

**CENTRALISM AND “DECENTRALIZATION” IN UNITARY
STATES:
A COMPARATIVE ANALYSIS OF PERU AND SENEGAL**

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Since the 1980s, countries around the developing world have come under increasing international and domestic pressure to decentralize governance. Yet many central governments have resisted decentralization while adopting the rhetoric necessary to please donors. Representative of this trend are Peru and Senegal, neither of which has capitulated with regard to decentralization. How have these countries resisted growing pressures for decentralization, and why? This article aims to puncture the myth that decentralization has taken hold across Latin America and Sub-Saharan Africa and offers alternative explanations for the observable empirical outcomes. A structured comparison demonstrates that the party systems and state bureaucracies are crucial to the management of fiscal relations in these two countries. This empirical evidence suggests three major policy recommendations for international bodies seeking to promote decentralization: 1) requiring the financial co-participation of central governments; 2) limiting central government discretion over social funds; and 3) tightly specifying concepts of decentralization to ensure programmatic compliance in policy reforms.¹

INTRODUCTION

Since the 1980s, countries around the developing world have come under increasing international and domestic pressure to decentralize governance. International donors have pushed countries to give local governments greater voice in public policy and greater access to fiscal resources. Yet even as international agencies have exerted considerable leverage over such economies in other policy areas, many central governments have resisted decentralization while adopting the rhetoric necessary to please donors. Representative of this trend are Peru and Senegal, neither of which has capitulated with regard to decentralization. Peru has retained one of the most centralized polities in the world, twisting the objectives of its much-touted social fund to further reinforce central control of the national fiscus. Senegal's experience with decentralization has been more checkered; while it has increased fiscal transfers, the country has not significantly devolved political power or authority from the center to the localities.

How have these countries resisted growing pressures for decentralization? Why? This article aims to puncture the myth that decentralization has taken hold across Latin America and Sub-Saharan Africa and offers alternative explanations for empirical outcomes in these two countries. First, the Peruvian and Senegalese intergovernmental systems are described, using data from public reports and interviews. A structured comparison then demonstrates that party systems and state bureaucracies are crucial to the management of fiscal relations in these two countries. This empirical evidence suggests three major policy implications for international bodies seeking to promote the burgeoning efforts in the field of decentralization: 1) the importance of co-participation in

the form of intergovernmental transfers; 2) the need to examine the bureaucratic management of social funds and other mechanisms; and 3) the need to specify concepts of decentralization to ensure programmatic compliance in policy reforms.

CAUSES OF DECENTRALIZATION: HYPOTHESES

The most problematic feature of the decentralization debate is its conceptual fuzziness. “Decentralization” has, in recent years, been used to describe at least six distinct concepts.² As we shall see, a better specification of concepts is more than a mere academic exercise; in fact, the failure to arrive at common definitions can have dramatic impacts on policy, public service provision, and citizen participation in developing countries. Two elements of decentralization are the most useful for the present study.

On one side of the coin is revenue decentralization, most commonly treated in the conventional political science literature. The political literature about revenues emphasizes the conditions (usually institutional) that give rise to transfers of funds from the center to subnational governments and considers two main actors in these stories, presidents and legislators, both elected political decision makers, who negotiate the distribution of national tax revenue. On the flip side of revenue decentralization is expenditure decentralization. Importantly, however, expenditure decentralization is treated less in the political science literature and more in policy-specific studies, such as those sponsored by multilateral and bilateral aid agencies. Examples of expenditure changes are when governments move to decentralize the management of a specific sector, such as healthcare or education. Often these “mere policy studies” have unclear links to classic political questions of how power is distributed and used; rather, they have clearer

links to managerial and technical literature about organization and administration. This study will show that we must examine revenues and expenditures side-by-side and that an imbalance between revenue decentralization and expenditure decentralization can be as egregious as hyper-centralism.

In order to isolate the causal effects that influence outcomes in decentralization, this study controls for several important variables. Peru and Senegal are both unitary states; this enables us to compare countries without considering the effects of federalism. Furthermore, the two states' historical processes of state formation, while different, share many common characteristics. In both countries, central governments have struggled with strong local elites (Planas 1998; Cruise O'Brien, Diop, and Diouf 2002). Furthermore, both central governments have struggled to incorporate the countryside and the peasantry into the national political economy. And, most importantly, centralism in governance has predominated in the long run. A final similarity is that both countries' governments are characterized by one of the causes of this centralism: top-down, centralized bureaucracies. In countries where cabinets wield considerable power relative to legislatures, bureaucracies give presidents an additional lever with which to control the fiscal system.

