



SPECIAL SECTION DECENTRALIZATION AND DEVOLUTION

Decentralization may make governments more responsive to local needs

WHILE FEDERATIONS MAGAZINE NORMALLY FEATURES ARTICLES ABOUT the approximately 28 federal countries in the world, there are also many other countries that have granted or delegated powers to their smaller regional units.

In this issue of *Federations*, we look at the state of decentralization in five such non-federal countries, the three South

American nations of Colombia, Bolivia and Peru as well as Japan and Morocco.

Decentralization means the ceding of certain administrative powers to regions within a country but without the granting of political and fiscal powers.

The five countries, to varying degrees, have decided and are attempting to bring the governing process closer to the people being governed.

Certain so-called 'unitary' governments have existed for centuries with all the important powers concentrated in their national government, but either to meet regional demands or to make the business of government more efficient, have chosen to "devolve" powers to another order of government.

Witness the U.K.'s devolved governments in Scotland, Wales and Northern Ireland after elections held in 2007.

Devolution is a method of decentralization which includes not just a shift in administrative decision-making, but also political and fiscal decentralization as well. As such, it is the most developed form of decentralization short of



Bolivians in Santa Cruz celebrate after 85 per cent voted "Yes" for autonomy on May 4, 2008. The vote for autonomy of Bolivia's richest region went against President Evo Morales.



constitutional self-rule.

The five countries under study in this edition of the magazine are at different points in the continuum between basic decentralization and full-fledged devolution. None are facing the imminent secession of any of their sub-national units.

Of the five, Japan is among the least devolved. The *Economist* magazine recently commented that, "more than any big rich democracy, Japan concentrates political power and financial resources at the centre."

However, earlier this year a government panel recommended the quasi dismantling of the centrally governed state that has existed since 1867. The proposal would limit the central government to 16 areas including diplomacy, national security and trade policy. Under the plan, regional governments would also have responsibility for areas such as public works and industrial promotion.

In Morocco the government is seeking to defuse the anger of radical youth and put a halt to terrorist bombings that

shocked the country five years ago. Part of its strategy is to give responsibility for social and economic development to the local level.

In the South American countries, Colombia has provided significant funding to fuel decentralization, but the reforms do not come close to resembling devolution.

In Bolivia, populist President Evo Morales is fighting a losing battle against sub-national regions in the east of the country voting to transfer national fiscal powers to the regions. For Morales, this decentralization is a power grab by wealthy landowners and a means for them to duck their tax burden. Morales wants that extra tax revenue to help the poorer, largely indigenous 70 percent of the population.

Meanwhile, in Peru, decentralization has advanced in fits and starts over the last 29 years. Martin Tanaka and Sofia Vera of the Institute of Peruvian Studies, write that decentralization in their country has been chaotic and thus far failed to establish a coherent and orderly institutional framework for providing government services to the people.

Class, ethnic conflicts paralyze Bolivian reforms

President Morales dithers on decentralization

BY FRANZ X. BARRIOS SUVELZA

WHEN SOCIALIST CANDIDATE EVO MORALES BECAME the first indigenous president of Bolivia in 2006, with a mandate to bring about sweeping change, there were expectations from his supporters that he would do great things.

Bolivia is a society divided along economic and ethnic lines. Morales's supporters are also indigenous, and are mostly economically underprivileged.

The challenge is significant. Bolivia is one of the poorest countries in South America and the country of 9.2 million people had a shopping list of expectations.

On one side, indigenous peoples, mostly in the mountainous western regions, want improved democracy, a stronger negotiating position with the multinational oil and gas companies and a total reform of the constitution with a formal recognition of indigenous rights. Indigenous Bolivians make

up as much as 70 per cent of the country's population and are Morales's strongest supporters.

On the other side, wealthier Bolivians in the eastern lowlands, mostly of Spanish and mixed descent, want the national government in La Paz to agree to greater autonomy for their regions.

Initially in early 2006, these two groups had an uneasy peace under Morales' leadership. But many of Morales' supporters wanted him to dismantle so-called "neo-liberalism," the policy of unfettered markets and small governments that do not interfere with the flow of capital and goods. That is where the two first collided after Morales nationalized the oil and gas sector in May 2006.

In the east, which chafes under Morales's rule, four out of Bolivia's nine regions wanted to block Morales from heavily taxing their soy plantations and cattle ranches, and hoped, through the process of devolution, to gain a larger share of their natural gas revenues, which are now under Morales' control.

The pro-Morales forces – led by his Movement Towards Socialism party – want the wealth generated by those eastern regions to raise the standard of living elsewhere in the country.

Franz X. Barrios Suvelza is a consultant with the UNDP in La Paz, Bolivia.

At first it looked as if both of these two irreconcilable goals could be achieved. But neither the Morales forces nor the eastern regions were prepared to compromise.

