

## FROM MICRO-SOFT TO MACRO-HARD: A LOCAL FOUNDATION FOR PARTICIPATORY GOVERNANCE

Policy Paper

### 1. INTRODUCTION

The raising demand for devolved local government has come as part of the broader process of democratic changes and market reforms in Georgia. The rationale for democratic local government is that power over the production and delivery of goods and services should be rendered to the lowest units capable of capturing the associated costs and benefits. In other words, local government is about bringing governance closer to people. Therefore, enhanced participation is one of the most important aspects local government. It helps to fulfill the major objectives of facilitating democratization and of improving efficiency in service provision.

This policy paper is devoted to the problem of citizens' participation in Georgian local governments. The paper is based on the research undertaken in the pilot Georgian municipalities from March 2002 to April 2003. Funding for the research came from the Open Society institute, International Policy Fellowships Program, Budapest, Hungary. The main objectives of the research were to analyze local policy networks and to explore the possibilities of improved public participation in Georgian local governments.

The policy paper briefly summarizes the main findings of the research. It is directed to both local and central government agencies, non-governmental organizations and international donor community. The conclusions and recommendations could be applicable to other transitional countries with the local governments consisting of non-homogenous population.

Local government is emerging institution in Georgia. First elections of local councils occurred in November 1998. The institution has been developing in the environment of flourishing corruption, distrust and clientelism inherited from the soviet system. The paper argues that one of the main obstacles for the highly performing local government is very low level of citizens' involvement in the local governance. One of the main reasons is that copied institutions of the Western competitive democracy cannot ensure the adequate participation of the groups of citizens.

Extremely weak public control over the local governments resulted in the concentration of decision-making power within the policy networks. The networks are composed by the hierarchically structured cliques. Each clique consists of a set of actors connected with the strong ties, i.e. actors in a clique depend on each other for recourses and display trust and confidence.

The paper argues that developed and democratic local government implies high level of public involvement and control over the local public affairs. To achieve enhanced civic participation an integrated approach should be adopted which consists of the following components: (1) deconstruction of the existing policy networks - empowering local governments by granting them more financial and political autonomy; (2) empowering civic associations by promoting their autonomy from governments and responsiveness to citizens; (3) building up new networks: introducing participatory institutions that supplement traditional institutions of local democracy.

## **2. THE MAIN FINDINGS**

### **2.1. Formal structures**

The organic law on Local Government and Administration (adopted in 1997 and significantly amended in 2001) established two-tier system of sub-national government. The first tier – municipal level - operates in cities, towns, settlements and villages. Each municipality has a representative body – council – that is elected in multimember single constituencies. The municipalities with more than 5000 voters directly elect mayors – heads of local governments. In the municipalities with less than 5000 voters the mayors are elected indirectly by the council.

On the second tier (district) representative bodies are no longer directly elected: the district council it is composed of chairs of the municipal councils incorporated in the districts. The head of district administration is appointed by the president from among the district councillors. In addition to the two tiers established by the legislation, a presidential decree introduced regional administrations, which represent the central government in managing and coordination policies for the localities. Thus the two-tier system in practice transforms into the three-tier one, which creates numerous overlaps in functions and competences.

The major problem for local governments is insufficient financial autonomy. Local governments have limited taxation powers and very scarce own revenues. In addition, local governments do not have land and property in their jurisdictions. Local budgets necessarily include mandatory expenditures on protected items such as education, sports, health, culture and social aid.<sup>1</sup> The system of central transfer allocated for the delegated competences and to cover budget deficits is not formalized and depends on face-to-face relations between the local officials and the central bureaucracy.

### **2.2. Policy networks**

Given the limited financial resources and insufficient fiscal autonomy of local governments it is not surprising that the formal structures at the localities play marginal role in managing of local public affairs. The research revealed that decisions and policies are determined by the informal alliances among the institutional and individual actors. These alliances establish stable policy networks, where actors of different backgrounds and interests coordinate to achieve certain goals.<sup>2</sup>

The local policy networks have the following structure: They are composed of hierarchically structured cliques. Normally policy network consists of the local government and bureaucratic cliques. The actors within each clique are connected by exclusively strong ties. That is, the actors depend on each other for resources, display high level of trust and confidence to each other. Local policy networks are dominated by the bureaucratic cliques, which are composed of high bureaucrats on the regional and district levels. Each clique maintains close contact with the center involving one or more important actors from the parliament or government. Relations between the main actors of a policy network frequently are of clientelistic nature.<sup>3</sup>

### **2.3. Participation**

Recent surveys indicated that people display low level of trust to local governments, are not aware of their activities and are reluctant to participate in local governance.<sup>4</sup> This general picture is even more pressing in heterogeneous municipalities where whole groups of citizens are excluded from governance processes. The low level of public participation is a result of twofold process; on the one hand, local governments are not willing to inform and involve citizens in their activities. On the other hand, citizens are not interested, as local governments cannot solve their major problems because of restricted financial resources.

