

**Building Better Governance:
Innovative Leadership in Ecuadorian Municipalities**

A Prospectus Proposal

By

Craig M. Kauffman

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Acronyms

AME	<i>Asociación de Municipalidades Ecuatorianas</i> Association of Ecuadorian Municipalities
BEDE	<i>Banco del Estado</i> Bank of the State
CONAM	<i>Consejo Nacional de Modernización del Estado</i> National Council for the Modernization of the State
FLACSO	<i>Facultad Latinoamericana de Ciencias Sociales</i> The Latin American School of Social Sciences
INEC	<i>Instituto Nacional de Estadística y Censo</i> National Institute for Statistics and Census
LAPOP	<i>Proyecto de Opinión Pública de América Latina</i> Latin American Public Opinion Project
MEF	<i>Ministerio de Finanzas</i> Ministry of Economy and Finance
MPS	<i>El Premio de Mejores Prácticas Seccionales</i> The Prize for Best Local Practices
SENPLADES	<i>Secretaría Nacional de Planificación y Desarrollo</i> National Secretariat for Planning and Development
TSE	<i>Tribunal Supremo Electo</i> Supreme Electoral Tribunal

Why do some local governments perform well, exhibiting characteristics of “good governance” like effective administration, efficient service delivery, transparency, and responsiveness to citizens’ needs, while others perform poorly? More importantly, why are some local governments able to improve their performance, despite challenges common to many developing countries, such as political conflict, poverty, inequality, and long traditions of clientelism? Understanding the answers to these questions is crucial for developing countries seeking to promote democratic governance and economic development. The dissertation addresses these questions through a comparison of municipal governments in Ecuador.

Ecuador is often characterized as a country that has had difficulty consolidating its democracy due to the problems mentioned above (Freedom House 2007). Yet data from Ecuador’s Ministry of Economy & Finance (MEF) and Bank of the State (BEDE), as well as surveys carried out over the last decade by the Latin American Public Opinion Project (LAPOP) (Seligson 2001, 2006), suggest that some municipalities in Ecuador have improved their performance despite the above challenges. This dissertation seeks to explain variation in local government performance and specifically the question of why some local governments in Ecuador were able to improve their performance over the last decade.

Since 2000 a variety of measures have been taken to improve the quality of governance in Ecuador, including attempts at decentralization in particular sectors, strengthening mechanisms for citizen participation, and providing technical assistance and training for local governments. These policies reflect the dominant trends in the academic literature over the last 15 years. However, a recent wave of studies suggests that the implementation and success of these policies, and thus government performance, is largely determined by the quality of leadership, particularly a tendency toward innovation (Grindle 2007; Goldfrank 2007; Van Cott 2006). Despite this new

focus on innovative leadership, very few studies have systematically examined the sources of innovative leadership and its link to improvements in good governance at the local level.¹ This dissertation will help to fill this gap by testing the hypothesis that innovative leadership increases the probability of improved government performance, independent of citizen participation, electoral competition, or amount of capacity-building assistance. In addition, the study will investigate potential conditions that might promote innovative leadership, such as the diffusion of informational and managerial tools through networks and learning, or the role of decentralization in creating new opportunities and incentives.

Key Conceptual Definitions

The study employs a definition of local government performance built on three conceptual dimensions: effectiveness, efficiency, and responsiveness. This is consistent both with other scholars studying institutional performance (Putnam 2003; Grindle 2007; Moreno-Jaimes 2007; Faguet 2005; Stoner-Weiss 1997) as well as the World Bank's definition of "good governance."² Responsiveness will be defined as the extent to which government output responds to the needs and preferences of the population. Effectiveness may be defined as the extent to which policy outputs correspond to previously set targets (Crook & Manor 1998), and specifically the ability to formulate and implement plans. Efficiency is closely related to effectiveness, and can be understood as the ratio of services delivered to costs incurred. Efficiency is useful because it allows for comparison across sectors (since it is a percentage).

¹ A few works examine particular cases of innovation at the local level, most notably Campbell & Fuhr (2004), Selee (2004) and Grindle (2007).

² The World Bank lists six components to good governance: voice and accountability, political instability and violence, government effectiveness, regulatory burden, rule of law and control of corruption. While efficiency is not mentioned specifically, it can be viewed as negatively correlated with corruption and regulatory burden. See World Bank, *A Decade of Measuring the Quality of Governance* (Washington, D.C.: World Bank, 2006).

Innovative leadership may be defined as the initiation and implementation by local government officials of policies and programs that have never existed before within the municipality and whose promotion results directly from local action (Grindle 2007, 146). Deciding which changes are large enough to constitute innovation is necessarily subjective, but every effort will be made to differentiate marginal adjustments to existing systems from the creation of essentially new ones. Signs of innovation include the wholesale replacement of existing procedures with new procedures, which is typically accompanied by the incorporation of new actors (e.g. public-private partnerships or participatory budgeting) and/or new technology (e.g. digitization of records or integration of inter-office communication networks).