Autonomy advocates confront Morales

Unrest with the new president and his programs had been brewing for some time in the east. In July 2006, Morales' opponents won a first round of referendums supporting the principle of provincial autonomy in four regions in eastern Bolivia. It served as a dress rehearsal for the definitive referendums soon to come and a sharp warning to Morales. The stage for the autonomy movement was set in motion back in December 2005 when, in the first democratic regional elections since 1825, six of Bolivia's nine regions elected governors from parties opposed to Morales's socialist party.

Time slips away

Meanwhile, while the eastern seats were preparing for additional referenda, time was slipping away on Morales and his bid to have a new constitution adopted rapidly, a constitution that he promised would entrench political and economic rights for his indigenous supporters.

It took 18 months of frustrating sessions of the Constituent Assembly to complete a draft constitution. That constitution, written exclusively by the pro-government majority and a few allies, was adopted amid tumult. The referendum on the constitution, originally scheduled for May 4, 2008, was put on hold by the government after the electoral court held that the referendum could not be organized in time for that date. No new date has yet been set.

In the constitutional negotiations, the constituent assembly's pro-Morales forces refused until the last minute to cede a modicum of legislative powers to the regions in the new constitution. The pro-government faction feared that allowing such legislation would mean giving up political powers that they just could not concede, and wrongly calculated that the demand for autonomy was simply manoeuvring by the wealthy landowners.

In a last-minute effort by Vice President Alvaro Garcia to reach agreement with the eastern factions, the final draft of the constitution introduced legislative powers for the subnational sphere – in what was a concession to the regions seeking greater autonomy. But those powers were not deemed satisfactory by the landowners. For their part, the pro-Morales forces inserted into the draft constitution a variety of provisions such as autonomous entities, as well as regional and indigenous ones, which created a complex and potentially unmanageable network of governments.

In an interview with the BBC on April 24, 2008, Morales accused his opponents in the eastern regions of really being interested in money, not in devolution, claiming that the more wealthy easterners only became interested in devolution when they lost control of the central government.

Losing control

"If we look at history, we see that there have always been demands for federalism when the rich minority have lost control of central government, but then when they get it back again, they forget all about autonomy."

The next clash between the two forces took place on May 4, 2008. The subnational region of Santa Cruz held a

referendum, asking voters to approve a statute of autonomy passed by the region's legislature the previous December. The referendum was approved by 85 per cent of the voters. Morales' supporters had called upon people in Santa Cruz to boycott the vote, but without much success.

In April, Morales had promised that the new constitution would guarantee devolution of powers to the regions, according to the BBC:

"But it will be autonomy for the people, not autonomy for the rich elite in Santa Cruz."

The next showdown will likely come right after the date is set for the referendum to approve the draft constitution. The new



An indigenous woman votes in the referendum in May 2008. The pro-autonomy forces in Santa Cruz won the vote.

The Bolivian autonomy referendum of 2006

The question to voters was: "Do you agree, within the framework of national unity, with giving the Constituent Assembly the binding mandate to establish a regime of regional autonomy, applicable immediately after the promulgation of the

new Political Constitution of the State in the regions where this referendum has a majority, so that their authorities are chosen directly by the citizens and receive from the National Government executive authority, administrative power and financial resources that the Political Constitution of the State and the Laws grant them?" – *from the referendum of July 2, 2006, in which the four eastern regions voted a solid "Yes."*

CONTINUED ON PAGE 22



Japanese panel calls for power shift to regions

Decentralization process picks up momentum



CREDIT: REUTERS/LEE JAE WON

Japanese Prime Minister Yasuo Fukuda faces demands for more powers from the country's mayors and local governments.

BY PURNENDRA JAIN

THE NEED FOR DECENTRALIZATION HAS BECOME A HOT political issue in Japan these days.

Yet political and bureaucratic complexity, hand in hand with competing and irreconcilable political interests, hinder the devolution of power to lower units of government in Japan's still strongly unitary state.

So strong that the *Economist* magazine commented in a recent article that, "more than any big rich democracy, Japan concentrates political power and financial resources at the centre."

Japan's local governments have struggled for years to secure both financial independence and political autonomy. Recently,

demands for decentralization have grown louder than ever. The need for change is manifest.

In April 2008, a Japanese government panel recommended dismantling the centrally governed state that has existed since the restoration of the Meiji Dynasty in 1867. The proposal would limit the central government to 16 competencies including diplomacy, national security and trade policy. All other powers would go to the regions or municipalities. Under the plan, regional governments would also have responsibility for areas such as public works and industrial promotion.

But nothing will be rushed. The recommendations are part of an interim report. The panel is expected to take another two years to table its final recommendations.