On the other hand, the countries differ on other measures, and these could account for differences in recent decisions regarding decentralization. First, paths to democracy have been quite different. Peru endured various episodes of military rule interspersed with bourgeois democracy, while Senegal has been ruled by increasingly liberal civilian governments since independence in 1960. Second, and partially correlated with the volatility in regime type, parties and party systems have been much more fragile and

fractious in Peru than in Senegal. While Peru witnessed the near total collapse of a failing party system in the early 1990s, Senegal was ruled by a single party for its first 40 years as an independent state. Finally, resource endowments and economic structures are somewhat different, with Peru moderately industrialized and Senegal dependent on commerce and agriculture.

Below, a brief history of intergovernmental relations in each country is followed by a description of the organization of the two polities, including the current dispensations for the division of revenues and expenditures. This data provides evidence that political parties and bureaucracies give us more causal leverage in explaining patterns of decentralization than international variables, economic structure, or ideology.

PERU

Centralism is a long-standing phenomenon in Peru. Numerous analyses of Peru's state formation and history demonstrate that attempts to decentralize the state have been abortive at best (Planas 1998). Why has Peru been so consistently centralized? How has Peru resisted the international discourse surrounding decentralization? An analysis of the historical trajectory of political organization in the last twenty years shows that strong presidential control of the bureaucracy and a weak party system in the legislature contribute to Peru's centralized governance.

Organization of the Polity

Peru was long governed only by national and local governments. Regional governments were created in 1979, and elected for the first time in 1988. After being disbanded in the

early 1990s, they were reinstated in 2002 but have not yet developed authority independent from the central government. At the local level, the country does have a two-tiered system of municipal government (provincial municipalities and district municipalities), but this proves inconsequential to the analysis here, since both levels are considered part of a single local government system.³

TABLE 1
Subnational Government in Peru, 1979 - Present

PERU	<i>Regional</i>	<i>Municipal (upper tier)</i>	<i>Municipal (lower tier)</i>
1979-88	region [appointed]	<i>Municipalidad Provincial;</i> <i>Municipalidad</i> <i>Metropolitana (Lima)</i> [elected]	<i>Municipalidad</i> <i>distrital/distrito</i> [elected]
1988-92	region [elected]	<i>Municipalidad Provincial;</i> <i>Municipalidad</i> <i>Metropolitana (Lima)</i> [elected]	<i>Municipalidad</i> <i>distrital/distrito</i> [elected]
1992-2002	CTAR [appointed]	<i>Municipalidad Provincial;</i> <i>Municipalidad</i> <i>Metropolitana (Lima)</i> [elected]	<i>Municipalidad</i> <i>distrital/ distrito</i> [elected]
2002 -	region [elected]	<i>Municipalidad Provincial;</i> <i>Municipalidad</i> <i>Metropolitana (Lima)</i> [elected]	<i>Municipalidad</i> <i>distrital/ distrito</i> [elected]

Note: Changes in governance structure are noted in bold.

Following the Constituent Assembly of 1979 and the return to democracy in 1980, Peruvian presidents were charged with the duty of creating viable regional governments. After floundering under *Acción Popular* (AP) President Fernando Belaúnde Terry (1980-85), these processes were finally initiated by President Alan García (1985-90) of the *Alianza Popular Revolucionaria Americana* (APRA) party. However, Garcia only moved decisively to make the regions elected bodies in 1988, after he had lost public support in a botched bank nationalization program. The move for

regions was thus interpreted as a transparent attempt to build up a subnational power base, given the improbability of an APRA reelection in 1990 (O'Neill 2000; Kim 1996). Thus, the regions still had an unclear political mandate and no fiscal power by the time Alberto Fujimori categorically disbanded them as part of his authoritarian "self-coup" (*autogolpe*) in 1992. At that time, Fujimori replaced the elected regional governments with appointed "temporary" councils, the *Concejos Transitorios de Administración Regional* (CTAR). While theoretically temporary, the CTAR in effect served as part of a plan towards consolidating power in an authoritarian regime.

Legislature and Party System

The political history of twentieth century Peru was characterized by vacillations between authoritarian and weak democratic regimes. This has contributed to the weakness of legislatures and political parties. The country is governed by a unicameral parliament, with legislators picked in a single national district by proportional representation of parties. In this system, legislators have few incentives to deliver particularist services to constituents and little allegiance to specific districts. Under normal circumstances, a single national district with closed party lists and proportional representation would be expected to strengthen the hand of political parties, since national party leaders would control nominations to political office. However, in Peru the construction of the polity has had different effects. From 1979 onward, the party system in Peru declined precipitously, culminating in the virtual evaporation of the traditional parties, APRA and the AP. Disaffection with these traditional parties in the late 1980s led to the creation of personalist vehicles at the 1990 election. Parties constructed around individuals, such as

Fujimori's *Cambio 90*, did not have a regional base and as a result, did not press for decentralization. The single national district thus exacerbates the problems of the party system insofar as it gives presidents a direct, populist relationship with the citizenry and precludes allegiance to districts.

