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Demand-Making on Local Governments¹

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One of the most important benefits of the decentralization of the state is, arguably, increased effectiveness in the provision of public goods and services to satisfy citizens' demands. By "bringing the government closer to the people," it is expected that subnational officials will more precisely identify the specific needs of culturally and geographically diverse groups of individuals (see Oates 1972; USAID 2000; UNDP 2002). For this increased effectiveness to occur, at a minimum citizens must exercise their right to voice at the subnational level, and subnational governments need to be able to allocate fiscal resources to best satisfy citizens' needs and demands. Only then can local governments be considered to be accountable to citizens.

If the above statements are correct, we should anticipate higher levels of citizen demand-making on municipal governments in those countries with higher levels of fiscal

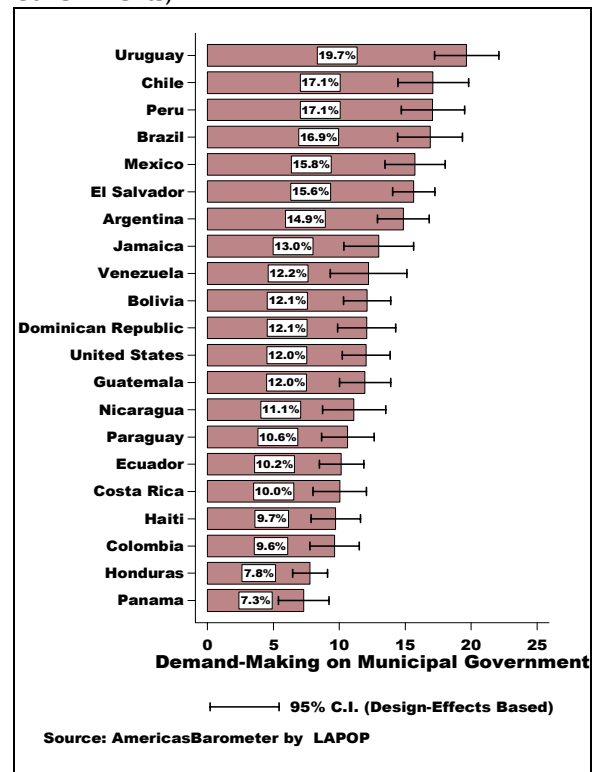
¹ Prior issues in the Insight series can be found at: <http://www.vanderbilt.edu/lapop/studiesandpublications>. The data on which they are based can be found at <http://www.vanderbilt.edu/lapop/datasets>

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decentralization. This paper in the *AmericasBarometer Insight Series* attempts to test this hypothesis by using the 2008 data base made possible by the AmericasBarometer survey carried out by the Latin American Public Opinion Project (LAPOP) in 22 nations in the Western hemisphere.² Here we explore the responses given by 34,469 participants in the 21 nations where the following question was asked:³

NP2. Have you sought help from or made a request of any office, official or municipal councilor of the municipal government within the past 12 months?

Figure 1. Percentage of the Population who Sought Help From or Made a Request of Municipal Governments, 2008



² Funding for the 2008 round mainly came from the United States Agency for International Development (USAID). Important sources of support were also the Inter-American Development Bank (IADB), the United Nations Development Program (UNDP), the Center for the Americas (CFA), and Vanderbilt University.

³ This question was not asked in Canada.

National averages are depicted in Figure 1. Answers were initially coded as '1' if the respondent answered "Yes" and '2' if the respondent answered "No." The results were then recoded on a 0-100 basis to compute the percentage of individuals who sought help or made a request in the 12 months prior to the survey.⁴

It is striking to note, first, that on average, only 12.7 percent of the total adult (voting age) population has requested help from their municipalities in the past 12 months in the Americas. This rate is, however, two points higher than the percentage of individuals who have participated in municipal meetings in the same period.⁵ Second, in this context of low demand-making, there is significant variation across countries. At one extreme, the countries with the highest percentage of municipal demand-making are Uruguay, Chile and Peru, with 19.7, 17.1 and 17.1 percent respectively. At the other extreme, the countries with the lowest percentage of municipal demand-making are Colombia, Honduras and Panama, with 9.6, 7.8 and 7.3 percent respectively.

Do these national averages of levels of demand-making on municipal governments hold after controlling for socio-economic and demographic individual characteristics? To respond to this question, we control for sex, age, education, wealth and size of town as control variables, and we eliminate the U.S. case in part because this country has such high levels of socio-economic development compared to the others, that any statistical analysis would be affected by this "outlier," and in part because the LAPOP project predominantly focuses on policy relevant questions for the Latin American and Caribbean region.