With one of the most rapidly greying populations in the world, Japan's highly centralized structure is struggling to cope with evermore diverse demands for services. The pressures of globalization make it increasingly difficult for the local govern-

Purnendra Jain is professor and head of Asian Studies at the University of Adelaide in Australia.

forumfed.org



REUTERS/PAWEŁ KOCZYŃSKI



Japanese walk down a Yokohama street. Citizens living in the countryside and cities outside Tokyo now have more control over their local government.

ments to operate effectively. Heavy dependence on their central masters leaves the subnational governments usually impeded, cash-strapped and often hamstrung.

The road to decentralization in postwar Japan has been long and winding. It is marked with plenty of initiatives, ideas, plans and recently even the passage of legislation in support of greater autonomy for local governments.

The central government, fuelled by the work of the panel, is now seriously considering a total restructuring of the current two-tier structure consisting of 47 prefectures and a few thousand municipalities classified as cities, towns and villages.

Cities cut in half

In 2006, centrally-designed – and in some cases unwelcome – amalgamations halved the number of municipalities to 1,820. The move was aimed to improve efficiency and economies of scale by enabling more effective delivery of services to local communities.

A new proposal considers redefining the current prefectural boundaries to form what Japanese call *doshusei* (expanded regions or states).

These states could number between 9 and 13 and could have greater fiscal and functional autonomy than prefectures currently hold. But it is strewn with obstacles while stakeholders struggle to protect their turf. Ironically, powers of the central government would be devolved to more centralized sub-national units.

Following Japan's defeat in World War II, the Allied Powers (mainly the U.S.) occupied Japan. In line with Occupation aims to decentralize governance, the 1947 Constitution enshrined

the principle of local autonomy. For the first time in Japan's modern history, local self-governance gained constitutional status.

With the end of the Occupation in 1952, ruling conservative parties at both central and local levels rejected decentralization by the Occupation authorities and flagrantly recentralized as much as the new constitution allowed. Japan's rapid economic takeoff in early postwar served to legitimize this reversal by creating broad acceptance of a centralized state as the essential means to national economic growth.

This rapid economic growth through industrialization in the 1950s and 1960s also became a spur to local communities seeking more autonomy, as they struggled to address severe social problems like urban housing shortage and inadequate health and family welfare. The conservative government of the Liberal Democratic Party focused on continued economic growth and ignored ordinary people's suffering. But resistance inspired a strong, creative and motivated grassroots movement against the central government's neglect of urban living conditions.

A new breed of left-leaning local chief executives was swept into office through subnational elections. They were not afraid to lock horns with the central government on issues vital to their local communities, with which the central government was demonstrably way out of touch.

They bravely initiated innovative policies in the interests of local residents, even when that meant flying in the face of central government policies. Their strong will, forthright policy initiatives and concern to truly serve the localities that elected

CONTINUED ON PAGE 21

Colombia's devolution sparked 25 years of democratization

Reforms changed the face of cities but underfunded key services

ANA MARIA BEJARANO

DESPITE ITS LONG-STANDING BATTLE WITH DRUG LORDS AND factional fighting, Colombia has succeeded in instituting the direct election of its mayors and governors in a 20-year democratisation process that is still changing the face of the nation in 2008.

The move to direct elections of mayors and governors has had a lasting impact on Colombia's politics. It opened the political system to many groups. New political parties and movements have sprung up, vowing to clean up public administration, root out corruption, end one-man rule by city mayors, and offer more accountability.

Previously, mayors were appointed by state governors, who were appointed by the president.

But the changes are not enough to call the decentralization process "devolution." Colombia's 32 regions and its cities have few powers, though these powers are set out and fully protected in the constitution adopted in 1991. There are few taxes that the regions and cities can raise. However, the changes in a quarter century have been impressive.

One local star in the transfer of powers to the cities is Sergio Fajardo, a mathematics professor who was a popular mayor of Medellin from 2003-07. Fajardo focused on helping the poor, building public infrastructure and improving their commute to work and is credited with the turnaround of a city once considered the most dangerous in Latin America. Medellin is no longer viewed as the drug capital of South America, thanks in part to Fajardo.

The people today expect far more from municipal administrations than they did two decades ago. This is true of the major cities, but also of the many mid-size urban centres, which have

Ana Maria Bejarano, assistant professor of political science at University of Toronto, was previously professor of political science at Universidad de los Andes in Bogota, Colombia.



Colombia's President Alvaro Uribe gestures during a meeting with U.S. Commerce Secretary Carlos Gutierrez. Uribe launched a raid on a FARC camp in Ecuador in April, 2008, causing protests from several Latin American governments.

undergone considerable transformations, mainly because of incentives created by democratization and the increasing power of the municipal order of government.

The current decentralization campaign began in Colombia in the mid 1980s. It was part of Latin America's return to democracy and was a result of pressures to diminish the size of central governments. It ushered in a region-wide trend toward leaner, more decentralized states.

