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On the Local Politics of Administrative Decentralization: Applying for Policy Responsibilities in Ecuador

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Variation in the behavior and preferences of subnational governments is one of the areas that remain poorly understood by students of comparative decentralization and federalism. Yet, evidence suggests that this variation plays an important role in shaping intergovernmental relations. Ecuador provides an especially interesting case for systematically exploring variation in the behavior of municipalities. Rather than establishing a uniform division of competences between levels of government, the 1998 constitution called on subnational governments to apply for policy responsibilities. Using an original data set, our analysis demonstrates that, in addition to national-level incentives, municipal-level political variables—such as the government’s support base and linkages to civil society—have a strong and significant impact on the behavior of local governments.

In the past two decades advanced industrialized and developing countries alike have moved toward more decentralized patterns of governance and decentralization has attracted the interest of scholars from various disciplines. While our understanding of decentralization has grown, the literature on decentralization has tended to focus extensively on the comparison of countries or presidential administrations as units of analysis. Subnational governments have mostly been treated as a homogeneous group as theoretical and empirical work has tended to assume that they share common preferences and, therefore, behave similarly during processes of decentralization. Consequently, variation in the behavior of subnational governments has remained poorly understood (Wibbels 2006: 182).

The assumption that subnational governments share a set of preferences, which has guided much of the literature, hampers our understanding of the degree and shape of decentralized governance in contemporary democracies. Intergovernmental
relations are not determined at one point in time and then remain unchanged. They are more aptly understood as a sequence of political bargains between governments, in which “the details of policy and the powers to make policies are negotiated and renegotiated through time” (Congleton 2006: 132). Often, constitutions and national framework legislations are vague and leave leeway for adjustments. Therefore, heterogeneity of subnational governments with regard to their interests and their ability to pursue these interests has often led to considerable asymmetry between governments at the same level. While such asymmetries in the distribution of fiscal and regulatory authority are widespread and can be found in countries as different as Spain, China, and Venezuela, their origins have remained under-theorized (Congleton 2006).

Renegotiations of bargains between governments at different levels occur in all political systems over time, but the process of institutional change is likely to be accelerated during periods of decentralization. Moreover, in many countries—despite national framework legislation—subnational governments have considerable discretionary leeway in assuming policy competences or refusing to do so. In this article we aim to contribute to the literature on asymmetric federalism by offering a theoretically grounded explanation of variation in the behavior of subnational governments. Drawing on the public choice literature about the determinants of public good provision we examine empirically how political factors at the subnational level have influenced the process of administrative decentralization in Ecuador.

Ecuador offers a rare opportunity to systematically study local-level influences on the politics of administrative decentralization. First, Ecuador’s 19th constitution, which was in effect from 1998 to 2008, established the principle of optional decentralization, which calls on subnational governments to apply for policy responsibilities rather than creating a uniform distribution of administrative competences between levels of government. Thus, the national framework does not constrain variation in the behavior of subnational governments, but gives local governments the opportunity to pursue their interests. The observable heterogeneity in the behavior of subnational governments enables us to examine its determinants. Second, Ecuador’s party system makes the country an interesting case for analysis. On the one hand, the country has often been cited as one of the most extreme cases of crises of representation in Latin America (e.g. Mainwaring 2006). Its traditional parties have been severely criticized for having failed to fulfill their task as intermediaries (e.g. Freidenberg, and Alcántara Sáez 2001). On the other hand, the country has experienced the emergence of a lively civil society with a substantial mobilizing capacity. In particular, the Ecuadorian indigenous movement, which appeared during the 1990s, is still considered as one of the strongest social movements in the Andean region and the affiliated party Movimiento Unidad Plurinacional Pachakutik-Nuevo País has performed well.
electorally during our period of investigation from 2001 to 2004 (Van Cott 2005; Madrid 2005; Mijeski and Beck 2008).

The findings of our comparative analysis suggest that political variables have a strong and significant impact on the behavior of subnational governments. Our data show that even in the absence of fiscal incentives, local governments with broad popular support and municipalities governed by the indigenous party Pachakutik—a party closely linked to civil society—have actively pursued administrative decentralization. These findings are robust when we control for demographic and financial characteristics of municipalities. Municipalities governed by traditional, hierarchically organized and clientelistic parties, in contrast, have been reluctant to demand administrative competences.

The article proceeds as follows. The first section lays out the theoretical framework for the analysis and situates the present study in the context of the comparative analysis of decentralization. The following section substantiates our case selection and outlines the basic characteristics of Ecuador’s decentralization framework. We then test our hypotheses about the determinants of subnational variation on the basis of an original data set of Ecuadorian municipalities. The article concludes with a discussion of our findings.

The Decentralization Debate and the Puzzle of Subnational Variation

Scholarship on decentralization has grown substantially in recent years. Yet, much of the literature has tended to focus on the initial steps of decentralization reforms. In tackling the question of why central governments choose to give up power, researchers have concentrated on the motivations of actors located at the national level, either within the executive (e.g. O’Neill 2005; Grindle 2000) or the legislature (e.g. Escobar-Lemmon 2003; Willis, da Garman, and Haggard 1999). However, even though in Latin America initial decisions to pursue decentralization reforms have often been top-down, over time the reforms have created new stakeholders and subnational governments have started to lobby for their interests more assertively (Tulchin and Seele 2004: 10). Therefore, the focus on national-level decision-makers becomes increasingly inadequate as decentralization processes carry on (Montero 2001; González 2008). To come to a fuller understanding of these reforms we therefore need to incorporate the preferences and behavior of subnational governments.

Scholarship has often treated subnational governments en-bloc, building on the assumption that they share a set of preferences. Yet, there is growing empirical evidence that differences among subnational entities exert considerable influence on their political behavior (e.g. Eaton 2004; Samuels 2003; Ferraz and Finan 2008;
Kauneckis and Andersson 2009). Far from being a unified bloc, subnational governments are heterogeneous with regard to their policy preferences and accordingly, behave differently in decentralized contexts and during decentralization processes.