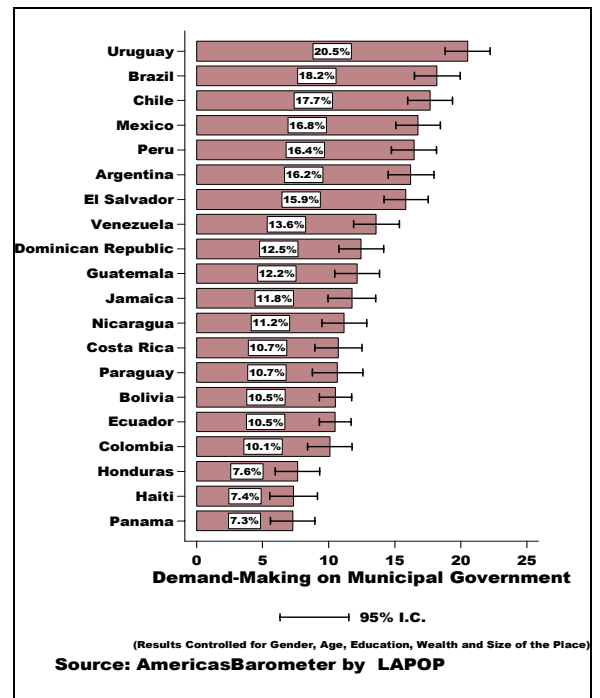
Figure 2 shows that after controlling for socio-economic and demographic individual characteristics, the country ranking somewhat varies relative to the ranking displayed in Figure 1. What other factors might matter in explaining

⁴ The non-response rate to this question was less than one percent.

⁵ See the report titled "Citizen Participation in Municipal Meetings" in this series.

this variation across countries? To answer that question we fit a multi-level model in order to determine not only the impact of individual socio-economic and demographic characteristics, but also the effect of variation in the levels of fiscal decentralization across countries.⁶ If the expectations set up at the beginning of this paper are true, we would expect to see higher citizen demand-making precisely in the local governments of those countries that are relatively more decentralized in fiscal terms.

Figure 2. Percentage of Demand-Making on Municipal Governments after Taking into Account Individual Characteristics in Latin America and the Caribbean, 2008



⁶ This analysis is carried out using multi-level regression techniques (Raudenbush and Bryk 2002), as implemented by LAPOP on STATA 10. The model simultaneously takes into account both individual and country-level (i.e., contextual) factors, and produces correct regression estimates that are impossible with standard OLS regression.

Fiscal Decentralization and Demand-Making on Municipal Governments

Finding the most appropriate measure of fiscal decentralization has not been uncontroversial (see Montero and Samuels 2004). Some scholars define fiscal decentralization as the capacity of subnational governments to generate their own revenues through taxes in addition to monetary transfers from the national government. Others study the level of subnational expenditures. In this study, we follow Daniel Treisman's (2007) approach that uses arguably the most popular measure of fiscal decentralization, which is the oft-cited share of subnational governments in total government expenditure.⁷ Thus, we employ both the Inter-American Development Bank Surveys (Daughters and Harper 2007) and the IMF's Government Finance Statistics (Edwards 2007).⁸ We then fit a multi-level model with the socio-economic and demographic characteristics as individual-level factors and our measure of fiscal decentralization (or decentralization of expenditure) as the country-level factor. Among the socio-demographic characteristics we now include the respondent's number of children, given that we expect that individuals with more children will more often request goods or services from their municipalities.⁹ Results from the regression are depicted in Figure 3.

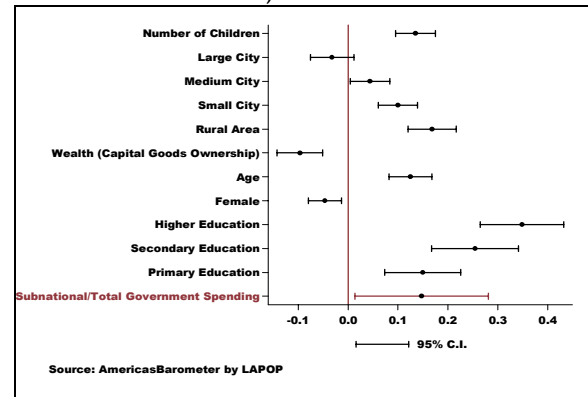
⁷ This index is controversial, but we use it in part to be consistent with the literature and also because we could not find other suitable measures of fiscal decentralization.

⁸ Measures of decentralization of expenditure were not available for Haiti in either source. For this reason we use an indicator of decentralization of revenue as a proxy (see Smucker 2000). Excluding Haiti from the analysis did not change the results.

