

Koba Turmanidze

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**MODELS OF GOVERNANCE IN DIVIDED COMMUNITIES:
THE CASE OF GEORGIAN DEVOLUTION**

Research paper

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INTRODUCTION

Devolution is regarded as the strongest form of decentralization. Under this model, authority is transferred to sub-national elected governments, which are accountable to the population of their territories. In the Georgian context successful devolution process has twofold importance: On the one hand, it puts into practice the implementation of democratic institutional building declared by the Constitution, on the other hand, it possesses robust mechanisms for conflict prevention, vital to divided societies such as Georgia.¹

Devolved local government has a short history in Georgia. The system of local government has always been integrated into larger and often centralized system of bigger units such as the Russian Empire and USSR. The only exclusion is the short-lived Georgian Republic of 1918-21, but this was not long enough for the establishment of local government traditions. Therefore Georgia started building the self-government system from scratch in the 90s, simultaneously with the building of independent nation-state institutions.

The introduction of local government institutions took place when there had been long traditions of decision-making patterns, both formal and informal. Observing institutional building in transitional countries, many 'transitologists' concluded that suitability of the institutions depends on the environment and as the environment changes in unpredictable ways, efficiency of the borrowed institutions in the short run may turn into inefficiency in the long run.²

One can argue that this wisdom has been completely ignored during the decentralization process in Georgia. The process started a decade ago, but there is insufficient progress in the development of local institutions as it is indicated in the survey results that studied public attitudes towards local governments. The key findings of the survey show that citizens feel they are underrepresented in local governance processes, they have a low understanding of the structure and functions of local government and low trust in local officials.³ Another recent survey in three districts demonstrates that only 23 % of respondents has shown an awareness of local governments' activities.⁴ The main reason of the poor institutional performance of local governments and low level of participation is attributed to the low capacity of the local institutions, such as lack of technical experience, inadequate budget, poor revenue sources, and inappropriate organizational structure.

I argue that, exclusive concern with technical matters distracted attention from political factors, political culture, and policy networks existing at the localities. The main objective of this paper is to identify focal points of institutional innovations that will lead to participatory governance in non-homogenous communities. The central argument of the paper is that existing practices of policy-making must be taking into consideration while devolving power to the local institutions. Thus, to achieve the main objective the paper analyses the role of local policy networks in the policy outcomes of local governments.

The paper consists of five parts. The first part addresses the question of theoretical background and outlines research design. The second part describes formal structures of Georgian local government before and after the institutional reform of 2002. The third part develops indicators for the institutional performance and describes how local governments perform. The fourth part analyses policy networks and offers network explanation to institutional performance. The last, fifth part reviews the models of participation and concludes with recommendations for participatory governance.

¹ Ethnic and civil conflicts in Georgia of 1990s are analyzed in Sleider, D. (1997) Democratization in Georgia. In Dawisha, K., and Parott, B. (Eds.). *Conflict, Cleavage and Change in Central Asia and Caucasus*. Cambridge: Cambridge University Press.

² Grabher, G., and Stark, D. (1998) Organizing Diversity: Evolutionary Theory, Network Analysis and Post-Socialism. In Pickles, J., and Smith, A. (Eds.). *Theorizing Transition: The Political Economy of Post-Communist Transformations*. London and New York: Routledge.

³ Survey commissioned by the National Democratic Institute (NDI) in 2001. (unpublished).

⁴ Survey conducted by public opinion research company GORBI in July 2002 (unpublished).

1. THEORY AND RESEARCH DESIGN

Theoretical background

The theoretical background of this research proposal is a combination of institutionalism and network theory. The integrated model of institutionalism claims that institutions have regulative, normative and cognitive pillars that are supported by cultures, social structures and routines.⁵ Institutions are constantly changing by the logic of *bricolage*, e.g. they are rebuilt using the ruins of existing institutions rather than on the ruins of destroyed ones. This process gives a constant legitimacy to the institutions.⁶

The network theory sees an actor as embedded in structures of relations. It aims to study these relations rather to analyse social entities such as individual actors, social groups, organizations, etc. The research relies on the understanding of policy networks as tool of interest intermediation between the public and private spheres.⁷ The paper claims that policy outcomes of public institutions are largely determined by the structure of the interest intermediation, i.e. by the structure of policy networks.

From the position of an individual actor, institutions have twofold functions: The first, institutions constitute both “logic of appropriateness,” which creates the frameworks for the individual interpretation of rules, identities and alternatives, and ‘logic of consequentiality’, e.g. framework for the goal oriented, rational action.⁸ The second, institutions still leave a choice for individuals. Being socialized in different environments, an actor develops multiple, often competing identities. As a result, both the ‘logic of appropriateness’ and the ‘logic of consequentiality’ constituted by the institutions can have manifold and competing meanings depending on actor’s position in the network he/she is embedded in. Thus, to understand an action guided by the institutions, one should analyze the network position of the actor.

Institutions are changing both formally and informally. The formal change is initiated and guided by the state through changes in regulations and legislation. What effect does a formal change have for the policy outcomes? The first expectation of the paper argues that institutional change reshapes the structure of networks and this has an effect on policy outcomes. Figure 1 schematically describes this expectation:

Figure 1. Expected effect of institutional change on policy outcomes.



Local government jurisdictions are composed of variety cliques of policy networks. The actors within each clique are public and private organizations as well as individuals. These actors interact with each other in the process of policy/decision-making. As elected local government is newly established institution, it is likely that bureaucracy dominated cliques still play very significant role at the localities. The second expectation is that policy and decisions at the local level are made through the interaction of hierarchically structured cliques. There are two key components for policy-making that are channeled through the ties among the cliques – information and resources. Starting from the influential work of Mark Granovetter, It is argued

⁵ Scott, W.R. (1995) *Institutions and Organizations*. Thousand Oaks, CA: Sage.

⁶ Lanzara, G. F. (1998) Self-destructive Processes in Institution Building and some Modest Countervailing Mechanisms. *European Journal of Political Research*, 33 (1), 29.

⁷ Marsh, D. (1998) The Development of Policy Network Approach. In D. Marsh (Ed.). *Comparing Policy Networks*. Philadelphia PA: Open University Press.

⁸ March, J., and Olsen, J. (1989) *Rediscovering Institutions. The Organizational basis of Politics*. New York: Free Press, 160.

that information and resources flow differently depending on strengthens or weakness of these ties.⁹ Strong tie implies trust, closeness and interdependence of actors, while weak tie refers to more superficial contact or acquaintance. Granovetter's argument is that through weak ties closed and homogenous cliques are bridged and this facilitates exchange between the cliques. For local governments to perform well it is crucial to receive timely and reliable information from the bureaucrats. From this view the research expects that the weaker the ties between the main cliques the higher the level of local government's performance.

Research design

The main units of analysis of the paper are policy domains in pilot municipalities. According to Lauman and Knoke (1987) policy domain is a set of actors with major concerns about a substantive area, whose preferences and actions on policy events must be taken into account by the other dominant participants.¹⁰ But, policy domains are not legally recognized entities with clear-cut boundaries. It is a constructed unit of analysis, which has four main components: actors, policy interests, power relations and collective actions.¹¹ Normally, policy domains are constructed to analyze policy making in certain sectors like health, environment or education. For our purpose policy domain is given territorial dimension, i.e. those actors will be analyzed whose interest and influence is important at the localities. In this view, choosing municipal domains enables us to take into account variety of actors on both national and local levels.

Table 1. Description of municipal policy domains

Elements	Examples
Actors	
○ Local government institutions	<i>Councils, city governments, local departments/services</i>
○ Central government institutions	<i>Regional and district administrations, local branches of ministries</i>
○ Interest groups	<i>Non- governmental organizations, business groups</i>
○ Formal sectors	<i>Health and educational organizations</i>
○ Individual actors	<i>Councillors, mayors, members of parliament, businessmen, regional appointed officials</i>
Policy interests	
○ Issues	<i>Municipal competences, service delivery, control of funds</i>
○ Events	<i>Local elections, legislation, regulations</i>
Power relations	
○ Information exchange	<i>Ideas, data, strategies, advice</i>
○ Resource exchange	<i>Funds, facilities, votes</i>
Collective actions	
○ Mobilization	<i>Coalition building</i>
○ Publicity	<i>Briefings in media</i>
○ Lobbying	<i>Connections with elected and appointed officials</i>

Adapted from Knoke, D., Pappi, F.U., Broadbent, J., Tsujinaka, Y. (1999). *Comparing Policy Networks. Labor Politics in the U.S., Germany, and Japan*. Cambridge: Cambridge University Press.

