

The Role of Local Governance in Asia: A Regional Perspective

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Decentralization is a comprehensive framework of governance. More often, it is seen as a one-dimensional concept. The most common assumption is that decentralization is a strategy for democracy and therefore democratization, i.e., giving way to self-determination to local communities in multiethnic countries, and/or allowing more participation at the grassroots. At times it is seen as an administrative strategy; the growing complexity of governance today has led central governments to rethink its dominance and share responsibility, and therefore authority, with local governments. There are also those that see it as an economic tool, that because local authorities and/or local governments are given more power, it is expected that they can then better provide the necessities of countryside development.

Decentralization is actually all of the above. It has become a fundamental means available to governments all over the world for responding to various challenges of today's globalized world. Because it's all of the above it has become a popular reform initiative in many developing countries, especially in Asia. Depending on the orientation of the one (person or organization) responsible for the initiative however, it becomes a one-dimensional concept. For donor organizations for example, decentralization is always seen as fundamental to democracy, but the approach and the initiatives are often too general to make significant impact. International funded projects always look at "key words" like participation, accountability and transparency, that if seen in the concept note would seem enough to merit support. This is good except that if not integrated with the specifics of the country and society, it becomes worthless. Decentralization is best seen as a framework and could be successful only if its application is made consistent with the specific conditions and character of the country's politics, economy and society.

It is fundamental to note that the devil is in the details. There can be no one-size-fits-all model of decentralization. In fact, with the complex problems countries all over the world face today, a degree of centralization should be maintained, even pursued. While giving leeway to local authorities is fundamental for local economic development, governance institutions should be made in such a way that policies and programs at the national and local level complement and not conflict. Most researches suggest that for decentralization to work, there must first be centralization. Hutchcroft argues convincingly that "a strong foundation of prior centralization" is a necessary basis for successful political decentralization (Blunt and Turner in Cheema and Rondinelli, eds. 2007: 120). Essentially, this applies to weak states, states that have yet to develop strong state institutions that will run regardless of particular interests in society. Decentralization if done appropriately to a particular country is good because it would be consistent with the nature and character of pluralistic, even multiethnic society. It is a system designed to be inclusive and at the same time supposed to enable the periphery to contribute

significantly to successful administration. As we review the case of five countries in Southeast Asia, particularly Cambodia, Indonesia, the Philippines, Thailand and Vietnam, it will reveal that the common impetus for decentralization in Asia are inclusiveness and participation. Whether these objectives are intended to achieve democracy, however, is another question. While decentralization in these countries afforded some degree of democratic space, the ultimate objective and net result are not necessarily democracy in the full sense. Whatever the reason for decentralization it could only be specific for each country; it may be intended for democracy, i.e., more political freedoms and civil liberties, but it could also be, intended or not, to entrench the ruling elite.

Asia Today

As has been argued in the foregoing, decentralization is often considered as a fundamental ingredient to democracy. After decolonization in the 50s and 60s, and subsequently the Cold War reaching its height in the 70s, Asian countries had been subject to the many twists and turns of international politics. The third wave of democratization reached the region in 1986 with the world-renowned bloodless People Power revolution in the Philippines. Vietnam, while still largely a communist country, in the same year started various economic and political reforms, but the ultimate objective is to integrate itself to the worldwide economy. Cambodia, Thailand and Indonesia followed after a decade with their own version of democratization but with the same vigour of introducing governance reforms aimed primarily at achieving economic development. At this time most of the countries in Asia, especially those we have looked into in this short study, have achieved medium human development. This means that with the exception of Japan and South Korea, most are still developing countries, including China (see table 1).

