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LOCAL DEMOCRATIC GOVERNANCE:
WHAT IS IT AND HOW DO WE MEASURE IT?

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ABSTRACT

The purpose of this paper is twofold. The first task is to develop a conceptual framework for thinking about local democratic governance. Once that framework is developed, specific indicators will be proposed to monitor the quality of key features or characteristics of a process of local democratic governance. The indicators will be "actionable" and can be used to guide CDD operations and track progress in strengthening local democratic governance.

In order to address these topics, the next section discusses the meaning of local democratic governance. That is followed by a discussion of why local democratic governance is important. The following section then turns to a discussion of the formal and informal arrangements which combine to produce a vibrant process of local democratic governance. The final section proposes actionable indicators for measuring different dimensions of the process of local democratic governance.

What do we mean by local democratic governance?

Our first task is to define what we mean by local democratic governance.

What do we mean by Local?

By local, we mean subnational. The exact nature of *local* will depend in part on what issue is being discussed.   For example, *local* might refer to a group of families in rural Africa working together through a traditional tribal structure to resolve common property resource management issues. Alternatively, *local* might be a group of municipal governments in Hungary collaborating on a waste water collection and treatment system that transcends individual municipal boundaries.

What do we mean by Democratic?

Democratic generally refers to decision making processes over which people exercise control. Democratic refers to a range of institutional arrangements extending from direct democracy, based on direct participation by citizens in decision making, to representative democracy where citizens elect representative bodies to make decisions on their behalf and are ultimately accountable to citizens.

Direct democracy has its roots in the Athenian legacy of popular control over government. In this system, citizens decided laws and made policies for the community. But this system of direct democracy was very exclusive because women, slaves and foreigners were excluded from citizenship and could not participate in the Assembly, the deliberative body of government. [Grugel, 2002]

Recently, particularly in transition and developing countries, there is an interest in participatory democracy where participation, not representation, is the core of democracy. Participatory theories of democracy envisage democracy through the development of reciprocal relations of trust between individuals.   A problem with this notion of participatory democracy is the difficulty of applying it to larger communities like a nation. [Grugel, 2002, pp. 23-24]

For larger communities, like a nation, representative democracy is seen as a more realistic way for citizens to control government. Representation is when elected officials act in the best interest of the general public. Representation can be defined as leadership that is accountable to the people. [Ribot, 2004, p. 17]

Such democratic representation has two critical components – responsiveness and accountability. Responsiveness involves a number of factors that enable elected officials to recognize citizen needs and wishes and translate them into outcomes desired by the population generally. This requires elected officials have the authority or power to make decisions that generate desired outcomes, and that there are mechanism in place for citizens to make their needs and wishes know to elected officials. [Ribot, 2004, p. 18]

Accountability is the relationship between outcomes and sanctions when outcomes are not consistent with local needs, aspirations and the general best interest of the public. Accountability, in essence, is a countervailing force to balance what might otherwise be arbitrary action.

Grugel argues that in a minimalist sense, representative democracy would be characterized by holding regular and fair elections which would be

- o free of intimidation,
- o contested elections by at least two political parties, and
- o inclusive of all segments of society.

This minimalist view of democracy depends on rules, procedures and institutions that require regular open elections not easily subject to capture by elites. [Grugel, 2002, p. 5]

Some argue that these defining characteristics of a democracy – holding elections, the existence of multi-party political system, etc. – should not be confused with the necessary conditions that need to be in place for such institutions to operate effectively. Such necessary conditions include tolerance, respect for civil liberties and equality under the law. [Grugel, 2002, p. 6]

Such a broader view of representative democracy also recognizes that while *democratic* is a political, not an economic, concept, there is an important link between economic entitlements and political entitlements. Poverty and social exclusion often serve as barriers to full citizenship and result in the exclusion of certain groups in society from full participation in political processes. Thus, to be fully democratic often requires socio-economic, and cultural, reforms. [Grugel, 2002, p. 5 and Sen, 2000, p. xii]

What do we mean by Governance?

The term *governance,* like the term decentralization, is used frequently, but often with a variety of meanings and implications. Beall argues there are two over-arching contexts in which the term *good governance* is used:

- o First, it is often concerned with administration and management and is seen as a technical term for describing the administrative effectiveness and efficiency of governmental institutions;

- o Second, the term refers to the management of a nation's social and economic resources which requires a democratic and engaged civil society. (Beall, 2005, p. 27)

Thinking of good governance in an administrative and management context emerged from international development agencies in the 1990s. In this context it is a normative concept relating to how development should take place and provides a model

for effective and beneficial economic and political management. Over the last decade or so, this view has attained a status as international orthodoxy and serves as a guiding principle for major donor agencies in the distribution of development and relief assistance. (Beall, 2005, p. 27)

Similarly, Helling, Serrano and Warren define local governance as the way decisions are made and implemented by or on behalf of people in a local area. In their view, this includes the allocation of authority to decision makers; the authorization to use collective financial and natural resources, provision of public goods and services, and holding accountable those to whom authority is entrusted. [Helling, Serrano and Warren, 2005, p. 6]

In a similar vein,

> "Good governance, for the World Bank, is synonymous with sound development management . . . Good Governance is central to creating and sustaining an environment which fosters strong and equitable development, and it is an essential complement to sound economic policies. Governments play a key role in the provision of public goods, they establish the rules that make markets work efficiently and, more problematically, they correct for market failure. In order to play this role, they need revenues and agents to collect revenues and produce the public goods. This in turn requires systems of accountability, adequate and reliable information, and efficiency in resource management and the delivery of public services." (World Bank, 1992, p. 1)

Elsewhere, the World Bank argues that good governance is epitomized by predictable, open and enlightened policy making; a bureaucracy characterized by a professional ethos; an executive arm of government accountable for its actions; a strong civil society participating in public affairs; and all behaving under the rule of law. (World Bank, 1994)

Most recently, the World Bank argued that

> "Good governance includes the creation, protection, and enforcement of property rights, without which the scope for market transactions is limited. It includes the provision of a regulatory regime that works with the market to promote competition. And it includes the provision of sound macroeconomic policies that create a stable environment for market activity. Good governance also means the absence of corruption, which can subvert the goals of policy and undermine the legitimacy of public institutions that support markets." (World Bank, 2002, p.99)

Also, in this context, Ackerman argues that there are three fundamental threats to good governance

> o Corruption which enriches some individuals;

- o Clientelism which channels public resources to specific client groups; and
- o Capture which provides economic rents to specific economic actors. [Ackerman, 2005, p. 3]

Ackerman argues that the best way to combat these fundamental threats to good governance is by "strengthening government "accountability."" [Ackerman, 2005, p. 3] In this view, consistent with the definitions above, *good governance* is essentially the same as *good government*.

This view of governance, however, is somewhat controversial. First, this view of governance emerged from donors and is often associated with the development of competitive markets. Second, pursuit of this notion of governance often requires the imposition from outside interests of principles, values, processes and institutions which may not be internal to all societies. Third, the focus of this good governance agenda is market-driven competition that some argue is antithetical to development. Finally, this notion of good governance seeks the greatest good for the greatest number, but it is often pursued in environments where the playing field is not level. As a result, this notion of good governance may actually favor the strong over the weak. (Beall, 2005, pp. 28-29)

An alternative, and broader, view of good governance is based on the belief that current trends in economic globalization, technological change, population growth and urban concentration, make the term *government* no longer adequate to describe the range of ways people and communities are organized and administered. Rather, according to the OECD, the term *governance* better defines the **process** through which citizens collectively solve their problems and meet society's needs, using *government* simply as one instrument. [OECD, 2001b, p. 11]

A similarly broad notion of governance is put forward by the UNDP. From the perspective of the UNDP governance refers to

> "…the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences." [UNDP]

Pierre and Peters argue that governance means something different in the United States than it does in Western Europe. They argue that in Europe the term encompasses this broader notion of the involvement of society in the process of governing, while in the U.S. the term still retains much of the original notion of a steering concept. They argue that the debate about governance has been much more dynamic in Europe than the U.S. [Pierre and Peters, p. 7]

According to this broader perspective on the notion of governance, the focus shifts from governance institutions to interactions between citizens which facilitate cooperation. Institutions

are not ends in themselves; rather they are means to accomplish community objectives and the focus of local governance is on the factors that are important for determining or influencing the effectiveness of social institutions. [Putnam, 1993, p. 182; Shah, 2006, p. 14] These factors are often loosely grouped under what the sociologist James Coleman has called *social capital* – the ability of people to work together for common purposes in groups and organizations. [Coleman, 1988]

Thus, for our purposes, local democratic governance can more generally be defined as the formulation and execution of collective action at the local level. [Shah, 2006, p. 1] That is to say, unlike the narrower term *government*, the concept of *governance* covers the entire range of institutions and relationships involved in the process of governing. [Pierre and Peters, 2000, p. 1] Governance transcends local governmental institutions to include a process of social interaction based on informal norms, networks, community organizations and informal neighborhood organizations which facilitate and promote collective decision making in the context of citizen-to-citizen and citizen-to-state interactions. [Shah, 2006, p. 2]

> In this context, good governance is not just about providing a range of public goods and services through governmental institutions. Rather, the objectives of good governance include "preserving the life and liberty of residents, creating space for democratic participation and civic dialogue, supporting market led and environmentally sustainable local development, and facilitating outcomes that enrich the quality of life of residents." [Shah, 2006, p. 2]

Why do we care about local democratic governance?