National Executive Structure

Peru's difficult political history has created a sense of permanent crisis. Actors preparing to form governments and develop constitutions assume that the best remedy for previous failures of governance are strong national executive powers. To a considerable extent, strong executives are seen as a substitute for the development of parliamentary institutions rather than as a complement to them.

Executive prerogatives from 1979 were reinforced by constitutional changes in the 1990s. In 1992, Alberto Fujimori dismissed both the legislative and judicial branches of government and moved to consolidate presidential domination of the executive branch. This came partly through the creation of a set of "superministries," most notably the dominant Ministry of the Presidency. These efforts were consolidated with a series of legal modifications to the 1993 Constitution (itself essentially formulated by Fujimori's political team) that concentrated budgeting and fiscal power in the hands of the president.

The Ministry of the Presidency was ostensibly designed to coordinate the political programs sponsored by the Fujimori regime. Predictably, it involved the construction of vertical relationships with society. A key element here proved to be FONCODES (*Fondo Nacional de Compensación y Desarrollo Social*), the internationally-acclaimed "compensatory social fund" designed to provide short-term assistance to Peruvians, in the

form of public goods, to mitigate the shocks of structural adjustment. Conceived as independent entities within the bureaucracy (and therefore insulated from certain standard bureaucratic pressures), social funds were conceived as “islands of competence,” to be run by technically oriented politicians. FONCODES, however, would have serious consequences for subnational government.

“Ficticia y falaz”: Non-decentralization in Peru

Peru’s local governments collect about five percent of total government revenue, making it one of the most centralized countries in Latin America and indeed in the world (Araoz and Urrunaga 1996, 97-98). This centralist tendency in Peru has persisted despite nearly a half-century of debate on the importance of the devolution of political authority from the central state to subnational levels of government. Decentralization has been a salient political issue for decades, but real changes have been scarce.⁴

Alberto Fujimori’s election in 1990 definitively ended the prospects for decentralization in the 1990s. Real political power was never devolved to the regions or municipalities, as had been envisioned by García in the death throes of his presidency. Rather, Fujimori was able to create, almost without resistance whatsoever, institutions for central management of revenue. Alongside his centralization of power through the dismissal of the legislative and judicial branches, Fujimori moved to shift resources from various ministries to his own Ministry of the Presidency. Within this ministry, he procured substantial funding for FONCODES and targeted its resources to the rural and peri-urban economies that would be crucial to his political future (Schady 1999). Despite rhetoric promising a “decentralized” approach, FONCODES was located at the right hand

of the President, representing what one observer called “executive philanthropy bankrolled by a liberal state” (Kay 1996, 56). According to Planas, “[in] 1993, FONCODES alone accounted for three percent of the national budget, a level of resources much greater than the combined budget of all of Peru’s municipalities” (Planas 1998, 570).

TABLE 2
Structure of Expenditures: Peru
% of National Budget

	1990	1993	1994
Min. of Health & Education (combined)	21%	9%	7.9%
Min. of the Presidency + Min. of Economy and Finance	34%	61%	N/A
Min. of Presidency	1%	9%	9.2%
FONCODES (Min. Pres.)	0%	3%	4%

Sources: Planas 1998, 570-71; Kay 1996, 84

Initially, the social fund was explicitly a part of the president’s personal regime, particularly with Luz Salgado, the secretary-general of Fujimori’s *Cambio 90/Nueva Mayoría* movement, as its titular head (Kay 1996, 78). Eventually, international donor organizations arranged for the exit of Salgado from the post, but Fujimori’s intentions were clear. Touted by the Fujimori government as an effort to incorporate civil society and marginalized populations into political processes, the FONCODES initiatives sought almost the contrary: social dependence. In fact, the projects initiated by the social fund almost directly reflected the logic behind its creation. In most cases, the only contribution of communities was in the initial phases of project proposals, with the execution and financing of projects flowing directly from the national government to the target community. Even in the initiation of projects, the FONCODES staff came to

dominate in many cases, being responsible for an estimated 36 percent of proposals, according to one survey (Kay 1996).

The Ministry of the Presidency, including FONCODES, became a massive, centralized bureaucracy, soon characterized as a “resource monger” (*recursofagia*).⁵ Moreover, its tentacles extended beyond Lima. A principal function of the Ministry became the coordination of newly appointed regional governments, the *Concejos Transitórios de Administración Regional* (CTAR), which replaced the elected regional governments following the Fujimori *autogolpe* in 1992. Furthermore, attempts to centralize fiscal power did not stop at the door of the Ministry of the Presidency. Fujimori made extensive use of the *Concejo de Ministros*, another super-ministry that served as the principal channel of information flows between the Cabinet and the President and which absorbed a substantial portion of the national budget.