### 3. PATHS AND OPTIONS

To briefly summarize the state of affairs in the Georgian local governments, local governments are legally independent, but heavily depend on the center for the resources. Localities are governed by the policy networks where bureaucracy keeps a leading role and local governments are marginalized. Citizens are not keen to participate in governance and local government officials display little interest in involving the electorate into the decision-making.

#### 3.1. Idealized model of local democracy

Local government is value based. That is assessment of a local government may vary depending on the ideological inclinations of an analyst. From the perspectives of liberal democracy local governments must meet general requirements for democratic good governance and ensure high satisfaction of citizens by quality service provision. From this view an idealized model of local government should have the following general features:

- Competition among individuals and organized groups for the positions of government power through regular, fair and free election
- High level of political participation and inclusiveness in the selection of leaders and policies
- Civil and political liberties – freedom of expression, press, assemblies, demonstrations, to join and for organizations, etc.
- Existence of multiple channels for representation of citizens; interests beyond the formal political framework of parties, representative bodies and elections<sup>5</sup>

More specifically, an ideal local government system should have the following technical characteristics:

- Clear division and no overlap of competences between the tiers
- Mechanisms of minority representation during the elections
- Sources of own revenue tied to the services to be delivered
- Formalized structure of the central matching and non-matching transfers
- Independent agency monitoring the spending of matching transfers
- Mechanisms of civic control and participation in the local government's activities<sup>6</sup>

There is neither ideal local government nor governance. But many of the Western democracies achieved the level of local democracy closer to the idealized model outlined above. Ways to participatory and democratic local governments are many and complex and there is no single receipt. Indeed, different countries have achieved the same level of local democracy going through different paths. Next section discusses over the possible paths towards the idealized model.

#### 3.2. Policy options

There are two main option - passive and active: either maintain the status quo, i.e. keep the state policy to local governments undefined or pursue one of the three – minimalist, regulative or network approaches. The minimalist approach implies that the state adopts necessary legislation for local governments, grants them sufficient degree of autonomy and keeps the central bureaucracy away from local businesses. The regulative approach suggests that the state not only grants rights and obligations to local governments, but also makes sure that local authorities meet the needs and expectations of the citizens by monitoring local governments' political and financial performances. The network approach is a combination of both: the state grants fiscal and political autonomy to the local jurisdictions but also creates an environment where certain types of policy networks are promoted and cooperation among the groups is stimulated.

Each of the paths can have both positive and negative consequences. The first, status quo path, will mean that local government jurisdictions continue to depend on the center on funding; centralized cliques in local policy domains dominate local politics and policies; citizens become less interested to participate in local governance and ultimately, in local elections. To sum up, the central government wins in the short by maintaining overwhelming control on the localities.

However, in the long run the government may lose political legitimacy and popular support at the localities.

The minimalist approach gives more rights to locally elected representative bodies and local officials. It may raise local governments' responsiveness and citizens' satisfaction in the short run. But as there are no mechanisms of the public control and monitoring, in the long run powerful local elites may legitimize their powers through local elections and exclude other groups from local government processes. This may cause non-transparent local budgeting and spending as well as further flourish of the clientelistic relations.

Regulative approach highlights central government's capacities and responsibilities. Central control on local governments' political and financial performance may improve the quality of services in the short run, as the service delivery capacity at the localities is not adequately developed yet. However, in the long run both citizens and local officials may become disillusioned, which may seriously damage local democratic development.

The third, network approach keeps balance between the two: it empowers local governments to be significant actors at the localities, but also ensures that there are other not least significant actors that may check and balance local officials' performances. This approach emphasizes that localities should be governed not by a single institution, but by networks of all the significant players on the municipal jurisdictions. Thus the model suggests that empowered local government must be accompanied with the participatory institutions that will complement the traditional institutions of competitive democracy. The model may increase local governments' responsiveness, citizens' satisfaction and democratic performance, but also may slow down the decision-making process.

#### **4. RECOMMENDATIONS**

The network approach to local government reform has more merits than other approaches discussed above. It brings the local government system closest to the idealized model. There are four necessary steps that facilitate the implementation of the network approach: (1) deconstruction of existing ties among the powerful actors at the localities; (2) empowering of local governments; (3) promoting civic associations; (4) enabling actors to structure and restructure policy networks according to local needs.

##### **4.1. Weakening strong ties: fiscal decentralization**

As it was described above, the bureaucratic cliques dominate the policy networks at the localities because of unfinished fiscal decentralization. The bureaucracy remains in control over the resources and local governments have to maintain strong ties with it to get access to the public funds. Therefore, fiscal decentralization may have two consequences: first, make ties weaker between the bureaucratic and local government cliques, and second, increasing local governments' capacity to deliver quality services to the citizens. Fiscal decentralization should meet the following requirements: (1) local governments should be given relatively equal and stable sources of revenue; (2) significant part of the state owned property should be transferred to local governments; (3) the revenue basis should be tied to the local government's competences; (4) formal system of distribution of the matching and non matching transfers should be worked out; (5) independent central agency should be created to monitor the spending of matching transfers.

