralization strategies. The central government is an indispensable actor in ensuring social stability as well as facilitating decentralization. The most stable decentralization tends to be in cases where the central state is legitimate, relatively capable, accountable, and subject to a system of checks and balances. Similarly, decentralization on its own is not a panacea to the risks of internal conflict. As was illustrated in the Ghana case, policies guarding against the politicization of ethnic cleavages, cultivating national pride and identity, ensuring adequate protections for minority groups, and redistributing resources to marginalized areas, among other possibilities, are all initiatives best orchestrated from the center.

It is also important to keep in mind that decentralization is a dynamic process that often unfolds over a period of years. The cross-sectional nature of the quantitative analysis undertaken in this paper limits consideration of the period over which decentralization was undertaken – and its effects on conflict. This reality begs follow-up research. The qualitative analysis undertaken in the case studies, particularly the Ghana and Uganda cases, suggests that there are advantages, from a stabilization perspective, to devolving power in a slow, incremental manner. This would seem to foster the gradual assumption of responsibilities at the local level, the build-up of

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<sup>25</sup> By this measure, accountability is defined as strength of institutions of shared power. It is operationalized across five institutional dimensions – checks on the chief executive, control of corruption, independence of the private sector from political influences, independence of the judiciary, and a free press (Siegle 2001).

capacity, and a shared appreciation of the complementary roles that local and central authorities play in effective governance.

Finally, a cautionary reminder. This analysis is only as strong as the underlying data that supports it. Few large cross-national datasets of decentralization have even been compiled. The Treisman decentralization data used in the quantitative analysis of this study is the best and most complete decentralization dataset of which we are aware. Nonetheless, it still has limited data coverage for certain important variables. Recognizing this, we have tried to limit our conclusions to only those patterns that are consistently observed. For example, the decentralization factors that were found to be most relevant – federalism/regional autonomy and local government expenditures and taxes – were corroborated by variables independent of Treisman’s dataset. The case studies, furthermore, have provided complementary qualitative analysis. Still, until the body of decentralization data can be expanded in quality and breadth, our results must be considered exploratory.

## VII. POLICY IMPLICATIONS

The findings from this analysis present a nuanced perspective on the relationship between decentralization and conflict. No overarching generalizations are appropriate. Clearly more comparative research, supported by more complete and refined decentralization data, is needed to substantiate the distinguishing features of decentralization that are stabilizing or risk-inducing. This should be complemented by longitudinal studies that help sort out not only superior decentralization structures but the most appropriate timing and approaches for attaining them. Be that as it may, this analysis, supported by other cross-national research, indicates that, *on the whole*, decentralization within low-income countries is not subject to higher rates of civil or ethnic conflict than more centralized systems. In fact, this analysis shows that relatively higher levels of subnational expenditure and employment as well as authentic political decentralization are linked to a lower probability of ethnic conflict. Nonetheless, real risks exist, particularly in cases where provinces are accorded some form of legal autonomy or they control a relatively high share of tax revenue (often natural resource generated). These risks are compounded in societies with a history of ethnic conflict, pervasive corruption, poverty, uneven access to natural resource revenues, high inflation, concentrations of minority groups, and geographically-based political parties, among other factors. Based on these observed patterns, several priorities emerge:

**Conflict Risk Analysis.** Recognizing that decentralization initiatives can pose risks, decentralization strategies should be accompanied by a comprehensive conflict risk analysis. This analysis would systematically review the risk potential a prospective decentralization context presents. Focus would be given to factors influencing the two broad drivers of internal armed conflict - ethnic divisions and political polarization. This analysis would be used to inform policymakers about the initial decision whether to support decentralization and, if so, how best to minimize potential vulnerabilities.