Some scholars of power networks argue that formal organizations are the key players rather than individuals and therefore, interorganizational networks matter more than interpersonal ties.¹² From that perspective only organizations and organizational actors are analyzed in policy

⁹ Granovetter, M. S.(1973). The Strength of Weak Ties. *American Journal of Sociology*, 78.

¹⁰ Edward O. Lauman, E.O., and Knoke, D. (1987). *The Organizational State. Social Choice in National Public Domains*. Madison: The University of Wisconsin Press, 1987.

¹¹ Knoke, D., Pappi, F.U., Broadbent, J., Tsujinaka, Y. (1999). *Comparing Policy Networks. Labor Politics in the U.S., Germany, and Japan*. Cambridge: Cambridge University Press, 11.

¹² Knoke, D. (1994). Networks of Elite Structure and Decision Making. In Wasserman S., and Galaskiewicz, J. (Eds.). *Advances in Social Network Analysis*. Thousand Oaks, CA: Sage Publications, 290.

domains and individuals are paid no attention. This argument is mainly based on the data from advanced western democracies. In the context of less democratic, transitional country individual actors and interpersonal connections are so strong that they frequently became driving forces for policy networks. Based on this argument table 1 describes four main components of municipal policy domain.

The research has been conducted in three pilot municipalities. The municipalities have been selected based on the following criteria: (1) Existence of sharp ethnic or political divisions; (2) Urban settlement and administrative centers of districts; (3) Plurality of interests, i.e. reasonably developed media, voluntary and business sectors. One of the selected cities, Akhaltsikhe, has ethnic divisions¹³ and two, Gori and Khashuri are with political divisions. Table 2 shows the results of local elections in 1998 by party lists, which indicates political differences in electorate.

Table 2. Results of local elections in pilot municipalities by parties, 1998

Parties	Cities	Gori			Khashuri			Akhaltsikhe		
		Votes	%	Seats	Votes	%	Seats	Votes	%	Seats
Citizens Union		4440	28.64	8	1893	24.03	6	2609	46.58	12
Revival		1215	7.84	1	519	6.59	1	-	-	-
People's Party		3150	20.32	6	568	7.21	1	793	14.19	3
National Democrats		1329	8.57	1	411	5.22	1	-	-	-
Socialist party		-	-	-	2005	25.45	7	-	-	-
Labour party		2130	13.74	4	1153	14.64	3	1271	22.72	4

Source: Lominadze, J. (1999) *Elections of Local Representative Bodies in Georgia*. Tbilisi.

The research was conducted in several phases. In the first phase legislative acts concerning local government were studied and internal structures of the municipalities were reviewed. The second phase was dedicated to the gathering and analysis of all normative acts of local councils and executive bodies in pilot municipalities. The third phase started with observing connections and alliances during the pre election campaigns in May 2002 and continued with the two series of interviews with actors of the municipal policy domains.

The review of the internal structure of municipalities and preliminary meetings with local officials revealed that local governments saw the structure of their jurisdictions divided into education, health, business, voluntary and government sectors. Thus, two series of semi-structured in-depth interviews were conducted with representatives of these sectors, who occupied high leadership positions in their organizations. These actors are referred to in the paper as key stakeholders. The interview questions were grouped around the four theoretical questions: (1) evaluation of local government's activities under the old and new systems; (2) assessment of the impact of institutional innovations; (3) Participation in decision-making process; (4) Connections and ties relevant to policy-making in municipal policy domains. Annex 1 shows the main questions of the interviews.

2. FORMAL POWER STRUCTURES IN LOCAL GOVERNMENT

Evolution of local government

Georgia declared the restoration of the independent nation-state on 9 April 1991. From the very start of independence, the introduction of local government has been highly debated. The results of this debate have always been controversial. The first parliament (1990-91) made the first steps towards reform. They introduced elected councils on the level of village, temi (two or more amalgamated villages), town, city and district (Raion). But the reform was supported neither by the opposition nor by the public, as the supervisory power over the elected bodies

¹³ The city is populated by the Georgian and Armenian ethnic groups. Different sources estimate ethnic Armenians differently: from 35 to 45 % of total population.

was granted to the Prefect, who was appointed by the President of Republic. As expected, the Prefect secured all executive power and the elected officials were not able to exercise their functions. Therefore, the first steps towards the reform can not be seen as successful.

After the military coup of January 1992 and the collapse of newly built nation-state institutions, the new ruling force (the Military Council) abolished the institution of Prefect. However, the elected councils were not able to continue functioning in the dramatically changing environment and ended up in self-liquidation. To fill the institutional gap at localities the Head of State introduced the practice of appointing heads of distinct administrations (Gamgebeli) in 1992. This institution grabbed overwhelming power on the local level. The reason was twofold: On the one hand, the absence of elected councils meant that there was no mechanisms for public control, and, on the other, the extremely weak state was not capable of controlling and monitoring local administration either.

The capacity of the central government was limited because of the lack of statehood traditions, the civil war and the rapid economic turndown. After the military coup part of the territories were under the control of the supporters of ex president. The de facto central government had neither capacity nor human resources to complete district governments with loyal cadres. As a response to these difficulties the head of state introduced a position of the Presidential Representative in regions. Later, the constitution confirmed that the president had right to appoint his representative for various purposes. This article had been used to draw boundaries of regions based on the historical-ethnographic traditions. However, regions are recognized as territorial unit neither by the constitution nor by any laws. The controversy between the constitution and the existing reality has been debated for a long time within the parliament. The president's solution was to appoint his representative in several districts jointly, creating de facto a region. Thus, the Presidential Representative became responsible for all state matters in the regions. Although there was no hierarchical relationship established by legislation between the Presidential Representative and local government bodies, the Representative maintained quite a few mechanisms to control and dominate local governments.

The second parliament (1992-95) tried to continue the democratic reforms of local governments. A law was drafted but the parliament considered and approved it only on the first hearing and failed to progress further. The reason of this failure was the then dominant discourse in the political elite, which considered local government reform as one component of the territorial-administrative organization of the country. But territorial-administrative changes were believed to happen only after the restoration of jurisdiction over the lost territories. These territories were the former Ossetian Autonomous Okrug and the Abkhazian Autonomous Republic. The Ossetian autonomy was abolished by the first parliament in 1990 and this was followed by an armed conflict between the ethnic Georgians and Ossetians. As a result the Okrug announced independence from the Georgian state and the Russian peacekeeping forces kept this status quo. The Abkhazian Autonomous Republic announced its independence after the Georgian governmental army was defeated in the civil war of 1991-93. The politicians considered the territorial-administrative arrangement as an outcome of political bargaining between the Georgian state and the leadership of territories out of Georgian control.

This approach is reflected in the constitution of 1995, which declares that territorial-administrative division of the country would be designed by a constitutional law after the restoration of Georgian territorial unity. But the constitution stated that citizens of Georgia may manage local public affairs by elected self-governments without violation of national sovereignty. The constitution also declared that local government system and responsibilities would be regulated by the organic law, which stands higher in the Georgian legislative hierarchy than regular laws.

It took the third Parliament two years to reach agreement on the system of local governments. Finally, in 1997, the Organic Law on Local Government and Administration was adopted and in October of 1998 the first local elections was held. The organic law established two tier system

of sub national government: first tier in villages, towns and cities incorporated into districts and second tier in territorial units – districts. In six big cities not incorporated into districts unitary local governments were established, i.e. they were given the responsibilities of both tiers. However, the law was not based on consensus – large part of parliamentary opposition refused to participate in the drafting process because there was no political decision about full self-government, and the heads of district administration (Gamagebeli) and mayors of unitary city governments would still be appointed by the President.¹⁴

When Georgia joined the Council of Europe in 1999 the government took responsibility to harmonize Georgian local government system with the European Charter on Local Self-government within three years. Both the government and parliament agrees that there was a need for reform. But the reform process became excessively politicised as the actors both inside and outside of government tried to shape the reform in accordance with their private interests. For example, the state chancellery and some ministries remained conservative as they wished to keep central control on localities. The opposition and civic organizations tried to weaken central bureaucracy by advocating decisive steps in the devolution of power to local institutions.