Asymmetric federal arrangements, where certain subnational entities possess more authority and powers than their peers, can be found in Spain (e.g. Galicia and Catalonia), Canada (Quebec), and the UK (Wales and Scotland). While a number of studies shed light on the dynamics of policy-making in asymmetric systems (Swenden 2002; Bulmer et al. 2006), the origins of this asymmetry, also called ‘menu federalism’ (Congleton 2006), have remained under-theorized. The assumption that subnational governments are homogeneous with regard to their preferences has hampered our ability to understand and explain such arrangements. The optional decentralization frameworks instituted by several countries, where local governments apply for policy responsibilities, provide scholars with an opportunity to examine subnational heterogeneity in action and to study the emergence of asymmetric federalism. In Latin America, for instance, Ecuador, Peru (Polastri and Rojas 2006), and Venezuela (Escobar-Lemmon 2003; de la Cruz and Legovini 2004) have opted for national frameworks that allow subnational units to select administrative competences.

Yet, the issue of subnational heterogeneity is relevant even where there is no framework for optional decentralization. Especially in developing countries variation of subnational behavior often occurs due to vagueness of legislation, unclear assignment of shared competences or the failure of higher levels of government to provide services effectively. In Indonesia, for example, the decentralization framework left all responsibilities not assigned to the central or provincial level to municipal districts. As competences were only vaguely defined, districts were able to either actively pursue the transfer of competences through negotiations with higher levels of government, or to abstain from the assumption of additional responsibilities. In addition, individual subnational governments have sometimes taken over responsibilities not formally assigned to them when higher levels of government failed to provide the service. In South Africa, for instance, where providing housing is formally a provincial task, some municipalities have taken over this responsibility, even without a clear legal basis or additional fiscal transfers (Heymans 2006: 66). In many developing countries, where central governments with a limited presence have been unable or unwilling to provide services to citizens throughout the national territory, local governments have stepped into the void. Thus, for different reasons municipalities and provinces in many countries have at least some leeway to behave according to their preferences.
The Political Origins of Subnational Variation with Regard to Administrative Decentralization

In most theoretical approaches to decentralization, subnational government behavior has been conceptualized as responding to incentive structures created by national level actors and to a uniform set of preferences shared by all subnational governments of the same level. The influence of local political factors has generally not been considered. Falleti (2005), for example, convincingly argues that—all else equal—subnational governments will prefer political and fiscal decentralization to administrative decentralization. Political decentralization reflects whether subnational governments are directly elected, and thus share in the political functions of governance. Fiscal decentralization taps into the share of total government resources managed by subnational governments and administrative decentralization indicates the degree to which policy responsibilities are in the hands of subnational governments (Schneider 2003; Montero and Samuels 2004). The reasons why local governments prefer fiscal and political decentralization are fairly simple. While political and fiscal decentralization provide advantages for local governments—namely political autonomy and fiscal resources—this is not necessarily true for administrative decentralization (see also González 2008). Additional policy responsibilities can be a considerable burden for subnational governments. Administrative decentralization enables citizens to monitor and evaluate local government performance and constrains the ability of subnational governments to engage in discretionary politics. The potential financial costs of executing administrative competences constitute a strong disincentive for subnational governments. Thus, unless the central government creates fiscal incentives for administrative decentralization, subnational governments are unlikely to be interested in assuming additional responsibilities.

While the previous argument provides valuable insights into the behavior of subnational governments, it is unable to account for variation in their behavior. We argue that rather than merely constituting random deviations from rational actor preferences, variation in the behavior of subnational governments within the same national incentive structure can be understood in terms of local-level incentives. Consequently, while national incentives affect all subnational governments at one level of government, their behavior with regard to administrative decentralization can still vary due to differences at the local level. Therefore, even in the absence of fiscal incentives for administrative decentralization, some subnational governments will be more likely to pursue administrative decentralization than others.

More concretely, we argue that variation can be attributed to local-level political factors. Our hypotheses are theoretically grounded in the political economy literature on the determinants of public good provision. Because the local...
government cannot expect a significant fiscal compensation from the central
government, demanding administrative competences can be interpreted as the
commitment of the local government to provide a public good in a given policy
area. Variation among subnational governments with regard to the demand of
responsibilities will therefore at least partly result from their varying interest in
public good provision. We derive the factors that are likely to affect the willingness
of local governments to provide such goods from the public choice literature
(Olson 1993; Mesquita et al. 2003; Lake and Baum 2001). More concretely, we
hypothesize that the size of the electorate supporting the subnational government
as well as close linkages between the government and organized civil society will
have an impact on local government behavior.

Our first hypothesis relates to the size of a government’s support base. We expect
that subnational governments supported by a broader share of the electorate will be
more likely to engage in administrative decentralization. This hypothesis builds on
previous work, which demonstrates that local—like national—governments will
attempt to satisfy those societal groups that are crucial for their survival (Olson
1993; Mesquita et al. 2003). If elections are generally free and competitive,
governments interested in reelection will orient their policies toward the
constituencies that helped elect them. When governments depend on the support
of relatively small but powerful interest groups, such as mighty economic oligarchs,
it is rational to satisfy these interest groups by providing tailor-cut rents rather than
public goods. As a government’s constituency becomes larger, however, rent
distribution becomes more costly and public good provision becomes more
efficient.1

This general argument can also generate insight into the behavior of subnational
governments. Subnational governments whose support rests on a large fraction of
the electorate will be more willing to provide services to the public by demanding
administrative competences from the center than comparative governments selected
by a relatively small group. For governments supported by a large fraction of the
electorate, the incentives to provide public goods through the request of
administrative competences will tend to outweigh the financial and political risks
associated with demanding such competences. For a local government dependent
only on a small set of interest groups, by contrast, demanding policy competences
is a risky undertaking. If the governments cannot expect to receive additional
resources to fulfill the responsibility, it can only provide the public good if it
reduces rents for its support group. When the resource pool is limited, there is a
trade-off between providing rents and public goods. All else equal, we should
therefore expect governments supported by a broader share of the electorate to be
more likely to demand competences.

Our second hypothesis relates to a local government’s connection to civil
society. We define civil society as the universe of voluntary, non-profit-oriented
societal organizations that pursue their interests with non-violent means. We expect local governments controlled by political parties closely linked to civil society to be more likely to be committed to administrative decentralization. In the literature on decentralization, transferring administrative competences to subnational entities is often assumed to contribute to the improvement of public services. This argument is based on the notion that local governments are closer to citizens, which makes them better informed about local conditions and preferences (Hayek 1945; Tiebout 1956). However, the mere fact that municipal governments are physically closer to citizens does not necessarily make them more responsive to local needs. Instead, in some cases subnational governments merely constitute another layer of corruption and clientelism (e.g. Ryan 2004; Cai and Treisman 2004; Packel 2008). Thus, empirically, there has been variation with regard to the degree of responsiveness of local authorities to the ‘encompassing interests’ (Olson 1965) of their citizens.