Local democratic governance has received increasing attention the last decade or so for a variety of reasons. Good governance is regarded as a key element toward achieving long-term poverty reduction and the Millennium Development Goals (MDGs). UNDP emphasizes the importance of good governance, both as a means toward achieving the MDGs through more effective service delivery, as well as an end it itself as stated in the Millennium Declaration from which the MDGs were derived.

Along these same lines, the World Bank argues that good governance is critical to the operation of a market economy because it provides for the creation, protection, and enforcement of property rights, without which the scope for market transactions is limited. In addition, good governance, according to this view, includes the provision of a regulatory regime and local government institutions that work with the market to promote competition. (World Bank, 2002, p.99) Thus, good governance, according to this perspective, provides an environment conducive to increased economic activity.

Others, however, take a somewhat broader perspective and argue that good governance is critical not only to a strong economy and effective local governmental institutions, but to a strong community generally. For example, the OECD Statement of Governance stresses

"Effective systems of governance are essential for promoting economic prosperity, social cohesion and environmental sustainability. They are also essential for strengthening pluralist democracy, ensuring equal opportunity for the full participation of all individuals (including both men and women) in the economy and society, and for maintaining confidence and trust in public institutions. [OECD, 2001, p.3]

In summary, an effective and vibrant system of local democratic governance is necessary for

- ❖ Effective long-run poverty reduction;
- ❖ The achievement of the Millennium Development Goals;
- ❖ A strong local economy;
- ❖ Effective and efficient local government and civil society based institutions; and
- ❖ A vibrant and health community.

A Framework for Local Democratic Governance

For the purposes of this paper, we are defining local democratic governance in broad terms as a process for formulating and executing collective action at the local level. A variety of institutional arrangements, both formal and informal, will be engaged in the process of local democratic governance. Such institutions will range from the formal institutions of local government to non-governmental organizations, to informal neighborhood groups or social clubs to spontaneous bottom-up responses to common property management issues.

Whatever the institutional mechanism for formulating and executing collection action, the process of local democratic governance must be:

- ❖ Responsive by providing goods and services that are consistent with citizen preferences and are citizen focused;

- ❖ Responsible by providing the right services in the right way; and

- ❖ Accountable to citizens for the level and quality of goods and services provided. [Shah, 2006, p. 22]

These overarching objectives of a process of local democratic governance suggest several important characteristics of such a system. First, it is results, or outcome, oriented. Local democratic governance is concerned about the results of community decision making and the relation between outcomes and the preferences of citizens. Second, effective local democratic governance requires meaningful interaction between decision-makers and citizens. There must be meaningful citizen participation in priority setting, solution development, and implementation. Finally, effective local democratic governance requires a decision making process that is

democratic. This implies a decision process that is open, transparent, with honest politicians and officials, with effective channels of communication between the local government and civil society, and a process that enjoys the trust of citizens.

Institutionally, this notion of governance can be operationalized in a variety of ways. For example, Nobel laureate economist Ronald Coase (1960) theorizes that some public good/externality issues may not require formal collective action through government and that citizens acting in their own best interests may efficiently resolve externality issues through voluntary negotiation.

The Coase theorem effectively establishes a continuum of institutional arrangements in response to distinctions between private and public goods. Market failures associated with externalities need not presume a direct role for government as long as the affected parties are willing and able to voluntarily negotiate between themselves. In the simple two-person case that Coase posits (the rancher and the farmer), the issue (damage by the rancher's cattle to the farmer's crops) is well defined, as are the range of possible solutions (the rancher compensating the farmer for the crop damage or the farmer incurring the cost of building a protective fence). Hence, the externality issue is resolved without government prescribing a solution. Government plays a crucial role in establishing the legal structure for enforcing such voluntary agreements, but it has no direct part in arranging the solution per se.

Once the externality problem extends beyond a two-person negotiation, the potential for what Fukuyama (1999) calls "spontaneous order" is more problematic and more complex institutional arrangements may be in order. There are still opportunities for citizen initiated solutions to problems, but as the complexity of the issue and the number of citizens involved increases there is a need for a more formal mechanism for formulating and implementing solutions to community concerns.

While this definition embraces a wide range of mechanisms for formulating and executing collective action at the local level, most initiatives to strengthen local democratic governance focus on the important roles for local governments and civil society institutions. There has been a long tradition in the development assistance community of focusing on either local governments or non-governmental organizations as means of identifying and addressing community concerns. [Shah, 2006, p. 2] Significant international and donor interventions are focused on creating such organizations and the enabling environment that will provide incentives for them to function effectively. An example is the resources devoted to creating effective local governments with strong public financial management systems and incentives in place and mechanisms to promote upward and downward accountability. The same energy and finances have been put into creating

non-governmental organizations as means for facilitating citizen input and creating the enabling environment for them to operate efficiently in a transparent and accountable manner.

In summary, key elements in a process of local democratic governance include

- o Formal institutions through which society identifies and addresses issues of mutual concern;
- o Informal mechanism for formulating and implementing initiatives to address community issues; and
- o An enabling environment on the ground that facilitates the efficient and effective operation of the formal and informal institutions of local democratic governance.

These key elements of a process of local democratic governance are explored more fully below.

Formal Institutions of Local Democratic Governance

Formal institutions of local democratic governance include local government institutions and a variety of non-governmental institutions, with local government being the primary local governance institution. For example, in an effort to develop a *local governance* barometer, the Impact Alliance defines **local** governance "as the exercise of local authorities to use their power conferred by law to promote development in an efficient, participative and transparent manner." [Dufils, et al, p. 2] Also, in a recent presentation on monitoring the development and effectiveness of local governance institutions in Africa, Wunsch seems to equate local governance structures with local governments. [Wunsch, 2006b] This emphasis on local government institutions is consistent with many of the definitions of governance discussed above.

Helling et al also have local government as the centerpiece of their view of local governance. However, they broaden their notion to include a variety of civil society institutions, as well as some informal institutions such as voluntary associations and non-governmental organizations. Thus, the development and strengthening of autonomous local self-governments, as well as non-governmental organizations, is a key element of strengthening the process of local democratic governance. These key elements institutions are briefly summarized here.

Local Government:

Since the fall of the Berlin wall, and the subsequent collapse of communism, an era of reforms was initiated in Central and Eastern Europe and Central Asia that involved a process of decentralizing governmental decision making from the central government to autonomous local self-governments. Citizens who had been effectively disenfranchised under the Soviet system wanted more control over the things that affected their daily lives. In response, the first action of many transition countries was to create new autonomous local self-governments. Too often a large number of such governments were created and the vast majority often had too few residents to be financially viable. For example, by 1993 Hungary had created 3,148 local governments and three-quarters of them had populations of less than 2,000 residents. Most of these local governments are

simply too small to adequately provide all of the public services demanded from them. [Bird, Wallich, and Peteri, p. 70]

In this new environment, government is seen as having three important economic problems to resolve in a market economy -- to attain an equitable distribution of income, to promote and maintain a high level of employment with stable prices, and to facilitate the efficient allocation of resources in the face of market failure resulting from externalities. While the activities of local governments affect all of these objectives, local governments play a particularly important role in the allocation of resources in the face of market failure. In this context, public finance literature includes several economic arguments in favor of the devolution of spending and revenue raising responsibilities to autonomous local self-governments:

> decentralization of service delivery and financing responsibilities (fiscal decentralization) makes the level and quality of services provided by government more responsive to the differences that exist across communities;

> decentralization encourages experimentation and innovation in the provision of public goods and services which respond to the demands of their citizens -- and their unique economic, demographic, climatic, and topographic conditions; and

> decentralization of service delivery and finance decisions provides the opportunity to more closely link the level and quality of service provided with the "price" paid by the local resident for those services, thereby improving governmental accountability, responsiveness and, ultimately, its legitimacy. [See for example, Oates, 1972; Owens and Panella, 1991; Bell and Zsamboki, 1997; and Litvack, Ahmad and Bird, 1998]

The most common argument advanced in favor of autonomous local self-governments is the attainment of allocative efficiency in the face of different local preferences for local public goods and services. [Litvack, Ahmad and Bird, 1998, p. 5] When public goods and services are provided by local government, tax and benefit packages should reflect the preferences of the community. This is achieved through a system of fiscal decentralization. If each local government can tailor its tax and service package to the preferences of its citizens, efficiency and social welfare are likely to be maximized. [Wolman, 1990, pp. 30-1] In other words, the institutions of local government must be responsive to the needs and concerns of local residents.

In order to accomplish this, the initial focus in transition countries was on creating autonomous local self-governments, which were perceived as a means of making government more responsive and accountable to citizens. Initiatives were undertaken in most transition countries to develop the legal framework for autonomous local self-governments. This typically involved some enabling legislation creating local government institutions, as well as legislation allocating revenue raising and spending responsibilities to newly created local governments. In order to be responsive to citizens' concerns, local officials must have some degree of discretion

over revenue raising and spending decisions. Such autonomy is a critical component of effective local government.[1]

The assignment of revenue raising and spending responsibilities across tiers of government must be made clear, and unambiguous. Intergovernmental grant programs must be designed and implemented which respond to vertical and horizontal imbalances which emerge from the assignment of revenue raising and spending responsibilities. Such an intergovernmental grant system should provide incentives for local governments to mobilize their own revenues and improve revenue administration. Similarly, such intergovernmental grants systems needed to be transparent, and generally formula driven.