Literature Review & Hypotheses

A number of factors have increased the perceived need for effective municipal government in Latin America, including demographic changes linked to urbanization and the ongoing trends toward democratization and decentralization following the collapse of highly centralized, authoritarian regimes (Campbell 2003; Reilly 1995). During the 1990s, academic proponents of decentralization argued that by bringing power closer to the people decentralization could make the delivery of public services more efficient, increase equity by allocating resources to long-neglected populations, and promote democracy through increased citizen participation and accountability (Oates 1999; Hunther & Shaw 1998; Crook & Manor 1998). However, skeptics warned that decentralization is no panacea, and that the supposed benefits do not materialize automatically (Andersson 2004). Just because power is closer to the people does not necessarily mean that local elites will become more accountable and responsive to the public, or that clientelism will be diminished. Indeed, in some cases, decentralization appears to have simply added an additional layer of corruption (Oxhorn 2004; Warner 2003).

Numerous comparative studies have attempted to discern the effects of decentralization on government performance only to find mixed results (Bardhan & Mookherjee 2006; Keefer & Khemani 2005; Montero & Samuels 2004; Jütting 2004). In some cases, decentralization was even found to have mixed results in the same country (Selee & Tulchin 2004). Thus, there is growing agreement that while decentralization may create new opportunities for change, scholars must look elsewhere for the proximate factors driving improvements in local governance.

One can identify in the recent literature at least four factors that are hypothesized to promote better local governance, each of which will be considered and tested in this dissertation. These include: (1) citizen participation, (2) electoral competition, (3) capacity-building assistance, and (4) innovative leadership.

Several studies have shown that bringing government closer to citizens does not automatically induce politicians to be more accountable to their demands (Goldfrank 2007; Bardhan & Mookherjee 2005; Gelineau & Remmer 2003). This has led to arguments that the best way to promote better governance is to institutionalize mechanisms of citizen participation that increase accountability and transparency at the local level (Ackerman 2005). Campbell (2003) documents a number of local initiatives that have emerged to encourage citizen participation, such as town hall meetings (Central America), referenda (Mexico), citizen advisory councils (Mexico), oversight committees (Bolivia), and participatory budgeting (Brazil). Some cross-national studies do suggest that better government performance is positively associated with citizen participation (Olowu & Wunsch 2004; Crook & Manor 1998).

Critics argue, however, that greater citizen participation does not necessarily lead to better governance (Feinberg, *et al.* 2006). The effectiveness of participatory mechanisms can be undermined by traditional institutions, like opposition parties (Goldfrank 2007). Worse, they

may reflect unequal power distributions while lacking even the minimal accountability mechanisms applied to public officials, thus becoming a “new tyranny” that undermines attempts to promote more inclusive, equitable, and accountable governance (Cook & Kothari 2001; Jayal *et al.* 2006). Similarly, legacies of centralized, clientelistic relations may result in citizen groups mobilizing to demand access to resources without demanding government accountability (Grindle 2007). Finally, citizen organizations in societies with strong cleavages and weak adherence to legal norms (as in much of Latin America) can be carriers of intense political polarization that can contribute to the breakdown of democracy, as seen in Venezuela (Levine 2006). As a result, Hypothesis 1—that the development of mechanisms to strengthen citizen participation will improve local government performance—remains very much open to debate.

Other scholars stress the importance of electoral competition for spurring local officials to be more responsive and to provide higher quality services. Elections are viewed as important either because they serve to select good policies and politicians (Manin *et al.* 1999) or because citizens are able to hold incumbent leaders accountable by either punishing or rewarding their performances (Powell 2002). In short, the possibility of reelection provides politicians with incentives to align their preferences with that of the citizenry and refrain from rent-seeking behavior (Besley & Burgess 2002). These mechanisms are thought to be particularly effective at the local level since voters are more easily able to gain information about local officials and their performance. Where competition for office becomes more intense, we might expect incumbent leaders to improve their performance regardless of levels of citizen participation (Hypothesis 2).

There is some empirical support for this hypothesis (Beer 2003; Rodríguez & Ward 1994), but these studies measure performance in terms of policy processes rather than outcomes. Moreno-Jaimes (2007) tests the hypothesis measuring government performance in terms of

service delivery and finds no correlation with electoral competition. One problem is that voters are often dependent on the local government for information on performance, and local officials have few incentives to disclose that information to the public. Another problem is that the influence of special interest groups in elections can lead politicians to provide narrowly targeted services rather than broadly available public goods (Keefer *et al.* 2006). Thus, the importance of electoral competition also remains a matter of debate.

A third argument is that efforts to strengthen local government capacity shape incentives for leaders to behave differently regardless of electoral competition, citizen participation, or political affiliation. This hypothesis is based on the New Public Management literature, which argues that technical assistance, professional training, and organizational reengineering that emphasizes routinization of tasks and contractual obligations can constrain the capacity for rent-seeking and enhance incentives for good performance (Shah 2006; Von Maravic 2003). Inspired by this literature, international development agencies have invested hundreds of millions of dollars annually since 2000 in capacity-building initiatives in many developing countries.³ Yet there are few if any systematic studies of the independent impact of this kind of technical assistance on government performance, particularly in terms of results rather than processes.⁴ Capacity building at the local level is considered particularly important in many Latin American countries given the history of highly centralized government and resulting neglect of local government capacity. As a result, we might expect that increases in capacity-building assistance

³ A description of various capacity building programs funded by the U.S. Agency for International Development can be found at www.usaid.gov/our_work/democracy_and_governance.