Whether governments commit to the provision of public goods or use their resources primarily for the construction of patronage networks also depends on the mechanisms of accountability that are in place. Close ties between civil society and governments promote the provision of public goods by increasing the government’s responsiveness to citizens’ concerns. Broad civic engagement reduces collective action problems in the policy process by constraining the impact of special interest groups and creating mechanisms of social accountability and transparency (Putnam 1993; see also Robinson 1999). The positive effect of civil society on social accountability and the government’s willingness to provide public goods is especially pronounced when the party in government serves as a transfer mechanism between society and the executive (Foley and Edwards 1996). If organized civil society is linked to the government, the articulation of citizens’ expectations with regard to local service delivery exerts a stronger impact and organized civil society is better able to monitor the government’s commitment to provide public goods. This, in turn, increases the subnational government’s incentives to improve services by demanding administrative competences. Thus, we argue that close ties between civil society and a governing party will increase the incentives of local governments to invest in public good provision.

This theoretical argument is consistent with recent findings about the impact of civil society on local governance. For instance, Cleary (2007) has shown that municipal governments respond to pressures from politically mobilized citizens and that an active citizenry at the municipal level as well as cooperation between political leaders and their constituents promote better governmental performance. These findings are in line with Andersson and van Laerhoven’s (2007) observation that participatory municipal governance is more likely to occur when civil society groups demand action from their local governments.
In Latin America the connection between indigenous parties and civil society has been particularly noteworthy. While many Latin American parties have been criticized for becoming increasingly detached from organized social constituencies (Roberts 2002a), indigenous parties have frequently departed from this pattern. Where traditional parties have generally wooed indigenous voters through clientelistic appeals, indigenous political organizations at least at the local level have emphasized an active citizenry and the involvement of civil society organizations in the policy process (e.g. Hindley 1999; Ortiz 2004; Madrid 2005; Van Cott 2008). Municipalities governed by indigenous parties can thus be considered an instance of subnational governments with close linkages to civil society. They should therefore be more inclined to demand administrative competences in order to provide public goods.

The Politics of Decentralization in Ecuador

Ecuador, a country that has often been overlooked in the debate about decentralization, offers a particularly intriguing case for exploring the political origins of subnational variation. Article 226 of the 1998 constitution established the principle of optional decentralization and calls on subnational governments to apply for policy responsibilities. This particular setting allows us to examine the determinants of variation in local government behavior with regard to administrative decentralization. Thus, we follow a strategy of within-nation comparison (Snyder 2001: 95–96) with municipal government administrations as units of analysis.

Ecuador’s party system provides an interesting setting for this research. The country’s traditional party system, which is currently facing fundamental changes, has been characterized as elitist (Roberts 2002b). In such systems, parties usually do not maintain grassroots party organizations or secondary associations and they are generally “bound to lower-class constituencies by vertical patron-client networks” (Roberts 2002b: 13). Indeed, linkages between citizens and the main traditional political parties in Ecuador—the Partido Social Cristiano (PSC), the Partido Roldosista Ecuatoriano (PRE), and the Izquierda Democrática (ID)—have been characterized by political brokerage, clientelism, and personalistic forms of intermediation (e.g. Conaghan 1995; Freidenberg 2001; Freidenberg and Alcántara 2001). Partly as a result of the problematic performance of parties, Ecuador has been experiencing a severe crisis of representation (Mainwaring 2006; Mejía Acosta 2006).

However, Ecuador has also witnessed the emergence of a lively civil society. The indigenous movement that appeared in the 1990s has been considered one of the strongest social movements on the continent. Pachakutik, the party affiliated with this movement, achieved an almost meteor-like electoral rise after it started to
participate in elections in 1996 (Van Cott 2005: 99). The party’s electoral success until 2006 has stemmed to a large degree from its close relation with locally based social movements. Pachakutik has been particularly successful at the local level but has also—at least temporarily—become an important player in the national arena. For the indigenous movement, gaining national influence has not been unproblematic as participation in national politics has been associated with internal conflicts and increased fragmentation (Wolff 2007; Mijeski and Beck 2008). In contrast to traditional parties, however, Pachakutik’s close linkages with civil society at the local level have remained. The integration of the indigenous movement into the party system has introduced a substantial mass mobilizing capacity into a traditionally exclusionary system (Cleary 2006).

The difference between Pachakutik, on the one hand, and the traditional parties on the other can be illustrated on the basis of the survey Partidos Políticos de América Latina (PPAL). The survey among party activists includes a number of questions that tap into the trajectory of the different parties. Whereas more than 90 percent of PSC, DP, ID, and PRE activists state that the formation of subnational party units was directed and controlled from above, all Pachakutik activists emphasize that local units existed prior to the formation of the central party. Moreover, all activists of traditional parties state that their respective parties formed without assistance from social movements or organizations, while almost 80 percent of Pachakutik respondents emphasize the importance of social movement support for the nascent party.

The commitment of Pachakutik to close linkages with civil society is also illustrated by the fact that municipalities governed by this party have experimented successfully with participatory local governance (Ortiz 2004; Bebbington 2006). Particularly the case of Cotacachi—a small rural municipality in the province of Imbabura—has attracted attention. Under the leadership of indigenous mayor Auki Tituana, Cotacachi introduced a participatory budget planning process. The formula, which ensured continuous civil society participation in the policy-making process through a municipal assembly and a council for municipal management, aimed mainly at improving access to public services (Ortiz 2004). Prior to his tenure as mayor, Tituana had worked with development non-governmental organizations and had been affiliated with the national indigenous organization CONAIE. Arturo Yumbay, Pachakutik mayor of Guaranda, had been the leader of a peasant union affiliated with the CONAIE before his election in 2000. Mariano Curicama, Pachakutik mayor of Guamote, had served as an advisor to a local indigenous organization and as the leader of the transport union (Van Cott 2008: Ch. 6). All in all, Pachakutik has tended to recruit its mayoral candidates from the social movements that were vital for the formation of the party.
Decentralization in Ecuador

Ecuador's transition to democracy in 1978 kicked off what would become known as the Third Wave of democratization in Latin America (Huntington 1991). Despite its head start, however, the country has struggled to establish stable and accountable patterns of democratic governance. The national level has been characterized by political turbulence, while the local level not only demonstrated a considerably higher degree of continuity but also gained importance for national policy-making (Mejía Acosta, Albornoz, and Araujo 2007). During the period under investigation the relative weakness of central governments has also been reflected in the decentralization process and subnational governments dominated intergovernmental negotiations.