Forces disarm

Colombians were weary of decades of internal warfare. Decentralization was promoted as a means of instilling peace among the various warring factions and as an incentive to lay down their arms and in exchange, gain powers in regional governments.

It was viewed as a win-win by the right wing of the Conservative party and originally, also by the extreme left, represented by various guerrilla groups – particularly the powerful rebel group known as the FARC.

The Conservative Party government of President Belisario Betancur (1982-86) initiated peace talks with three guerrilla groups in 1983. Within this context, the proposal to initiate a decentralization process took off. Decentralization – which soon became entrenched in the Constitution of 1991 – was seen as bait to lure guerrilla groups to the negotiation table and, by others within Congress, as a way to enhance their political prospects once the Liberals returned to power, as they did in 1986.

In 1998, Conservative President Andres Pastrana began a series of peace talks with FARC, resulting in a so-called "demilitarized zone" for the rebels in Colombia. But after more than three years of negotiations, Pastrana ended the talks in February 2002, following a series of high-profile guerrilla attacks by FARC. The Colombian army then moved in to occupy the demilitarized zone.

FARC then responded with the kidnapping of such high-

level hostages as Colombian Senator Ingrid Betancourt at the end of February 2002. This action raised the ante. Cities all across the nation mounted massive demonstrations with Colombians of all stripes and ideological persuasions opposing the kidnappings.

Civil conflict in Colombia was a confusing array of overlapping alliances. Guerrilla groups and so-called “paramilitary” groups had been funded by the drug trade for years. Colombian drug cartels even used miniature submarines costing \$2 million each to make cocaine deliveries. Although many were captured by the Colombian or U.S. navies, those subs that slipped through were able to deliver \$250 million worth of cocaine to Mexico.



A banner in Medellín calls for the release of Colombian politician Ingrid Betancourt, who was kidnapped by FARC guerrillas in February 2002.

On the extreme right, the 26,000-member AUC paramilitary group laid down its weapons between 2002 and 2006 in return for benefits such as reduced jail terms. But after demobilizing, the paramilitary groups strengthened their networks of political power and control of land.

Municipal elements led reform

Like some other Latin American countries, decentralization in Colombia initially had a strong municipal bias. A new statute for municipal administration was approved in 1985 and the direct election of mayors was approved in 1986.

Significant funding from the central government fuelled the decentralization process.

Juan Camilo Restrepo, the former minister of finance, said in 1998, that “close to a third of the central government’s increased spending during the 1990-98 period is accounted for by the accumulated additional obligations related to territorial transfers, some entrenched in the constitution, others coming from ordinary law.”

Some argue that the constitution drafted in 1991 by an elected constituent assembly changed the dynamics of the decentralization process to one of devolution by giving regional governments a few constitutional areas of competency, although their taxation power was limited only to taxes on

alcohol, tobacco, and lotteries.

The constituent assembly that preceded the ’91 constitution represented multiple minorities – including the left, the indigenous movement and the non-Catholic Christian population – which banded together with progressive factions of the Liberal party to implement a dramatic opening of the Colombian political system.

Key changes involved extending the decentralization process to the regional governments, with governors elected by popular vote for the first time in 1991.

The constitution also included rules mandating that a fixed (and increasing) proportion of national revenue be transferred to subnational entities, thereby guaranteeing that political and fiscal decentralization would go together. This has sparked considerable debate, with some blaming the fiscal deficits of the late 1990s on this revenue distribution scheme.

Simplifying revenue transfers

A 2001 law simplified revenue transfers and slashed the proportion of national revenue going directly to regions and municipalities, to 37.2 per cent from 46.5 per cent. The debate on transfers continues, with the central government seeking to cut them and the opposition defending the gains entrenched in the 1991 constitution. Discussion has focused on rules for improving revenue distribution rather than reversing the process of decentralization.

The process of decentralization has had important long-term consequences. It has opened the system to new actors who were previously excluded and has created a vibrant political scene at the regional and local levels. New opportunities for popular participation

have opened as well as new avenues for advancing the political careers of leaders from outside the capital city of Bogotá. Since the reforms, many national level leaders have arrived on the scene after starting their political careers as mayors or governors.

Not all is positive, however. Along with opening the political system to new entrants, some of the most harmful political forces (including drug dealers, paramilitary groups and remaining guerrilla groups) took full advantage of the political spaces opened up by decentralization, and have become entrenched centres of power.

As the stakes have been raised in local and regional elections, violence and intimidation during electoral contests have reached new heights. New-found autonomy from the central government has not always furthered the best interests of the people, and has often served regional elites, local politicians, or both. Additionally, although the mayors and governors have higher levels of education than their predecessors, there are nonetheless troubling reports of increased corruption and abuse of public funds. The good news though is that with new electoral accountability, cities have seen unpopular mayors thrown out. Overall, the balance seems to weigh more heavily on the positive side.