Different groups took part in debates on local government reform, such as parliamentary factions, non-parliamentary political parties, ministries, local government association, various interest groups, NGOs and international aid agencies. There were two main approaches to reform: One direction supported by opposition parliamentary factions and NGOs envisaged the reform completing both territorial-administrative division and local government system. From this perspective, the lower tier would be the municipal level, while the upper tier would be a bigger territorial entity called region. Regions would be based on the traditional historical-ethnographic division of country. The lower tier councils would be elected on the “majoritarian system”¹⁵. The regional council would be elected by a proportional party lists system. The regional council would elect the Governor, which would have to be approved by the President. Districts (contemporary upper tier of local government and electoral constituencies for the parliamentary elections) would no longer elect councils and would be kept as administrative units for efficient management. Districts would be managed by the administration, the head of which would be appointed by the Governor¹⁶.

Other interested parties expressed fear that this type of reform was too ambitious and hard to complete by the next election deadline set by the organic law (autumn 2001). Followers of this view suggested that given the time constraints it was more feasible to keep districts as upper tier, but to meet the requirements of the European Charter by making the position of district head of administration elected. Both views agreed, that whatever the upper tier, a clear division of responsibilities was needed between the two tiers of local government, which was lacking in the existing legislation. In addition, the laws on local budget, local property and revenue redistribution should be adopted. Almost all the interested parties agreed that the system of income redistribution among the municipalities was obsolete and unfair. They argued that in order to decrease inequalities among the municipalities, a formula-based redistribution was needed.

Negotiations among the interested parties resulted in amendments to the Organic Law on Local Government and Administration, which took a middle-of-the-road position between the two described above. Both the parliament and the government agreed that the future of the Georgian local government was a two-tier system where the Soviet legacy of districts would be abolished and more historical/traditional regions would be introduced. But the process of transition to this new system would require quite a long period of research and negotiations on

¹⁴ For a historical account of local government in Georgia see: Khmaladze, Vakhtang. “Local Government in Georgia: Past, Present and Perspectives.” UNDP-Georgia, Discussion paper series 4, 1997.

¹⁵ (Georgians call ‘majoritarian’ any system when the voter votes for the personalities rather than to party lists. This might be elections in *multimember single constituency* or in *single member several constituencies* within a municipality).

¹⁶ The draft with these principles was prepared by the parliamentary faction of the Traditionalist party.

how to draw the boundaries of regions. It is worth noting that neither local elites nor ethnic minorities were ready to accept the district abolition. In addition, changes in the administrative-territorial system would require significant amendments to the constitution, which would have been long and complicated process. As a result it was decided to keep the two-tier system of sub national government but to decline the importance of districts by abolishing elections on the district level.

Structure of local government (1998-2002)

The Organic Law on Local Self-government and Administration of 1997 established two tiers of non-central government. Both tiers have representative and executive branches, but the system of elections of representative bodies and organisation of executive branches differ significantly across the tiers. According to the law, the first tier is pure self-government, i.e. both the representative and executive bodies are elected. The second tier is a combination of self-government and central administration - elected representative body is accompanied by the appointed head of administration. Six big cities not incorporated into the districts have representative and executive bodies similar to the district and they have self-government functions as well as the functions delegated from the centre.

The first tier (municipal level) operates in villages, amalgamated villages, towns and cities. In this system, voters in each village, town and city elect councils. Elections are held on the proportional party list system if a municipality has more than 2000 voters. If the number of voters is less than 2000 the elections are held on the basis of multi-mandate single constituency; each municipality is one constituency and electorate can vote for up to as many candidates as there are seats in the council of respective municipality.

The Councils create permanent and temporary commissions to regulate different matters on the territory of their jurisdiction and to monitor the activities of the executive branch. The Councils have discretion over the structure and tasks of the commissions. The members of commissions can be councillors as well as invited experts. The typical structure of commissions is:

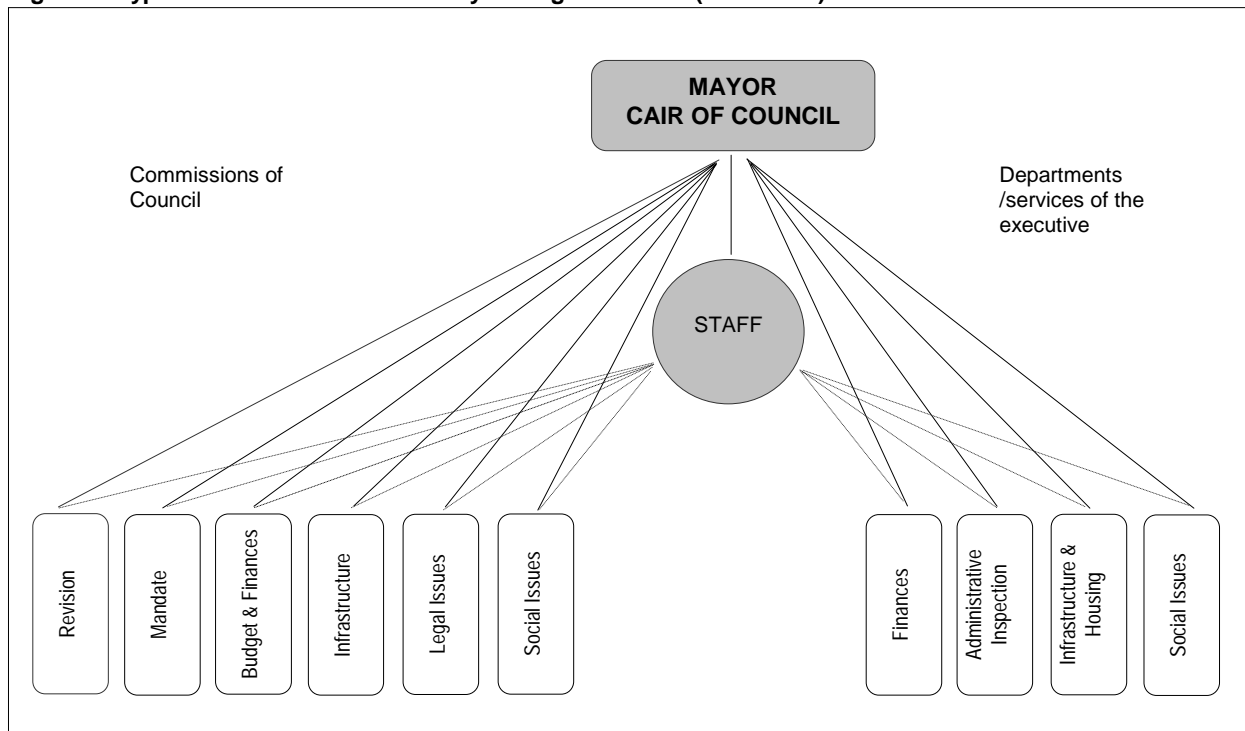
- Revision Commission - to monitor and control revenue collection and spending by the executive branch;
- Commission on Mandate and Procedures – to overview and regulate the membership and internal rules of the council;
- Budgetary Commission – to analyse the revenue basis and to draft municipal budget;
- Commission on Social Issues – to deal with health and education sectors and social protection of vulnerable population;
- Commission on Legal Issues – to regulate legality of local governments' decisions and to monitor protection of human rights;
- Commission on Infrastructure – to regulate and monitor water provision, street cleaning and land use;
- Commission on Sectoral Economy – to regulate local economic activities.