##### **4.2. Promoting associations: procurements**

To promote a multiplicity of formally organized interests, civic associations should be supported. At the present time Western foundations encourage citizens to form associations. As a result, the non-governmental sector maintains closer ties to the international funders than to the local citizens. To increase the responsiveness of civic associations local governments should

allocate resources for local NGOs on the competitive basis. This is well-developed practice in the west and is now emerging in transitional countries.

Another important tool for empowering non-governmental sector is the system of procurement. In some cases procurement legislation permits governments to prefer nongovernmental contractors for certain services. Alternatively special rules in the procurement legislation are provided so that special rules apply to allow only an NGO to bid for a particular project.<sup>7</sup>

### **4.3. Constructing new policy networks: municipal partnerships**

To make sure that local policy domains are not dominated by a single powerful actor local governments must become legally obliged to accept that there are legitimate actors within their jurisdictions other than elected bodies. That is, local governments should be required to create partnerships where policies and decisions will be drafted and sent to the local councils for further approval. Local governments must keep discretion over the composition and functional characteristics of the partnerships; the partnerships may be of general purpose or regulation more specific issues of public policy such as local economic development, infrastructure or housing. However, the legislation should make one general requirement: local budgets with revenue and expenditure priorities must be drafted by the partnerships and approved by the councils. Similar institutional settings are quite developed in the West European countries: the partnerships are created to get together variety of actors such as associations, local governments, interest groups, chambers of commerce and even churches. These neo-corporatist arrangements differ from the traditional tripartite bargaining by diversity of purposes: the discussed issues range from different issues of public policy to more concrete local projects.<sup>8</sup>

### **4.4. Looking forward**

Partnership approach may have positive implications not only for the local but also for the national level of governance. It is a well-known fact that ethno-regional divisions constitute Georgia's most serious obstacle to state building. Georgian state tends to be organized according to the principles of ethno-nationalism.<sup>9</sup> This make difficult to build the institutions that will stabilize the state and support institutional and market reforms. As a result some scholars argue that Georgia's transition to democracy failed.<sup>10</sup> The introduction of participatory institutions may facilitate a dialogue among the opposed groups, which may become a solid precondition for the inclusive governance at the national level.

## **NOTES:**

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<sup>1</sup> *Bolasgvili, P. (2002). "Fiscal Autonomy Problems of Local Government in Georgia". In Davey, K. (Ed.). Fiscal Autonomy And Efficiency: Reforms In The Former Soviet Union, Budapest: LGI Studies.*

<sup>2</sup> Policy networks are a model of interest group representation. See: Marsh, D. (1998). "The Development of the Policy Network Approach", In marsh, D (Ed.). *Comparing Policy Networks*. Open University Press.

<sup>3</sup> According to Piatoni, clientelism is "the trade of votes and other types of partisan support in exchange for public divisible for divisible benefits. See: "Piatoni, S. (2001). "Clientelism in Historical and Comparative Perspective", In Piatoni, S. (Ed.). *Clientelism, Interests and Democratic Representation*. Cambridge: Cambridge University Press. 4.

<sup>4</sup> Survey commissioned by the National Democratic Institute (NDI) in 2001. Also survey conducted by the by public opinion research company GORBI in July 2002 (both unpublished).

<sup>5</sup> First three preconditions are outlined in Dahl, R. (1971). *Poliarchy: participation and Opposition*. New haven: Yale University Press. The forth precondition is added by Diamond, L., Linz, J., and Lipset, S. (1995). "What makes for Democracy?" In Diamond, L., Linz, J., and Lipset, S. (Eds.). *Politics in Developing Countries: Comparing Experiences with Democracy*. Boulder Co: Lynne Reinner.

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<sup>6</sup> Gabor Soos develops an ideal model of local government based on the expectations of local governments' performances. According to his model, a good local government should be (1) good policy-maker; (2) effective implementer; (3) responsive manager; (4) democratic organization. See: Soos, G. (2001). *The Indicators of Local Democratic Governance Project. Concepts and Hypotheses*. Budapest: LGI/OSI.

<sup>7</sup> Simon, K.W. Irish, L.E. "Legal Mechanisms to Encourage Development Partnerships" at <http://www.icnl.org/journal/vol11iss1/istr.htm>

<sup>8</sup> Pichierri, A. (2002). "Concertation and Local Development", *International Journal of Urban and Regional Research*, 26(4)

<sup>9</sup> Copieters, B. (2001). "Ethno-Federalism and Civic State-Building Policies: Perspectives on the Georgian-Abkhaz Conflict", *Journal of Regional and Federal Studies*, 11(2).

<sup>10</sup> Duffy Toft, M. (2001). "Multinationality, Regional Institutions, State -Building, and the Failed Transition in Georgia", *Journal of Regional and Federal Studies*, 11(3).