**Focus on Local Expenditures Over Tax Revenues.** The logic behind increasing local government tax revenues is sound. Local control over these revenues provides a firmer basis for planning and implementing local priorities and, thus, is seen as the lifeblood for meaningfully

advancing decentralization. Yet these fiscal, administrative, and governance objectives must be weighed against broader nation- and state-building processes. Fiscal independence (especially at the regional level) in the absence of other unifying processes can strengthen societal divisions and fan secessionist aspirations, particularly if ethnic group demarcations strongly coincide with geographic jurisdictions. Accordingly, policymakers should focus on enhancing local government control of expenditures relative to revenue collection, which should remain a primary responsibility of the central government. Concurrently, greater attention should be given to improving the transparency and fairness of allocations of national tax revenues among local governments. As national identity and cohesion is solidified, the viability of greater levels of local revenue generation can be re-examined.

**Central Government Control Over the Security Sector.** Transferring control of resources, administrative, and political authority to provinces where the central government is not in control of the security sector is a recipe for disaster. As seen in Colombia, such a sequence is susceptible to central government resources being used to fund insurgent activities. Accordingly, ensuring a central government monopoly over the use of force should precede decentralization. This guidance may lend itself to asymmetric decentralization in contexts where control of the security sector varies. Similarly, a focus on security sector reform – and the creation of democratic legitimacy of the armed forces – that will facilitate central government control, may be needed before significant decentralization can be considered.

**Avoid Establishing Autonomous Regions.** Federal systems and those that provide “residual authority”<sup>26</sup> to subnational legislatures have been comparatively more likely to experience new outbreaks of ethnic conflict in the post-1995 period. The factors underlying these conflicts are no doubt varied and complex.<sup>27</sup> However, promoting regional autonomy appears to be a high risk strategy for accommodating ethnic or geographic differences. Decentralization efforts would be better directed at strengthening subnational government capacity, control over expenditures, political legitimacy, and strengthened ties with the national government.

**Democratic Accountability.** Decentralization occurs within a broader political context. It matters greatly whether this backdrop is advancing vertical and horizontal accountability, checks on national and local executives, the rule of law, norms of transparency, civil society oversight, and a free press – among other mechanisms of shared power. To the extent that these processes are in place or advancing, the stabilizing effects of decentralization are most likely to be realized. If these accountability structures are not in place and there appears little commitment to establishing them, the effects from decentralization are likely to be dramatically different. Decentralization is one potential avenue of democratic accountability. It is not a substitute for it.

Efforts to enhance democratic accountability should precede decentralization much as a house’s foundation precedes its frame. Via this course, decentralization can be confidently pursued as a genuine reform initiative. Making decentralization contingent on a degree of democratic accountability, of course, creates a dilemma over what to do in low accountability environments. Decentralization proponents may argue that decentralization can be an important incremental

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<sup>26</sup> Where subnational legislatures have the discretion to write and enact laws on all matters not explicitly assigned to a national government entity in the constitution.

<sup>27</sup> Hale, for example, finds ethno-federal structures to be particularly unstable (Hale 2004).

step toward establishing accountability. While this may be true in some cases, the risk of decentralization being hijacked by local elites or exploited by polarizing political parties under these circumstances appears to be higher.

**Anti-Corruption.** Closely linked to the emphasis on democratic accountability is the finding that societies with stronger controls on corruption were less prone to civil conflict. Perceptions of injustice, relative deprivation, and the self-enrichment of public officials at citizen expense are potential radicalizing stimulants. Addressing the legacy of corruption and patronage norms inherited from years of closed governance is a major challenge for contemporary democratizers that threatens to foment disillusionment and undermine popular support for the democratic process. This is true at the local as well as national level. Conflict-mitigating decentralization efforts, accordingly, should include an assertive anti-corruption strategy if the decentralization process is to achieve its intended objectives of creating a more efficient, responsive, and stable public sector.