⁴ The only studies I have found are reports by the NGOs providing the assistance, which provide highly subjective and limited evaluations of the impact of the assistance, most frequently linked to government procedures rather than results. Grindle (2007) provides a qualitative assessment of “modernization initiatives,” such as the implementation of new systems, performance standards, and professionalization, which she describes as capacity building. However, these new initiatives are conceptually closer to what I refer to as innovative leadership and conceptually distinct from the amount of technical assistance that a municipality receives from external actors. This is reflected in Grindle’s conclusion that “administrative modernization was a function of leadership preferences, not an independent source of improved performance that could be effective regardless of these preferences” (108).

will result in improvements in government performance, regardless of citizen participation, electoral competition, or political affiliation (Hypothesis 3).

The preceding three hypotheses focus on external forces that pressure (presumably recalcitrant) leaders to be more accountable and thus shape their behavior for the better. However, a growing body of research shows that local leaders are quite resistant to external pressure, and that new programs and structures that improve government performance, including those mentioned above, most often result from the initiatives of local governments themselves (Grindle 2007; Brinkerhoff *et al.* 2007; Van Cott 2006; Selee 2004). Thus, an argument can be made that innovative leadership is an important source of better governance. We might expect that an increase in the number of innovative programs and policies undertaken by a municipality would increase the probability of an improvement in governance, independent of citizen participation, electoral competition, or amount of capacity-building assistance (Hypothesis 4). The causal logic is simply that leaders who are willing and able to pursue novel solutions to existing problems will on average have more success in overcoming those problems than leaders who stick with existing systems. This is not to say that every single innovation by itself will be effective in a given circumstance, but that on average a greater tendency toward innovation will more likely lead to improved performance. In other words, multiple innovations in a given municipality will increase the chances of improved governance overall.

While at first glance it may appear that this latter hypothesis is tautological, there are theoretical reasons why innovative leadership might not necessarily lead to improved government performance. Various theories of how learning drives the diffusion of innovation suggest reasons for why leaders may select sub-optimal policies. Some sociologists claim that policy innovation results from normative imitation, such as the desire for legitimacy. In seeking to appear modern, for example, leaders might adopt policies according to international trends

rather than functional needs (Meyer *et al.* 1997). The cognitive-psychological approach, by contrast, views diffusion as the product of boundedly-rational learning, in which leaders use cognitive short-cuts to arrive at decisions (Gilovich *et al.* 2002). These heuristics can cause systematic distortions, such as leaders' varying attention to their environment, and inferential biases. As a result, leaders may imitate models that are ill-suited to their condition and ignore models that are more appropriate (Weyland 2005).

Despite the recent focus on innovative leadership, there has been very little comparative research analyzing the causal mechanisms behind why some municipalities are able to improve their performance through innovative leadership while others are not. A number of studies have documented cases of local government innovation (Grindle 2007; Selee 2004) and one in particular has explored the mechanisms that lead to local government innovation, particularly during the process of decentralization (Campbell & Fuhr 2004). However, these tend to look only at particular "successful" cases rather than to compare cases of innovation with failures to innovate in order to more rigorously test for factors that promote local government innovation, particularly in the developing world. This dissertation seeks to help fill this gap in the literature.

Many political scientists understandably find personality attributes of leaders to be unsatisfactory explanations of municipal government performance. Yet, while charismatic, visionary leadership certainly helps, there is reason to believe that leadership innovation is enhanced by certain structural factors, and thus is not wholly subject to blind luck. It is useful to draw on an analogy from the democratization literature. Levitsky & Way (2006) show that the initiation of democratic reforms can be explained in large part by "linkage," or the density of ties and cross-border flows with democratic countries and institutions. In the same way, we might expect leadership innovation, and thus improvements in government performance, to vary

according to the density of a municipality's linkages with national and transnational networks that prompt leaders to consider alternatives to the way they currently operate. This is consistent with recent work by the World Bank that finds a correlation between indicators of globalization and government performance in large cities around the world (Kaufmann *et al.* 2004). In addition, anecdotal evidence from Latin America suggests that networks may facilitate learning and innovation by collecting ideas, financing basic informational and managerial tools, offsetting the risks of innovation, and disseminating success stories (Campbell & Fuhr 2004).

Methodology

The methodology consists of a nested analysis (Liebermann 2005) involving a two-step process: 1) a large-N, quantitative study using data from 2000 to 2008 to provide an initial test of competing hypotheses, and 2) an in-depth comparison of at least six municipalities in order to verify the validity of the indicators used in the large-N study and to explore the causal mechanisms behind its findings. The case studies will be selected based on the results of the large-N study and interviews with Ecuadorian experts. Throughout the dissertation the unit of analysis will be the canton (municipal government) since this is the dominant unit of local government in Ecuador. The country's 220 cantons constitute the universe of cases.

A large-N, time series, quantitative study is only now possible thanks to improvements in municipal-level data collection by a variety of Ecuadorian governmental and non-governmental organizations since 2000. The data set will contain data on government performance in nearly all of the municipalities between 2000 and 2008⁵, which allows them to be evaluated in terms of any change in performance. Because many key explanatory variables (e.g. decentralization,

⁵ Data from 2000-2006 is available for 212 municipalities. Data for 2007 is currently only available for 136 municipalities because BEDE is still in the process of entering 2007 data. Full 2007 and most 2008 data should be available by the time I begin fieldwork in summer 2009. Full 2008 data should be available by the time the fieldwork is completed in 2010.

mechanisms for citizen participation, capacity building assistance, etc.) were introduced to varying degrees between 2002 and 2004, a quasi-experimental design may be set up with pre- and post-measures of performance for both treatment and control groups. Since nearly five years will have lapsed since most policies were first introduced, it is now reasonable to begin to look for results.