The executive body of the first tier local government is a collegial body – municipal government (Gamgeoba). The officials of the executive body are Gamgebeli (head of municipal government), deputy Gamgebelis, heads of municipal services and chief of staff. These officials are nominated by the Gamgebeli and approved by the council. The structure of the executive branch, i.e. structure of departments and services is similar to that of the respective council. The chair of first tier Council, the Gamgebeli, is also the head of municipal government. In those settlements with population of less than 3000 the municipal government (Gamgeoba) is not established and the executive power is concentrated within the hands of Gamgebeli.

Power relations between the executive and representative bodies as described in legislation are to the advantage of councils. The council passes vote of no confidence of Gamgebeli if 1/3 of

councillors initiates and majority of members support. The Council can be dismissed by the presidential decree with the support of parliament if emergency situation is announced in country. The Council can suspend decisions of the mayor for a month and apply to court for its abolition. The Councils' decisions can be abolished only by their own or court's decision. However, Gamgebeli can turn the decision of council back for further discussions. A typical structure of first tier city local government is shown on figure 2.

Figure 2. Typical structure of first tier city local government (1998-2002)



The second, upper tier is district (Raion), which is a still unchanged administrative unit from the communist rule. The districts are created on the basis of unclear data, e.g. it is not possible to observe any criteria for the basis of district, whether of population, economic or historic. However, because the constitution did not allow for administrative-territorial changes, the Organic Law did not alter this division. The district elects a representative body (district council) by proportional party lists. The chair, the secretary and the heads of different commissions are the officials of the councils.

The executive structure of district, Gamgeoba, composed of 5-11 members, is chaired by the head of district administration - Gamgebeli, who is appointed by the President. The President also appoints mayors of the cities not incorporated into districts (Rustavi, Poti, Kutaisi, Batumi, Sokhumi, Tskinali and the capital of Georgia, Tbilisi). The president is not obliged to have consultations before making these appointments. The exceptions are the two autonomies (Abkhazian and Adjarian Autonomous Republics), where the appointment is made by the respective representative body (Supreme Council of Autonomous Republic) in agreement with the president. In the rest of the country, as a rule, candidates for the position of district Gamgebeli are recommended by the Presidential Representatives in regions and the president makes appointments based on that recommendations. The district council controls and monitors the activities of the executive body. But the council can not dismiss the head of administration; it can only apply to the president to do so, but the final decision is up to the president.

The President can suspend the Council by recommendation of the Regional Representative if: a) the number of Councillors decreases by more than a half; b) the first tier council can not elect Gamgebeli within two months after elections; c) the council fails to approve the local budget

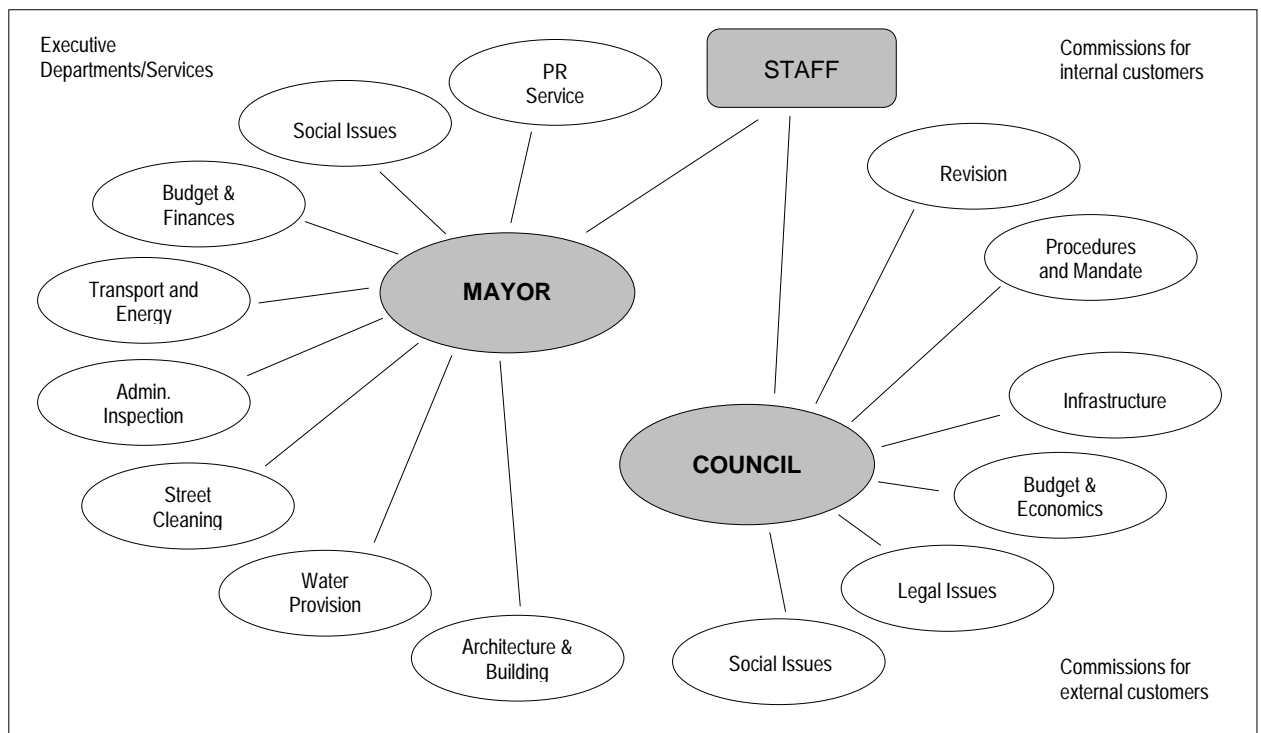
within two months of the start of the budget year. Yet, the decision to dismiss must be approved by the Parliament.¹⁷

Institutional changes of 2002

As mentioned above, the possible directions of the local government reform has long been debated. Consensus was reached by August 2001 when the organic law had been significantly amended. The amendments left intact the two-tier system of sub national government. But there were significant institutional changes.

The first change refers to the system of election. Councils in all first ties are elected in multimember single constituencies. Voters have as many votes as there are seats in the respective council. The candidates with the highest number of votes are elected as councillors. Cities, towns and villages with more than 5000 voters directly elect Gamgebelis/Mayors, including big cities not incorporated into districts. There are only two exceptions: capital Tbilisi and Poti, where the president still appoints mayors. Candidates for the position of mayor or councillor can be nominated either by political parties or by initiative groups. Certain decline of the importance of political parties can be observed as 51% of elected Gamgebelis/Mayors were nominated by the initiative groups and thus formally not affiliated with any party.¹⁸ Typical structure of first tier city local government is described on figure 3.

Figure 3. Typical structure of first tier city local government since 2002



The institutional change created solid preconditions for building new relations between the representative and executive branches based on the principles of classical division of power. To compare the changes in the formal power relations with other transitional countries one can

¹⁷ For further description of local government system see: Losaberidze, David, Kandelaki, Konstantine, and Orvelashvili, Niko. "Local Government in Georgia." in Igor Munteanu, Igor and Popa, Victor (eds.) *Developing New Rules in the Old Environment*. Budapest: OSI/LGI, 2001.

¹⁸ Central Election Commission of Georgia - <http://www.cec.gov.ge/Cfdocs/sabolooshedegebi.cfm>

observe the shift from the ‘strong council’ of Estonian type to the ‘strong mayor’ of Bulgarian type.¹⁹

On the second, district tier directly elected council is abolished and so called ‘associational council’ is introduced. In this system chairs of municipal councils within the district compose the district council. The president of Georgia appoints the district head of administration (Gamgebeli) from among the district councillors, i.e. from among the chairs of the municipal councils within the district.

The second important change is about the incentives for amalgamation. There are over 1000 first tier local governments in Georgia. The majority of them are very small, with extremely scarce resources. To address this problem amendment encourages amalgamation of municipalities by allocating additional subsidies for local governments, which decide to amalgamate. Municipalities can also create joint organs to carry out some common functions.

The amendments significantly changed the degree of financial autonomy of local governments. After the reform local governments will have considerably greater financial autonomy as they will receive transfers based on the equalization formula. Local authorities are free to decide how to spend these funds. But the transfer for the delegated competences must be spent as the centre decides.