**Need for Multi-Tiered Decentralization Strategy.** An important observation highlighted by this analysis is that the threat of decentralization-influenced internal conflict is present even in well-established and relatively better off democratizers such as Colombia and the Philippines. This is somewhat counter-intuitive as the bulk of attention in the conflict literature is on low-income, typically nondemocratic fragile states. In other words, there are different classes of countries at risk of conflict. Conflating them is likely to obscure important differences to the causes and challenges that each faces. Recognizing these differentiated risks can facilitate a more appropriate multi-tiered decentralization strategy. To sharpen this notion a bit further, five broad categories of decentralization contexts could be considered:

- Relatively established democratizers that face persistent sectarian or ethnic conflict and which suffer from institutional weaknesses in the security sector, corruption, or rentier economies that block democratic consolidation. In addition to Colombia, the Philippines, and Sri Lanka would fit into this category.
- Reforming democratizers that have established relatively strong institutions of democratic accountability. When coupled with a demonstrated commitment towards decentralization, this class of countries offers the widest range of decentralization options. Countries such as South Africa, Bolivia, Dominican Republic, Ghana, Mali, Indonesia, Brazil, Bulgaria, Romania, and Serbia would qualify here.
- Weak democratizers that seem to be on an upward trajectory of democratic accountability but which are starting from a low initial threshold and which are easily vulnerable to democratic or conflict reversals. Countries fitting this profile include Bangladesh, Uganda, Niger, Sierra Leone, Liberia, Kyrgyzstan, and the Democratic Republic of Congo.
- Pseudo-democratizers are countries that have adopted some of the trappings of democratic systems but power remains firmly monopolized by central authorities in the current regime. Arguably, it is this class of countries that poses the greatest threat to attempted diversions of decentralization efforts to the interests of the central government or to precipitating internal conflict. Countries we would include here include Ethiopia, Egypt, Yemen, Azerbaijan, and Chad

- Autocratic contexts are those in which there is little disguise that power is not shared, a position often enforced through repression. Decentralization efforts in this category, almost always following a form of deconcentration, are generally aimed at strengthening the central government's presence at the local level rather than supporting greater autonomy. Uzbekistan, Equatorial Guinea, and Eritrea would be countries fitting this pattern.

The risks of and potential for mitigating internal conflict from decentralization initiatives under each of these five categories varies greatly. Deconcentration in the upper three classifications will take a much different form than the lower two. Indeed, deconcentration may be the most risk adverse decentralization strategy in the weak democratizer category where political will may exist, though accountability structures and capacity are limited. Similarly, the pace of decentralization will necessarily vary widely between contexts. Weak or reforming democratizers may need considerable time before adequate accountability institutions are in place. External actors should be sensitive to this and careful not to rush these processes prematurely.

**Decentralization that Strengthens Ties with the Center.** Too often debates over decentralization are cast in a decentralization *versus* centralization framework. This is particularly common tendency with regards to decentralization and conflict risk. In fact, decentralization is not a zero sum gain. As has been previously observed in this paper and elsewhere, effective decentralization is closely tied to a capable, supportive central authority committed to the process. It is not a matter of either/or but the appropriate distribution of responsibilities and resources among the various levels of government. In the case of mitigating conflict risk, this necessarily entails an important role for central authorities. Indeed, a chief vulnerability of decentralization is that it can create a momentum towards wholly independent provinces with little affinity or compelling rationale to remain connected to the larger state. To mitigate these centrifugal effects, decentralization initiatives should be mindful of simultaneously incorporating unifying initiatives into their strategies as a means of strengthening the connectedness of the subnational regions to the whole. There are numerous formal and informal mechanisms by which this objective can be accomplished. Several that emerge from this analysis include:

- Structural remedies that maintain strong incentives for *inter-regional cooperation*. Relatively high minimum thresholds for political party representation in the national legislature and/or requirements for a minimum share of the vote from multiple provinces can encourage cross-ethnic and cross-regional cooperation. National economic development strategies that systematically facilitate interregional infrastructural cooperation (e.g. transportation, communications, water, energy, media, etc.) including leveraged financing for regions that undertake such projects could be other useful tactics in this effort.
- Build Multi-Directional Accountability. The vertical accountability created by the direct election of local leaders by constituents establishes a powerful incentive for improving the responsiveness of local government to citizen concerns. Yet, political decentralization that leaves local politicians unaccountable to other tiers and regions

of the state is a recipe for elite capture – and a potential source of political polarization. Accordingly, decentralization strategies should simultaneously seek to ensure there are multiple mechanisms of accountability on local leaders to reinforce good performance and curb abuses. Again, numerous possibilities to build such accountability institutions exist, depending on the context. Several of particular interest include:

- i. Regularized federal audits and transparent reporting of all subregional financial operations.
- ii. Legal authority of national government to intervene to prosecute local officials for misuse of public monies, links to organized crime, trafficking of illicit materials, or other illegal activity (perhaps conditioned on a federal court or grand jury styled approval so as to mitigate targeting of political opponents).
- iii. Establishing the precedent of the central government controlling all natural resource and customs revenues as well as perhaps all indirect taxes through the implementation of a value added tax (as opposed to a sales tax). By so doing, rentier economic dynamics and atomized views of entitlement can be forestalled. This approach, however, must be coupled with a transparent process of revenue allocation at the central level, with expenditure decisions to be controlled by local governments.
- iv. Focusing decentralization efforts at the municipal rather than provincial level. This is where most service delivery is required anyway and municipalities are far less likely to make autonomy claims.<sup>28</sup>
- v. Limiting local jurisdictions' role in the security sector to the maintenance of a municipal police force, while ensuring adequate minority representation on this force.
- vi. Pursuing ongoing “national unity” campaigns that strengthen social cohesion and national pride through cultural, sports, and youth exchange-type activities.

In conclusion, decentralization offers numerous advantages to developing countries. Yet, decentralization is not a risk-free endeavor. Unconditional decentralization can easily play into dynamics of group identification and political polarization that are major contributors to internal conflict. Accordingly, despite its many potential benefits, decentralization initiatives should only proceed with constraints – recognizing the context, conflict risks, and need for concurrent efforts to strengthen ties between subnational and national political structures.

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<sup>28</sup>

The authors thank Anthony Levitas for the suggestions leading to points (iii) and (iv).

## Appendix – Regression Estimates

**Table 3 – Logit Estimates of Decentralization Measures with Mitigative Effects on Post-1995 Ethnic Conflict**

Variable	(i)	(ii)	(iii)
<i>Percent Elected Tiers</i>	-0.025* (-1.80)		
<i>Subnational Expenditures (% of total)</i>		-0.099* (-2.01)	
<i>Subnational Employment (% of total)</i>			-0.057* (-1.78)
<i>Democracy</i>		-0.168 (-1.23)	-0.210* (-1.60)
<i>Ethnic Conflict in 1990</i>	1.333* (1.63)	1.625** (1.88)	1.493* (1.78)
<i>Log population</i>	0.499** (2.22)	0.955*** (2.72)	0.882*** (2.69)
<i>Log IMR</i>	-0.478 (-0.95)	-0.537 (-0.84)	-0.576 (-0.93)
<i>Constant</i>	-8.074 (-1.94)	-14.30 (-2.19)	-12.10 (-2.14)
<i>Pseudo R<sup>2</sup></i>	0.21	0.30	0.28
<i>N</i>	110	109	109

z-values in parentheses; \* Statistically significant at 90% confidence interval; \*\* Statistically significant at 95% confidence interval; \*\*\* Statistically significant at 99% confidence interval  
Sample limited to countries under \$4,000 per capita income. The estimates represented in columns (ii) and (iii) are for populations larger than 500,000.

**Table 4 – Logit Estimates of Decentralization Measures Predicting  
Post-1995 Ethnic Conflict**

Variable	(i)	(ii)	(iii)
<i>Residual Autonomy</i>	<b>3.013***</b> (2.87)		
<i>Federal System</i>		<b>2.004**</b> (1.99)	
<i>Centralization of Authority</i>			<b>1.071*</b> (1.80)
<i>Democracy</i>	-0.148 (-1.24)	-0.148 (-1.28)	-0.273* (-1.84)
<i>Ethnic Conflict in 1990</i>	1.714** (1.93)	1.456* (1.63)	0.812 (0.86)
<i>Log population</i>	0.237 (1.02)	0.380* (1.63)	0.494* (1.77)
<i>Log IMR</i>	-0.056 (-0.10)	-0.310 (-0.58)	-0.641 (-0.95)
<i>Constant</i>	-5.833 (-1.26)	-7.122 (-1.51)	-7.904 (-1.33)
<i>Pseudo R<sup>2</sup></i>	0.29	0.28	0.28
<i>N</i>	126	126	101

z-values in parentheses; \* Statistically significant at 90% confidence interval; \*\* Statistically significant at 95% confidence interval; \*\*\* Statistically significant at 99% confidence interval  
Sample limited to countries under \$4,000 per capita income.