A number of indicators will be used to measure the dependent variable, government performance. The following four indicators are compiled from Ecuador's *Banco del Estado* (BEDE), which is the primary financial institution responsible for investments in infrastructure, public services, the environment, and credit to local governments, and which consequently has the most detailed and reliable collection of local government budget data. First, the amount of revenues raised by the municipality itself⁶ (e.g. through tax collection), as opposed to central government transfers, will be used as a proxy for administrative effectiveness. This revenue generating capability will be measured both in the aggregate and as a percentage of total municipal income. BEDE's ranking of municipalities' financial management will be used as a second proxy for administrative effectiveness (municipalities are ranked on an ordinal scale from 1 to 6). Third, the percentage of total municipal spending that is devoted to goods and services directly consumable by the public will be used as a proxy for efficiency.⁷ Fourth, spending on public works (*obras públicas*)⁸ per capita will be used as a proxy for service delivery. As a proxy for transparency and responsiveness, an ordinal scale will be developed to measure the degree of information provided by municipal websites. Municipal governments will be scored according to the following ordinal scale: 0 = no website; 1 = has website; 2 = website is regularly maintained (contains recent information); 3 = website has information on municipal projects

⁶ This indicator is referred to as *Ingresos Propios* in municipal budgets.

⁷ Calculated as *Bienes y Servicios de Consumo* as a percent of *Gastos Total* from municipal budgets.

⁸ Examples of public works include potable water, sewage, roads, hospitals, and telecommunications infrastructure.

and/or personnel; 4 = website has mechanisms for soliciting and responding to queries from citizens; 5 = website has information on public contracts and budgets.

Separate regressions will be run on each indicator to check for variation in effects on different components of performance. The degree of covariation among the indicators will also be checked. In addition, a separate regression will be run on a subset of 60 municipalities included in the LAPOP surveys,⁹ which provide municipal-level data on perceptions of both government responsiveness and effectiveness, to check for consistency. However, it should be noted that there are reasons to be cautious when analyzing the LAPOP data. First, the number of persons interviewed in many small municipalities is quite low, resulting in high standard deviations that lower the confidence in results. Second, there is reason to believe that the data does not closely correlate with actual government performance because people are often not informed about the work the municipality is doing (Guillen 2008). If a project is in the north of a city, for example, people in the north will be more likely to know about it and rate the mayor high while people in the south are more likely to be unaware and rate the mayor negatively. This notion is supported by high levels of variation among results within municipalities (exacerbating the problem of large standard deviations). Also, the data shows a fairly uniform decline in confidence in local governments since 2001. Several analysts I interviewed have suggested this is due to the tremendous media campaigns that accompanied efforts by the central government to restructure the state over the last several years, which focused attention on the central government to the detriment of local authorities (Garcés 2008; Medina 2008; de la Torre 2008). As a result, the data should be viewed with caution and only used as an orientation. Nevertheless, discrepancies between perceptions and objective results would be an interesting finding to explore further in the case studies.

⁹ The municipalities were selected using a stratified random sample methodology to ensure regional variation (Seligson 2006). Surveys were conducted in 2001, 2004, 2006, and 2008, allowing for cross-time comparison.

Regarding explanatory variables, electoral competition can be measured by the margin of victory (in terms of the percent of the vote received) enjoyed by the winning candidate in mayoral elections. A low score indicates high levels of competition. Municipal-level data is available for elections dating back to 1978, compiled from the Supreme Electoral Tribunal (TSE) and a separate database created by Professor Simón Pachano at FLACSO-Quito, allowing an analysis of trends in competition over time. Additional political variables include the number of years an incumbent has been in office and whether there was a turnover in the 2004 election (a dummy variable with 1 for yes). Dummy variables will also be set up to indicate whether the mayor is from the same party as the majority in the municipal assembly, the prefect,¹⁰ and the president, which will serve as proxies for the quality of relations between the mayor and these other actors. This is theoretically useful to know since a mayor's relationship with the prefect and president can affect his or her ability to attract funds while the mayor's relationship with the municipal assembly could impact effectiveness for obvious reasons.

The number of valid votes in an election as a percentage of eligible voters will be used as a proxy for participation. Voting is mandatory by law in Ecuador, with relatively strict consequences for not voting (there are exceptions for the military and senior citizens). As a result, people who do not wish to participate in the process purposely turn in ballots that are either blank or filled out incorrectly and thus null. Failure to vote (abstention) is an even more extreme expression of lack of participation given the consequences.¹¹ While this is an admittedly weak measure of participation, its validity can be tested through comparison with data from the LAPOP surveys, which measure the degree of participation in various types of associations within its sample of 60 municipalities.

¹⁰ Prefects are the elected provincial leaders, roughly equivalent to US governors.

¹¹ Proof of voting is required for many basic transactions such as access to loans and other banking services.