To conclude, the new system gives more power and autonomy to local governments. It divides functions and duties between the representative and executive bodies more clearly. It also changes formal power relations to the advantage of the elected mayor. Now the question is whether these formal changes will be reflected in decision-making practices.

Table 3. Changes in formal power relations in local government, 2002.

	LG old system		LG new system	
	<i>Mayor</i>	<i>Council</i>	<i>Mayor</i>	<i>Council</i>
Elections	Indirect	Direct	Direct	Direct
Appointments				
City government	Appoints	Approves	Appoints	Approves
Chief of staff	Appoints	Approves	Appoints	Approves
Committees	Coordinates	Elects	-	Elects
Formal roles				
Head of executive	Chair/Mayor		Yes	-
Represents LG	Chair/Mayor		Yes	-
Chairs council	Chair/Mayor		-	Chair
Right to dismiss	-	Yes	-	No
Budget	Submits	Approves	Submits	Approves

Division of competences

The organic law does not set up classifications of lower tier municipalities and gives the same power and competences to all municipalities regardless of their size. But between the two tiers, competences are divided. However, before the reform the exact interpretation of this division was always debated. One view, often expressed by councillors, says that the organic law gives insufficient attention to the division of duties and responsibilities. Indeed, there are articles that give the same duties to both tiers. However, one might argue that this duplication derives from the subsidiarity principle; e.g. the first tier can deal with the issue if finances and expertise allow for it. If they can not cope with a competence, then the upper tier will complement to lower tier’s services. This approach implies at least two assumptions: First, that the organic law is followed by the series of laws regulating property, revenue and redistribution matters and second, that

¹⁹ Price, T. “Power Relations in Local Governments in Central and Eastern Europe.” (<http://t-rc.org/TocquevillePapers/Power/Paper.html>)

the councils of different tiers have both willingness and skills to negotiate and cooperate with the government as well as with each other. In the Georgian context neither of these two assumptions works. As a result having neither pressure from below nor strict division of responsibilities and functions, the upper tier secures the whole power. The real picture of the two tier relations can be observed looking at the budgetary process. Although legally all budgets must be independent, in practice the district decides on behalf of the lower tier as regards its revenue.

The number of lower tier municipalities exceeds 1000 and the majority of them are too small to cope with their legally assigned competences. There are several sources of revenue for the local government: shares in national government taxes, local taxes and fees and central matching transfers, which must be spent as the central government decides. The Parliament annually assigns a fixed percentage of certain taxes to local government units. As for the transfers, the Ministry of Finances on the basis of negotiation process allocates them. However, the current budget law does not take into consideration first tier local government units. Government transfer is delivered to the district and the first tier budgets are funded by the district authorities. The quantity given to the lower tier depends on face-to-face relations, rather than on the formula based calculations, that would redistribute revenues and thus eliminate inequalities.

The other view, followed by the centre and upper tier authorities suggest that the reason of decreasing capacity of the lower tier lies in their insufficient professionalism. They are believed to lack the experience and education necessary to enforce legally assigned duties. The reasons might be several: firstly, due to the Soviet tradition, district centres used to attract better expertise than rural areas. Secondly, these processes have continued in the transitional period when there was a big migration of professionals from the villages. In addition, as many councillors argue, the proportional party list system of voting gave a chance to unskilled and inexperienced people to get into the councils. Therefore, most of the local officials think that at the local level only majoritarian elections are relevant when people vote for the personalities and not for the abstract promises of the parties.

The amendments to the organic law in 2001 significantly changed division of competences between the two tiers. Generally, the first tier local governments are granted compulsory and voluntary competences. Compulsory competences are divided into the two groups: exclusive and delegated. Local governments can enjoy complete freedom in exercising their exclusive competences.

Competences such as current and capital expenditures of education, health care and culture organisations, social protection of the vulnerable, protection of cultural heritage, management of state property on the territory and public safety are delegated to the district authorities; but a municipality can negotiate with the district authorities to further delegate a competence if its resources allows for that. This transfer may be possible with mutual agreement and may be supported by contract. But if a municipal government fails to undertake delegated responsibility district administration becomes responsible for delivery of respective services. Division of competences between the tiers is summarised in the table 4 below.

Recent institutional change created number of opportunities for local governments to meet the requirements of the citizens and for the population to receive quality services from their elected officials. Firstly, competences are divided clearly between the tiers and there is little room left for overlapping. Secondly, separate sources of legitimacy of executive and representative bodies create solid preconditions for checks and balances between the two branches of local government. Thirdly, councillors are elected individually and they carry personal responsibilities to the voters. Fourthly, local governments can amalgamate or create joint structures for common services that will lead to improved service delivery to the public.

However, the new system has several limitations: First, the laws on income redistribution, local budget and transfer of property are not still adopted. Second, the district administration holds

very important part of the competences and is not always willing to delegate these competences to the municipalities. Third, councilors are elected in multimember single constituency, i.e. each council represents the whole municipality and not a particular ward.

Table 4. Classification of local government's competences

Functional classification	Classification by type	
	Exclusive	Delegated
<p>Administrative competence: Right of creation, restructuring or abolishing of local public organizations.</p> <p>Service competence: Right to assess local needs and plan service delivery to respond these needs.</p> <p>Investment competence: Right of mobilization and investment of financial/ human resources to achieve certain objectives.</p> <p>Regulative competence: Right to introduce compulsory rules, regulations, licenses, and fines on their territories.</p>	<ul style="list-style-type: none"> ○ Adoption of regulations and statutes of local public institutions ○ Managing local property ○ Local budgeting and local taxation ○ Local development planning ○ Managing municipal services and enterprises ○ Maintenance of local archives ○ Housing management ○ Dissemination of public information ○ Municipal transport management ○ Maintenance of local roads ○ Urban development and design ○ Municipal programs on social protection, healthcare and culture ○ Water supply ○ Electricity and gas supply ○ Local parks 	<ul style="list-style-type: none"> ○ Civil registration ○ Environment protection and sanitation ○ Management of public property ○ Procurement support for the military

Source: based on the amendments to the Organic Law on Local Government and Administration, August 2001.

3. MEASURING INSTITUTIONAL PERFORMANCE

General constraints for institutions

This part aims to evaluate and compare institutional performance of pilot municipalities before and after the local government reform. Analysis is based on the interviews with stakeholders and review of the official documents of the municipal bodies. The stakeholders can be divided into the two groups – internal customers and external customers. Internal customers are elected and appointed local officials and external customers – institutions and organisations that are recipients of local government's services.

These two groups of stakeholders were asked to evaluate the performance of local governments before and after the reform. Two competing approaches can be identified: for the internal customers the organic law has many shortcomings, which create fiscal, administrative, and property problems for local governments. The second approach advocated mainly by the external customers focus more on the capacity and participation problems. Both approaches will be discussed below separately.

Before the adoption of the Organic Law on Local Government and administration (1997) Georgian parliament had largely completed reforming of national legislation. When the organic law came to the scene, it became necessary to harmonize the legislation to newly emerged institutional settings. Despite the fact that the organic law clearly stated that government and parliament had to amend necessary laws and adopt new ones to strengthen emerging local government, the process never started. The parliament did not adopt laws such as the Law on Local Budgets, the Law on Central Transfers, the Law on Local Property. The organic law defines local property as "property which according to Georgian legislation is possessed, used, and managed by local government bodies." A transfer of ownership of state property to local governments occurred in the early 1990s. At that time, properties that were under the jurisdiction of state ministries were considered state-owned, and those that were under the

jurisdiction of the local soviets (councils) were transferred to the district administrations. District administrations still remain the lowest parts of the central government hierarchical structure. Therefore it is impossible to differentiate state and local ownership.

First tier local governments continue to request more property, which is necessary for implementation of their exclusive competences. For example, local government is responsible for the public utility services, while the property that is necessary to carry out the services is still state owned. A Presidential Decree of 1999 established a process of allocating state property to local governments, but the decree deals with property on an individualized basis rather than as a category subject to automatic transfer. The decree requires that district administrations submit a proposal to the Ministry of State Property Management, which must include a business and investment plan. The district administration may decide to further transfer the property to the municipalities incorporated into the district. Because this process is complicated, only very few properties have been transferred to the local governments.