Fujimori routinely boasted that his programs encouraged direct relationships between the president and the presided, without the annoyance of intermediaries such as political parties (Kay 1996, 56). This centralization of revenues and expenditures gave him near total control over the political economy. Ministry of the Presidency funds tended to crowd out investment from other entities by substituting for local governments and even NGOs.⁶ Kay notes that, in particular, Fujimori worked aggressively to seize control over municipal budgets:

At the center of the controversy was the Municipal Tax Law, better known as Legislative Decree #776. This law modified city tax rates on property and sales throughout the country, effectively shrinking municipal budgets by some 79% compared to the previous year. It also established a Municipal Compensation Fund, linked to the executive branch, whose mission was to dole out the revenues received from taxes to municipalities for public works, taking over the job traditionally carried out by the city authorities.

In one fell swoop, then, the offensive against the municipalities expanded the reach of the central government, gave Fujimori (and a handful of loyal advisors) greater discretion over a much larger budget, and created a legal pretext for executive intervention at the

local level. At the same time, the reform deprived municipal governments of control over their own finances, forced them into a subservient position vis-à-vis the central government, and converted at least some of the major municipalities into bastions of opposition in the process (Kay 1996, 71-72).

With the passing of the Fujimori era in 2001 and 2002, Peru has seen some new hope for decentralization under Alejandro Toledo. The election of regional officials in 2002 means that Peru has reverted to the political givens of the pre-Fujimori era. However, it is an open question whether the regional elections and administrative changes were meaningful in transforming Peru's political economy. Toledo's decision to eliminate the Ministry of the Presidency is certainly a step in the right direction, but the continued presence of an entrenched bureaucracy in FONCODES presages upcoming battles over the devolution of fiscal power. Regional governors may now be elected, but they have a very tenuous mandate and even more tenuous control over their budgets.

SENEGAL

For most of its post-independence history, Senegal was a dominant-party unitary state. Until April 1, 2000, when the career opposition leader Abdoulaye Wade was sworn in as President, Senegal had had only two presidents since independence in 1960, both from the *Parti Socialiste* (PS). Nonetheless, the country has long been considered not only a bastion of stability but a relatively democratic model for the African continent as well. In the context of the increasing political opening throughout the 1980s and 1990s, the Senegalese government moved in 1996 to reform the national political structure. The PS created elected regions and delegated major public service responsibilities to subnational governments, along with increased revenue transfers. How should these changes be characterized? Why did they come about and what was their effect? The analysis below

shows that the enhanced role for subnational governments did not mean a transfer of political power.

Organization of the Polity

For a relatively small unitary state, Senegal is governed by a surprising number of subnational bodies. The largest in area are the regions, followed by two layers of subregional administration: the *département*, governed by a prefect, and the *arrondissement*, governed by a sub-prefect. Local governments (*collectivités locales*) are elected and take two forms: the municipality (*commune*) in urban areas and the rural community (*communauté rurale*) in the countryside.

TABLE 3
Subnational Government in Senegal

SENEGAL	<i>Regional/Provincial</i>	<i>Municipal (upper tier)</i>	<i>Municipal (lower tier)</i>
1960-72	region [appointed]	Département [appointed]	communes (urban) none (rural) [elected]
1972-96	region [appointed]	Département [appointed]	communes (urban) communauté rurale (rural) [elected]
1996-2002	region [elected and appointed]	Département [appointed]	communes (urban) communauté rurale (rural) [elected]
2003 - ? (proposed)	Regions [appointed]	Département [elected]	communes (urban) communauté rurale (rural) [elected]

Note: Changes in governance structure are noted in bold.

Since 1996 the regions have had both elected and appointed bodies. They are governed by a regional council, which elects its own president; the region also has a governor who serves as a representative of the state and who works alongside the elected council. In principle, the governor only monitors politics *a posteriori*, with the elected regional council making the majority of political decisions attributed to this level of government. However, the regional councils are threatened by proposed changes (*provincialisation*) that envisage the elimination of the elected regional governments in favor of smaller provinces.⁷

Legislature and Party System

In Senegal's relatively strong presidential system from 1960 to 2000, the legislature was a relatively unimportant body. The strong discipline within the PS and the formal powers of the President enshrined in the Constitution marginalized the parliament in policy-making. The Senegalese Senate, ostensibly created to represent the regions or subnational governments, was largely an echo chamber that endorsed the interests of the national Parti Socialiste leadership, as the president nominated a large percentage of the members. During the forty years leading up to 2000, election to the *Assemblée Nationale* had been controlled by the national party instead of local constituencies. This meant that parliament never represented an effective channel for subnational governments to exert pressure on the center. After his victory in the 2000 election, long-time opposition leader Abdoulaye Wade abolished the Senate, citing it as an institution of the old order, and took Senegal to a unicameral system. Elections to the Assembly were modified to include a new combination of proportional representation and district voting.