Such initiatives to create autonomous local governments as part of a decentralization strategy must be designed and implemented in the context of the political, historical, economic and cultural environment of each individual country. Too often, decentralization, and democratization, suffer from a disconnect between the institutional framework and the environment on the ground where the new institutions must be implemented. [Carothers, p. 108]

In addition, virtually all decentralization strategies have been developed and implemented from the top down, often with the assistance of international organizations. As a result, such plans reflect the policy objectives and institutional biases of those designing and implementing the decentralization strategy. Such plans may not be conducive to fully realizing the potential benefits of fiscal decentralization and may not be embraced and accepted by stakeholders and citizens at subnational levels of government.

For a decentralization strategy to have credibility and legitimacy at the subnational level, it must be designed and implemented with input from all stakeholders, especially those at the local level. Such a bottom up approach to designing a system of fiscal decentralization is extremely rare. In fact, the only example that comes to mind is the first round of reinventing local governments in South Africa under the Local Government Transitional Act (LGTA) from 1993 to 1995. [Bell and Bowman, 1999/2000] Once the legal environment was created for autonomous local self-governments, other initiatives were needed to facilitate their effective operation. For example, Prud'homme [1994] expressed concerns about the ability of local officials to effectively meet their new responsibilities in a system of fiscal decentralization. Similarly, Smoke [2001] argues that decentralization is an integrated exercise, which requires, among other things, managerial reforms in order to be fully successful. His concern is that there is often a critical lack of managerial and technical capacity at the subnational level to address new responsibilities under a system of fiscal decentralization.

In response to these concerns, some have argued that a first step in moving from a centralized to decentralized system of governmental decision making would be the deconcentration of spending decisions so that decisions would still be managed by the central government, but administered at the local level in a manner that starts to develop

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[1] See Bird and Vaillancourt (2006) for a discussion of revenue raising and spending decisions over which local officials need to exercise some discretion and autonomy.

managerial capacity at the local level. In addition, donors and others started to emphasize civil service reforms in transition countries. There was general recognition that

> "Whether making policy, delivering services, or administering contracts, capable and motivated staff is the lifeblood of an effective state." [World Bank, 2003, p. 92]

Civil service reform initiatives focus on such things as instituting meritocracy of the civil services to attract high-quality staff as well as providing adequate compensation. Controlling corruption is another dimension of improving the efficiency and effectiveness of newly created autonomous local self-governments. [World Bank, 1997, pp. 77-109]

The legal environment for autonomous local self governments will provide government institutions and policy makers with the authority and ability to make and implement policy. It then becomes important to ensure that those policy and program outcomes reflect the priorities and preferences of local citizens.   Thus, the second critical element of any successful decentralization strategy which involves creating effective and efficient local self governments is the need to develop reliable mechanisms for accountability, and the transparency necessary to inform that accountability. Such accountability mechanisms should ensure that policy outcomes and programs are consistent with local needs, aspirations, and are in the public interest. [Ribot, 2004, p. 18]

Accountability typically operates in two fundamental directions – upward and downward accountability.[2] Upward accountability is accountability that government imposes on itself through a range of public institutions charged with restraining and monitoring government activity while downward accountability is accountability imposed on government by citizens.

In terms of upward accountability, local governments are generally accountable to the central government for their performance. This element of upward accountability has two features. First, as discussed above, the central government created the legal environment in which local governments are to operate. The central government then monitors the activities of local government to ensure they are consistent with these laws and regulations. In this sense, local governments are accountable to the central government for the manner in which they conduct business.

A second dimension of upward accountability is related to the system of intergovernmental grants. Specifically, to the extent that transfers are conditional

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[2]   Sometimes additional dimensions of accountability are suggested and developed. For example, UNCDF adds a third dimension of accountability which it refers to as horizontal managerial accountability whereby the local executive branch of government is held accountable by elected councilors. (UNCDF, pp. 67-68) The World Bank develops a detailed discussion of citizen voice and political accountability (World Bank, 2003).

transfers, the subnational government is accountable to the transferring, or granting, department to use the funds as intended and comply with all the conditions associated with individual grants.

Downward accountability is also needed in order for autonomous local self governments to generate desired outcomes. Initially it was thought that such accountability could be provided by fair and open elections. For this option to be effective, however, voters must have information about the level and quality of public goods being provided and at what cost. In addition, they must utilize that information when making their voting decisions. Uninformed voters make it easier for local officials to target benefits on their friends; also propaganda or a candidate's charisma rather than their record can more easily sway such voters. [World Bank, 2003, p. 81] Without adequate information elections may not always provide full accountability. [World Bank, 2003, p. 82]

Downward accountability has two important components – *answerability,* which involves the right of citizens to receive relevant information and explanation of public decisions, and *enforceability*, which involves the rights of citizens to impose sanctions on elected officials if their decisions are not consistent with local preferences and priorities. [World Bank, 2003, p. 79]

To strengthen the answerability component of downward accountability, citizens need a variety of information. They certainly need information on the level and quality of services being provided – but generally they will already know the services are not adequate. Rather, they need information on how bad their neighborhood's services are compared to other neighborhoods, and who is responsible for those differences.[3] This type of information can come from civil society organizations and the mass media. [World Bank, 2003, pp. 86-89] The information, however, can also come from the government. One way to improve local participation and local accountability is through the implementation of a transparent performance-based, budgeting process and public procurement procedures. [Litvack, Ahmad and Bird, p. 26] An example that has been getting much attention, is the participatory budget formulation process developed and implemented in Porto Alegre, Brazil. [World Bank, 2003, p. 42]

Finally, to strengthen the enforceability component of downward accountability, local politicians must be accountable to the local citizenry, not elites that put them in power. This relationship between citizens and politicians is sometimes referred to as *voice*. In this context, voice includes formal political mechanisms for holding politicians accountable (e.g., elections), as well as informal mechanisms like advocacy groups. [World Bank, 2003, p. 50]

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[3] Adams and Bell (1999) develop a framework for gauging and comparing satisfaction and trust across individual governments.

In principle, elections provide voice to citizens for addressing the enforceability component of downward accountability. However, not all elections are equal. For example, a recent report by the United Nations Capital Development Fund (UNCDF) concluded that

> "Another sort of problem may arise where elections are based on party list/proportional representation arrangements rather than territorial wards. In the former, the ties between constituent and representative are weakened, and elected councilors may be more attentive to party bureaucracy than to their constituents." (UNCDF, 2006)

South Africa represents an example of such a situation. In municipalities in South Africa half of the elected local councilors come from a party list which is, in part, influenced by the national party. The other half are elected from wards, but even here the national party influences who stands for election. In the final analysis, both party list and ward candidates are accountable, to a large extent, to the national party that put them on the party list for their election, not to local citizens who voted for the party. Such proportional representation gives tremendous power to the people who control the creation of the party list, and determine who stands for ward elections. In particular, it allows the party boss to reprimand, and ultimately "fire," council members who do not follow the national party line. (Wittenberg 2003) Thus, when elections are based on proportional representation which is significantly influenced by the national party such elections may not fully provide the desired accountability to hold local policy makers accountable for their actions.[4]

In summary, based on this overview of local governments as key institutions of local democratic governance, a number of critical elements emerge that need to be in place to create effective local self-governments which are responsive and accountable. There is general agreement that such a strategy needs to be comprehensive and needs to include the following:

- o An electoral system which promotes accountability to citizens;[5]
- o Expenditure autonomy so local governments have significant control over their spending decisions;

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[4] Conventional political theory, however, advocates some form of proportional representation for new democracies as a means to ensure a voice for smaller groups thereby giving them a stake and presence in the new democracy rather than shutting them out. (World Bank, 2000, p. 114) While such an approach may certainly be necessary to allow disparate regional and ethnic interests to have a distinct voice in a new democracy, such proportional elections in a country with a strong national party, which greatly influences who gets on the local party list, may undermine the accountability of subnational elected officials to local citizens.

[5] See Ribot (2004) and Ackerman (2005) for a discussion of social accountability and various methods of holding local officials accountable for the outcomes of their decision making.

- Revenue autonomy so local governments have some discretion in deciding on the level of their budget and how it will be financed;
- A hard budget constraint so that local governments learn to live within their means and local officials will be accountable for the choices that they make;
- A local civil service system where local governments have control over their employees (e.g., number of employees, compensation paid, work rules, etc.); and
- Mechanisms of accountability – both downward to citizens as well as upward to central government. [Bahl and Martinez-Vazquez 2006; see also, for example, World Bank, 1997, Chapter 6]

Given these characteristics of a system of autonomous local self-government, it should be clear that effective local self-government requires that local authorities are empowered and able to conduct public affairs as they see fit, and that they are accountable to the local population for the outcome of their decisions. Thus, empowering local governments that are not accountable to the local population will not produce the desired outcomes associated with decentralization. Similarly, creating accountable local government institutions without the appropriate powers and control over revenue raising and spending decisions will also not realize the benefits associated with decentralization. [Ribot, 2004, p. 18]

Non-governmental Organizations:

There is a growing recognition that creating and strengthening the institutions of local government are not sufficient to attain an effective process of local democratic governance or to achieve fully the benefits of fiscal decentralization. A number of actors outside of the public sphere influence public performance. Such groups, collectively referred to as *civil society,* are important actors in promoting more responsive and effective governance. [World Bank, 2000, pp. 121-2]

In an effort to strengthen civil society, and increase the opportunity for citizens, especially the poor and disenfranchised, to participate, donor organizations have devoted substantial resources to creating non-governmental organizations. Initially, there were two different types of non-governmental organizations (NGOs) – development NGOs and democracy NGOs.