⁹ Depending on the level of decentralization, municipalities may be in charge of giving birth certificates, education, health care, etc. This relationship, however, is not tested in the model.

Figure 3.

A Multilevel Analysis of the Determinants of Demand-Making on Municipal Governments in Latin America and the Caribbean: The Impact of Fiscal Decentralization, 2008



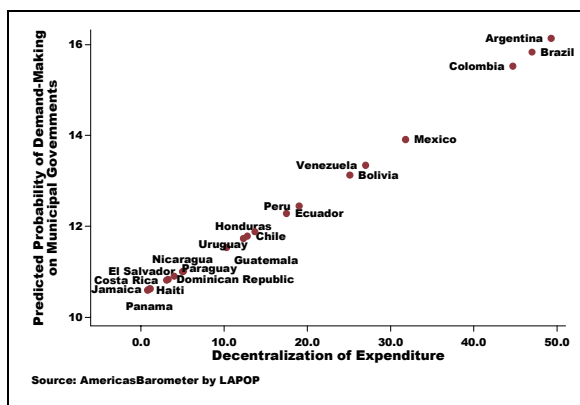
In the figure above, each variable included in the analysis is listed on the vertical (y) axis. The impact of each of those variables on demand-making on municipal governments is shown graphically by a dot, which if located to the right of the vertical "0" line indicates a positive contribution, and if to the left of the "0" line a negative contribution. Statistically significant contributors are shown by confidence interval lines stretching to the left and right of each dot; only when the confidence intervals do not overlap the vertical "0" line is the factor significant (at .05 or better). The relative strength of each variable is indicated by standardized coefficients (i.e., "beta weights").

The results displayed in Figure 3 show that as the number of children increases, the likelihood of demand-making on municipal governments augments as well. Holding all other factors constant, this pattern is also reflected as individuals grow older and also when they achieve higher levels of education. Moreover, men are more likely to make demands on their municipalities in comparison to women, but wealthier individuals are *less* likely to seek help from municipal officials. Finally, residents in rural areas, small and medium cities are more likely to be active in requesting public goods and services from municipalities than people who live in larger towns or the capital city.

The most important finding for this paper is, perhaps, the significant and positive effect of

fiscal decentralization on the level of demand-making on municipal governments. The contribution of this finding to the existing literature is two-fold. First, countries with higher levels of fiscal decentralization experience a higher level of demand-making. It is important to recognize, of course, that this connection does not immediately imply an improvement in the provision of public goods and services by local governments. To determine whether fiscal decentralization increases satisfaction with the provision of municipal public goods, a future paper in the *Insight Series* will conduct an additional multi-level analysis to explore this hypothesis. Second, while it seems at least possible that citizens' requests on their local governments increase as a result of decentralization, the converse may also be true. Hence, the question becomes: does demand-making increase decentralization, does decentralization increase demand-making, or both? This question needs to be explored further, but it is beyond the scope of this report. Whatever the direction of causality may be, this study finds a strong and positive correlation between citizens' demands on local governments and fiscal decentralization. Based on this analysis, Figure 4 displays predicted values per country of demand-making at varying levels of fiscal decentralization, all else being equal.

Figure 4.
Fiscal Decentralization and Demand-Making on Municipal Governments in Latin America and the Caribbean, 2008



The figure above shows the fitted line from the multi-level logit regression. It is important to

note that the predicted line above fits the countries that were outliers in a regular scatter plot. This is the reason why the placement of Colombia and Uruguay, for example, appear to be inconsistent with the rankings presented in Figures 1 and 2. Nevertheless, the placement of most countries (the non-outliers) is consistent with what we observed in the national averages depicted earlier, stressing the robustness of our findings.

Policy Implications

The impact of decentralization on local government responsiveness remains largely unknown in the social sciences literature. In this paper, we argue that fiscal decentralization is likely to increase the effectiveness of the link between governmental offices and individual needs. Specifically, decentralization of public expenditure seems to increase demand-making to democratic local governments. On the other hand, citizen demands at local offices may also play a fundamental role in increasing the fiscal decentralization needed by municipalities to best operate.

At the individual level, educational achievement is the variable that showed the most substantive effect on demand-making at the local level of government –a finding that is consistent with the effects of education on citizen participation in municipal meetings. This may be in part due to the greater ability of educated citizens to recognize their rights, and possibly in part to a greater amount of needs. Local policy-makers may want to promote greater participation of individuals with lower levels of education in order to better serve their needs. The challenge, however, is that limited resources often are incapable of meeting the demand, leading to frustration and lack of satisfaction, a topic that will be studied in a future *Insight* report.

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