the direct election of municipal officials and the creation of new municipalities, (2) a substantial transfer of central government funds to the municipal governments, (3) the granting of tax categories to municipalities for raising their own revenues, (4) an increase in the development of the responsibilities and resources of municipal governments, (5) a

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For the empirical analysis, we estimate the parameters of the following expression:

$$A_{ihv} = \ + \ G_{ihv} + \ E_{ihv} + \ M_{ihv} + \ D_{ihv} + \ _{ihv} \tag{1}$$

A_{ihv} stands for awareness of decentralization of participant i of household h and village v. G_{ihv} is a vector of two variables that proxy for distance from the person's house to 1) the village school and 2) the closest market town. E_{ihv} is a vector of variables related to human capital that includes fluency in speaking Spanish and the highest grade completed in school. M_{ihv} captures the individual's level of integration in the market economy. D_{ihv} stands for the age and sex of the participant. $_{ihv}$ is a random error term.

We expect the coefficient of the variable for distance ( ) to be negatively associated with awareness of decentralization (H1 and H2), and the coefficients of modern human capital ( ) and integration in the market ( ) to be positively associated with awareness of decentralization (H3 and H4).

For the analysis, we use ordinary least square and probit regressions. Since we did not have convincing instrumental variables to control for the endogeneity of the explanatory variables, we cannot infer causality from the parameters we estimate. For

D₌ ‹ ₌‹ ₌‹

We followed Zaller (1990, 1992) and collected information on awareness of decentral-ization through a questionnaire. We asked one question about the Decentralization Law and one about the Popular Participation Law, two questions related to mechanisms created by decentralization reforms (i.e. *Grassroots Community Organization* and *Annual Operating Plan*), and two questions related to the local municipality (i.e. name of the mayor and name of the municipality). No one knew about the Decentralization Law, so we excluded that variable from our summary measure. The remaining five variables had statistically significant and positive correlation coefficients (between 0.21 to 0.40) and a Cronbach's alpha of 0.64, so we used them to construct a summary measure of awareness of decentralization using principal component factor analysis (see Table 1).

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Distance from town and village school: Vihool6em(betwement ,)-23(so)]TJ   Taawar awardnce fr48(town

villages located between 6 and 15 km from the town of San Borja. The second group included seven villages located between 33 and 50 km from the town of San Borja. The settlement pattern of the villages was nucleated.

The results from the first regression (column [1]) confirm H1 and H2, i.e. awareness of decentralization is positively associated with physical proximity to sources of information. A 1 percent increase in the distance from the village to the town of San Borja correlated with a decrease of 0.29 standard deviations in the index of awareness of decentralization ($p < 0.02$). Each extra minute of walking time between the household and the village school was associated with a 0.01 lower score of awareness of decentralization ($p < 0.01$). We tested for the joint significance of the two variables that proxy for distance and found evidence that the two variables together had a statistically significant negative association with awareness of decentralization ($F = 4.94$; $p > F = 0.02$).

In column [2] we found that an additional year of schooling was associated with 0.20 higher standard deviations in the score of awareness of decentralization ($p < 0.01$). Speaking Spanish was also associated with an increase of 0.36 standard deviations in the score of awareness of decentralization ($p < 0.01$). As expected, the two variables that proxy for modern human capital – schooling and fluency in spoken Spanish – had a

was particularly associated with the explanatory variables. We found that an increase in the distance from the village to the town was associated with a decrease in the probability of knowing the name of the municipality's mayor and the function of a Grassroots Community Organization. Distance between the household and the village school appeared to be associated with a lower score for awareness of the name of the mayor. Schooling was positively associated with the four proxies of awareness of decentralization (columns [1] to [4]), whereas fluency in spoken Spanish was positively associated only with knowledge of the Popular Participation Law (column [1]). Finally, income through wage labor was positively associated with the four proxies of awareness of decentralization, whereas sale of products was related to two of the proxies of awareness of decentralization. The positive joint effect of individual wage labor and sale of products on awareness was significant in the four models used.

Second, we used as dependent variables proxies of awareness of national and local politics (not shown). In the regression using as a dependent variable awareness of national politics (i.e. having voted in the last national election and knowledge of the results of the election), we found that awareness of national politics was positively and significantly associated with higher income from sales and wage labor, but not with

Table 4. ...

distance to town or with variables related to modern human capital. In the regression

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