Development (and service) NGOs date back to the 1970s and 1980s. Such international NGOs, working with local NGOs, worked on development projects at the local level. They often did not engage government, and were perceived as circumventing dysfunctional, authoritarian governments.[6] In the 1990s, when donors began to focus on promoting democracy and strengthening civil society, politically oriented, or advocacy, NGOs became a tool of choice. Such democracy NGOs include those engaged in civic education and advocacy of various sorts. The current trend of promoting civil society at the local level is causing these different types of NGOs – development NGOs and democracy NGOs – to begin to intersect. [Carothers, 1999, p. 214-215]

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[6] More recently, especially in Asia, it is perceived that NGOs explicitly try to undermine local governments in an effort to maintain their positions of power. As a result, the development and legitimacy of local governments is undermined. Similarly, NGOs can also undermine grassroots organizations by dominating the local agenda. [Ribot, 2004, p. 34]

Grassroots organizations, community-based groups and various citizen organizations tend to be service delivery NGOs that engage citizens directly. Such associations include farmers' associations, worker cooperatives, parent-teacher associations and even religious groups. These associations not only help meet basic needs, they also play a critical role in building trust and a sense of public connectedness among those excluded or alienated from traditional political processes. They tend to have elected boards that are accountable to the members of the organization. [World Bank, 1997, p. 114]

NGOs which focus on civic education or advocacy represent particular interests which they want to represent in society generally. The growth of these *intermediate* organizations is a manifestation of recent efforts to promote democracy in transition and developing countries. Not all of these types of NGOs are equally representative of their client's interests or of the public interest more broadly defined. In fact, "most of these types of NGOs tend to be one step removed from ordinary citizens." [World Bank, 1997, p. 114]

With the assistance of donor countries and organizations, NGOs have experienced rapid growth recently. For example, in Central and Eastern Europe the number of NGOs may have increased three- to fourfold since 1989. [World Bank, 1997, p. 113]

But, like newly emerging local government institutions in transition and developing countries, NGOs may not always operate in a manner that facilitates the development of a vibrant system of local democratic governance. For example,

- o Corruption within some NGOs may occur where they pad expenses report, carry fictitious employees on the books, draw multiple salaries from multiple funders, and otherwise take advantage of generous donor support for advocacy NGOs;
- o Many early advocacy NGOs based in the capitals of transition or developing countries often have weak popular support since they are too often created by a small group of elites who speak English well and have connections to various donor agencies
- o There are problems of sustainability of many advocacy NGOs because they are often almost entirely funded by foreign donors and generally pursue agendas imposed by those donors so when outside funds are reduced such NGOs are not viable over the long run. [Carothers, 1999, pp. 213-221]

The bottom line is that in a number of cases, the NGO model pushed by the U.S. and other donors may not be appropriate for strengthening civil society in many transition and developing countries. The professionalized NGO model that provides a foundation for such interventions comes out of a social setting characterized by wealth, private grant making foundations, a large middle class with discretionary income, and a corporate world with a tradition of philanthropy. Since the ultimate success of various institutions depends on the social and cultural context in which the institution operates, the focus on building NGOs in societies that do not have these characteristics will be less successful. [Carothers, 1999, pp. 221]

In fact, reviewing USAID's programs of democratization, Carothers stresses that

> "Putnam does not emphasize advocacy groups in his examination of the kinds of associations in civil society that generate social capital, but rather civic associations that entail 'intense horizontal interaction' such as 'neighborhood associations, choral societies, cooperatives, sports clubs, mass-based parties, and the like'" [p. 212-13]

Informal Institutions for Local Democratic Governance

In addition to the formal institutions of local governance described above, there are many informal institutions for formulating and implementing collective action at the local level. These informal mechanisms may lack legal foundation, but they provide opportunities for citizens to make and implement decisions about community issues. Such institutions include, but are not limited to, the following: traditional/indigenous institutions and authorities, village committees, community organizations, water user groups and other non-governmental natural resource management bodies, parent organizations, farmers and other producers associations and neighborhood groups. Such informal institutions provide opportunities for citizens to come together and identify and solve community issues without the intervention of governmental institutions.

One example of where such informal, citizen driven, mediating structures play an important role in promoting effective local democratic governance is in the case of the tragedy of the commons. [Hardin, 1968; Ostrom,1990] In this case, no individual herder can limit grazing by anyone else's herd; however, if he limits his own use of the common meadow, he alone loses. Yet unlimited grazing by all destroys the common resource on which the health of all herds, and the entire community, depends.

In this context, spontaneous solutions to the management of common properties often emerge from the bottom-up, generally without any governmental role or input. Such communitarian solutions can be found in the wildlife hunting territories in James Bay, Quebec, lobster fishing in New England, forests in Thailand and many other countries, irrigation users in rural southern India, small grazing areas, groundwater basins, irrigation systems, forests, and inshore fisheries. [See for example, Berkes, Feeny, McCay and Acheson, 1989; Gibson, McKean and Ostrom, 2000; Bromley, 1992; and Wade, 1987] Such common property solutions are easiest to fashion when the number of actors is small, albeit Ostrom has described cases where thousands of actors are involved. [Ostrom, 1990]. Such self management is also facilitated when there are shared norms of behavior and values with the cultural and social fabric often found in small, relatively homogeneous, communities. [Brown, 2000, p. 901]

Of course, the greater the scope of the externality associated with a public good issue, the greater the difficulty of negotiating a voluntary solution along the lines argued above. Larger scale, more geographically dispersed projects tend to be more impersonal which may weaken any

intrinsic rewards to participation. And the larger the scale, the less influence any individual participant has on its design and implementation. Anonymity is also easier to maintain which can have a mitigating effect on the costs of free riding. But for geographically-bounded, smaller scale externalities, shirking is likely to entail greater costs and the direct benefits from active participation are likely to loom larger.

For example, communities with strong civic infrastructures have developed means of solving longstanding problems requiring collective action, without imposing top-down governmental coercion or mandates. When the benefits of cooperation are significant, there is a way to develop and implement rules of behavior, and where there are no private alternatives, organizations often emerge on their own. Through such bottom up initiatives communities have solved irrigation, forestry management, nutrition and other problems. [World Bank, 2003, p. 72]

Such informal, citizen driven, mechanisms for promoting effective local democratic governance go beyond a focus on institutions and allow for a community perspective on outcomes and other values in addition to economic efficiency. In this view, a democratic community is one in which the common will is being gradually defined and redefined through the civic activity of the citizens. That is, citizens come together to identify and address community issues. One mechanism for addressing community issues may be through governmental institutions. But the essence of this view is that citizenship entails a range of social duties that are conducted through a variety of mechanisms. Peter Berger and Richard John Neuhaus introduced the term ***mediating structures*** to capture this concept. Mediating structures include institutions such as families, churches and synagogues, voluntary associations, and neighborhoods that come between the individual and the state. They argue that such mediating structures are "essential for a vital democratic society." [Berger and Neuhaus, 1977]

Krishna argues that possessing a high level of social capital enables a community to act collectively to achieve common goals. However, he argues, mediating agency is necessary to help select goals and develop responses. Thus, Krishna provides additional evidence in support of Berger and Neuhaus that illustrates collective action can occur when social capital is high, but effective collection action requires agents (or mediating structures) to help others take advantage of the opportunities that exist in their local environment. [Krishna, 2002, pp.9-13]

Such outcomes should be citizen driven, and, often citizen initiated and implemented. For example, Hawkins argues that

"Many difficult problems can be ameliorated or solved by empowering those most directly involved with sufficient authority to devise and enforce small-scale, community solutions." [Hawkins, 1992]

However, the value and uses of social capital depend on the institutional environment in which they are being applied. For example, small communities develop different ways of solving collective problems. Such solutions require sensitivity to local conditions. Arrangements that

enable people to utilize social connections to identify and solve collective issues are local in nature. [Sobel, 2002, pp. 146-49]

Recent experiences with citizen initiatives such as a neighborhood block watch program, for example, highlight some classic impediments to voluntary participation among households—the benefits of a safer neighborhood spillover to all residents irrespective of their individual contributions. [Adams, Bell, Brown] Some will fully participate and do their part, while others shirk their duty and "free ride." The standard economic argument stresses the limiting effects of shirking on voluntary negotiations. Why pay when you can get it free?

Others counter this pessimistic view by arguing the intrinsic rewards to those who participate in such community projects and in the responsibilities of citizenship generally. Eberly (1994), for example, describes a citizen as one who rises above the purely private calculation that comes with competitive individualism and dwells cooperatively in community. Similarly, Joyce (1994) argues for a view of citizenship based on "an individual's active participation in that vast realm of human affairs known as civil society." (p. 4) This notion of being part of a community, with responsibilities to that community, underlies what Fukuyama calls "reciprocal altruism" and is the basis for building trust and cooperation in a community in a manner consistent with the interests of the individual.