CONTINUED ON PAGE 32

Morocco dabbles with devolution as means to quell discontent

Cities to gain powers, regions next

BY ALAE EDDIN SERRAR

DEVOLUTION IN MOROCCO IS THE FOCUS OF A MOMENTOUS national debate that if successful, could result in bringing government services much closer to this restive people.

The focus of the debate is aimed at amending the law governing municipalities. With many social and political actors involved in the discussions, including ordinary citizens, elected officials, government and civil society and none other than King Mohammed VI himself, changes to the law could come soon. Others could follow.

When King Mohammed succeeded his father to the throne in July 1999, there was an atmosphere of optimism and the process of democratization began. But the pace of the democratization and decentralization has not always kept up with people's expectations.

The benefits of the reforms of 1999 and the impending changes in governance and services for poorer citizens did not, nor could they possibly, change Morocco's social conditions overnight. More than 4.2 million of the country's 34 million people live on less than \$1 per person a day. As well, 38 per cent of the population is illiterate, 1.7 million people live in shanty towns and 11 per cent of working-age young people are unemployed.

Terrorists attack

Little more than five years ago, with these alarming social indicators as a backdrop, several radical Islamist groups were successfully recruiting underprivileged youth in Morocco. In May 2003, the deadliest terrorist attacks in the country's history conflagrated in Casablanca. A total of 12 suicide bombers died, along with 33 civilians, and 100 were injured. Another seven suicide bombers blew themselves up in Casablanca in March and April 2007. In both cases, most of the bombers were from the shanty towns of Sidi Moumen in the suburbs of Casablanca.

Alae Eddin Serrar is program manager at the USAID/State University of New York Parliament Support Project in Morocco. He graduated from Al Akhawayn University in Ifrane with a Master of Arts in International Studies and Diplomacy.



King Mohammed VI of Morocco makes a point at a recent Arab League summit in Tunisia. The King's participation is often the key to the success of a project in Morocco.

Response to roots of the attacks

The king stepped in. In Morocco, the king's support is often crucial to whether a reform project goes through or not. In formal politics, under the constitution of Morocco, the king can appoint the prime minister and the cabinet after a democratic election, and can dismiss any cabinet minister. In informal politics, the involvement of the monarch can launch a political project on its way to success.

After the first attacks, the king launched the National Initiative for Human Development to place social issues at the top of the country's priorities. This initiative was aimed at empowering citizens to participate in decision-making at the local level.

In a speech in July 2006, the monarch said there was a strategic need to evaluate Morocco's "experience in local democracy, and to explore possibilities to enlarge the space for democratic

practice, (and) to give a new impulse to decentralization and regionalization dynamics so that decentralized management of public services becomes a basic rule.”

In layman’s terms, the king was calling for broadening of democracy in his country and for decentralization.

In light of this speech, and with municipal elections coming in 2009, the Ministry of the Interior launched a national debate to reform the law governing municipalities in Morocco, known as the Communal Charter.

This was to be an important step toward enabling local governments to improve delivery of services to citizens and create a more inclusive and transparent management style at the local level. Since then, more than 20 legal experts have fanned out, holding workshops in the country’s 16 regions, involving the leaders and members of local communes, members of civil society groups and citizens.

The discussions and the debate centre on one topic: reforming the Communal Charter. These consultations are focusing on clearly defining powers at the subnational level; protecting local autonomy; and providing the necessary funding and trained staff for municipal governments.

Clearer powers

Subnational governments in Morocco come in three forms:

- the municipality (led by a mayor elected for a six-year term),
- the province (led by an appointed governor),
- the region (led by a regional appointed by the king).

While the regions have been given significant responsibilities in social assistance and economic development matters, municipalities have been granted similar responsibility over socio-economic development through the 2002 Communal Charter. Yet, this law did not specify how overlapping responsibilities in socio-economic matters are to be shared.

Nor did the Communal Charter specify functions or relations within the locally elected councils in major cities like Casablanca, Rabat, Marrakech and Tangiers. In these four cities, there is a single municipal council – headed by an elected mayor with exclusive fiscal authority – which sits atop several local municipalities.

In Morocco, a local municipality (*commune* in Moroccan French) can be either an independent municipality in the countryside or a municipal district within a large metropolis. The resulting ambiguity between the city and the municipali-

ties has been a key obstacle confounding efficient and democratic decentralized management.