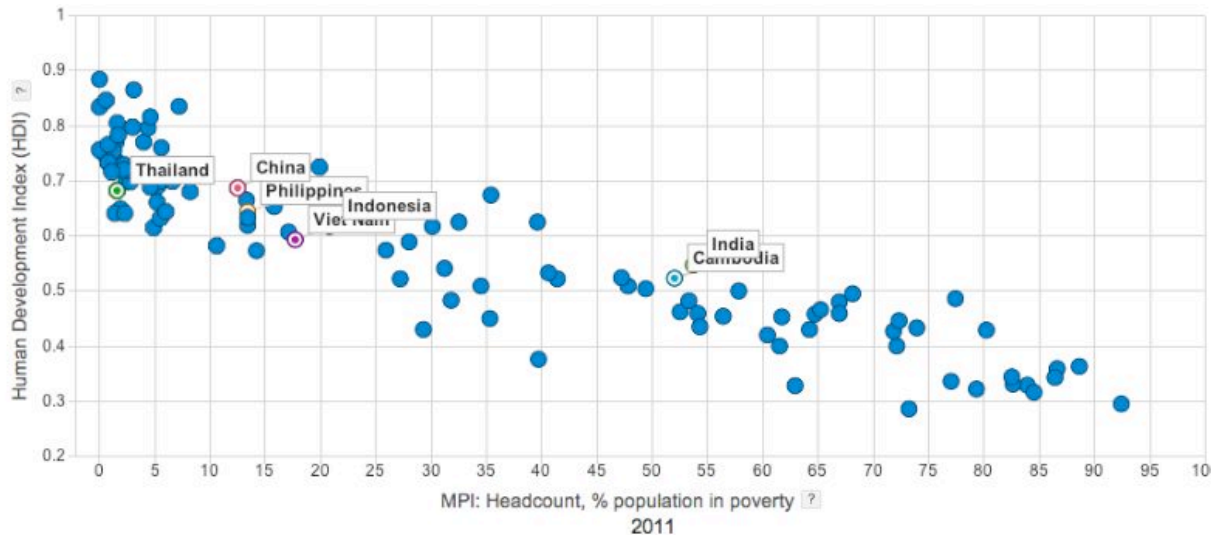
Table 1: Human Development Index 2011 Rankings

Country	Rank	Classification
Cambodia	139	Medium
China	101	High Medium
India	134	Medium
Indonesia	124	Medium
Japan	12	Very High
Korea, Rep.	15	Very High
Philippines	112	Medium
Thailand	103	High Medium
Vietnam	128	Medium

The question now is how economic development is felt in each country. Despite the unprecedented growth in China and India for example, two Asian countries considered as economic powerhouses, how much of this development is felt in the countryside? If we factor in poverty for example, Cambodia is the most underdeveloped out of the 5 countries we are

looking at in this study (see Figure 1). What is interesting to note however is: Cambodia is comparable to India in this regard. Poverty and underdevelopment remains considerable in the countryside, the exact contradiction compared to the business centers of Mumbai and Bangalore. Size is definitely a problem, but this is precisely why governance is crucial and the way basic services are provided, a key driver of growth and sustainability, is the primordial consideration why administration should be continuously evaluated and needed reforms are periodically introduced.

Figure 1: Comparative Human Development and Poverty



Data from Human Development Report 2011, United Nations Development Programme Last updated: Nov 2, 2011

Southeast Asia is a miniature picture of development and underdevelopment in the world. Out of the 10 member countries, Singapore is years ahead of the rest with Malaysia a close second. Brunei on the other hand remains a vibrant economy because of its oil industry. Laos and Myanmar are the two of the region's latecomers. We review the remaining five, Cambodia, Indonesia, the Philippines, Thailand and Vietnam, because these are the countries in the region that have managed to sustain economic growth coupled with continuing initiatives to improve on governance mechanisms. Much remains to be done, especially in achieving a functioning democracy. Having noted the start of democratization in the 80s and 90s, now is the best time to take a look at what has been achieved so far.