Axelrod develops a game theoretic view of cooperation that is based on self-interest. He acknowledges that even in an individualistic culture like the U.S., cooperation occurs and our civilization is based upon it. [Axelrod, 1984, p.3] Ledeen sees this as something of an oxymoron which he terms *collective individualism*. There are some tasks, for example, that can only be accomplished if individuals transcend their narrowly defined personal interests and sacrifice for the group or community good. According to this view,

> "frenetic individualism not only weakens our ability to advance the common good, but stunts our own growth, because our ability to fulfill our human potential depends upon working together." [Ledeen, 2000, p. 105]

Axelrod argues that such cooperation can develop if we assume people operate in their own self-interest and need not base their actions on some altruistic concern for others or the welfare of the group as a whole. [Axelrod, 1984, p. 6] He argues that what makes it possible for cooperation to emerge in such a situation is the possibility that players might meet again. The evolution of cooperation requires that individuals have a sufficiently large chance to meet again so that they have a stake in their future interaction. Cooperation emerges within a small group of individuals who base their cooperation on reciprocity. [Axelrod, 1984, pp. 20-21]

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Enabling Environment for Local Democratic Governance

The formal and informal institutions for local democratic governance briefly discussed above are necessary, but not sufficient to guarantee a well functioning system of local democratic governance. Even if such institutions like local governments and non-governmental organizations are in place in developing and transition countries, with appropriate accountability mechanisms in place, there is no guarantee that they will achieve the objectives intended because the ultimate success of such institutions depends on the social and cultural context in which they operate. Or, to paraphrase Putnam, the practical performance of institutions is shaped by the social context within which they operate. [Putnam, 1993, p. 8]

Fukuyama argues that communities depend on mutual trust and will not arise spontaneously without it. Since trust is culturally determined, he continues, spontaneous community will emerge in differing degrees in different cultures. In this context,

> "Trust is the expectation that arises within a community of regular, honest, and cooperative behavior, based on commonly shared norms, on the part of other members of that community." [Fukuyama, 1995, p. 26]

Social capital, then, is a capability that arises from the prevalence of trust in a community. [Fukuyama, 1995, pp. 25-6]

In this view, in order for people to cooperate to achieve shared goals, they need to trust one another. A high-trust community will function more smoothly and easily than a low-trust one. In essence, trust, and trustworthiness, can be compared to a lubricant, oiling the wheels of a variety of social and economic transactions with would otherwise prove more costly, bureaucratic and time-consuming. [Field, 2003, pp. 62-3]

The key element here is that individual citizens voluntarily cooperate in a collective action that improves the welfare of all citizens. But such cooperation is not always automatic. For example, Fukuyama observes that societies dedicated to the constant upending of norms and rules in the name of increasing individual freedom of choice are prone to increasing disorganization, atomization, and isolation and are incapable of carrying out common goals and tasks. What is needed is social capital, which he defines as a set of informal values or norms shared among members of a group that permits cooperation among them. If individuals come to expect others to behave reliably and honestly they learn to trust each other. [Fukuyama, 1995, p. 15-16]

Such cooperation is not measured by membership in various organizations or associations. Rather, what matters more for social capital are attitudes and behaviors of different kinds that might be exhibited even without the support of any formal organization. For example, a person might trust his neighbor and, as a result of such trust, engage with them in collective efforts to improve their neighborhood – without any formally registered association. [Krishna, 2002, p. 4-5]

The key element of the concept of social capital is that social networks are a valuable asset which provides a basis for social cohesion because they enable people to cooperate with one another for mutual advantage. That is, relationships matter. By making relationships with others, people are able to work together to achieve things that they either could not achieve alone, or could only achieve with great difficulty. [Field. 203, p. 1]

Social capital refers

"to connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them." [Putnam, Bowling Alone, 2000, p. 19]

Where such social capital exists, trust and social networks flourish, individuals, governments, businesses and neighborhoods prosper. [Putnam, 2000] In other words,

"social capital . . . bolsters the performance of the polity and the economy . . . Strong society, strong economy; strong society, strong state." [Putnam, 1993, p. 176]

Therefore, to fully realize the benefits of a vibrant system of local democratic governance there needs to be social capital, and mediating institutions at the grass roots level which unleash that social capital, for the institutions of governance, as well as mechanisms of accountability, to work properly. The challenge then becomes how to create, strengthen and unleash social capital at the community level.

Recently, governments have started to recognize the potential benefits of encouraging and supporting citizen-initiated projects as a means of strengthening social capital. In fact, they increasingly are funding projects and programs that rely on, and require, the formation of local user groups and committees to choose and implement development projects. Rather than give transfers of income to individuals, which can be both politically and administratively difficult, governments have channeled money through community groups. This improves accountability and strengthens voice on the part of citizens. [World Bank, 2003, p. 72-3]

Adams, Bell and Brown [2002] recognize that nurturing social connections among citizens and linkages between citizens, governments, and non-governmental organizations is a critical step in building the social fabric that under girds public and private institutions in robust democracies and strong economies. They argue that social democratic transformation is predicated on both top-down and bottom-up processes. At the top, strong government institutions must be established to guarantee the rule-of-law, give formal voice to citizens, and act collectively on behalf of the society to develop and implement policies. From the bottom up, citizens must engage in community activities that fulfill their civic responsibilities as well as build connections with and trust in government institutions.

Similarly, studying villages in rural India, Krishna explores how villagers' can make their stock of social capital more productive. He concludes that "Top-down influences and bottom-up capabilities complement each other in providing a more complete explanation." [Krishna, 2002, p. 12]

Thus, there is an important synergistic relationship between governance institutions, like local government, and social capital. In order for governance institutions to work properly, there needs to be a reservoir of social capital in the community. At the same time, local governmental institutions provide the legal framework that encourages and promotes citizen involvement. In this role, local governments are agents that can facilitate the utilization of a community's social capital to identify and address community concerns.

In the world of practice, Adams, Bell and Brown [2002] look to the growth in recent years of citizen led efforts to improve conditions at the neighborhood and community levels which demonstrate the central role of citizen participation in governance. Drawing on experience from the U.S., they investigate one mechanism for fostering these citizen-drive efforts – the creation and diffusion of Community Partnership Grant (CPG) programs. [Adams, Bell and Brown, 2002 and 2003]

Through such programs, citizens begin to make working connections among each other and become directly engaged in community governance. These linkages form the building blocks of a strong civil society. In order to successfully implement grants, citizens often need to acquire permits from municipal authorities. Consequently, through the process of working collaboratively with municipal authorities, the possibility for increasing citizen trust in government improves. Finally, by identifying a community problem, making partnerships, and developing and implementing a plan to address the problem, citizens become empowered as they gain valuable life skills that translate into success in both educational and work settings.

The rationale for grants to support citizen-based initiatives is well established in the public administration literature. For example, Charles Levine [1984] offers a typology of alternative service delivery systems open to governments coping with fiscal stress and critiques the potential contribution each makes to improving citizenship as reflected in citizen trust of government, citizen efficacy (i.e., capacity building), and a shared conception of the 'common good.' [p. 180]. Among the alternatives that score well on the citizenship dimension according to Levine are those related to the devolution of responsibility to neighborhood associations, self-help, public/private partnerships, and co-production (the joint provision of public services by public agencies and service consumers) [p. 181].

Expanding further on the co-production theme and its application to development, Ostrom [1996] also addresses the issue of citizenship and capacity building, noting co-production's potential for the creation of "social capital in the form of urban residents learning how to work with each other and with public agencies." [p. 1082]. And more recently, the public administration literature has focused on the *New Public Service* (see e.g., Denhardt and Denhardt, [2002] and government policies that "Encourage citizens to demonstrate their concern for the larger community…and their willingness to assume personal responsibility for what happens in their neighborhoods and communities." [Glaser, *et al*., 2002, p. 108].

To achieve these objectives requires that citizens be active citizens, not passive citizens. Passive citizens might sit back and ask "What are my entitlements?" or "What should I get?" While active citizens might ask "What should I do?" Citizens in a democracy have rights, but they also have duties. Active citizens who meet their duties and obligations help secure everyone's rights. Active citizens improve institutions as they improve the conditions of trust. [O'Neill, 2002, pp. 23-39]

This view of the citizen is important for how government relates to citizens and the role of citizens in local democratic governance. Much has been written in the U.S. and internationally about the importance of engaging the citizen as customer to grade the performance of the local government in terms of service delivery. But this view of the citizen merely as customer undermines to some extent the proactive role that citizens need to play for a vibrant system of local democratic governance. Crenson and Ginsberg make the distinction between citizens, who are thought to own the government, and customers, who, by contrast, are merely expected to receive pleasant services from it. Citizens are members of a political community with a collective existence created for public purposes, while customers are individual purchasers seeking to meet their private needs in a market. Thinking of citizens merely as customers neglects the obligation of citizens to engage in collective mobilization to achieve collective interests. [Crenson and Ginsberg, 2002, p. 8]

Actionable Indicators of Local Democratic Governance

The previous section outlined a framework for identifying the key elements of a process of local democratic governance. The key elements identified include

- o Formal governance institutions which include local governments and a variety of non-governmental organizations;
- o Informal governance institutions which provide opportunities for citizens to identify and address community concerns; and
- o An enabling environment where there is well developed social capital.

The purpose of this section is to identify "actionable" indicators of each of these elements of local democratic governance in order to describe and monitor the process of local democratic governance in transition and developing countries as they emerge over time, and to identify impacts of Citizen Driven Development initiatives on local democratic governance.

Over the last decade or so, much effort has gone into the development of a wide array of possible indicators of local democratic governance. The World Bank Institute (WBI), in their Governance and Anti-Corruption division, has inventoried various databases containing a wide range of governance indicators. This inventory contains 160 different governance data sets which are organized into three different matrices, which the user can quickly review or scroll:

1. External governance datasets and instruments (from outside of the World Bank, and/or indicators by Bank researchers based on outside data)
2. Internal World Bank governance datasets and empirical tools (the latter restricted to those that contain accessible data).
3. Consolidated matrix of both external and internal governance datasets and instruments. The data sets have been arranged in descending order according to the extent (number) of country coverage.