After dismissing parliament, holding a referendum, and approving a new constitution, Wade commanded a majority in the legislature but only as the head of a coalition led by his PDS (*Parti démocratique sénégalais*). The defeat of the PS meant that control of the legislature had shifted from a strong party to a more fractious coalition. Despite this loss at the national level, the PS retains considerable local power, especially in some rural areas, where older clientelist patterns are retained. As noted by observers in Louga province, “talking about politics means talking about party politics, and talking about party politics means talking about the *Parti Socialiste*”.⁸ In short, the convulsions of recent Senegalese history (and the changes in electoral law) have driven a wedge between local power and parliamentary representation; in this context, Wade has not moved decisively to empower local governments, despite his parliamentary majority.

National Executive Structure

Senegal’s first two presidents, Leopold Sédar Senghor and Abdou Diouf, were rarely required to use formal powers throughout their presidencies. Because they could rely on the levers of the PS, which commanded a majority in the legislature, the presidency did not require special powers. On the other hand, the strong endowments offered to the President in the Constitution were reinforced over time, as the Prime Minister (head of the Parliament) came to look more and more like a subordinate to the president rather than a head of government.

The Senegalese bureaucracy retains considerable control over the national revenue systems. The Ministry of Economy and Finance and the Local Government Bureau (*Direction des Collectivités Locales*) are responsible for the division of transfers

to municipalities, with little input from expenditure ministries. The only place where the expenditure and revenue ministries coordinate appropriations and distributions is the National Conference for Local Collectivities (CNCL), a political forum involving the various ministries at which presidential directives for the budget year are tabled. At this annual conference, national ministers meet to discuss national priorities, and a set of political decisions are made, based on the priorities of the government. This is not an institution for the consideration of technical elements of distribution, which is left to the discretion of the Local Government Bureau. Thus, while not placed directly under the control of the president as in Peru, the Senegalese executive branch also mediates all pressures for transfers to subnational government. In light of this continued control, it seems appropriate to consider the bureaucratic limitations on Senegal's decentralization process.

***“Plus de problèmes que de solutions”*: Semi-decentralization in Senegal**

In April 1992, President Abdou Diouf's government initiated a regionalization program designed to convert the country's 10 regions into autonomous subnational governments.

As one observer noted, the aims may have been venal:

In contrast to the party's (PS) uncertain success in the country's larger cities, control over this stratum of government is assured insofar as regional voters will come overwhelmingly from rural areas—creating hundreds of elected positions for PS rank-and-file (Marks 1996, 141).

Finally established as subnational governments in 1996, the regions were deliberately designed to depend entirely on the central government with no independent taxation authority. While they are endowed with guaranteed transfers for basic recurrent expenses, they are not properly independent subnational bodies. On the contrary, the

administrative arm of the regions (controlled by the central state) seems to have greater tasks in governance than the elected regional councils.

With regard to revenue transfers, only small amounts were passed to local governments under the PS. The *Fonds d'Equipement des Collectivités Locales* (FECL, or Local Government Capital Fund) existed throughout much of the Senghor and Diouf presidencies. However, this funding, earmarked for capital expenditures, was made available to local governments on a *concours* basis, meaning local governments applied for funding, which was left entirely to the discretion of the central government. The progression of the FECL from 1993 to 1996 shows some increase from 3.4 percent to 7.8 percent of the total of overall local budgets, and this slight increase in discretionary funding continued to 2002.

More substantial than the FECL were a host of laws passed in 1996 that appeared set to move Senegal convincingly towards decentralized governance by moving expenditure responsibilities to local governments and by providing a fund to compensate these subnational governments for the charges assumed. This fund, the *Fonds de Dotation de la Décentralisation* (FDD, or Decentralization Fund), is somewhat larger than the FECL and is intended to be distributed to all local governments. The FDD was coupled with the legal dispositions of the Law 96-07 that made local government responsible for the provision of basic services in nine major social service areas, including health and education. Yet even now, the majority of spending on these social services takes place at the national level, as civil service personnel (including teachers) continue to be paid and overseen by the state. The decentralization of expenditures

applies only to capital investments and maintenance and not to the lion's share of expenditure (and patronage opportunities) taken up in personnel.

TABLE 4
Transfers to Local Government: Senegal
(billions of CFA francs)

	1993	1996	2001	2002
FDD	N/A	N/A	7,589	8,089
FECL	714	2,122	3,820	4,000

Sources: Office of the Director, *Direction des collectivités locales*; Government of Senegal, *Etude sur la fiscalité locale*.

More importantly, the most salient point about the 1996 reforms was that the FDD revenues were woefully insufficient to realize such crucial functions as health and education investment. In addition, the FDD passes through the same bureaucratic machinery as the FECL, and the formula for the division of revenue are opaque, leaving room for considerable discretion over even these automatically transferable revenues. Thus, despite the fact that both revenues and expenditures were supposed to be decentralized in 1996, Senegal's finances remain in the hands of appointed administrators, including departmental prefects and *arrondissement* sub-prefects, and not in the hands of elected local officials. In short, Senegal has created a set of under-funded mandates, and the central government continues to manage most expenditures. As one Senegalese functionary in the DCL confessed succinctly, "the state has decentralized more problems than solutions."⁹

These changes under Diouf, then, are best seen as a middling attempt at decentralization. Looking ahead, one can foresee that Wade's PDS government will likewise have few incentives to move decision-making from the bureaucracy to local government. First, the coalition does not have a firm political base, and Wade recognizes that he is electorally insecure at the local level, especially in the PS rural strongholds.