Since 2000, Cambodia, Indonesia, the Philippines, Thailand and Vietnam have been growing annually by 6 percent (see table 2). Considering the worldwide economic crisis that we have been in since the first half of the last decade, culminating in the mortgage crisis in 2008, managing at least 5% annual GDP growth is considerable. Thailand is the single exception because of its economy's close link and dependence on US and European trade, not to mention the political upheavals it faced in 2006. It is worth noting that this GDP growth is matched by the

annual net income growth suggesting the government's capacity to make the most out of economic development. The question however is if this growth can be credited to decentralization. Further studies are needed, as recent researches did not find any direct link between decentralization and economic growth (Cheema and Rondinelli, eds., 2007: 8). While the story of decentralization has always been aimed at democracy, economic development should also be its fundamental objective. Democratization took place in these countries in response to the need for more participation and ultimately to achieve transparency and accountability. All these are possible only if a majority in society will have the capacity to participate, which can only be afforded by economic development.

Table 2	Comparative Average Annual GDP Growth		Comparative Adjusted Net National Income Annual % Growth	
	2000-2004	2005-2010	2000-2004	2005-2010
Cambodia	8.47	7.83	8.40	8.83
Indonesia	4.57	5.71	3.00	5.33
Philippines	4.52	4.93	4.00	4.67
Thailand	5.14	3.78	4.60	3.67
Vietnam	7.18	7.26	5.40	8.50

Source: World Bank

In the first place, there is not much choice for countries today but to embrace democracy. The global economy requires a system that responds accordingly to fast-paced developments. This is clearly an advantage to those that already have a functioning state and governance system. Weak states, those that are just starting to build institutions after the colonial and world war period that held back growth and development, have to build institutions and at the same time compete in the global economy. An authoritarian government might work for a while but apart from the danger of unsustainability and inflexibility, integration to the world economy will always be a difficulty. This is not easy, which thus explains the considerable presence of development agencies and institutions in most of these countries. As we do a survey, this is the common thread that binds Asian countries. Each has to grow out of years of strife and conflict.

Decentralization As Key Strategy

Especially in the countries that we cover in this study, most Asian countries have for years been beset by internal political conflicts, dalliances with authoritarianism or military rule and even communism. The 60s and 70s was a particularly tumultuous period as the region was divided between allies of western capitalist democracy and of the eastern socialist or communist regimes. Cambodia and Vietnam were both attracted to some form of communism while the Philippines and Indonesia were ruled by authoritarian leaders and popularized the concept

“guided democracy.” At the end of this paper, a matrix is provided as an annex, summarizing relevant decentralization initiatives in each of the five countries as discussed in the following.

While Cambodia was not divided into north and south, the country had to face the struggle between the US-backed Lon Nol regime and Chinese-supported Khmer Rouge in the 70s. May 1993 was a turning point as the country conducted what many consider the freest elections since 1972. A new constitution was adopted in September with a King who reigns but does not rule. The shaky political setup gave way in 1997 with the Cambodian People’s Party led by Hun Sen taking control of the government through a coup. Two major laws were enacted in 2001, introducing decentralization and significantly altering the political structure. While this should be seen as a step towards democratization, the firm control of Hun Sen is still the rule. The process continued in 2004 amidst slow economic growth and political upheavals. Elites continue to fight one another, unions and their leaders are harassed and the courts hardly function (Freedom House 2004). All these had the king, despite his advanced age then, working hard to ensure his dynasty’s survival.

2009 may be seen as the culmination of decentralization of Cambodia with the passing of the Organic Law on Decentralization and Democratic Development. Councils at the provincial and district levels are now indirectly elected and oversee specific functions and resources given to all sub-national levels, including the communes. On the other hand decentralization remains incomplete as communes/sangkat councils do not collect enough revenue and the newly established district councils have yet to be determined (Gold II 2010).

Vietnam is similar to Cambodia, not only because of its communist past and was occupied by France, but also because decentralization was a gradual process (White and Smoke in World Bank 2005). The principal objective of decentralization in Vietnam is to empower local governments and work for development in the area. The decentralized structure provides flexibility for the provincial and municipal governments that in the process have made them able to attract foreign investments. This is consistent with the objectives of the Eighth Plenum of the Central Committee or the 7th Congress in redefining central-local government authority relations; this has been known as the Public Administration Reform Program or PAR.