Because the notion of local democratic governance is a complex and multi-dimensional concept, many of governance data sets have a large number of indicators. For example, in his draft report ***Indicators and African Local Governance***, Wunsch proposes over 220 indicators of various dimensions of local democratic governance. [Wunsch, 2006a]

The World Bank has a long history developing indicators of local democratic governance. For example, Huther and Shah propose a set of governance indicators to empirically test the link between good governance and decentralization. The components of their governance index were rather narrowly defined, in part because of their definition of governance and in part they were developed for specific purpose. [Huther and Shah, 1998]

More generally, the World Bank Institute and the Research Department of the World Bank have undertaken a more comprehensive and systematic effort to produce on a regular basis governance indicators for over 200 countries.[7] These indicators are derived from hundreds of questions based on 31 different data sources produced by 25 different organizations worldwide. These data are grouped into six major categories to capture six key dimensions of governance:

1.   *voice and accountability* which measures the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media;
2.   *political stability and absence of violence* which reflects perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism;
3.   *government effectiveness* which gauges the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies;

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[7] See World Bank, 2006, page 20 for a list of publications reporting on the development of these indicators since the first report in 1999.

4.   *regulatory quality* which reflects the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development;

5.   *rule of law* which gauges the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence; and

6.   *control of corruption* which measures the extent two which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. [World Bank, 2006]

While these data sets are comprehensive, comparable across a large number of countries and computed on an annual basis, they tend to be a bit unwieldy because of the sheer number of indicators included in the database.

Local governments:

Local governments are arguably the most important institutions of local democratic governance. Therefore, it is particularly important that we include indicators that reflect the core elements of local governments as institutions of local democratic governance. For example, much attention is being focused on what is referred to as the New Public Management which focuses on what local governments should do and how they can do it better. [Shah, 2006] But that is not really the core element of local government in the context of local democratic governance as defined here. After all, Mussolini made the trains run on time.

Rather, in the context of local democratic governance as defined in this paper, in order to be effective institutions of local democratic governance, local governments must be **responsive** and **accountable**. First, a government is said to be responsive if it adopts policies and programs that are preferred by its citizens. This requires an environment which facilitates government responsiveness and promotes active citizen input into the policy making and implementation processes. Second, a government is said to be accountable if citizens have sufficient information to differentiate between representative and unrepresentative governments and are then able to sanction them appropriately. In a way, then, responsiveness and accountability are related since they both rely on active citizen participation. The former refers to the motivation for a government's action or decision, while the latter refers to the outcomes of the action taken. [Ackerman, p. 6]

Indicators of the Institutional Environment for Local Governments

In proposing indicators of responsiveness we need to include indicators related directly to the institutions of local government, but first we need to include indicators that gauge the impact of the historical, political and cultural environment in which local government institutions operate on the ability to facilitate responsiveness of governmental institutions. It is important to get the institutions of local government right, but they do not operate in a vacuum. Rather, they operate within a specific setting or environment defined, in part, by the civic culture of the community.

Putnam made this point when he talked about *socio-cultural* factors that influence the performance of government institutions. That is, the performance of a system of local democratic governance depends on the disposition of the citizens in the community, their political attitudes and orientations grouped under the general rubric of *civic* culture. This civic culture can act to facilitate or impede satisfaction and trust within the community. [Putnam, 1993, pp. 8-11]

Thus, the existence of an enabling environment which facilitates the effective operation of institutions of local democratic governance involves, among other elements, the civic culture of a given society, e.g., existing participatory practices, experiences and values among citizens and their organizations in affecting the way civil society organizations and public institutions engage in policy dialogue, advance systems of social and public accountability, and cooperate in the provision of public services. [Reuben, p. 21] Therefore, the first set of key indicators measure the civic culture which defines the environment in which local government institutions operate.

In an effort to utilize indicators that are comparable across countries and across time, a starting place for developing indicators of the civic culture of a country in which local government institutions operate is the Civil Liberties Index created annually for 192 countries by Freedom House. The Civil Liberties index gauges the freedoms of expression and belief, associational and organizational rights, rule of law, and personal autonomy without interference from the state. Specifically, the index gathers information for each country on

1. Freedom of Expression and Belief
   a. Are there free and independent media and other forms of cultural expression?
   b. Are religious institutions and communities free to practice their faith and express themselves in pubic and private?
   c. Is there academic freedom and is the educational system free of extensive political indoctrination?
   d. Is there open and free private discussion?

2. Associational and Organizational Rights
   a. Is there freedom of assembly, demonstration and open public discussion?
   b. Is there freedom for nongovernmental organizations – including civic organizations, interest groups, etc.?
   c. Are there free trade unions and peasant organizations or equivalents, and is there effective collective bargaining? Are there free professional and other private organizations?

3. Rule of Law
   a. Is there an independent judiciary?
   b. Does the rule of law prevail in civil and criminal matters? Are police under direct civilian control?

      c. Is there protection from political terror, unjustified imprisonment, exile, or torture, whether by groups that support or oppose the system? Is there freedom from ware and insurgencies?
      d. Do laws, policies, and practices guarantee equal treatment of various segments of the population?

4. Personal Autonomy and Individual Rights
      a. Does the state control travel or choice of residence, employment, or institutions of higher education?
      b. Doe citizens have the right to own property and establish private businesses? Is private business activity unduly influenced by government officials, the security forces, political parties/organizations, or organized crime?
      c. Are there personal social freedoms, including gender equality, choice of marriage partners, and size of family?
      d. Is there equality of opportunity and the absence of economic exploitation?

Each of these dimensions of civil liberties is given a score from 1, the highest, to 7, the lowest degree of freedom. In order to insure comparability across countries, each of these questions is further elaborated by up to eight additional questions which guide the interviewer and help remove subjectivity in giving a specific numerical score.

Indicators of Local Government Responsiveness

Once the historical/cultural context in which local government institutions operate is described by the Civil Liberties Index created annual by Freedom House, we need to develop individual indicators that reflect how responsive local government institutions are to citizens. Such responsiveness has three core dimensions:

❖ First, citizens must have available mechanisms through which they can make their priorities and preferences known to local officials.

❖ Second, local officials must have sufficient discretion to react to those priorities and preferences.

❖ Third, local government must not be captured by elites or subject to corruption.

Mechanisms and Practices of Citizen Participation

Our first indicator of local government responsiveness relates to the mechanisms that are available to facilitate citizen input into the policy making and implementation processes. Such mechanisms might include, but not be limited to, the following:

- ❖ Participatory budgeting methods as pioneered in Proto Alegre, Brazil, and now in effect in over 70 Brazilian cities, which include provisions for election of regional delegates, development and presentation of community demands, a participatory reconciliation of needs and demands, and the preparation and submission of a budget proposal to the local congress [Helling, et. al., p. 18]

- ❖ Bolivia's Law on Popular Participation which made territorially structured community organizations legal and required to elaborate local development plans and empowering members of community organizations to become more actively involved in local budgetary matters [McLean et. al., p. 11];

- ❖ The creation of Community Investment Advisory Committees composed of community members and local councilors as part of the Romanian Rural Development Project to facilitate community consultation [McLean et al., p. 21]

- ❖ The creation of Community Implementation Committees as part of the Macedonian Community Development Project to create a venue for communication and deliberation linking municipalities and their citizens [Helling et. al., p. 19]

- ❖ The creation of representative district consultative councils in Mozambique which are given responsibility for oversight over plans and budgets to formalize accountability of state-appointed administrators and deconcentrated sectoral agencies to community representatives [Helling et.al. p. 41].

This initial indicator of responsiveness will reflect the degree to which there are established mechanisms, both legal and informal, for citizens to make their priorities and preferences known to local officials. But, while such mechanisms are necessary for citizens to provide input into the decision making process of local government, they are not sufficient to accomplish that. Citizens must take advantage of these opportunities.

Therefore, a second dimension of this initial set of indicators of local government responsiveness gauges the extent to which citizens are pro-actively involved in local decision making. Such indicators might include, but not be limited to

- ❖ Citizen participation in meetings called to discuss neighborhood or community problems;
- ❖ Membership in organizations attempting to solve neighborhood or community problems – especially local community based or civil society organizations, not international non-governmental organizations; or
- ❖ Participation in petition drives or telephoning or writing elected officials/local agencies.

Wunsch suggests a number of specific indicators to measure the ability of citizens to make their priorities and preferences known to local officials as a necessary core element in local governments being responsive. Specifically, he proposes gathering information on the following types of indicators:

- o Are public meetings of the local council publicly posted and announced and open to the public;
- o The number of mediating institutions available to citizens as a means of providing input into local decision making – specifically, community based and civil society organizations;
- o Public participation in program/project selection, design and evaluation processes is required;
- o Elected local councilors attend open meetings to consult with the public on a regular and frequent basis;
- o Elected local councilors regularly and frequently meet with representatives of non-governmental, community based and civil society organizations;
- o Number of residents that attend the various open meetings of the local government;
- o Number of representatives from non-governmental, community based, and civil society organizations that meet with elected officials, senior administrators and attend open meetings;
- o Number of residents who participate in sectoral program/project evaluation and planning meetings. [Wunsch, 2006a]

Institutional Framework for Local Governments

Our second set of indicators of local government responsiveness recognize that in order for local governments to be responsive, they must not only solicit and facilitate acquiring information about citizens' priorities and preferences; they must have the discretion and autonomy to respond to those priorities and preferences. This core component of responsiveness has two specific elements of concern:

- o First, there is the framework for local governments created in legislation; and
- o Second, there is the actual autonomy that local decision makers have over revenue raising and spending decisions.