According to the Tax Code, an enterprise must pay taxes to the budget of the territorial unit where they are registered officially. As the biggest and profitable companies are mostly registered in the capital, although frequently based in the regions, local governments lose this source of revenue. These legislative shortcomings are accompanied by the general economic decline and massive tax evasion. Local governments can not administer taxes on their own. The taxes whether introduced by local councils or allocated to local governments by the parliament are all collected by the district offices of the national tax collection service. The tax offices are accountable to the Ministry of Finances and their main objective is to meet targets set for the national budget. Local governments have no power to monitor the activities of tax offices. There were some attempts to amend legislation and set up separate local tax inspections to improve tax administration for local budgets. But the government does not make this decision because of easily predictable overlaps between the national and local tax services from what private sector may suffer.

The government failed to complete comprehensive legislation on local government. When analysing its weak institutional performance, this should not be neglected. But one can argue that even in the existing, non-perfect legal framework there was some possibility for local development. This development could have been possible on the basis of local initiative, but these initiatives were absent. This lack of initiatives perhaps gives a better explanation of institutional underdevelopment. The councillors often complained that there was no consistency between their revenue and competencies, but normally they did not try either to organise their interests or to unite efforts. In the target municipalities it is hard to see any examples of successful cooperation in solving problems with a bigger catchment area than a single municipality.

A good indicator of poor organization of interests is the failure of local governments' associations in 1998-2002. Two associations were created in 1999. The Councils Association of Georgia was considered as centre oriented as the central government actively participated in its set up. The association developed top-down approach going from the national office to regional associations down to districts, but it did not reach the municipal level. The Association of City Councils was oriented to grassroots, trying to unite municipalities where the opposition parties were dominant. Neither of the associations was able to articulate general problems of local governments and lobby for their solutions at the centre. Lacking financial and moral support from the councils both associations stopped functioning after the elections of 2002.

The last obstacle for quality institutional performance is lack of communications between the local officials and the public. It is worth noting that both citizens and elected officials had bigger expectation from local governments than it was able to do in reality. Many councillors seemed to believe that they would have executive power. Citizens expected improved quality of services delivered by the elected bodies. In reality, councillors discovered that they had hardly anything to decide and people did not feel any improvement in service provisions. As a result some

councillors lost interest in their representative duties and councils became governed by small elites normally composed by the chair, secretary and two or three chairs of key commissions. Having no pressure from the disillusioned citizens, the elite ruled the municipality according to their private interests and not according to the local needs.

A model for measurement

General obstacles for the institutional performance lead to measure it in relative terms, i.e. observe affects of recent formal institutional change on the level of performance. For the evaluation strict and reliable indicators are needed. One of the most well designed evaluation model with carefully chosen indicators can be found in Putnam's influential work on Italian regional government.²⁰ His approach has been successfully used by Stoner-Weiss in the transitional context of Russian regional governments.²¹ Both scholars use a combination of 'objective' and 'subjective' criteria; the 'objective' criteria are formally pre-designed by the researcher to evaluate as many areas of government's activity as possible. The 'subjective' indicators show customer satisfaction, i.e. measures evaluation of local government given by the people who are the recipients of its services.

Another interesting approach is developed by Gabor Soos. The objective of his model is to measure local governments' performance across countries in comparative perspective. To achieve the objective, he develops an idealized model of local government based on the general duties a good local government must fulfil: (1) make informed and coordinated decisions; (2) be open and fair (democratic); (3) effectively implement decisions; (4) display responsiveness to local citizens. These four duties are considered as dependent variables that may be affected by a number of explanatory variables such as the level of devolution, power relations, political culture, etc. Each dependent variable has several indicators. Data for measurement can be obtained either through the analysis of official documents or responses to survey questionnaires.²²

The approach used in this paper is largely adopted from Putnam, Stoner-Weiss and Soos. But the objective of this paper is different from that of the mentioned authors. For example, Putnam and Stoner-Weiss wished to explain why some regional governments were more successful in governance than others. Soos aimed at the design of measures that could be comparable across countries. In contrast, the objective of this paper is to understand why the local institutions were performing in the way they were performing. Therefore, my focus will be more on description and less on evaluation.

The other difference concerns the responsiveness criteria. Putnam and Stoner-Weiss both had opportunity to examine the levels of customer satisfaction through time based on quantitative survey results. Georgia lacks this opportunity. In addition, recent surveys show that population is poorly informed about the local governments functions and responsibilities and the results of quantitative survey might be misleading. For example, a quantitative survey of 2002 has indicates that 77% of the respondents in the regions where the pilot municipalities are situated are not aware of their elected local governments' activities.²³ Therefore, the measures for the responsiveness category are taken from the interviews with the stakeholders.

To describe the institutional performance of the pilot municipalities I will use four main categories, several components for each category and indicators for each component. The main categories are: process, output, implementation and responsiveness. These categories grasp a range of local governments' activities such as policy-making, revenue planning, service delivery,

²⁰ Putnam, R. (1993). *Making Democracy Work*. Princeton: Princeton University Press.

²¹ Stoner-Weiss, K. (1996). *Local Heroes. The Political Economy of Russian Regional Government*. Princeton: Princeton University Press.

²² Soos, G. (2001). *The Indicators of Local Democratic Governance Project. Concepts and Hypotheses*. Budapest: LGI/OSI.

²³ Quantitative research conducted by GORBI (2002). Unpublished.

relations to constituencies, etc. But as the research mainly addresses the question of participation and inclusiveness in divided communities the focus is on the responsiveness category. Soos fairly mentions that responsiveness category is different from democratic performance category as not all responsive activities are democratic.²⁴ From this perspective components describing democratic performance – coordination and inclusiveness - are incorporated in process and responsiveness categories. Table 5 below summarizes the model of measurement.

Table 5. Model for measurement local governments’ institutional performance

Category	Component	Indicator
Policy process	Bargaining	Receiving more competences
	Coordination	Involvement of internal customers
Policy output	Administrative competence	Stability of LG structures
	Regulative competence	Stability of regulations
Policy Implementation	Own revenue planning	Collection of local fees
	Expenditure planning	Balance of budget
Responsiveness	Service competence	Adapting services to wants and needs
	Inclusiveness	Involving of community groups

Policy process category aims to describe local governments’ performance in policy-making. Components of this category derive from two expectations regarding the policy-making process: (1) local governments are expected to manage their jurisdictions within their competences freely and independently; (2) local governments are expected to make coordinated decisions where both representative and executive bodies are equally involved. In Georgian realities local governments act in competition with district administrations over the competences. Hence, the indicator for independent policy making is the result of bargaining with the district authorities over competences. For the second, coordination component the indicator is the level of coordination between the executive and representative branches in the process of decision-making.

Policy output category addresses local governments’ ability to implement administrative and regulative competences, i.e. ability to make coherent regulations for the public spheres in their jurisdictions and create relevant administrative structures to manage municipal affairs. The indicators for administrative and regulative components are respectively setting up stable organizational structures and adoption of coherent regulations for local customers.

Policy implementation category refers to local government’s capacity to pursue self-declared goals. The components of this category must cover local governments’ those activities that fall into the exclusive competences of local governments. There are two components: one more general refers to local governments capacity to plan and implement municipal budget. The indicator of the category is annual balance of the budget. Second, more specific components is about planning local government’s own revenue. The indicator for the component is the level of collection of local fees. The rationales of the indicator are the following: First, local governments have full discretion in introducing local fees and defining its rate up to the ceiling established by the Law on Local Fees. Therefore, local governments, based on the realistic forecasts, can plan independently this source of revenue. Second, local governments are responsible for collection of local fees unlike tax revenues, which are collected by the local branches of the national Tax Inspection. Third, local fees are frequently collected from those businesses that are owned by influential personalities. Examples of such businesses are marketplaces and parking places. Therefore, good level of local fee collection clearly indicates local governments’ ability of policy implementation as it covers components such as planning, administration and coping with interest groups.

²⁴ Soos, G. (2001). The Indicators of Local Democratic Governance Project. Concepts and Hypotheses. Budapest: LGI/OSI. 18.