To a certain extent, we can argue that decentralization is inherent to the Vietnamese system as it is enshrined in the country’s socialist philosophy. The country’s history has reinforced the significance of the work at the grassroots especially with the need to ensure responsiveness on the part of the government. The advantage is in the local fiscal capacity. Local budgets increased from about 26 to more than 45 percent of total public expenditure from 1992 to 2008. This is testimony to the significance of sub-national revenue, which has been increasing, from about 35 to 44 percent of total public revenue in 2008 to 2010 (Gold II 2010). Still, the challenge remains with the central-local relations. Vietnam remains a unitary state, and thus still has to revisit the options afforded to local governments. Especially considering the changing character of governance today, with the many challenges every country face, remaining substantially a unitary state will undermine the government’s capacity to respond.

Indonesia and the Philippines both share a history of authoritarianism. The Dutch occupied the former while Spain, Japan and the US colonized the latter. The growing political uncertainties in 1957 brought Sukarno to power but were unable to stabilize the country's politics leading to Suharto's rise to power in 1968. Suharto's success is due to the reported threat of communism, the same justification for Marcos' declaration of Martial Law in the Philippines in 1972. Initially, both authoritarian governments showed leadership abilities that led their country to economic development. All these however would prove unsustainable as both leaders succumbed to abuse of power and unprecedented abuse of government resources for personal gains. The subsequent political reforms and revolutions resulted in decentralization "leaps" after the sudden collapse of authoritarian regimes compared to the gradual approach of Vietnam and Cambodia (White and Smoke in World Bank 2005).

Democratization in Indonesia is seen in the history of *reformasi* that began in May 1998 and culminated in the holding of general elections in 1999. Despite allegations of fraud committed by the party of Suharto led by B.J. Habibie, the elections were generally considered free and fair. The constitution that was drawn as a result of the struggle for independence in 1945 remains. As the process of democratic consolidation continued, there were various initiatives to review this constitution. The result was the amendment by the People's Consultative Assembly (*Majelis Permusyawaratan Rakyat* or MPR), the country's legislature, of the constitution in August 2000. This amendment was considered as a step towards building a strong foundation for the country's democracy as it guaranteed regional autonomy. The ambiguity in the roles played by different levels of sub-national government led to the enactment of Law 32 in 2004 strengthening the role of provincial governments.

Many see decentralization as most advanced in the Philippines in the region, as this framework is established in various laws. The 1987 constitutions explicitly provide a decentralized political structure dedicating an entire article for the powers of local governments. In 1991, after years of policy exchanges between different agencies and political leaders, the Local Government Code was promulgated and devolved agriculture, health, environment and social services.

Local governments enjoy considerable financial autonomy. The law gives various revenue powers to them and at the same time enjoys a share of national taxes. On the other hand, the national government have not substantially prepared nor provided enough for the transition, with the result that performances vary from one local government to another. Instead of moving to improve local governance laws and programs, the new administration in place after the 2010 elections seem to instead favour a return to centralization with programs that effectively renationalize devolved services like social welfare.

Decentralization in Thailand, similar to Cambodia, Indonesia and the Philippines, is a significant part of the democratization process. The return of party politics in 1992 resulting from what many consider as the "Bloody May" incident have resulted in the enactment of laws that provided the election of local officials and the creation of autonomous local authorities. Of

course the process, especially the initiative to elect local officials, has not been without significant opposition, but the prevailing democratization sentiment was stronger.

Decentralization was institutionalized with the enactment of the 1997 Constitution. Under the constitution, decentralization is established as a "national basic policy." In 1999 the decentralization process act was enacted, and, in a way, primarily to ensure the autonomy of local authorities from the central government, the Local Public Personnel Administration Act was also promulgated.