The above indicators of participation measure what is commonly known as “social capital” (Putnam 1993; Durston 1999; Fox 1997a). This dissertation goes beyond the existing literature on citizen participation, which emphasizes the density of civil society networks, by measuring the depth of participation provided for through different institutional arrangements. This should be understood as a concept distinct from social capital. A society may be strong in social capital but lack the institutional mechanisms for citizens to interact with government on an on-going basis in-between elections. Mechanisms of citizen participation are those formal institutional mechanisms that structure the way citizens and their elected representatives interact between elections. They may range from “shallower” measures (e.g. citizen assemblies where the mayor reports but citizens are given little opportunity to interact with the mayor) to institutional structures that allow more “depth” of participation (e.g. those where citizens help set the public agenda and engage in ongoing monitoring of their political leaders).

The large-N portion of the study will measure participatory mechanisms using data compiled by Ecuador’s National Secretariat for Planning and Development (SENPLADES), which conducted a review of municipal-level participatory mechanisms in 2006. In addition to cataloguing the various mechanisms in existence,¹² interviews with citizens were used to rate the legitimacy of each mechanism as high, medium, or low. Municipalities will be scored based on both the number of participatory mechanisms and their legitimacy (as a proxy for the depth of participation they permit). For each participatory mechanism, a municipality will be awarded one point for low legitimacy, three points for medium legitimacy, and five points for high legitimacy. Municipalities with no mechanisms will receive zero points.

¹² The study identifies seven types of participatory mechanisms in existence: local development planning, participatory budgeting, social control and oversight, social inclusion, local economic development, environmental management, and security.

The amount of money provided to municipalities by external development organizations will be used as a proxy for capacity assistance (i.e. technical assistance and training) since the vast majority of this assistance comes from such non-governmental organizations. This data is currently available from the MEF from 2000-2007. In addition, the amount of money provided to municipal governments by private corporations (also available from the MEF) will serve as a proxy for public-private partnerships.

For the large-N comparison, data on innovative leadership will come from the Association of Ecuadorian Municipalities (AME), which oversees a program (*el Premio Mejores Prácticas Seccionales*, or *MPS*) that recognizes municipalities that have made efforts to improve their performance by implementing innovative practices. Municipalities may submit policies for consideration by committees of experts who identify those considered to be “good practices.” Policies are judged according to four criteria: innovation, sustainability, transferability, and impact. Between 2005 and 2007, 53 innovative practices were identified in 31 municipalities. Because these practices had to be in existence for over a year to be able to judge results, the innovations were generally implemented between 2003 and late 2005. Municipalities will be awarded 1 point for each practice accepted as a “good practice” by the evaluation committees in the MPS competitions of 2005 and 2007. While this is a far from perfect indicator of innovation, since applicants were self-selected and we cannot know the true universe of innovations, it is nevertheless useful for orientation purposes in preparation for the comparative case studies.

Data for the socio-economic control variables can be obtained from the National Institute for Statistics and Census (INEC). Examples of potential control variables include illiteracy, poverty rate, average income, unemployment, population, percent male, percent indigenous or Afro-Ecuadoriano, percent urban, and region (Sierra, Costa, Oriente or Galapagos).

Finally, the impact of decentralization in Ecuador will also be analyzed using data compiled from the National Council for the Modernization of the State (CONAM), the government agency that oversaw the decentralization process.¹³ Unlike most other countries, decentralization in Ecuador has occurred on an ad hoc basis, resulting in variation among municipalities. While the transfer of certain functions by the central government to municipalities is obligatory by law, it is initiated by a request from the municipality and subject to approval by the central government. As a result, decentralization has occurred to varying degrees in 10 different sectors.¹⁴ For each sector, a municipality will either receive 1 point if it has requested decentralization but no agreement has been reached, 3 points if it has signed a convention with the central government but responsibilities have not been transferred, or 5 points if responsibilities were actually transferred. Municipalities that did not request decentralization in a particular sector will receive zero points. Various regressions will be run to test the influence of decentralization on government performance, for example by seeing if performance in a particular sector has improved among decentralized municipalities relative to the national average. Other tests will look for factors that explain variation in decentralization among municipalities. In particular, the correlation between prior measures of performance and the selection of municipalities for decentralization will be examined to test for endogeneity (the possibility that the most effective municipalities were selected for decentralization). Other potential explanatory variables for decentralization include political linkages, region, and levels of economic development. Finally, the relationship between decentralization and innovative leadership will be analyzed in accordance with the hypothesis that the decentralization process drives innovation by creating new opportunities and incentives for leaders to pursue innovative policies, explained further below (Baiocchi 2006).

¹³ In 2007, SENPLADES replaced CONAM as the agency responsible for decentralization.

¹⁴ The ten sectors include agriculture, environment, social welfare, education, health, tourism, transportation, housing, roads & highways, and airports (CONAM 2004).

The second stage of the dissertation project involves comparative case studies of at least six Ecuadorian municipalities¹⁵ in a two-step process. The first step will be to examine the four hypotheses listed above in greater detail in order to evaluate the validity of the indicators used in the large-N study. In particular, more reliable data will be gathered to assess the influence of leadership innovation on improvements in government performance (described below). The second step will be to explore the causal mechanisms behind improvements in performance. If the influence of leadership innovation appears to be significant, I will explore the causes of variation in leadership innovation, specifically testing the hypothesis that denser municipal linkages with national and transnational networks produces more innovative leadership at the local level.