Regional cleavages are reflected in the party system. In a comparative study of seventeen Latin American democracies the Ecuadorian party system's average nationalization score, which reflects the extent to which major parties are competitive throughout the national territory, was the lowest of all countries considered (Jones and Mainwaring 2003: 148). The three major Ecuadorian parties (ID, PRE, and PSC) ranked in the bottom quarter of all forty-five major Latin American parties included in the study.

In the period under investigation, the country was divided into twenty-two provinces (provincias), 219 municipalities (cantones) and about 770 parishes (parroquias). Among the three subnational levels of governments, municipalities have traditionally been the politically most important. Political decentralization, i.e. elections at the subnational level, was achieved immediately following the return to democracy. Mayors are elected directly by plurality vote for four-year terms. Immediate reelection is possible and in 2000 about one-third of mayors were indeed reelected. Overall, subnational elections have met democratic criteria and are competitive. So far, the country has avoided the kind of one-party dominance characteristic of authoritarian enclaves in other parts of Latin America. In the 2000 municipal elections only one mayor obtained an absolute majority. The average difference between the successful candidate and the runner-up was 13 percent with a standard deviation of 14 percent.

In 1997, parliament had adopted the Ley Especial de Distribución del 15 % del Presupuesto del Gobierno Central para los Gobiernos Seccionales (“Ley 15”). This law increased intergovernmental transfers significantly as it compelled the central government to transfer 15 percent of its income to subnational governments. As the law explicitly stated that these transfers could not be tied to an increase in administrative responsibilities, it strengthened subnational governments financially without conferring additional administrative competences upon them (Frank 2004: 275).

In 1998, Ecuador adopted a new constitution, which established decentralized administration as a fundamental principle of the Ecuadorian state (Art. 1).
The constitution strengthened the local political arena with regard to fiscal and budget policies (Mejía Acosta, Albornoz, and Araujo 2007: 10). Moreover, the new constitution represented a significant step towards administrative decentralization, which had lagged behind political and fiscal decentralization. However, the central government was unable to force local governments to accept increased policy responsibilities. Instead, Article 226 of the 1998 constitution allowed provinces and municipalities to apply for responsibilities currently executed by the central government. Only six policy sectors, among them defense and foreign policy, were exempt from this administrative transfer regime. All other responsibilities could potentially be transferred to local governments. In principle, the central government was obliged to grant requests for the transfer of administrative competences and to provide subnational governments with adequate resources to carry out the new responsibility. There were no provisions for recentralization. While the transfer of resources has often been conflictive, the central government had limited possibilities to obstruct the transfer of competences. Instead, if the central government did not respond officially to a demand after 120 days, the competence was considered as being de facto transferred to the local government (GTZ 2004: 13). Subnational governments therefore had to assume that they would receive responsibilities for which they had applied.

Even though this principle of “uno por uno” (one transfer at a time) put subnational governments in the driver’s seat, difficulties at the level of the central government have affected the process. One problem has been non-response by the central government. It has often been unclear which ministry or which administrative unit within a ministry would be in charge of handling the requests. In many cases, subnational governments did not receive an answer to their application for administrative competences and could therefore not negotiate the transfer of additional resources. Non-response has also been employed as a delaying tactic by central government bureaucrats unwilling to engage in further decentralization. Public sector unions, which are organized in a centralized manner and feared a loss of their bargaining power, have also lobbied against further decentralization.

Overall, the transfer of additional fiscal resources to the subnational level was highly contentious. While formally the constitution obliged the central government to transfer policy responsibilities along with adequate resources, reality was often different. From a technical perspective, it has been difficult to determine which amount of money would constitute “adequate resources” because ministries often were unaware of how much money they had been spending on a particular service in a given locality. Moreover, the central government has seen its financial resources dwindle in the context of prior fiscal decentralization. Especially the Ley 15 had forced the central government to increase fiscal transfers without being able to tie these resources to additional spending responsibilities. As a result,
subnational governments had every reason to expect the central government to obstruct the transfer of fiscal resources for financing administrative responsibilities. They therefore had to be prepared to use the resources they already received to cover the costs of new responsibilities.

Yet, despite these disincentives, several subnational entities pursued administrative decentralization. A 2004 baseline study of the German Technical Cooperation (GTZ) identified variation at the municipal level. The study lists all municipal demands for administrative competences since the beginning of the implementation of Article 226 until June 2004. It registers the number of demands per municipality and groups them according to policy sectors. When counting applications in all policy sectors, almost two-thirds (64.5 percent) of municipalities have demanded at least one administrative competence. Sixty-eight municipalities have demanded one or more competences in the environment sector, fifty-seven in tourism, sixty-four in social welfare, thirteen in education, ten in housing, seven in health, five in agriculture, and five in infrastructure (including roads and airports). The study thus finds a concentration of demands in the sectors of tourism, environment, and social welfare. The high number of demands in the social welfare sector probably stemmed from the fact, that it includes many typical municipal tasks, such as local disaster relief, civil defense, cooperatives for social development. In the sectors of environment and tourism, the central government coordinated decentralization and it succeeded in negotiating coordinated package deals with several local governments. Central government initiatives therefore restricted the principle of optional decentralization in these two areas and including these sectors distorts the measure of municipalities’ motivation to make use of Article 226. Even when we exclude these policy sectors, however, 35 percent of municipalities (76 out of 220) have demanded competences during the period under investigation.

These data demonstrate that not all subnational entities responded equally to the national incentive structure. That only one-third of municipalities made use of Article 226 in policy areas other than tourism and environment gives some support to the basic notion, that local governments prefer political autonomy and resources to policy responsibilities (Falleti 2005). However, the data also show that national-level incentives are insufficient to explain local government behavior in decentralization processes, as they cannot account for the behavior of one-third of municipal governments.