First, on the most basic level, this dimension of responsiveness can be described by looking at the laws creating local governments within a country. Issues relevant to defining the legal structure of local government institutions would include such things as

- o Local government structure is defined by law, including the size, powers and structure of legislative and executive bodies;

- o Local councilors are elected entirely by residents of the local governmental unit;
- o Local councilors and executive personnel of the local government can only be removed for cause; and
- o Local governments have legal authority to collect and enforce taxes, make contracts, expend funds on explicitly articulated responsibilities, hire and fire local government personnel and plan and execute their own budget without prior approval by another level of government. [Wunsch, 2006a]

While the legal framework is a starting place to examine the ability of local governments to respond to the priorities and preferences of citizens, we can refine this measure to the extent local governments have a standard chart of accounts used to report data on local spending and revenue-raising. Specifically, a refinement of this measure of the capacity of local governments to respond to citizens needs is a measure of the degree or extent to which local governments actually have autonomy or discretion over spending and revenue raising decisions.

Recent work on revenue decentralization has sought to not just capture the extent of revenues (e.g., local revenues as share of total government revenues), but to measure the actual degree of autonomy localities have over revenues. Broadly this can be seen as a continuum along three types of revenues: (a) own source revenues, (b) shared revenues (based on derivation or formula basis, but for autonomous use), and (c) a variety of transfers, conditional as well as unconditional. These transfers can be associated with a high degree of *autonomy* and *predictability* for sub-national governments, or a very limited degree.

Based on work at the OECD, a number of more specific rules have been set down as guidelines for the attribution of tax collection among collecting and beneficiary governments. Specifically, the Working Party no. 2 of the Committee on Fiscal Affairs at the OECD has taken an initiative to develop a new system of classification regarding own taxes of subnational government (SNG). According to this system, taxes of subnational governments are subdivided into categories of decreasing tax autonomy and then ranked by decreasing order of control that the SNGs can exercise over this revenue source. [OECD, 2001a and 2006]

This framework for measuring the degree of autonomy that subnational governments have over revenue raising and the use of intergovernmental transfers was successfully applied to Tanzania and Uganda as part of a recent World Bank project. [Bell and Ebel, 2006] This was the first time the methodology developed by OECD was applied to countries outside of the OECD. To be successfully applied to other countries, they must have data on subnational revenue-raising.[8]

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[8] The work of the OECD and the pilot projects in Tanzania and Uganda looked at subnational autonomy over revenue raising and expenditures of grant funds. Both the OECD and the World Bank are currently

Capture by Elites and Corruption

Our third set of indicators of local government responsiveness to the priorities and preferences of local citizens are related to the extent that local government is captured by elites or otherwise subject to corruption. If elected officials and/or professional bureaucrats are motivated by self-interest rather than public interest, the outcomes from local government decision making will not necessarily be consistent with the priorities and preferences of local citizens.

Corruption is an important element of the responsiveness of local governments, albeit such indicators are usually included under the heading of accountability. The view taken here is that accountability relates to looking at what government does *ex post* and determining the extent to which it responds to the priorities and preferences of citizens. Corruption, on the other hand, impacts how government operates and influences the outcome of government, thereby influencing the ability of governmental institutions to respond to the priorities and preferences of citizens.

Specifically, corruption

- o Takes place at the clerical level where employees use their discretion to slow down the release of papers, to deny licenses, and to impose arbitrary fees on transactions;
- o Can be institutionalized among local officials;
- o Can be linked to pork barrel politics where local officials reward areas that support them politically with infrastructure projects; and
- o Contributes to the misallocation of public resources, arbitrary application of regulations governing the private sector, delays in project implementation, rapid staff turnover, and perverse incentives for civil servants. [Arroyo and Sirker, p.4-5]

There are a number of organizations that develop and present indicators of corruption. For example, the World Bank Governance Indicators include measures of corruption as one of the six core elements of governance indicators. This set of indicators control for corruption by looking at the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. [World Bank, 2006] The limitation of these indicators for the purposes here is that they are calculated for central governments, not subnational governments.

The UNDP put together a list of democratic governance indicators from a variety of different sources. It provides researchers with a user-friendly overview of internet-accessible governance indicators. The index includes 52 one page descriptions of governance indicators by source. Only one page relates to indicators of corruption. That

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involved in efforts to develop a parallel approach to measuring the degree of autonomy subnational governments have over spending decisions.

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page relates to indicators of corruption calculated by Transparency International. The questions mostly related to corruption at the central government level, or in the private sector.

The UNDP also produces a set of indictors of democratic governance. Again, they are mostly calculated for central governments. In addition, they are focused on indicators that reflect the concerns of low-income, women and other typically disenfranchised populations. However, under their anti-corruption indicators, they do include an indicator which measures the number of public agencies for which public expenditure tracking surveys are regularly conducted. This could be applied at the local level as well. [UNDP, 2006, Chapter 13]

The UN Habitat produces a set of urban governance indicators as part of their global campaign on urban governance. The focus of these indicators is on urban governance. They calculate 25 indicators that are grouped under four different headings – Effectiveness, Equity, Participation and Accountability. One of the indicators under accountability relates to corruption at the local level. Specifically, the indicator is simply an indication of whether or not a local agency has been created, staffed and funded to investigate and report cases of corruption.

In addition to these two measures of corruption at the local level, Transparency International has done a more systematic review of corruption and governance measurement tools in Latin America. The measurement tools reviewed go beyond the national instruments to consider local measurement tools. [Transparency International, 2006] While too numerous to summarize here, and while they too focus primarily on central governments, there are examples that might be useful in developing actionable indicators of corruption at the subnational level.

Indictors of Local Government Accountability

In addition to being responsive to the priorities and preferences of citizens, governmental institutions must also be accountable for their actions. Ackerman defines accountability as "a pro-active process by which public officials inform about and justify their plans of action, their behavior and results and are sanctioned accordingly." [p. 6] More broadly, Malena et al define accountability as "… the obligation of power-holders to account for or take responsibility for their actions." [p. 3] Power holders in this definition not only include government officials, but anyone who holds power including those in the private sector, international financial institutions and civil society organizations.

These two definitions of accountability highlight an important contested element of the concept. Ackerman's definition is consistent with the view that accountability should include activities before and during public decision making. That is, accountability is an *ex ante* and *ex post* concept. Malena's definition is more consistent with the view that accountability is fundamentally an *ex post* concept. That is the view taken here, that accountability is an *ex post* concept that looks at the outcomes of

governmental decision making and implementation and asks to what extent those outcomes are consistent with the priorities and preferences expressed by citizens. As a result, indicators that include the availability of participatory budgeting and efforts to limit corruption appear here with indicators of local government responsiveness because they influence inputs into local decision making and implementation.

Social accountability relies on civic engagement, in which ordinary citizens and/or civil society organizations participate directly or indirectly to exact accountability." [Ackerman, p. 1; Malena et al, p. 4] Such mechanisms are generally demand-driven and operate from the bottom-up because they rely on the participation of citizens. That is the focus of this discussion of indicators of social accountability.

Too often, however, social accountability is linked with local elections. The idea is that if elected officials do not generate outcomes that are consistent with the priorities and preferences of citizens, then they can be voted out of office at the next election. A number of indicators have been developed to represent whether elections are open and fair, what level of voter turnout is experienced, whether elections are contested by multiple parties and whether the elections are proportional or not.

While democratic local elections are certainly necessary, they may not be sufficient to provide the quality and level of social accountability desired. In short, elections are not adequate to guarantee good governance and accountability because

1. there is an important problem of information asymmetry both between elected officials and the electorate and between bureaucrats and elected officials.
2. elections only operate ex-post
3. elections only allow citizens to exercise accountability externally, from outside of government
4. there is not always more than one viable candidate running for a particular position. [Ackerman, p. 7]

A more comprehensive approach to social accountability is needed to attain the level of accountability needed. For example, while citizens certainly influence policy through voting, they also impact what government does through direct participation in policymaking, and influencing public officials. This type of participation is referred to as voice and is considered the long route to achieving accountability because it involves citizens trying to influence service delivery by influencing the state and its social policy. Another way citizens participate beyond elections is as clients of public services implementing policy and participating directly in service delivery, management and monitoring. This is referred to as a client power and is considered a short route to achieving accountability because it involves beneficiaries having direct influence and power over services, affecting service delivery without going through the state. Both types of participation are important and are part of the practice of social accountability. [World Bank, 2003]

First Order Indicators of Social Accountability

Society is a powerful potential force for strengthening government accountability. Nevertheless, this force does not come alive automatically or always in the most productive forms. Pro-accountability entrepreneurs need to design mechanism that both help translate this potentiality into action and privilege social actors that work for the public interest. [Ackerman, p. 11]

Such initiatives might include an array of Independent Pro-Accountability Agencies (IPAs) which include things like corruption control bodies, independent electoral institutes, auditing agencies, human rights Ombudsmen etc. The performance of IPAs varies widely between countries. Research shows that there is a direct relationship between the effectiveness of IPAs and the level and intensity of their interaction with society. Thus, both *social* and *accountability* are critical for holding governments accountable for their decisions and policies. [Ackerman, p. 9-10]

Among a wide range of mechanisms that can be used to build social accountability, those that seek to directly involve ordinary citizens in processes of allocating, disbursing, monitoring and evaluating the use of public resources have proved very effective since it is these resource follows that put policy into action. [Malena et al., p. 12]

In identifying indicators of social accountability, therefore, we face two levels of analysis. A first order set of indicators will simply identify the various mechanisms available in a community to promote or achieve social accountability. This approach would concentrate on listing various initiatives to provide citizen oversight and monitoring of what government does, including, but not limited to, the following:

- o citizen report cards like those in Mumbai, Bangalore and Calcutta India;
- o citizen score cards as they have in the Philippines;
- o expenditure tracking as they have in Uganda; and
- o budget review and analysis like they have in Gujarat, India. [World Bank Institute, 2005]

This indicator would simply reflect the prevalence of these types of initiatives which provide citizens with information about government activities and outcomes, and provides them an opportunity to provide feedback regarding their satisfaction with the overall level and quality of service being provided.