The cases will be selected based on the results of the large-N study. Four to five cases of superior municipal governance (i.e. those showing improvements) will be selected along with two cases of inferior governance. This distribution of cases is meant to allow an analysis of factors leading to improved performance according to a most-similar-systems design while also providing a few negative cases as controls. The cases will be selected to ensure regional variation, including cases from each of Ecuador's three main regions (Costa, Sierra, and Oriente), which run west to east, while also ensuring that cases span the country from north to south. In order to isolate the independent impact of leadership innovation, to the extent possible the cases will be selected to ensure variation on the other key independent variables: mechanisms for citizen participation, electoral competition, and capacity-building assistance.

The purpose of the study is to examine cantons that are fairly "representative." For this reason, the country's two major cities, Quito and Guayaquil, will not be selected as case studies.

¹⁵ The exact number of cases will be determined by time and resources. I am currently applying for funding to hire an Ecuadorian NGO, Grupo Faro, to assist with research. If I am able to secure such funding, I should be able to expand the number of cases to at least 10.

Combined they represent nearly half of Ecuador's population and are far more complex than most municipalities. The dissertation will thus differ from most existing studies of innovation and government performance, which focus on large cities (Campbell & Fuhr 2004; Kaufmann *et al.* 2004; Selee 2004).¹⁶ This is important since the vast majority of municipalities in Latin America are medium-sized and do not share the benefits of large urban centers. Studying medium-sized municipalities will also make it easier to gain access to personnel, information, and in general learn about the canton more quickly. Nevertheless, Quito and Guayaquil will be reflected in the large-N study and it should be possible to do a cursory examination of patterns in these cities at the end of the study (given the greater accessibility of information) to see if they align with the other cases.

This second stage of the dissertation will be carried out through intensive fieldwork in the six-to-seven municipalities over the course of a year, utilizing a variety of methods, including archival research at municipal records; semi-structured interviews with government officials, administrative staff, and civil society; focus groups; and participant observation of municipal and citizen assemblies.

Field research will allow for more detailed and robust indicators of government performance, which will be measured in terms of both processes and outcomes. In addition to the data used in the large-N study, municipalities will be scored using ordinal scales measuring levels of administrative effectiveness, administrative efficiency, and responsiveness (see Appendix A for a description of the ordinal scales). Examples of administrative effectiveness include the level of institutionalization (i.e. the extent to which municipal employees' actions are guided by established processes) and the existence of established planning processes. Examples of administrative efficiency include the average length of time it takes for the municipal

¹⁶ But see Grindle (2007) for an example of a study that looks at innovative leadership in smaller, rural municipalities.

government to process citizens when they come to pay their taxes or to respond to citizen complaints in a particular sector (e.g. how long it takes on average to respond to and fix leaks in the water system). Data on administrative efficiency will be collected from archival research as well as semi-structured interviews and focus groups involving municipal employees, business owners, and citizens, and used to rank municipalities according to an ordinal scale.

Administrative efficiency will also be measured by the degree of automation and integration of systems in various municipal agencies. Examples of responsiveness include administrative procedures for registering and responding to community needs and concerns as well as programs specifically targeting marginalized groups as part of the development process.

The study will also measure changes in the efficiency of service delivery in whatever sector is deemed most important by each municipality. Each municipality will have different priorities, and a fair comparison of government performance must account for this. Specifically, the indicator of efficiency will be the percent change in the quantity of services delivered per capita per dollar spent between 2000 and 2008. Measuring efficiency as a percent change allows comparison across sectors. As an additional measure of responsiveness, the LAPOP surveys have municipal-level data on citizen preferences, which allows a comparison of spending priorities (reflected in budgets) to both citizen preferences and objective need (reflected in socio-economic indicators available through INEC) for those cases included in the LAPOP surveys.

Regarding additional indicators of the main explanatory variables, levels of citizen participation may be measured by the number of civil society organizations registered and/or operating in a municipality. If possible, data on the number of public protests will also be gathered from local police records and media reports since this is an increasingly common form of civic participation in Ecuador, as in much of Latin America. Based on interviews and participant

observation, an ordinal scale will be developed to measure the depth of participation allowed for by various participatory mechanisms to verify the data provided by SENPLADES (See Appendix A).

More detailed data on capacity assistance will be obtained from the conventions signed between the municipality and various external actors as well as the records of NGOs working in the canton. Potential indicators of government capacity assistance include the number of computers and other pieces of hardware and software received as well as the number of training workshops attended by municipal staff per year. This information may be obtained through interviews with members of municipal governments and the main development agencies working in those municipalities. In sum, an attempt will be made to document as specifically as possible the amount and nature of resources – financial, technical, and informational – provided to municipalities by outside actors for the purposes of improving the operations of the municipal government.

Following Grindle (2007), innovative leadership will be measured as the number of policies and programs implemented for the first time by local government officials. This is distinct conceptually from capacity assistance in that resources may be made available to municipalities but not utilized in an innovative or productive way. The new policies and programs may be ones that exist in other municipalities, but they must not have existed previously in the municipality under study. Also, they must be initiated by local government officials rather than outside actors, such as central government officials or representatives of development agencies. The innovations may be suggested by outside actors, but the decision to initiate the programs must be freely taken by municipal leaders and not tied to access to resources used for other purposes. The innovations may be in any area, including service delivery or the administrative operations of the municipal government itself. Lists of instances of innovative leadership in each municipality under study will be compiled through interviews.