Figure 2



Source: World Development Indicators, World Bank

Clearly, whatever the specific purposes of various administrations or regimes in these countries, decentralization is seen as a key strategy. A review of sub-national subsidies and transfers from 2000 to 2010 reveals a considerable share of overall government expense goes to the local level (see Figure 2). Indonesia tops all the countries in this review with an average of 55% of the overall government expense. Thailand is the most erratic in terms of fiscal transfers, with 2005 reaching as much as 33% and sharply down at 21% in 2010. This is shared by Cambodia in 2008 with a spike at 25% and returning to the general average of 19% in 2010. The Philippines is the most constant, averaging 19 percent all throughout. Vietnam unfortunately did not have available figures at the time of this writing.

A More Objective and Comprehensive Look Needed

Be that as it may, it is fundamental to note that there are pitfalls to decentralization that those pursuing it in the name of democracy especially must be extra careful about, particularly in the

design and strategy of implementation. Democracy must be pursued but only with specific important considerations of improving governance and achieving economic development. The nature of society must be considered as instead of enhancing democracy, decentralization may even hinder its development. This is true for “prismatic societies” or those that are characterized by a social pyramid (Riggs and Werlin as quoted in Tayao 2008: 96). Diamond (ibid.: 95-96) suggests that decentralization could result to the following instead of achieving good governance if not properly handled:

1. It may entrench or create authoritarian enclaves—this is true for countries with feudal-like socio-political structures. Local governments are seen as their turf and jurisdictions are determined according to the political loyalties in the local community. A good example is Indonesia where because of decentralization and democratization, old franchise actors re-emerged (Rock 2008). The same is true in the Philippines where the return of democracy in 1987 is now seen as a “restoration” (of old elites) instead of a revolution (Coronel 1991);
2. Permit intolerance of certain minorities—a persistent problem for multiethnic societies, more often in the case of weak states. Political divisions must be carefully determined taking note of minorities and preventing the dominance of one over the other/s. The result of intolerance leads to the contradiction of inclusiveness that purportedly is a key objective of decentralization;
3. Exacerbate geographical inequalities—this is expected only if the mechanism for fiscal transfers does not take into consideration the different economic levels of development and capacities in each region. Fiscal transfers more than enabling sub-national governments must also equalize and therefore must have a system of assisting those that need more in order to thrive and develop. Technical assistance from the central government should also be available anytime, as local officials may not have the necessary tools to raise expected revenues;
4. Foster redundancy and inefficiency—or devolution done without the central government actually willing to transfer authority and function. Conflict normally arises as to which level of government, even which agency, is responsible for what. Instead of using needed resources to achieve development objectives therefore, the result is often a waste of needed resources; and,
5. Stimulate ethnic and nationality consciousness—ultimately the result of no. 2. The autonomy that is afforded by decentralization may give a sense of independence, i.e., ownership or identity to the land or political subdivision. In fact, even absent a distinct ethnic group, a perverted sense of autonomy, the belief of separation from central authority and neighbouring sub-national or local government units, promotes a wrong sense of identity and parochialism.

Essentially there are three distinct challenges that Asian decentralization face which plays out differently in each country setting. Intergovernmental relations, i.e., how different levels of government work and coordinate with each other with distinct but complementary functions seem to be the foremost puzzle. The second is a fiscal mechanism that not only shares and transfer resources from the national level but also responds to the changing conditions and needs at the local level. In fact, ideally, the central government should be able to use this mechanism to prod sub-national and local governments to perform. Lastly, and this is the direct impact to democracy, is the accountability and management capacity of local officials. Oftentimes, this is also due to the existing socio-economic setting, but decentralization could exacerbate it (White and Smoke 2005).