In Cotacachi, for instance, the municipal government decided to take responsibility for the improvement of the local health sector. The application for responsibilities was made despite fierce resistance from the national union of health workers, which called a nationwide strike to prevent the transfer (El Comercio, June 18, 2003). Moreover, the national government was reluctant to provide additional fiscal resources. Another illustrative case is the municipality of Loja. Here the coalition government of mayor José Bolivar Castillo had close ties to local
social movements and demanded administrative responsibilities in several sectors, including health, education, and social welfare. Why did these governments demand competences, at a time when they had already gained access to fiscal resources and could not expect further fiscal rewards from administrative decentralization? We have argued that this variation stems from local political factors. In the next section, we will put our hypotheses to an empirical test.

**Econometric Analysis**

**Dependent and Independent Variables**

In most Latin American countries it is difficult to obtain data on administrative decentralization. For the case of Ecuador, however, the GTZ (2004) baseline study allows us to analyze subnational variance with regard to administrative decentralization. While the study covers the period since the beginning of the implementation of Article 226 in 2000 until June 2004, over 99 percent of all demands occurred since 2001. Thus, the period covered by the GTZ study corresponds with the local electoral cycle from 2001 to 2004, because successful candidates elected in late 2000 came into office in January 2001.

Our dependent variable provides information about administrative responsibilities demanded by municipal governments during the period of investigation. We exclude the sectors of tourism and environment from the analysis because decentralization in these sectors was promoted by the central government and thus driven by a different logic. Our primary dependent variable is dichotomous and distinguishes municipalities, which have demanded competences and those, which have not. Municipalities, which have demanded at least one competence in sectors other than tourism and environment, are coded 1. We chose this dichotomous variable because we are interested in whether a subnational government is willing to demand responsibilities. To check the robustness of our results, we also built two alternative dependent variables. Both alternatives are continuous and indicate the number of sectors within which a given municipality has demanded competences. The first variable includes all sectors, except environment and tourism, and has a possible range from zero to seven. The second alternative variable also excludes demands in housing and infrastructure. Because these two sectors are often plagued by rent-seeking and corruption, demands here might not adequately reflect the intention of a local government to provide public goods.

It is important to note that our dependent variables indicate the demand of competences and are not measures of competences actually transferred. Moreover, the data do not provide information about how efficiently municipalities implement and execute transferred responsibilities. Nevertheless, measuring the demand of responsibility is plausible for our purpose, as we are interested in
variation in local government behavior with regard to administrative decentralization.

Our independent variables aim to capture local incentives for municipal governments. To measure the size of the support base of a local government, we use the percentage of the electorate voting for the winner of the 2000 municipal elections. To measure popular support, the percentage of the overall electorate is more adequate than support among those who turned out to vote as low levels of turnout might be an indicator for a general crisis of confidence (Mainwaring 2006: 15; Escobar-Lemmon 2003). Voter turnout by itself would be inadequate, as it does not provide information about the popular backing of the elected government.

We have argued above that Ecuador’s party system contains two kinds of parties, namely elite-dominated traditional parties and a civil society based indigenous party. We expect the overall organizational patterns of these parties to influence the behavior of municipal governments. In order to account for the links between party-led municipal governments and organized civil society, we use a set of dummy variables that reflect the party affiliation of the successful mayoral candidate in the 2000 municipal elections. We differentiate between the five strongest political parties at the local level: the Partido Social Cristiano (PSC), the Partido Roldosista Ecuatoriano (PRE), Izquierda Democrática (ID), the Democracia Popular-Unión Demócrata Cristiana (DP-UDC), and Movimiento Unidad Plurinacional Pachakutik - Nuevo País (MUPP-NP). Overall, 132 out of the 219 elected mayors in the 2000 local elections were running their campaign exclusively on an electoral platform directly linked to one of these parties (PSC, forty-nine municipalities; PRE, thirty-one municipalities; ID, thirteen municipalities; DP-UDC, twenty-three municipalities; MUPP-NP, sixteen municipalities). The rest belonged to minor parties or ran on coalition platforms. As it is difficult to determine which party was dominant in such coalitions, we have not assigned scores on the respective dummy variables even if one of the major parties participated in the electoral alliance. In line with our second hypothesis we expect municipalities governed by the indigenous party Pachakutik to be more likely to demand administrative responsibilities than municipalities governed by the traditional, elite-based parties.

In addition to these political variables, we include control variables because demographic and financial variables might influence the behavior of municipalities. Demographic variables might affect the bargaining position of municipalities in negotiations about the transfer of resources and responsibilities. For example, municipalities with high poverty rates could be less willing and able to accept the financial risks associated with demanding responsibilities. Larger municipalities are probably in a stronger position when negotiating with the central government and public sector unions. We therefore included the average population size of a municipality (log-values) and its level of poverty as variables in our analysis.
A second set of control variables measures financial aspects. Demanding responsibilities constitutes a substantial financial risk for local governments, as they cannot be sure about the amount of resources they will receive from the central government. Moreover, richer municipalities might have better administrative capabilities to manage decentralization. We therefore included the average per capita sum of total revenues from transfers and the own income of a municipality for the 2000–2004 periods. We also included the change of transfers per capita from 2000 to 2004 in order to explore whether increasing transfers have had a positive effect on a local government’s willingness to demand administrative competences. Descriptive statistics for all variables included in the analysis are available in Table A in the supplementary data available at *Publius* online.

**Estimation and Interpretation**

Altogether, we obtained complete data on all variables for 213 out of the 219 municipalities that existed in Ecuador in 2000. Because our principal dependent variable is dichotomous, we have used logistic regression (Wooldridge 2006: 583–84). As the strength of ordinary coefficients of logistic regressions is difficult to interpret, the results in our tables display the average marginal effects (Kennedy 2003: 266). The results displayed stem from robust variance estimates that adjust for within-cluster estimation (Rogers 1993). The reason for this procedure is that the omission of variables at the provincial level could produce erroneous results. For instance, the demand of administrative competences might have been influenced by provincial factors such as economic and/or historic peculiarities. Therefore, we controlled for intra-group correlation using the twenty-two Ecuadorian provinces as groups. Table 1 shows the most important results of our quantitative analysis.