Process tracing will then be used to reconstruct the story of how innovative policies and programs were initiated and put into place. This information will then be used to develop hypotheses regarding the factors that promote innovative leadership, which may be tested through comparison with the negative cases.

As mentioned above, one potential hypothesis is that the decentralization process drives innovation by creating new opportunities and incentives for leaders to pursue innovative policies (Baiocchi 2006). One advantage of conducting the study in Ecuador is that this hypothesis can be tested. Decentralization will be measured according to the criteria described above.

A second possibility is that the density of a municipality's linkages with national and transnational networks affects the tendency to innovate by exposing leaders to ideas, technology and resources. Potential indicators of "linkage" may include the number of associations with which the mayor and/or municipality is affiliated (obtainable through interviews and municipal records); the number of hits per month received by the municipality's website; whether or not key municipal leaders participate in online social networking sites (from interviews); number of international NGOs operating in the municipality; the number of visits to the municipality by provincial governors and national political leaders per year (potentially obtainable from interviews and newspaper records); whether or not the mayor is from the same party as the prefect and president; and the number of days per month the mayor spends traveling outside the municipality (since this reflects his ability to network with outside actors – potentially obtainable from interviews and municipal records). The exact indicators will be determined once I get in the field and determine which data will be available. However, the indicators will be designed to measure institutional linkages and flows of goods, people and information.

An advantage of the qualitative case study component is the ability to look for hidden variables that are driving one or more of the explanatory variables mentioned above. It is particularly important to consider how different patterns of power relations may affect variations in the performance of municipal governance (Cameron 2005; Weyland 2002; Avritzer 2002). To this end, I will look for changes in the distribution of assets such as land, water, credit, or infrastructure; coalitions between members of different social groups; divisions within local elites; the political organization of subordinate groups; and the degree to which informal social institutions (e.g. social hierarchies) undermine formal institutions and limit the jurisdiction of the municipal government over important local matters.

Contribution of the Study

The study will make both a scholarly and practical contribution. Most studies of democratization and good governance focus on the national level.¹⁷ But there is a need to better understand how democratization operates at the local level. As Jonathan Fox (1997b) points out, a country's transition from authoritarian, clientelistic relationships to more democratic and efficient government is gradual and uneven, with various municipalities moving in different directions at different rates. Thus, studying local governments gives us better insight into how processes of democratization and de-democratization unfold over time.

Most studies in the emerging literature on local government are cross-national and often focus on large urban centers.¹⁸ This project's sub-national comparison improves upon these studies by holding constant features of the political and social context that may explain differences among countries. Also, the medium-sized municipalities studied in this dissertation

¹⁷ For recent examples, see Kaufmann *et al.* (2008); Tulchin & Ruthenburg (2007); Smith (2007); Shah (2006); Picard *et al.* (2006); Bardhan & Mookherjee (2005); Selee & Tulchin (2004); and Warner (2003).

¹⁸ For example, see Bardhan & Mookherjee (2006); Ndulu (2006); Kaufmann (2004); Campbell & Fuhr (2004); Campbell (2003); Azfar *et al.* (2001). Notable exceptions include Grindle (2007); Moreno-Jaimes (2006), and Lambright (2002).

are much more representative of most local governments in Latin America, which are smaller, more rural, and do not have the same capacity and access to resources as large city governments. In addition, the few existing studies that focus on leadership innovation tend to examine only “successful” cases, many of which are quite exceptional.¹⁹ Yet, it is useful not only to look at more representative cases of leadership innovation, but also to compare them with negative cases. In many ways, Ecuador constitutes a “least-likely” case for democratization, for the reasons mentioned above. The innovative municipalities under study are not exceptional outliers, but representative of many municipalities in Latin America that are struggling to build better governance under very challenging circumstances. For all these reasons, a comparison of medium-sized municipalities in Ecuador fills an important gap in the literature.

The research project will also have practical utility as it will help inform Ecuadorians and international development organizations working to improve government performance at the local level on how to direct their efforts. To the extent that other developing countries share Ecuador’s challenge of building better governance in the face of poverty, inequality, corruption, and political instability, the study may be relevant to cases beyond Ecuador’s borders.

¹⁹ See Campbell & Fuhr (2004); Selee (2004); Campbell (2003). One notable exception is Grindle (2007).

Appendix A: Ordinal Scales for Evaluating Local Governments

1. Level of Institutionalization
 - 0 = Municipal employees are provided with no training and actions are taken in an ad hoc manner;
 - 1 = Level of institutionalization is incipient (e.g. a manual of administrative procedures exists but not used);
 - 2 = A manual of administrative procedures exists and is used for training;
 - 3 = Actions are generally taken in accordance with established procedures.

2. Planning Processes
 - 0 = There is no Annual Operating Plan (*Plan Operativo Anual*, or POA);
 - 1 = The POA is prepared by municipal technocrats without considering local demands (e.g. from the parishes and citizen groups);
 - 2 = The POA is prepared based on the demands and needs of local actors;
 - 3 = The POA also reflects the priorities identified in the Strategic Canton Development Plan (*Plan Estratégico Cantonal*), but this Canton Development Plan is not carried out;
 - 4 = The POA is prepared according to the priorities identified in the Strategic Canton Development Plan, which is also being carried out.