**Table 5 – OLS Estimates of Decentralization on Magnitude of Ethnic Conflict  
Lagged by 10 Years**

Variable	(i)	(ii)	(iii)	(iv)
<i>Sub-National Taxes</i>	<b>0.047***</b> (5.24)			
<i>Residual Authority</i>		<b>0.521***</b> (2.65)		
<i>Federal Systems</i>			<b>0.507***</b> (2.76)	
<i>Centralization of Authority</i>				<b>0.195**</b> (1.91)
<i>Democracy</i>	-0.023* (-1.71)	-0.013 (-0.86)	-0.014 (-1.00)	-0.020 (-1.13)
<i>Ethnic Conflict in 1990</i>	0.422*** (3.31)	0.284** (2.03)	0.287** (2.08)	0.255 (1.37)
<i>Corruption Controls</i>	-0.116** (-2.02)	-0.086 (-1.39)	-0.102* (-1.65)	-0.159** (-1.97)
<i>Log population</i>	0.015 (0.87)	0.037 (1.21)	0.018 (0.98)	0.066 (1.44)
<i>Log IMR</i>	-0.105* (-1.62)	-0.094 (-1.39)	-0.106 (-1.58)	-0.166* (-1.86)
<i>Constant</i>	0.324 (0.73)	0.170 (0.25)	0.579 (1.24)	0.070 (0.07)
<i>Adjusted R<sup>2</sup></i>	0.24	0.13	0.12	0.13
<i>N</i>	53	126	126	101

z-values in parentheses; \* Statistically significant at 90% confidence interval; \*\* Statistically significant at 95% confidence interval; \*\*\* Statistically significant at 99% confidence interval  
Sample limited to countries under \$4,000 per capita income. Ethnic conflict in column (i) is lagged five years; columns (ii) and (iii) are lagged 10 years.

**Table 6 – Base Logit Estimate on Post-1995 Civil Conflict**

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Variable	(i)
<i>Fuel Exports</i> (% of Exports)	0.021** (1.87)
<i>Log population</i>	0.361** (2.02)
<i>Log IMR</i>	1.548*** (2.80)
<i>Constant</i>	-14.358 (-3.48)
<i>Pseudo R<sup>2</sup></i>	0.19
<i>N</i>	126

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z-values in parentheses; \* Statistically significant at 90% confidence interval; \*\* Statistically significant at 95% confidence interval; \*\*\* Statistically significant at 99% confidence interval  
Sample limited to countries under \$4,000 per capita income.

**Table 7 – OLS Estimates on Magnitude of Civil Conflict in 2000 and 2005**

Variable	(i)	(ii)
<i>Civil Conflict in 1990</i>	0.375* (1.88)	0.249 (1.43)
<i>Fuel Exports (% of total exports)</i>	0.005* (1.66)	0.001 (0.56)
<i>Inflation</i>	0.002*** (7.57)	0.0004* (1.76)
<i>Corruption</i>	-0.277*** (-3.24)	-0.224*** (-2.99)
<i>Log population</i>	0.009 (0.29)	0.030 (1.14)
<i>Constant</i>	0.842 (1.43)	0.374 (0.72)
<i>Adjusted R<sup>2</sup></i>	0.40	0.10
<i>N</i>	126	126

These models include cases on ongoing civil conflict. Column (i) reflects estimates of civil conflict magnitudes in 2000, column (ii) in 2005. z-values in parentheses; \* Statistically significant at 90% confidence interval; \*\* Statistically significant at 95% confidence interval; \*\*\* Statistically significant at 99% confidence interval. Sample limited to countries under \$4,000 per capita income.

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