Protecting local autonomy

Morocco’s urban and rural municipal governments are governed primarily by Article 69 of the Communal Charter which contains a long list of municipal council decisions that require pre-approval by the Ministries of Finance and the Interior, in the case of urban communes; and of the regional governor or the governor in the case of rural communes. This mandatory pre-approval covers almost every expenditure line item. It even extends to the naming of city streets. The law defines the precise procedures that need to be followed for such pre-approval and stipulates sanctions for any violation of the procedures by the local communes.

During one confrontation in 2006, the governor of the city of Meknes rejected the program that the elected municipal council had developed to reflect local citizens’ priorities, which council members had promised to address during the election campaign. Instead, the governor used the nationally deter-

mined plan, as set by the central authorities, to design and implement local development projects.

Prof. El Manar Esslimi of Mohammed V University in Rabat, one of the specialists working on the reforms of the Communal Charter, said the coming reforms will have the effect of pressuring central authorities for “less concern about legal compliance with formal rules at



A victim of the May 2003 suicide bombing in Casablanca is carried to an awaiting hearse. Thirty-nine people were killed and scores injured in the bombings.

the local level, and a more strategic role in monitoring and evaluating local performance in delivering services.” He added that there will also be provisions to encourage citizens’ involvement as the most efficient mechanism for accountability and oversight.

Saad Guerrouani, the youngest member of the municipal council of Martil, a town in northern Morocco, stated in an interview that “the new reforms should necessarily reflect the trust that citizens have expressed when they voted for us.”

“Heavy control hinders our capacity to program and execute investments in a timely and effective manner.”

“Our hands are now handcuffed ... they should be released so that we can serve our communes better,” Guerrouani added.

CONTINUED ON PAGE 32



Peru's decentralization stalled by protests and distrust

Voters support devolution but not amalgamation



Food kitchen volunteers from an outlying province demonstrate in Lima for more funding, in April 2008. Regions outside Lima have been campaigning for more powers and public finances.

BY MARTÍN TANAKA AND SOFÍA VERA

MANY PERUVIANS WANT DECENTRALIZATION FOR ONE reason: to counterbalance the overwhelming influence of Lima, the country's capital.

But the path to decentralization is a rocky one, and the end is nowhere in sight.

Lima's 8.5 million inhabitants make up 26 per cent of the country's total population. The city produces 46 per cent of the country's goods and services. People outside the capital want more power to be devolved to its 25 regions – and

want some of the public and private investment that now is going to Lima.

The 28-year decentralization movement has advanced in fits and starts. The movement began when the right to hold local elections was restored in 1980.

Then in 1988 the creation of regions began with the election of regional authorities that were meant to replace the 24 administrative units called departments. The regional governments

Martín Tanaka has a PhD in Political Science (FLACSO Mexico), and is a senior researcher at the Institute of Peruvian Studies.

Sofía Vera is a sociologist and research assistant at the Institute of Peruvian Studies.

were then dissolved but were brought back in 2002, when Peru was divided into 25 “regions”, replacing the old “departments.”

A constitutional reform allowed for regional elections in 2002. But the goal of merging the 25 regions into fewer, larger regions has not yet succeeded.

One of the regions leading the push for decentralization today is Lambayeque, where Yehude Simon was re-elected governor in 2006.

Simon is one of the successful leaders of the decentralization movement in Peru. One of the main projects of his government is completing the final phases of the Proyecto Olmos reservoir for farmers, which stores and distributes 2,050 million cubic meters of water each year.

In April, after a meeting with 23 regional governors and Peruvian President Alan Garcia, Simon said that the decentralization of Peru was proceeding satisfactorily, despite its many challenges.

“The state has acknowledged that some things aren’t working ... this encounter should put an end to the criticism from those who wish the failure of decentralization.”

Movement is fragmented

The decentralization process is a reflection of Peru’s political fragmentation. When new regional and local elections were held in November 2006, 18 of the country’s 25 regions elected governments from regional political parties. In only seven of the regions did candidates affiliated with national political parties form governments.

An important setback for decentralization occurred in October 2005, when Peruvians voted in a referendum to turn down the amalgamation of many smaller regions into a few larger ones. This step was seen as necessary in order to give more power to the regions. However, people in the regions feared that amalgamation would mean a weakening of their autonomy and lead to consolidation of the power of the bigger cities.

The process of decentralization has nearly a 30-year history in Peru. It started just after the 1979 Constitution was adopted. The ’79 Constitution, adopted by a popularly elected assembly, stated that the country should establish regions with elected authorities. In the Constitution, the regions and local municipalities were described as governments with administrative and economic autonomy from the central government.

Mayors elected

When the military government finally ended in 1980, the mayors for all local assemblies in the country’s provinces and districts were directly elected by popular ballot.



Peru’s former president Alberto Fujimori testifies during his trial in Lima on Feb. 20, 2008. Fujimori shut down regional governments while in power.