Responsiveness category covers two components: service competence and inclusiveness. The first refers to local government's ability to adapt and deliver services according to local needs. The second component deals with the level inclusion of different groups of community in local governance processes. Service competence category is more about the managerial capacity of local government to respond citizens' wants and needs. While inclusiveness category deals with the fundamental duty of local governments to let citizens' groups participate in decision-making. Thus the category examines local governments' ability to implement this fundamental duty.

Performance profiles of municipalities

This part describes performance of the three pilot municipalities based on the qualitative interviews with local government, non-governmental sector, business, media, health and education representatives. The research indicated that each of the three municipalities was involved in the process of bargaining with the district administrations over management of education sector. According to the legislation, a competence can not be given to local government without necessary financial resources. Thus, the bargaining over education management was at the same time bargaining over additional resources for local governments. These additional resources could come either from greater shares of national taxes allocated to the city local governments and/or from so called 'internal transfer', i.e. transfer from the district budget to municipal one. The pilot municipalities differ significantly in the outcomes of bargaining. The difference was largely determined by the ability of city leadership to persuade district administrations by demonstrating their power. There are three patterns of the outcomes of bargaining: Gori is one extreme, where the city authorities had very tense relations with the district administration. Although by the legislation education management was a competence of the first tier local government before 2002, the municipality could never receive it. However, the city failed to appeal to the judiciary system where they must have won the case. It is worth noting that there was no formal appeal of city government. The leaders tried to solve the issue by means of face-to-face relations. The situation did not change with the removal of the city mayor who represented a right wing opposition party. The newly elected mayor was from the ruling party, nevertheless competence was held within the district level. After the elections of 2002 both the representative and executive bodies of city local government were completely changed. According to new amendments, education management was delegated to the district but the city government could apply for it. The new city government decided not to apply and the competence is implemented by the district administration.

A very different case was observed in Khashuri, where the city local government managed the education sector since 1998 without no obstacles from the district administration. This happened despite the fact that an opposition left wing party governed the city. The city government proved that it could finance education sector with its own resources. The local elections of 2002 resulted in the re-election of half of the city councilors but a new person was elected as a mayor. The council continued to display good working relations with the district administration while the city government did not. As a result, the city local government was refused to keep education sector under its management from 2003.

The third case is Akhaltsikhe, where competence was given to the municipality in 1998 but was taken back in 2000 by the district administration. Generally, the city government of Akhaltsikhe was largely dominated by the district administration. As a result the city government failed to oppose this change. The elections of 2002 completely changed the composition of both city council and city government. The new government decided that the management of education was a too big burden and did not apply for this competence.

On the second, coordination component, the municipalities also differ. In 1998-2002 coordination was at a high level in Khashuri, while in Gori and Akhaltsikhe city mayors were largely dominating and frequently even ignoring councils. This resulted in the removal of the mayor in Gori in 2000, but a new mayor continued the authoritarian-style government without much coordination with the representative body. After the elections of 2002 situation reversed:

high coordination between the executive and representative bodies can be observed in Gori and Akhaltsikhe, but in Khashuri the coordination level decreased.

In the policy output component the pilot municipalities are not very different from each other. They all used fully their administrative and regulative competences. Local governments created departments and services to regulate different spheres of public life at the localities, introduced regulations on local taxes and fees. But neither administrative, nor regulative decisions were stable. Local governments frequently were changing regulations. The explanation was to meet local needs better, but one can argue, that decision were not prepared well in the first place. After elections, the administrative structure of city local governments also changed. But this was a result of the overall change in local government structure rather than lack of comprehensive design. It is important to note that there is sufficient improvement in administrative and regulative competences in all municipalities after the elections of 2002. Each of the local governments restructured councils and governments, established new services such as PR service in Gori or Marketplace Ltd. in Akhaltsikhe with 100% local government share.

As annex 2 indicates, only Khashuri local government managed to plan expenditure and collect local fees reasonably. According to expert's evaluation, planning was realistic, administration was on high level and a trend of increased total and own revenue could be observed. Policy implementation component was at extremely low level in Gori in 1999 but later the process relatively improved. But as experts evaluate, local revenue basis was considerably bigger than it had been planned. Akhaltsikhe local government also displayed inability to implement their decisions on collection of local fees. There is one important trend in all municipalities: level of local fee collection improved after the elections of 2002.

A general, subjective indicator of local governments' responsiveness may be local elections of 2002. Former councillors have been re-elected only in Khashuri. The former mayor also ran for the position of councillor as this position would give him an opportunity to be appointed as a head of district administration, which actually happened. In Akhaltsikhe the former mayor took only fourth place in elections. In addition, none of the city councillors were re-elected. In Gori the first mayor did not participate in elections. The second mayor lost elections and none of his fellows from the former council was re-elected.

The stakeholders' views of the local government performance are generally in accord with the election results. In Gori it was mentioned that local government could not be responsive as they broke all ties to their electorate right after the elections. If the local government had a better information flow with population, they would receive adequate support the electorate in struggle with the district authorities. In Khashuri local government responsiveness is not evaluated negatively. The stakeholders believe that local authorities were not involved in corruption and both the mayor and the council met people's expectations as much as they could under the existing legal and economic circumstances. Extremely weak responsiveness is displayed by the Akhaltsikhe city government, which completely failed to provide population with clean drinking water. Even more, when water was polluted, the local government did not warn population and did not stop water supply because of the fear of public disorder.

The level of involvement of community groups was very low in all municipalities. Neither ethnic, not political groups were involved in the process of decision-making. City officials took individualistic approach: they did not recognize organized interests and treated citizens individually. Newly elected local governments improved service delivery component but failed to make steps towards greater involvement of different community groups.

Table 6 schematically compares local governments' performances under the old and new systems. It is important to note that institutional change of 2002 made significant impact on local governments' performances in categories such as intergovernmental relations, implementation of decisions and competences. But the category of inclusiveness stayed the same – newly elected local governments failed to involve community groups as much as their predecessors

did. The next part of the paper tries to explain these changes by the structure of policy networks.

Table 6. Comparison of institutional performance of pilot municipalities

Municipalities	Policy process		Policy output		Implementation		Responsiveness	
	1998-2002	2002-Present	1998-2002	2002-Present	1998-2002	2002-Present	1998-2002	2002-Present
Gori	Low	Medium	Medium	High	Low	Medium	Low	Low
Khashuri	High	Low	Medium	Medium	Medium	Medium	Low	Low
Akhaltikhe	Low	Medium	Medium	Medium	Low	Medium	Low	Low

4. POLICY NETWORKS AND DECISION-MAKING

Description of reputational networks

This part of the paper analyses policy networks in the local policy domains and offers network explanation of institutional performance in pilot municipalities. The importance of networks in the transitional countries is well documented: based on the Hungarian case study some prominent students of social networks argue that the importance of networks was more important in communist countries than in developed post-industrial states. Even more, during the transition from the planned to the market economy people started rely on networks even more extensively.²⁵ This description fully applies to the Georgian society. Georgia has long been considered as a society where interpersonal informal networks governed important and profitable sector such as shadow economy.²⁶

The meaning and application of the concept of 'policy networks' is highly debated in the literature. The British authors (Marsh and Rhodes) argue that policy networks are models of group representation and interest mediation²⁷. The Dutch and German schools believe that policy networks are new form of governance.²⁸ This paper understands the policy networks as a tool for interest mediation between the public institutions and private interest groups.

Actors in local policy domains can be divided into the two broad categories. The first category is institutional actors, i.e. actors that act for or in behalf on the institutions. The second category is individual actors that are difficult to affiliate with any institution or organization. Both categories can be further divided into local and national actors. Local actors rarely expend their influence beyond their formally defined jurisdictions, while national actors have much bigger influence on different policy domains both in territorial and sectoral dimensions. As it is described in table 1 each actor has defined policy interests. To achieve these interests certain power relations with other actors are built and collective actions are pursued.

What methods can be used to find important actors and their networks in local policy domains? There are several strategies in collection of network data. One approach seeks to find important players in decision-making. To achieve this, formal contested decisions are analyzed and

²⁵ Sik, Endre, Wellman, Barry. 'Network Capital in Capitalist, Communist and Postcommunist Countries.' in Wellman, Barry (ed.) *Networks in the Global Village. Life in Contemporary Communities*. Westview Press, 1999.