While the PDS coalition can keep the PS in the minority in national politics, it is aware that in many first-past-the-post local elections, the PS could fare better.

Correspondingly, the Wade administration has taken much the same approach to intergovernmental relations as the PS governments did: as a potential tool for political use, albeit an uncertain one. The ambiguity surrounding local and regional government leads international donors to conclude that the outlook for decentralization under the Wade government is ambiguous at best, particularly after the administration summarily dismissed all local councilors for six months, citing the need to “shake up the system.”¹⁰ A former Ministry of Economy and Finance official, responsible for an internally-commissioned study on Senegalese local finance, expressed uneasiness about Wade’s provincialization initiative:

It is difficult to assess the administration’s commitment to decentralization. There has been a major *projet de texte* designed to promote provincialization. This would be a real decentralizing change, but it has since been put on ice (*au frigo*). The question is, do you judge the administration on the text, or on the fact that they put it on ice?”¹¹

Ambivalence in assessing Wade’s intentions is quite apt. It reflects the uncertainty under which the president and his coalition operate. That is, it is likely that Wade has no clear direction on central-local relations. It is an almost axiomatic observation that he and his coalition are inclined first to wait to see if decentralization will be favorable to their interests in future elections. The operative word for the Wade presidency is uncertainty, coupled with a wait-and-see attitude that should become clearer with each passing election. Indeed, such timidity has been the hallmark of all Senegalese moves towards decentralization, even the acclaimed changes of 1996.

COMPARATIVE ANALYSIS

A pair of variables can be isolated that have clear effects on decentralization outcomes in these two polities. The first is the nature of the party system. Though it remains problematic, decentralization has clearly advanced farther in Senegal than in Peru. Part of the reason for the advance is that important pressures for decentralization in Senegal came from *within* the polity. The breakdown of one-party hegemony in the 1990s led the Parti Socialiste to consider increasing distributions to subnational governments. As their hold on national power looked less certain, the PS moved to hedge their bets by reinforcing subnational government and placing PS partisans in local posts. In Peru, given different political institutions, the breakdown of the party system only further strengthened the hand of the presidency. Fujimori seized the opportunity presented by party weakness to centralize revenues and expenditures rather than decentralize. Thus, change over time in these countries is partly due to crisis within the party system and the electoral calculations of sitting presidents during these crises.

The second important variable is the structure of state bureaucratic institutions. The heavy-handed use of the state bureaucracy in the case of Peru's Ministry of the Presidency FONCODES is clear. As described above, the story in Senegal is more mixed and corresponds to a more mixed outcome. Nonetheless, we can see that the FDD and the FECL remain squarely under the purview of the national executive, with presidential and bureaucratic control over the distribution of funds. In the table below, this variable, labeled "bureaucratic discretion," works in the opposite direction as international pressure towards decentralization.

TABLE 5
Overview of Independent and Dependent Variables

	INTERNATIONAL PRESSURE	PARTY SYSTEM	BUREAUCRATIC DISCRETION	Decentralization
PERU	Moderate – High	Weak	High	None
SENEGAL	Moderate – High	Strong → weakening	Moderate – High	Low – Moderate

Controversially, it must be argued that international pressure for decentralization seems to have had little causal impact. Both countries have indeed responded to pressures, but in most unpredictable ways. To be sure, both have under-performed, despite international applause for Senegal as a model of decentralization. In part, international donors themselves are responsible for the underperformance. Alongside decentralization, social funds were a part of the international donor discourse in the 1990s, and the creation of the social fund FONCODES was part and parcel of the hyper-centralization of Peru. In Senegal, efforts to promote decentralization have led to massive foreign assistance to local governments. In effect, this assistance has *substituted* for revenue transfers, instead of *complementing* them. While Senegal created an impressive set of decentralization laws, it also institutionalized under-funded mandates, which by some measures is the opposite of enhancing local governance. By not pressing for greater revenue transfers from the central to local governments in Senegal and by plugging the finance gap with their own resources, international donor organizations are partly responsible for the undermining of their own decentralization discourse.