That same year, 1980, a terrorist group called “Shining Path,” started a campaign of attacks which they called “revolutionary war.” Their incursions inflicted severe harm to the decentralization process by striking at the roots of the Peruvian government and assassinating mayors in several rural districts. Shining Path started its activities in one of the poorest regions in Peru, Ayacucho, and spread over almost the entire country.

The destabilization caused by the Shining Path helped stall the decentralization process until 1988, when a number of regions were formed and governors elected.

But devolution ground to a halt under President Alberto Fujimori, who became president in 1990. In 1992 he led a *coup d’état*, shutting down the national Congress and putting an end to regional governments.

Fujimori maintained a strongly centralist outlook in the relationship between the central government and the regions. Use of government resources, meanwhile, was concentrated in the hands of the President and his staff.

Meanwhile, in the countryside, the Shining Path began losing the support of the peasants, leading to the capture in 1992 of its leader and the collapse of the uprising.

The once-popular Fujimori became embroiled in a corruption scandal, and he fled the country in 2000. His departure laid the groundwork for a revival of democratic principles



in general, as well as a rebirth of the decentralization initiatives. A new common cause took shape, which considered decentralization not only good for achieving balanced development, but also a potential bulwark against arbitrary and abusive centralization of power.

With the election of Alejandro Toledo as president in 2001, decentralization was taken up once again. One of the new government's first measures was to call elections to constitute regional governments.

As there were no territorial boundaries for the regions, temporary borders were drawn up, based on the 25 existing units.

The results of the 2002 regional elections favoured the principal opposition party, the populist APRA party, which won a plurality of the vote in 12 regional assemblies – nearly half of the total.

Initiative failed

In addition to needing a better definition of their tasks and responsibilities, the new assemblies also needed a roadmap for merging into larger regions.


The creation of a smaller number of larger regions out of the 25 existing ones would have meant more funds and staff in the respective regions and a greater potential for economic development. Another gain would have been the potential for the building of a stronger regional identity in fewer regions. However, the initiative failed as it ran into a brick wall of resistance from the central government.

The merger proposals were voted upon in popular referendums in 16 regions. The regions and provinces feared being gobbled up into the larger regions. The result was that every referendum to create five new larger regions from the 16 smaller ones was defeated in October 2005.

Decentralization in today's Peru, which began with a chaotic regionalization process, has thus far failed to establish a coherent and orderly institutional framework for delivery of government services to its citizens. Many of the regional movements are not well rooted. Some also suffer from poor management. Nevertheless, some regional movements do show potential and their efforts could lead to success.

Some regions believe that gaining the power to collect their own taxes is the next logical step on the road to greater decentralization.

Governor Yehude Simon of Lambayeque is of that view: "The transfer to the regions of functions along with funds is indispensable for moving ahead with the decentralization process, and what would be a better way to achieve that than by allowing the regions to directly collect taxes themselves?"

But to truly succeed, the elected officials and the civil servants in these regions need to acquire the ability to promote and sell development programs that will create jobs and sustainable development. The regions and the national government also need to restart the regional merger process and embark on reforms for enhanced intergovernmental relations among national, regional and municipal orders of government. Peru must address these challenges or face more conflict and social protest, both of which it has suffered enough from in recent years. 

JAPAN [FROM PAGE 14]

them produced *de facto* decentralization and a vibrant democracy at grassroots level.

Here at last was a counterbalance to the national government. Yet no constitutional or major legal changes were introduced to promote decentralization. In essence, new policies were adopted within the highly centralized structure.

Soon the local activism lost the wind from its sails. The national economic boom and resulting widespread prosperity from the late 1970s enabled the central government to rein in the pressure for reform and, importantly, to retain its tight fist on local administrations.

Economy stagnates

Then came the 1990s when Japan's economy began to stagnate, an era that injected a fresh enthusiasm for reviving decentralization. And, while some advances were made in the 1990s, many tasks remained.

This issue became part of Prime Minister Junichiro Koizumi's (2001-2006) broader agenda of reform and restructuring and continued under the Shinzo Abe administration (2006-2007). Prime Minister Yasuo Fukuda, who came into power in 2007, has endorsed his predecessors' initiatives.

Consequently, a new Decentralization Reform Promotion Act was legislated in 2006 and the government set up a Decentralization Reform Promotion Committee in April 2007 to consider issues related to further devolution of power and functions.


Rethinking Japan

As part of the devolution process, the ruling LDP, especially since the Koizumi administration, has promoted the *doshusei* idea. The opposition political party and its leader Ichiro Ozawa also lent support. Although he advocated a somewhat different structure in his renowned 1994 book *Blueprint for a New Japan: The Rethinking of a Nation*, Ozawa then considered decentralization a core issue and recommended 'transfer of substantial national authority and finances to local governments'.