The base line model (Model 1) includes only demographic and financial variables. The results indicate that municipalities with higher poverty rates were less likely to demand competences. A possible interpretation of this result is that municipalities, in which a large part of the population was affected by poverty, were not able or willing to bear the financial risks involved in demanding responsibilities. Population size, the other demographic variable, did not turn out to be significant. With regard to the fiscal variables neither the total amount of resources nor the change in transfers in the 2000–2004 period has a significant influence on the demand of administrative competences. Since we test only for demands and not for actually transferred responsibilities and the time periods are contemporaneous, however, this interpretation should be read with caution. Overall, however, the finding sustains concerns about a weak link between the transfer of resources and responsibilities.
In Model 2 we include political variables: the percentage of popular support for the mayor in the 2000 election and the five party variables. Popular support exerted a significant and positive influence on the dependent variable. On average, an increase of 1 percent in the share of the total voting population increased the probability that a municipality demanded competences from the center by roughly 1 percent. Thus, mayors supported by a large part of the electorate were more active in demanding administrative competences. To illustrate the magnitude of the effect, Figure 1 displays the predicted probability of applying for competences for values of popular support. Across the empirical range of the variable, the probability of applying for competences increases from 0.26 for the lowest value of popular support to 0.75 for the highest observed value. That the impact of this variable is substantial also emerges clearly when we compare the predicted probabilities one standard deviation below and above the mean. The probability of applying for competences is 0.34 for mayors with 19 percent popular support compared to 0.52 for mayors with 34 percent popular support.

With regard to the partisan characteristics of local governments, the analysis demonstrates that local governments led by Pachakutik have been significantly more likely to demand administrative competences from the center. Holding all

<table>
<thead>
<tr>
<th></th>
<th>Model 1 LOGIT</th>
<th>Model 2 LOGIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty Index (NBI)</td>
<td>-0.0069*** (0.0026)</td>
<td>-0.0067*** (0.0022)</td>
</tr>
<tr>
<td>Population (log-values)</td>
<td>0.034 (0.049)</td>
<td>0.039 (0.038)</td>
</tr>
<tr>
<td>Change in transfers (percentage)</td>
<td>0.031 (0.078)</td>
<td>0.0009 (0.0686)</td>
</tr>
<tr>
<td>Transfers plus own income (log-values)</td>
<td>-0.031 (0.174)</td>
<td>-0.067 (0.140)</td>
</tr>
<tr>
<td>Popular support (percentage)</td>
<td>0.011*** (0.004)</td>
<td>0.337*** (0.098)</td>
</tr>
<tr>
<td>Movimiento Unidad Plurinacional</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partido Roldosista Ecuatoriano (PRE)</td>
<td>-0.199*** (0.066)</td>
<td></td>
</tr>
<tr>
<td>Partido Social Cristiano (PSC)</td>
<td>-0.181** (0.072)</td>
<td></td>
</tr>
<tr>
<td>Izquierda Democrática (ID)</td>
<td>-0.179 (0.108)</td>
<td></td>
</tr>
<tr>
<td>Democracia Popular-Unión Demócrata</td>
<td>-0.004 (0.109)</td>
<td></td>
</tr>
<tr>
<td>Cristiana (DP-UDC)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSEUDO $R^2$</td>
<td>0.05</td>
<td>0.16</td>
</tr>
<tr>
<td>Wald chi$^2$</td>
<td>15.58***</td>
<td>54.27***</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-132.94</td>
<td>-116.84</td>
</tr>
<tr>
<td>N</td>
<td>213</td>
<td>213</td>
</tr>
</tbody>
</table>

Note: For Logit regression average marginal coefficients are shown (standard errors are shown in parenthesis).

$***p<0.01; **p<0.05; *p<0.1.$

In Model 2 we include political variables: the percentage of popular support for the mayor in the 2000 election and the five party variables. Popular support exerted a significant and positive influence on the dependent variable. On average, an increase of 1 percent in the share of the total voting population increased the probability that a municipality demanded competences from the center by roughly 1 percent. Thus, mayors supported by a large part of the electorate were more active in demanding administrative competences. To illustrate the magnitude of the effect, Figure 1 displays the predicted probability of applying for competences for values of popular support. Across the empirical range of the variable, the probability of applying for competences increases from 0.26 for the lowest value of popular support to 0.75 for the highest observed value. That the impact of this variable is substantial also emerges clearly when we compare the predicted probabilities one standard deviation below and above the mean. The probability of applying for competences is 0.34 for mayors with 19 percent popular support compared to 0.52 for mayors with 34 percent popular support.

With regard to the partisan characteristics of local governments, the analysis demonstrates that local governments led by Pachakutik have been significantly more likely to demand administrative competences from the center. Holding all
other variables at their respective measures of central tendency, the probability that a Pachakuìik mayor will demand competences is almost twice as high as for governments in the reference category (0.78 compared to 0.42). PRE and PSC governed municipalities, by contrast, are significantly less likely to demand responsibilities. The respective predicted probabilities for these two parties are 0.19 and 0.20. This finding is consistent with our hypotheses since these two parties are commonly identified as political organizations with weak links to civil society. While the coefficients for the ID and DP-UDC variables are negative, they fail to reach common levels of significance in Model 2. In sum, these results lend support to our argument about the importance of municipal incentives for local government behavior.