3. Administrative Efficiency (e.g. in collecting taxes and responding to citizen complaints)
 - 0 = Citizens have difficulty getting access to municipal attention (e.g. no regular hours of operation or established processes for providing services);
 - 1 = Established processes exist but attention is extremely slow and capricious (citizens often receive no response to their concerns);
 - 2 = Attention is slow and there are no mechanisms of oversight or guidelines for results;
 - 3 = Attention is moderately fast and based on established procedures and guidelines for results;
 - 4 = Attention is fast and efficient and based on established procedures and guidelines for results.

4. Automation and Integration of Systems
 - 0 = Systems are obsolete (neither automated nor integrated);
 - 1 = Information systems are basic and do not provide a useful tool for efficient management;
 - 2 = A few select systems (e.g. financial, budget) are automated but the systems of various municipal agencies are not integrated;
 - 3 = Most systems are automated but they are not integrated;
 - 4 = The various municipal systems are integrated among themselves (there is a unified information management system for the municipal government).

5. Citizen Access to Information
 - 0 = Citizen access to municipal information is minimal;
 - 1 = Some information is imparted through periodic meetings or assemblies;

- 2 = Information such as the Annual Plan, bids for government contracts, and the budget are published and publicly available (either in print or via the internet);
- 3 = Activities of the municipal government, including the municipal assembly, are regularly covered by the press and broadcast by radio or TV;
- 4 = Independent government audits that comply with objective standards are regularly carried out and published.

6. Registering and Responding to Citizen Concerns

- 0 = There are no facilities or mechanisms for receiving citizen complaints;
- 1 = Procedures for receiving citizen complaints exist, but with little oversight or accountability, and poor response;
- 2 = A specific municipal employee is responsible for receiving complaints but response is slow;
- 3 = There is a physical space (e.g. office) exclusively for receiving complaints and response times are moderate;
- 4 = Complaints are processed and responded to in a more or less efficient manner.

7. Attention to Marginalized Groups

- 0 = The municipal government has no interest in the subject of marginalized groups;
- 1 = There exists a study of the situation faced by marginalized groups;
- 2 = The municipal government has created political space for addressing the problem of marginalized groups;
- 3 = The municipal government actively promotes an agenda for addressing the needs of marginalized groups and incorporating them into the government decision-making process;
- 4 = Marginalized groups are incorporated into the government decision-making process.

8. Participatory Budgeting

- 0 = Budgets are made exclusively by municipal staff without outside consultation;
- 1 = Budgets are developed in accordance with the Annual Operating Plan;
- 2 = Municipal staff made an attempt to determine the needs of the citizenry when crafting the budget;
- 3 = The budget is known by the citizenry in general (or at least leaders of major civil society organizations);
- 4 = Portions of the citizenry participated in the development of the budget.

9. Mechanisms of Citizen Oversight and Social Control

- 0 = There are no citizen oversight mechanisms or spaces for social control;
- 1 = There is an incipient form of oversight and social control through interested persons acting on their own;
- 2 = There is an incipient form of oversight and social control through organized citizen groups;
- 3 = There is a formal mechanism of citizen oversight (*veeduría*) which is controlled by a government entity such as the Municipal Assembly;
- 4 = There exists a citizen oversight committee (*comité de veeduría*) which functions independently and is legitimate.

10. Social Responsibility Among Citizens

- 0 = Citizens do not involve themselves in municipal affairs;
- 1 = Citizens participate passively in municipal affairs;
- 2 = Citizens involve themselves and help finance (with money and/or labor) projects developed by the municipality;
- 3 = Most citizens regularly pay taxes and fees for the services they receive;
- 4 = There exists a functioning mechanism for citizen oversight of the management of public resources.

11. Involvement of the Private Sector

- 0 = No policies exist for involving the private sector;
- 1 = Municipal planning takes into consideration the needs of the private sector;
- 2 = Involvement of the private sector is limited to donations and periodic investments;
- 3 = The private sector attracts investment, generates significant employment, and regularly pays taxes;
- 4 = The private sector participates actively in the planning and execution of public projects.

12. Relations With Other Government Entities

- 0 = There exists little cooperation with other levels of government;
- 1 = The municipal government participates in *mancomunidades*²⁰ and/or regional associations;
- 2 = There exists horizontal coordination among different local governments within the *mancomunidad* and with other *mancomunidades*;
- 3 = There exists vertical coordination within the *mancomunidad* among different levels of government (e.g. parishes and provinces);
- 4 = The activities of the *mancomunidad* are coordinated with other local government associations and agencies of the central government.

13. Political Will for Decentralization

- 0 = There is no interest in the decentralization process (i.e. having greater responsibilities transferred to the municipal government);
- 1 = There is interest in decentralization, but neither the capacity nor the political will to promote the process;
- 2 = Municipal government leaders have signed conventions with the central government to decentralize but responsibilities have not been transferred;
- 3 = The municipal government has established ordinances and laws that will help it comply with the terms of the convention and promote decentralization;
- 4 = The municipal government has the capabilities to complete the terms of the decentralization convention and/or responsibilities have been transferred.

²⁰ The term “mancomunidad” refers to formal cooperation among multiple political jurisdictions (e.g. municipalities, parishes, or provinces) to achieve a specific end, like environmental protection or improved service delivery.

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