In a 2007 survey conducted by Japan's leading economics daily, the *Nihon Keizai Shinbun* on the desirability of a "state system", 23 of 47 governors strongly supported the idea. Only four opposed it.

The main opposition comes from the central bureaucracy that sees its power eroded significantly. The new structure will provide few opportunities for central bureaucrats to control localities through their field offices or to transfer central personnel to key local administrative positions.

Nonetheless, the current situation of "30 percent autonomy," where local governments raise roughly thirty percent of their financial needs through local taxes, while depending for the rest on the centre, is going to change. Already the central government has agreed to transfer a greater proportion of income tax to localities. Maintaining a sound balance of power between national and regional interests will be critical. But how this balance will be achieved remains unclear.

Moves toward decentralization now have a new momentum. Still, it is unlikely that profound reform will be introduced anytime soon. Japan's road to decentralisation still has many winding turns, but these days many more travellers too. 

BOLIVIA [CONTINUED FROM PAGE 12]

constitution identifies the 36 indigenous people of Bolivia for the first time in history, lists their languages as official languages nationally, and requires each region to have at least two official languages, one of which must be Spanish. Opposition critics say that if the constitution is passed in its current form, it will split Bolivia.

This chain of events and the outcome hold several lessons for Bolivians. The first is that Morales was mistaken when, in 2006, he mounted a fierce campaign for the No side in the autonomy referendum. This act galvanized voters against him in the four eastern regions, where the pro-autonomy forces would later win. Morales unwisely campaigned on the platform that Bolivia's only pressing issues were greater control over its natural resources and integration of its indigenous inhabitants into Bolivian society and institutions. The country, however, has other challenges. One is regional autonomy. Here Morales made a crucial error. Not content to pursue his strategy in favour of indigenous and anti-neoliberal policies, he went further and dismissed the pro-autonomy movement as an expression of simple greed on the part of the oligarchy – a few wealthy families.

Compromise needed

The mistakes Morales made arise from two different definitions of federalism. One is Morales' "cultural federalism" with economic power held mostly by the central government. The other is a "federalism of autonomy" of regions like Santa Cruz, which wants to keep all the revenues from its natural resources. These two extremes have led to an all-or-nothing struggle between Morales' supporters and the richer eastern regions.

Until the two sides acknowledge some validity in each other's goals, compromise will not be possible. This common ground could lay the foundations for a new territorial model, which is neither completely federal nor completely autonomous. One way of implementing it could be an agreement on equalization payments between the richer and poorer regions. That may not be difficult to agree upon in principle. Where the battle will play out is over what is to be equalized: government services, perhaps including medical care and retirement, or the standard of living?

Morales's strongest argument against devolution is that it

would lead to a return of the *latifundia*, the system in early Latin America that put large landowners in mansions and kept the peasant farmers living in huts.

The opponents of the president are strongest in the region of Santa Cruz, the largest of the four easternmost regions led by the opposition. These four regions – Beni, Pando, Tarija and Santa Cruz – are commonly called "the half moon" by Bolivians

because on the map, the outline of the four regions resembles a crescent moon.


The region of Santa Cruz is the largest contributor to Bolivian GDP (30 per cent), and generates a major chunk of the country's tax revenues. In 2007 the value of exports from Santa Cruz was four times that of the region of La Paz. Second in wealth is the region of Tarija, one of the four regions that approved autonomy in principle in 2006 and which is also preparing for its own referendum to implement that autonomy. About 85 per cent of Bolivia's natural gas reserves are located in Tarija, which accounts for its economic muscle.

East demands autonomy

The origins of the demand from Bolivia's east, for greater autonomy, go back to the beginning of the Spanish occupation. The eastern lowlands, isolated for centuries from the mineral-based economy of the west, have an Amazonian climate and look towards Brazil rather than to La Paz. Add to that a strong Spanish presence and some indigenous peoples quite different from those of the west, and you get a part of the country with a very different identity.

With a municipal system that has been democratizing since the mid-1990s and an irrepressible regional movement, Bolivia could, with a few changes, invent a new territorial model that is neither unitary nor federal nor autonomous.

That structure could be one in which the three orders of government would have equal constitutional powers: national, regional and municipal. In all federal countries, the municipality is important but in only some federal countries is it recognized in the constitution. If Bolivia were to adopt such a model, it could even surpass Colombia, which has been the best example of Latin American decentralization in the past few decades.

Unfortunately, Morales has not as yet succeeded in negotiating a moderate arrangement for a diverse nation. He has less than two years to go before his first presidential term is up to square the circle and appease the four autonomous Eastern regions as well as to transfer greater wealth and opportunity to his indigenous constituency. 



Bolivia's President Evo Morales holds a hammer and chisel at a ceremony in which he donated trucks and heavy machinery to miners in the Cochabamba region in May 2008.

REUTERS/HO NEW