Second Order Indicators of Social Accountability

An alternative approach to develop indicators of social accountability would identify critical factors that need to be in place to have successful social accountability and propose indicators which gauge progress in strengthening those factors. Factors

which influence the overall success of social accountability efforts include, but are not limited to, the following:

- o The political and cultural context in which social accountability is being pursued – e.g., the ultimate success of social accountability efforts will depend on whether the political regime is democratic, a multi-party system is in place, basic political and civil rights are guaranteed and whether there is a culture of political transparency;

- o The availability, accessibility and reliability of public documents and data which is essential informing social accountability efforts;

- o An independent media, with pluralistic ownership, which plays a critical role in informing/educating citizens, monitoring government performance and exposing corruption; and

- o The capacity of civil society actors to undertake successful initiatives to promote social accountability including the level of organization of civil society organizations, the breadth of their membership, their technical and advocacy skills, their capacity to mobilize and effectively use media, their legitimacy and representativity and their level of responsiveness and accountability to their member. [Malena et al, pp. 15-16]

Indicators for the political and cultural context in which local government operates were set out above. Similarly, indicators of the capacity of civil society actors are discussed below. This section focuses on the second and third bullets listed here.

A well-informed citizenry is a critical component of local democratic governance. Access to information is key to promoting and strengthening democratic principles of openness, transparency and accountability. Thus, a core element of a system of social accountability rests on the availability of and access to information and the role of the media.

Information is the most important factor enabling citizen participation in monitoring public policy and service delivery. The timeliness, reliability, and accessibility of existing information systems need to be improved in transition and developing countries. [Yilmaz, Hegedus and Bell, 2003; Baltaci and Yilmaz, 2006]

Indicators of the availability and accessibility of information would focus on whether or not there is a law requiring local governments to make information public, whether or not local governments have internal financial management systems that would produce accurate information, and the ease with which citizens may acquire such information. For example, Wunsch suggests collecting information on the following types of issues:

- Audits are performed, published and posted on a regular basis as required by law; and
- Local governments provide regular reports regarding local conditions, compliance with national plans and service standards, local operations and activities and local plans, budgets, revenues, and expenditures.

Thus, a key element to creating an enabling environment for social accountability is the institutionalization of citizens' rights to access public information and the establishment of public systems that generate timely and reliable information on local government activities.
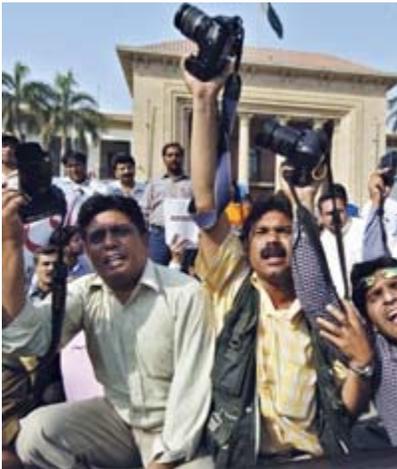
Collecting, analyzing and reporting information on local government activities is a critical component of holding local officials accountable for their actions. In this context, a free press plays a key role in sustaining and monitoring a healthy democracy, as well as in contributing to greater accountability and good governance.

Freedom House has been at the forefront in monitoring threats to media independence since 1980. They conduct an annual survey which tracks trends in global press freedom and draws attention to countries or regions where such freedom is under threat. Freedom House's survey data, spanning a time frame from 1980 to the present, is the most comprehensive data on global media freedom available and is a key resource for scholars, policymakers, and international institutions. Now covering 194 countries and territories, Freedom House's freedom of the press annual survey provides numerical rankings and rates each country's media as "Free," "Partly Free," or "Not Free." Country narratives examine the legal environment for the media, political pressures that influence reporting, and economic factors that affect access to information.

Other Formal Governance Institutions:

In the first section of the paper we argued that while local governments are probably the most important governance institutions, there are other formal institutions of governance that must be considered given our broader definition of governance. Such institutions include non-governmental organizations which have received much attention over the last decade or so. In addition, other formal institutions of governance include civil society organizations which are grassroots organizations that emerge from the bottom up in a society and include things like farmers' organizations, trade unions, community groups, professional guilds, political parties, informal networks, faith-based associations, student and youth organizations, academic bodies and business chambers.

Such organizations sometimes represent the interests and values of their own members; on other occasions they express the interests of others, based on ethical, cultural, political, scientific, religious or philanthropic considerations. Such organizations can be membership organizations, advocacy or service delivery organizations working on a local, national, international or global level of intervention. [Reuben, p. 6]

Our focus here, as with local government institutions, is the extent to which these other formal governance institutions are responsive and accountable to local citizens. As discussed above, many international, or even national, non-governmental organizations, whether engaged in service delivery or advocacy, may often respond to needs of local citizens, but may not be responsive to the priorities and preference of local citizens and may not be accountable to those citizens.

Specifically, non-membership organizations do not represent groups, or specific segments of society. Rather, they represent values, beliefs and lifestyles. When they engage in development advocacy they should be accountable to the constituencies from which they derive power and legitimacy. Thus, they face the challenge of building mechanisms of horizontal and downward accountability – accountability to the poor and excluded, not just to their donors and owners. [Reuben, p. 9]

Therefore, the relevant indicators of the prevalence of other formal governance institutions might focus on the number of civil society organizations that emerge from the bottom up. This might include traditional class based civil society organizations which are membership organizations – e.g., labor unions, craftsmen's guilds, peasant unions and employer associations. Such organizations would be characterized by formal internal elections and clear lines of accountability which would legitimize those who represent these groups. In such membership organizations, accountability is derived from representation, and their authorities ought to be accountable to those who elect them. Elections are the most important mechanism in holding authorities accountable in these types of organizations. [Reuben, p. 8]

Indicators here would reflect the extent to which such organizations exist at the local level.

Social Capital and the Enabling Environment for Local Democratic Governance:

The theory of social capital is about relationships. By making relationships with other people, and maintaining them over time, people are able to work together and accomplish things they either would not be able to achieve alone, or could only achieve with great difficulty. [Field, p. 1] According to Putnam,

> "Social capital . . . bolsters the performance of the polity and the economy . . . Strong society, strong economy; strong society, strong state." [Putnam, 1993, p. 176]

Therefore, to enhance the performance of governance institutions discussed above, a local community needs to have social capital. Thus, our final set of indicates need to capture the variation in social capital across communities and across time.

Developing indicators of social capital may be more challenging than any of the indicators above. For example, a number of analysts use the density of membership in formal associates as a proxy measure of social capital. However, what matters more for social capital are attitudes and behaviors that could be exhibited even without formal organization. For example, a person might trust their neighbor and thus be willing to engage with them in collective action to clean and improve their neighborhood, even without the benefit of any formal organization. Thus, relying on membership in formal organizations will give a misleading impression of the development of social capital in a community. [Krishna, p. 5]

Putnam defines social capital as "features of social organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit." [Putnam, 1995, p. 67] So, in a sense, social capital exists within individuals. In fact, networks, roles, rules, procedures, precedents, norms, values, attitudes, and beliefs are different among people who have different patterns of life. As such, measures of social capital relevant for one set of cultures will not be equally relevant for others. [Krishna, p. 56] Thus, at best, one can only hope to identify a proxy for social capital, not a direct measure of it.

Krishna looks at 13 different studies which measure social capital in a number of ways. Some of the studies look at social capital at the individual or household level, some look at it at the neighborhood or community level, some regional level and some at the national level. Most of these measures of social capital rely on some variation of networks based analysis. [Krishna, Table 4.1, pp. 57-62]

Based on his seminal work on the performance of regional governments in Italy, Putnam presents a measure of social capital – what he calls the Civic Community Index. The index is constructed out of fourteen separate measures of formal and informal associational activities and levels of trust. However, there is no consensus on what sorts of networks should be included in such measures. The concept of what constitutes appropriate networks has evolved over time as the concept of social capital is refined and becomes operational in a variety of different settings. [Krishna, p. 56]

An alternative approach to measuring social capital is called the Social Capital Assessment Tool (SOCAT) and has been put forward by the World Bank. This approach to measuring social capital combines quantitative and qualitative measurement instruments and is applied at both the community and household level. Data are collected from both structured questionnaires and open-ended participatory methods. But literally hundreds of questions go into developing this measure of social capital. [Grootaert and van Bastelaer, 2002]

Krishna argues that measures of social capital need to reflect what he refers to as the structural dimension of social capital – networks roles, rules, etc. But he also argues that measures of social capital must also reflect what he refers to as the cognitive dimension – relating to norms, values, attitudes and beliefs.

Krishna constructs what he refers to as his Social Capital Index. The index is composed of six questions – three on the structural dimension of social capital and three on the cognitive dimensions. On the structural dimension of social capital individual questions are developed that relate to the things that are perceived to be a collective responsibility in the community. Such questions would be specific to the cultural setting in which social capital is being measured. Alternatively, questions on the cognitive dimension of are designed to measure concepts more consistent across communities and culture – trust, public spiritness and solidarity. [Krishna, pp. 65-72]

The bottom line, however, is that communities with high levels of social capital will demonstrate multiple acts of cooperation and mutual goodwill, while communities with low levels of social capital will be associated with less cooperation and lower expectations. While measures which rely on membership estimates in formal organizations is lacking as a measure of social capital as discussed above, one potential proxy for the presence of social capital might be the number and size of informal civil society organizations which have emerged spontaneously from the bottom-up.

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