To increase confidence in our results, we have performed several robustness checks (Table 2). First, given the substantial importance of regionalism in Ecuadorian politics, we have checked whether the regional cleavage has influenced our findings. As most of the demands have originated from municipalities located in the Sierra, one could assume that administrative decentralization has been a phenomenon of the Ecuadorian highlands. Thus, the significance of our party dummies could disappear when controlling for highland municipalities, as party support tends to be regionally concentrated. Model 3 includes a dummy variable identifying all municipalities in the highlands. Furthermore, it also includes the percentage of a municipality’s population speaking an indigenous language.\textsuperscript{13}
Table 2 Explaining subnational variation—robustness checks

<table>
<thead>
<tr>
<th></th>
<th>Model 3 LOGIT</th>
<th>Model 4 LOGIT</th>
<th>Model 5 TOBIT</th>
<th>Model 6 TOBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty Index (NBI)</td>
<td>-0.007** (0.003)</td>
<td>-0.008*** (0.002)</td>
<td>-0.041*** (0.011)</td>
<td>-0.025** (0.010)</td>
</tr>
<tr>
<td>Population (log-values)</td>
<td>0.045 (0.040)</td>
<td>0.044 (0.037)</td>
<td>0.367** (0.163)</td>
<td>0.20 (0.160)</td>
</tr>
<tr>
<td>Change in transfers (percentage)</td>
<td>0.020 (0.060)</td>
<td>0.023 (0.057)</td>
<td>0.238 (0.294)</td>
<td>0.042 (0.280)</td>
</tr>
<tr>
<td>Transfers plus own income (per capita)</td>
<td>-0.030 (0.133)</td>
<td>-0.067 (0.118)</td>
<td>0.243 (0.591)</td>
<td>-0.056 (0.576)</td>
</tr>
<tr>
<td>Popular support (percentage)</td>
<td>0.012*** (0.004)</td>
<td>0.013*** (0.003)</td>
<td>0.039** (0.016)</td>
<td>0.038** (0.015)</td>
</tr>
<tr>
<td>Movimiento Unidad Plurinacional Pachakutik-Nuevo Pais (MUPP-NP)</td>
<td>0.266** (0.134)</td>
<td>0.279** (0.124)</td>
<td>0.931** (0.469)</td>
<td>0.878** (0.442)</td>
</tr>
<tr>
<td>Partido Roldosista Ecuatoriano (PRE)</td>
<td>-0.162** (0.081)</td>
<td>-0.186** (0.085)</td>
<td>-0.856** (0.441)</td>
<td>-0.558 (0.411)</td>
</tr>
<tr>
<td>Izquierda Democrática (ID)</td>
<td>-0.145** (0.065)</td>
<td>-0.142** (0.068)</td>
<td>-0.694* (0.373)</td>
<td>-0.848** (0.377)</td>
</tr>
<tr>
<td>Democracia Popular-Unión Demócrata Cristiana (DP-UDC)</td>
<td>-0.006 (0.129)</td>
<td>-0.017 (-0.156)</td>
<td>0.108 (0.397)</td>
<td>0.270 (0.376)</td>
</tr>
<tr>
<td>Indigenous language (percentage)</td>
<td>0.005 (0.012)</td>
<td>0.015 (0.011)</td>
<td>0.035 (0.026)</td>
<td>0.031 (0.024)</td>
</tr>
<tr>
<td>Sierra (Highland Region)</td>
<td>0.150 (0.103)</td>
<td>0.197* (0.116)</td>
<td>0.803*** (0.272)</td>
<td>0.861*** (0.261)</td>
</tr>
<tr>
<td>PSEUDO $R^2$</td>
<td>0.18</td>
<td>0.23</td>
<td>0.16</td>
<td>0.14</td>
</tr>
<tr>
<td>Chi2</td>
<td>59.10***</td>
<td>108.63***</td>
<td>69.41***</td>
<td>55.96***</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-113.98</td>
<td>-105.54</td>
<td>-194.47</td>
<td>-176.82</td>
</tr>
<tr>
<td>N</td>
<td>213</td>
<td>210</td>
<td>210</td>
<td>210</td>
</tr>
</tbody>
</table>

Note: For Logit regression average marginal coefficients are shown, and for Tobit regressions marginal effects at the mean are shown (standard errors are shown in parenthesis).

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$. 
This variable is used as a proxy for the indigenous population in a municipality. We include this variable to check whether demands of competences by Pachakutik governments are due to the stronger presence of the indigenous movement in the highlands. However, Model 3 shows that these two control variables do not erase the significance levels of our political variables.

In Model 4 we control for a potential bias caused by outliers and exclude all observations with standardized residuals higher or lower than 2.5 or $-2.5$, respectively. The results of our analysis improve slightly. Furthermore, the ID variable now also becomes significantly and negatively related to the dependent variable, suggesting that municipalities governed by Izquierda Demócrata were also reluctant to engage in administrative decentralization. Reducing the threshold for excluding outliers, the outcomes are driven even stronger towards the results of Table 1. Thus, the outlier analysis appears to confirm the original results. The poor and rural municipality of Oña in the Azuay province emerged from the analysis as the outlier with the highest standardized residual. It has demanded competences in social welfare and education. A closer look at the data indicates that Oña has been one of the very few PRE-governed municipalities in the highlands and the only PRE-municipality in this province. Municipalities in Azuay have been among the most active in the decentralization process. The elections in this municipality have been highly competitive and the major opponent to the winning PRE candidate was affiliated with the indigenous movement. Thus, this peculiar situation of being the only PRE-governed municipality in a highly active province with strong pressure from the indigenous movement might have pushed the mayor toward a more active stance with regard to decentralization than other mayors of his party.

Models 5 and 6 apply a different estimation technique to our alternative dependent variables. In Model 5, the dependent variable consists of the number of sectors in which competences were demanded, excluding tourism and environment. The dependent variable in Model 6 also excludes the sectors of infrastructure and housing. As both variables are censored at zero and a majority of cases obtains this value, Tobit regression is used instead of ordinary least squares (Kennedy 2003: 283). For our main political variables, the obtained results are substantively similar. In contrast to the former models, however, the amount of sectors in which municipalities demanded competences were significantly and positively influenced by highland location. While this variable does not eliminate the significant impact of the political variables, they point to the potential relevance of geographic and demographic factors for municipal behavior.14

**Conclusion**

Variation in the behavior of subnational governments is one of the areas that remain poorly understood by students of comparative decentralization and
federalism (Wibbels 2006: 182). The Ecuadorian case provides a particularly interesting opportunity to systematically explore the determinants of such variation in the field of administrative decentralization. During the period of our investigation between 2001 and 2004 the transfer of competencies took place according to the principle of optional decentralization. Therefore, it is possible to probe into the factors that influence whether local governments were willing to take on additional responsibilities.

Our analysis suggests that the basic notion that local governments prefer political autonomy and resources to responsibilities is correct. Local governments in Ecuador have obtained political autonomy through the introduction of subnational elections and they have been able to acquire control over a substantial amount of financial resources. As a group they have been relatively reluctant to commit to taking up further policy responsibilities without being rewarded with additional financial resources. However, our analysis also shows that this is only part of the story. Arguments about the preference patterns of subnational governments need to be refined as—contrary to what established theories would predict—one-third of all Ecuadorian municipalities actively pursued the transfer of policy responsibilities.