As a final note here, it is argued that alternate hypotheses, including causal stories about economics and ideology, cannot provide the same analytical leverage as party or bureaucratic variables. Clearly, decentralization has not co-varied with economic structure or performance. Theories proposing that greater levels of development lead to

decentralization would predict greater advances in Peru than in Senegal, but the outcome is the reverse. With regard to performance, there is no clear pattern that suggests either short-term economic growth or economic crisis triggers decentralization. Furthermore, one can categorically reject the proposition that decentralization in Senegal and Peru has been an ideological prerogative. Parties and candidates in Peru are famously unstable, and the most pro-decentralization initiatives have come from APRA only when regional governance appeared to be a favorable alternative to national candidacy. Meanwhile, neither the PS nor the current governing coalition in Senegal has shown an untethered commitment to decentralize; both have considered only those modifications that would consolidate their power or disrupt the opposition.

POLICY IMPLICATIONS AND RECOMMENDATIONS

Many observers assert (and others assume) that “political will” is the *sine qua non* for decentralization. This article strongly opposes such a voluntarist position. We gain little purchase from arguments that governments will act as they wish. As importantly, a voluntarist approach in effect abandons hope that international agencies and local organizations may use leverage (beyond persuasive cajoling) to influence government decision-making, since this capacity is in the hands of politically self-interested national executives. This article forwards the argument that institutions structure incentives for political behavior and that international donors must be actively involved in the strengthening of institutions. Not all developing country governments favor centralism, but this study has brought out two examples where unitary states have endeavored to control and delimit the process. It is useful, then, to consider how international and non-

governmental agencies, working in conjunction with local and national governments, can ensure that decentralization becomes more effective. The study of Peru and Senegal suggests that ensuring a constructive approach to decentralization is more complex than many international organizations assume. Several points must be made here.

First, “decentralization” is not a panacea, and its impacts will vary dramatically depending on which concept or definition of decentralization we use. Aggressive rhetorical tactics have led some to believe that Senegal is actively decentralizing (or even that Fujimori was doing so), when in fact power remains largely within the central state. As a first pass, revenues and expenditure decentralization must be coupled. This is a straightforward proposition, demonstrating the importance of a fuller study of intergovernmental relations in countries that receive international assistance. However, what is clear to those on the ground is often not reflected in the political science literature, where studies often look either at revenue sharing, expenditure responsibilities, or policymaking authority. Rarely are all factors treated together in a single framework.

Second, the recent fascination with social funds may, under certain political circumstances, conflict with decentralization initiatives. Compensatory schemes to accompany structural adjustment are undoubtedly necessary, and the motivation for social funds is not questioned here. Complications with the funds arise in the implementation phase, when structures allow autocratic regimes to control the distribution of resources.

The third major implication is conceptual. Support for local government does not equal decentralization. The former can include support from abroad; the latter should exclusively denote transfers *from central government to subnational government*. In fact,

a number of donor agencies, including the United Nations Development Program (UNDP) and the US Agency for International Development (USAID) in Senegal promote their governance projects as “decentralization,” but their relationships primarily involve direct transfers from donors to local governments.¹² National governments must be major players in decentralization schemes.

The policy recommendations below flow directly from these observations. To improve decentralization projects and to ensure enhanced local governance, international agencies should do the following:

1. **Insist that governments benefiting from decentralization projects engage in cost-sharing.** In economic terms, major international agencies can and should ascertain that donor funds serve as complements in the financing of local public goods, rather than as substitutes. The possibility that international investment will crowd out local funding is present in all development assistance. But in the case of decentralization, measurements of the host country’s commitment to local governance must be taken. The most comprehensive demonstration of institutional commitment to local governance is national participation in financing. A government that puts its money where its mouth is—even a minor contribution under tight resource constraints—has a greater likelihood of supporting decentralization over time and of developing stable institutions for good local governance.

2. **Ensure that the structure of social funds facilitates bottom-up participation and not top-down management.** While social funds must ultimately be accountable to national governments, they are intended to incorporate local demands. If governments are allowed to staff social funds with political appointees, to drive project

targeting, or to finance at their discretion, it is very probable that clientelistic dependence will be strengthened rather than weakened, and grassroots participation will not be obtained. In short, social funds in and of themselves are not solutions; institutional design still matters.

3. Specify the concepts of decentralization policy more clearly.

Decentralization, with its half-dozen common usages, is a concept that presently invites as much abuse as reverence. International donors should specify the need for revenue transfers to couple expenditure transfers. Given the confusion surrounding decentralization, an alternate concept of great utility may be *intergovernmental relations* (IGR). IGR is a broad concept that includes notions of bargaining as well as the importance of active central government involvement in promoting subnational governance. Implicit in IGR is a political assessment of which level of government is accountable for the provision of which public goods. Moreover, IGR simultaneously embodies change and stasis; by contrast, decentralization is a concept about reform in a single direction. The specification of concepts is not merely an academic enterprise; it is of great significance to political relationships throughout the developing world.

Given these three recommendations, an additional policy clarification is required. Observers critical of the international financial architecture often question whether donor agencies are justified in placing restrictions on countries receiving development funding. While the principle of non-intervention in domestic affairs demands consideration, decentralization programs by their nature seek transformation in forms and modalities of governance. A brief example from Senegal will demonstrate why the proposals here do not represent greater interference in domestic affairs than donor programs do at present.