In the end, there must be a comprehensive study of decentralization in the region, assessing its impact to the country's democracy and even its development. The study or studies should consider each and/or comprehensively all of the following:

1. A comprehensive reading of state-society relations. How much of public institutions actually work independently of private interests? What were the initiatives undertaken to establish strong public institutions? What are the factors that contribute or stop the furtherance of state capture or the inability of the state institutions to work free from private interests?
2. An inventory of laws that have been subsequently passed to support decentralization from its inception and establishment. It should include an assessment of difficulties that accompanied the advocacy of new legislation and further reforms. Were there monitoring and evaluation mechanisms that were put in place? Were these mechanisms made to work? What were the results?
3. The role of donor organizations and donor-assisted projects should be appraised. How much of these initiatives were undertaken simply as an advocacy of democratization, the larger picture of decentralization? The concrete efforts of donor organizations to understand the prevailing circumstance even before the inception of a project should be determined. Efforts to at the very least communicate with other donor organizations in the area should also be considered. These are all necessary to evaluate the impact of the programs to the country's development as these initiatives are intended to.
4. Central-local, or in the case of federated states, central-state-local relations are fundamental indicators of the state of decentralization and even democracy in a country. Decentralization will work only when the center and the periphery work as complementing and not competing agents. Of course, this is possible only if the center has adequately prepared and capacitated the local government prior to and continually upon decentralization. This is possible only if the transition from centralized to decentralized system is fully supported by central officials and bureaucrats. Especially in a strongly centralized system, the center often looks at the local with contempt. Only

when the local agencies work and deliver can the center see it as a worthy partner in governance. So this is the irony, the local must deliver, but it could do so only with the substantial support of the center. The mindset of central officials and bureaucrats on the local government's capability and of decentralization as a whole would then be good indicators of central-periphery collaboration if not cooperation.

5. The number of sub-national and local governments should be carefully studied. How much of these local governments were created from local political loyalties? In essence therefore, the reasons for creating new political divisions should be examined carefully. The impact of creating new and smaller political entities especially to economic viability, e.g., in terms of local tax base and sustainability of local public expenditure, should be key considerations and indicators of the nature of democracy in the country and therefore the key reason for the success and/or failure of decentralization.
6. Finally, there must be a time-series study of fiscal decentralization, i.e., on expenditures and revenues at the central and local level. This study should be able to determine the services that are covered by the local and/or sub-national governments. So far, even data is not readily available despite the various indicators that international organizations, e.g., the World Bank, ADB and UN, manage to prepare.

Making sense of the services that local and sub-national governments spend for is crucial in understanding the state of fiscal decentralization in a country. More often, much is expected from the local and sub-national governments, assuming that because of fiscal transfers they have much to spend. This fiscal capacity varies between different countries and even if we assume that there is enough revenue that is given to local and sub-national governments, the question of planning and budgeting capacity, and the whole policy capability of the local government, will have to be considered.

In conclusion, the project of democracy and decentralization is still largely a work in progress and will require more meaningful assistance from international organizations. Decentralization reform is an evolving process, one that is not linear and has been subject to moves toward recentralization (Martinez-Vasquez 2011). What is achieved so far is the key understanding that decentralization is fundamental. Despite the difficulties and even failures in some sectors if not areas, it remains a key mechanism valued by different Asian countries. Considering especially the complex challenges of the world today, from poverty to energy and climate change, the central government will definitely not be able to deliver on its own and with essential government work centralized. Not only is this ineffective as it is inflexible but ultimately even dangerous. Decentralization must therefore proceed, but will have to address existing difficulties and evolve according to each country's conditions and needs.

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Annex: SEA 5-Country Decentralization Matrix

CAMBODIA	
Legal Basis: <p>In 2001, two major laws covered political decentralization reform. The first was the Law on the Election of Commune Councils and the second was the Law on the Administration and Management of Communes/Sangkats.</p>	
Internal Structure: Political / Administrative Decentralization	Leadership Mechanism: Local chief executives elected through plurality system
Sub-national Levels of Government: Provinces, Municipalities, Districts, Khan/Communes, Sangkat	Fiscal Mechanism Share from national government
Ongoing Initiatives: <p>The World Bank through the government's Rural Investment and Local Governance Project (RILGP) is supporting decentralization efforts in Cambodia.¹</p> <p>The Government of Cambodia has updated its Rectangular Strategy noted in the National Strategic Development, update 2009 to 2013 that has four key angles of strategy. One angle gives special attention to decentralization and deconcentration (D&D) reform that aims to strengthen and expand local democracy and promote local development.²</p>	
INDONESIA	
Legal Basis: 2004 revised Autonomy Laws	
Internal Structure: Administrative Decentralization	Leadership Mechanism: Local chief executives elected through plurality system
Sub-national Levels of Government: Provinces, Municipalities, Cities	Fiscal Mechanism