This variation, rather than merely constituting random deviations from rational actor behavior, can be understood in terms of local-level incentives. First, the size of the mayor’s support base influences the willingness of local governments to apply for responsibilities. Mayors who obtained a high percentage of support among the electorate in the previous election were more likely to demand responsibilities. Second, parties matter. Governments closely linked to organized civil society—such as those controlled by the indigenous party Pachakutik—are more likely to engage actively in the process of administrative decentralization. Our findings corroborate the notion that close ties between civil society and governments through political parties appear to work as mechanisms for social accountability, thus increasing a government’s incentives to provide public goods. By tracing differences in subnational government behavior we can offer a richer account of the subnational dynamics of administrative decentralization than has previously been attempted.

As a final note, let us explore how the results of our analysis speak to the current situation in Ecuador after the introduction of the 2008 constitution. The constitution of 1998, which provided the framework for our analysis, was negotiated at a time of central government weakness. By contrast, the 2008 constitutional reform was championed by a more assertive president and the provision allowing for optional decentralization was not included in the new constitution. The current constitution is characterized by the ambition to strengthen the link between fiscal and administrative decentralization and the desire to establish a more comprehensive framework for responsibility transfer.
A commission has been established to promote and implement these ideas. So far, however, it is unclear whether the attempts to renegotiate intergovernmental relations will bear fruit. In any case, the adoption of yet another constitution perpetuates the pattern of institutional fluidity and uncertainty, which has traditionally provided subnational governments with considerable leeway to behave according to their preferences.

Supplementary Data

Supplementary data can be found at www.publius.oxfordjournals.org.

Notes

The authors are grateful to Michael Schloms, Judith Illerhues, Nicolaus von der Goltz, Florian Arneth, Armèn Hakhverdian, and the anonymous reviewers of the journal for their helpful comments. They would also like to acknowledge the valuable feedback they received from the late Donna Lee Van Cott on a previous draft of this article.

1. A similar logic underlies studies demonstrating that democratic governments are more inclined to provide public goods because, on average, their survival depends on a more encompassing part of society (Lake and Baum 2001; Faust 2007).

2. While Pachakutik has been the most successful indigenous party in Ecuador, it is not the only one. The Movimiento Indígena Amauta Jatari was formed in 1998 by evangelical indigenous organizations linked to the Federación Ecuatoriana de Indígenas Evangélicos (FEINE) as an alternative to Pachakutik, but has failed to establish a significant electoral presence.

3. Data were gathered by a team of researchers from the Instituto Interuniversitario de Iberoamérica of the University of Salamanca and are available at: http://americo.usal.es/or/Opal/ppal. The survey contains information about party organizational characteristics, internal rules and procedures, party ideology, and positions on a number of key political issues. An in-depth explanation of the data is provided by Alcántara Sáez (2004).

4. Ecuador can be subdivided into four regions: the Highlands (Sierra), the Coastal regions (Costa), the Amazon basin (Amazonía), and the Galapagos Islands.

5. According to that law 30 percent of the total transfer volume was distributed to the provinces and 70 percent to the municipalities. Between entities at one level of government, the distribution of transfers was determined by a formula that combined criteria of population size with a poverty index, the so-called index of unsatisfied basic needs (NBI).

6. The complete text of Article 226 reads “Las competencias del gobierno central podrán descentralizarse, excepto la defensa y la seguridad nacionales, la dirección de la política exterior y las relaciones internacionales, la política económica y tributaria del Estado,
la gestión de endeudamiento externo y aquellas que la Constitución y convenios internacionales expresamente excluyan. En virtud de la descentralización, no podrá haber transferencia de competencias sin transferencia de recursos equivalentes, ni transferencia de recursos, sin la de competencias. La descentralización será obligatoria cuando una entidad seccional la solicite y tenga capacidad operativa para asumirla.” (Article 226, Constitution 1998).

7. The Ministry of Environment signed sixty-eight agreements with local governments while the Ministry of Tourism negotiated transfers with forty-two local governments (GTZ 2004: 15).

8. The poverty rate is measured by the index of Unsatisfied Basic Needs (NBI), provided by the national statistical office SIISE. It is based on the 2001 census and identifies the percentage of the population in a given municipality without access to basic services, such as health and education.

9. We obtained nominal data on transfers for the 2000–2004 period from the Ministry of Finance and on municipal revenues from the Banco del Estado for the 2001–2003 period. These data have been transformed into real values.

10. The number of municipalities in Ecuador has grown considerably in recent years from the about 100 municipalities that existed in 1978 (Frank, 2004: 272).

11. Additionally, we have run models using the change of transfers from the center (in percentages) as dependent variable and the demand of administrative competences as independent variable. Controlling for a variety of other factors, such as initial amount of transfers, population size, poverty, etc., we found no evidence that demanding competences had a significant impact on financial transfers. These results further support the argument that there has been no systematic relation between administrative and financial decentralization in Ecuador during the period under investigation.

12. The graph, which was generated with the software package Clarify (King, Tomz, and Wittenberg 2000), reports predicted probabilities if the interval variables are held at their means. The dummy variables are kept at their mode, so that the figure reflects a situation where the mayor does not belong to any of the main political parties. To check the robustness of this finding, we have substituted our measure of popular support by a variable that indicates the gap between the winner of the election and the runner-up. This returns the same substantive results.

13. These data were obtained from the 2001 census and are publicly available at the website of the Ecuadorian Institute for Census and Statistics (http://www.siise.gov.ec).

14. In further robustness tests, not reported here, we also employed a probit estimation. The results are almost identical. In order to test whether political continuity has affected demands a dummy variable was introduced, that identifies those forty-four municipalities, in which the mayor had been reelected in 2000. This variable was not significant and its introduction did not affect the other political variables. Similar results were also obtained with alternative fiscal variables. Additional alternative dependent variables, such as a variable counting only demands in the social welfare sector and a variable limited to the sectors social welfare, education, and health, confirmed the strong and significant impact of popular support and the Pachakutik variable.
References