Currently, decentralization initiatives consist of direct transfers into local government funds, in partnership with national governments. These are massive concessionary interventions, with dramatic (and even ambiguous) implications for domestic finance. International donors clearly fill a resource gap. However, in so doing, they may destabilize local budget flows. Donor resources often arrive in lump sums, with local communities expected to engage in the planning and expenditure of these significantly increased budgets. The existence of a large short-term fund, however, may lead to budgeting problems over the medium-term when donor finance is phased out and local budgets return to near original levels. For this reason, then, it would be in the interest of improved governance to systematize a central-local relationship that includes sustainable revenue transfers from central to local government. As this example illustrates, reforming decentralization initiatives would not represent a sudden intervention in domestic politics. Rather, it would improve project design where donor intervention already exists.

CONCLUSION

One of Peru's foremost commentators on centralism and decentralization argues that the concept of decentralization has been "prostituted" by national governments for years (Planas 2001, 51). This article has shown that two countries in Latin America and in Sub-Saharan Africa have been able to undermine international efforts to promote decentralization. It has argued that conceptual distinctions, between such notions as intergovernmental relations and different flavors of "decentralization," are far more than mere academic exercises. Beyond leading to biased inferences about empirical

outcomes, the use of inappropriate concepts has a policy impact. The rhetorical abuse of decentralization has created discourses that mask political intentions and pervert incentives, leading to president-dominated bureaucratization in Peru and the creation of under-funded mandates in Senegal. Peru and Senegal, like many other countries in their respective regions, have made considerably less progress on decentralization than is often assumed. Far from applauding the changes, some local governments in both countries deplore the “decentralization” that took shape in the 1990s.¹³ By changing conceptual approaches, by closely observing the use of the bureaucracy in fiscal relations, and by looking at intergovernmental relations in both revenues and expenditures, we can hope for better interaction between agents of governance at the local, national, and international levels.

NOTES

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² Writings on decentralization include references to 1) revenue decentralization (“increased fiscal transfers from national to subnational government”); 2) expenditure decentralization (“decentralization of health care”, e.g.); 3) political decentralization (“election of subnational officials”); 4) deconcentration (“extension of the national bureaucracy to local levels”); 5) devolution of power (“increased local authority/autonomy”); and 6) the static concept of decentralism without change (“when the local dominates the national”), among others. See Eaton 2001, Peterson 1997, and Planas 2001 for perspectives that are more attentive to these differences.

³ The provincial municipalities govern in metropolitan areas (taking care of public goods best offered across smaller districts), while the latter are the subdivisions of the metro areas, as well as the local governments in rural and semi-urban areas. This distinction could be considered akin to the county and town/city system in the United States. The important point is that both of these are local governments, though neither are comparable to, for example, state level government in the U.S.

⁴ For an historical perspective, see Planas 1998 and Zas Fris Burga 1998.

⁵ See Planas 1998: 570-71. Other similar clientelist agencies were either created in the Ministry or absorbed into it. Among these were the *Programa Nacional de Asistencia Alimentaria* (PRONAA) *Programa Nacional de Agua Potable* (PRONAP), the embattled *Fondo Nacional de Vivienda* (FONAVI, which underwent a tax-and-budget scandal and was partly replaced by a parallel organization,

MiVivienda), and the Corporación de Desarrollo de Lima y Callao (CORLICA, later split into CORDELIMA and CORDECALLAO).

⁶ Institutions such as CORLICA substituted for municipalities (in this case Lima and Callao; Planas 1998: 570-71). Fujimori's initiatives even crowded out non-profit sector organizations, with PRONAA running roughshod over the existing non-governmental *clubes de madres/comedores* and *vasos de leche*.

⁷ Whereas Senegal currently has 10 regions, the proposed number of provinces would be 35. Interview, Khalifa Guèye, Director, *Direction des collectivités locales*, October 29, 2001.

⁸ Interviews, PADMIR (Programme d'Appui à la Décentralisation en Milieu Rural) program staff, United Nations Capital Development Fund, October 31, 2002.

⁹ Interview, Amadou Bocoum (Local Finance Specialist, *Direction des collectivités locales*), October 29, 2001.

¹⁰ Interviews: Seynabou Ba and Christian Fournier, June 2 and 5, 2002.

¹¹ Interviews: Pape Ndiaye (Consultant, Ministry of Economy and Finance), June 10, 2002; Macoudou Gueye (Director, National Tax Service), June 26, 2002.

¹² See <www.usaid.gov> and <www.uncdf.org>.

¹³ Interviews: Fernando Noblesilla (Deputy Mayor, Chiclayo, Peru) July 24, 2001; and El Hadj Sidy Niang (Coordinator, *Maison des Elus Locaux*); Dakar, Senegal; July 5, 2002.

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