¹ Official Website of the World Bank

(<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/CAMBODIAEXTN/0,,contentMDK:22883882~menuPK:293877~pagePK:141137~piPK:141127~theSitePK:293856,00.html>)

² Sinthay, Neb. 2011. "The implementation of decentralization and deconcentration in Cambodia: A Critical Assessment of the process, legal and functional disparities/gaps and public participation", Retrieved October 19, 2012 from <http://www.drfcambodia.net/forum/topics/the-implementation-of>

* Refers to the type of decentralization: a. Political Decentralization aims to give citizens or their elected local executives more power in public decision-making & independent from the national government; b. Administrative decentralization seeks to transfer responsibility for the planning, financing and management of public functions from the central government and its agencies to field units or local units of government agencies and c. Fiscal decentralization provides the local government the authority to make decisions on tax or expenditure issues (Treisman 2007). (Where is this footnote tagged to? -this refers to "internal structure")

		Share from national government, and also Locally collected taxes but controlled by the national government
Ongoing Initiatives: World Bank assistance to Indonesia called Local Government and Decentralization Project aims to improve the accountability and reporting of the central government’s Specific Purpose Grants (DAK) for infrastructure sub-sector within pilot local governments. ³		
PHILIPPINES		
Legal Basis: 1987 Constitution and 1991 Local Government Code		
Internal Structure: Political, Administrative, and Fiscal Decentralization	Leadership Mechanism: Local chief executives elected through popular plurality system	
Sub-national Levels of Government: Provinces, Municipalities, Component Cities, Highly Urbanized (Independent) Cities, Barangay (Village)	Fiscal Mechanism Internal revenue allotment, Locally generated income	
Ongoing Initiatives: Since the country now has a framework on decentralization, the full realization of the concept is done through strengthening local capacities and improving the way local governments deliver devolved functions such as provision of basic services. The country has local government units. Ongoing decentralization efforts are mostly centered on improving the capacities of the local authorities in providing basic services, clustering, and coordination.		
THAILAND		
Legal Basis: 1997 Thai Constitution, The Decentralization and Procedure Act of 1999, The Local Authority Personnel Act of 1999		
Internal Structure: Political and Administrative Decentralization	Leadership Mechanism: Local chief executives elected through popular plurality system	
Sub-national Levels of Government: Provinces, Districts, Sub-districts	Fiscal Mechanism Share from national government, Locally collected taxes but regulated by the national government.	
Ongoing Initiatives: The country has local authorities. Ongoing decentralization efforts are mostly centered on improving the capacities of the local authorities in providing basic services.		
VIETNAM		
Legal Basis: 1992 Constitution of Vietnam		
Internal Structure: Political, Administrative, and Fiscal Decentralization	Leadership Mechanism: People’s Councils at all levels are elected through universal and equal suffrage and direct and secret	

³ Official Website of the World Bank (<http://www.worldbank.org/projects/P111577/local-government-decentralization-project?lang=en>)

Sub-national Levels of Government:
Region, Provinces, Districts, Communes

ballot
Fiscal Mechanism
National tax share, Locally collected taxes

Ongoing Initiatives:

Decentralization in Vietnam is still characterized by vertically organized hierarchies. However, Vietnam is still motivated to practice deconcentration in terms of planning and implementation functions from the center to the provinces. There have been plans to shift further to the district and commune levels despite roles and responsibilities not being deconcentrated. The reason for this is the lack of skills at the lower levels.⁴

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⁴ United Nations Population Fund Official Website (<http://web.unfpa.org/monitoring/pdf/n-issue30.pdf>)