²⁶ Mars, Gerald and Altman, Yochanan. "Case Studies in Second Economy Production and Transportation in Soviet Georgia." and "Case Studies in Second Economy Distribution in Soviet Georgia." in Alessandrini, Sergio and Dallago, Bruno. (eds.) *The Unofficial Economy. Consequences and Perspectives in Different Economic Systems*. Gower Publishing Company, 1987.

²⁷ Marsh, D. (1998). The Development of the Policy Network Approach. In Marsh, D. (Ed.). *Comparing Policy Networks*. Buckingham and Philadelphia: Open University Press.

²⁸ Kickert, W.J.M., Kliyn, E., Koopenjan, J.F.M. (1997). *Managing Complex networks. Strategies for the Public Sector*. London: Sage publications.

participants of the decision-making process are traced back. The second approach studies actors' leadership positions in the key organizations and assumes that these actors have significant influence on policy-making. The third approach used in this paper studies actors' reputation in their communities.²⁹

Each approach has both advantages and disadvantages. Decision-based analysis may ignore some significant actors who formally did not participate in decision-making but nevertheless achieved their objectives. In addition, this approach pays little attention to non-decisions, i.e. some actors may intervene and because of this intervention the decision will not come on agenda at all. Positional and reputational approaches may overlook actors that do not occupy important positions or are not well known in the communities but have enough resources to achieve their objectives.

The research originally intended to track policy networks based on the decisions by local government bodies. This type of data collection is appropriate when the contested decisions can be identified.³⁰ But closer examination of the official decisions of local governments indicated that within the competences of local governments there are very few issues, which would attract interests from the variety of groups. In addition, many actors like top officials of central and regional governments may be excluded from analysis, which will seriously distort the picture of reality. Therefore, a combination of positional and reputational analysis of networks has been decided. On the first stage actors were chosen according to their leadership positions in the key organizations. On the second stage these actors were asked to name other actors who were regarded as powerful and influential in the communities. This approach implies that identified actors either have influence on local governments now, or will have it in the future if local governments make significant decisions. It is worth noting that reputation is not attribute of actors themselves but are group judgments made about them by others. Therefore, reputational research only partially reflects realities and the results can be distorted by social construction of group judgments.³¹

As briefly described above, on the first stage focal actors were selected and listed according to their leadership positions from organizations active in local policy domains. These actors were asked to nominate the most influential actors from the list and add additional actors if they thought anyone was missing. On the second stage the snowball method has been used: This method begins with the focal actors, and continues until no new actors are identified or until the researcher decides to stop.³²

The three pilot municipalities differ in the structure of policy networks. But they have two common characteristics. First, networks are hierarchically organized, i.e. there are cliques of high importance (reputation) and cliques subordinated to them. In all cases dominant clique is composed of the appointed high officials on the regional and district levels. Cliques, where local governments are the main actors are in all cases subordinated and dependent on the dominant cliques. Second, all of the identified cliques whether dominant or subordinated, involve one or more actors from the national politics, normally from the capital. These actors are either members of parliament, or leaders of national parties, or high bureaucrats in the government.

Before the elections of 2002 in all municipalities policy network was composed of two - *bureaucratic and local government cliques*. The centralized bureaucratic clique normally consisted of the presidential representative in the region, his deputies, who are frequently

²⁹ Melbeck, C. (1998) Comparing Local Policy Networks. *Journal of Theoretical Politics*. 10(4).

³⁰ For example, Rober Dahl studied power structure in New Haven based on the contested issues such as school rebuilding, city planning, etc. See: Dahl, R. (1961). *Who Governs? Democracy and Power in an American City*. New Haven: Yale University Press.

³¹ Knoke, D. (1998) Who Steals My Purse Stills Trash. The Structure of Organizational Influence Reputation. *Journal of Theoretical Politics*. 10(4), 509.

³² Wasserman, S., and Faust K. (1994). *Social Network Analysis: Methods and Applications*. Cambridge: Cambridge University Press.

wealthy businessmen, the head of district administration, deputy head of administration in financial matters, member of parliament elected from the respective district, businessmen, frequently of debatable reputation, heads of local branches of ministries such as Ministry of Internal Affairs, local branch of Prosecutor General's Office. The actors were connected with exclusively strong ties, i.e. they displayed trust to each other, depended on each other on resources and frequently were close friends. It is very common that these actors tried to turn their friendship/business relations in next of kin relations - baptized each other's children.

In the local governance cliques normally the following actors were included: mayor, chair of council, influential councillors from the city and district (normally chairs of commissions), leaders of political parties, businessmen. The cliques was also composed of strong ties - actors heavily depended on each other for information and resources.

There are three patterns of relations between the bureaucratic and local government cliques before the elections of 2002. The first pattern – domination of bureaucracy clique over local government one (Akhaltikhe). Second pattern, no ties between the two cliques (Gori) and third, merging of the local government cliques into the bureaucratic clique. (Khashuri). It is interesting that Khashuri is the only place where the city mayor had been acting as a bridge between the bureaucratic and local government cliques, which led to his appointment as a head of district administration.

The elections of 2002 did not change general structure of networks in Gori and Akhaltikhe although in both municipalities executive and representative bodies were completed by newly elected and appointed persons. In Khashuri where the rate of re-election was higher, the structure of networks changed considerably: one part of former local government clique merged into the bureaucratic clique. In addition, new *clientelistic clique* emerged which was led by a wealthy businessman and Member of Parliament.³³ The members of this network were clients of the businessman – his relatives and friends who financially depended on him. The clique was successful in local elections and managed to occupy key positions in the mayor's office. To sum up, the relatively autonomous local government clique disappeared and the policy network became split between the two cliques with strong connections with the central government.

Civil society: the loss of innocence

Local policy networks could not be fully described without the analysis of civil society groups. Local elections of 2002 could be considered as breaking point regarding the role of non-governmental organizations in decision-making. It is important to note that before the elections no NGO leader was mentioned as influential in local decision-making process while after the elections certain increase in their reputation could be observed.

Gibson offers an interesting approach to civil society analysis. He claims that civil society groups are catalysts for generating new ideas and thus contributing to the development of democracy. The contribution is significant if two conditions are in place: (1) civil society groups are composed of weak ties that crosscut relatively heterogeneous groups; (2) networks are politically relevant, i.e. network member are engaged in political discussions.³⁴

Civil society groups were engaged in political discussions since their formation in Georgia. During the term of the first elected local government in Georgia (1998-2002) quite a few local NGOs were created to help the newly elected local institutions to function properly. In the pilot municipalities many NGOs started working in fields of local government transparency and

³³ Clientelistic relations are very developed in Georgian public and private life. an interesting account of the roots and outcomes of clientelism in Georgia can be found at: Kikabidze, K., and Losaberidze, D. (2000) *Institutionalism and Clientelism in Georgia*. UNDP-Georgia, Discussion Paper Series 3.

³⁴ Gibson, J.L. (1998) Social Networks and Civil Society in Process of democratization. Studies in Public Policy 301. Centre for Study of Public Policy, University of Strathclyde, Glasgow. 6.

citizens' advocacy. Funds for these organizations were coming exclusively from international donors. The idea was to empower local citizens through financing transparency and advocacy oriented activities of NGOs. The main preconditions for NGO to get funding always was to maintain non-partisan orientation.

This created a situation when non-governmental sector was better funded and supported than local government structures, which pushed some local government officials to found NGOs and thus access foreign funds. In some cases the 'governmental NGOs' were able to secure funds from the donors using a 'synergy approach', implementing projects in partnership with local governments. Examples of such organizations could be found in all of the pilot municipalities. Very often these NGOs were channelling funds for services, which local governments had to provide according to legislation.

Along with the 'governmental NGOs' there were other organizations with non-partisan reputation that implemented successful projects in fields such as monitoring of local expenditures, analysing local government decisions, fighting corruption in local governments, etc. These NGOs managed to gather significant material, technical and human resources for several years.

NGOs whether governmental or non-partisan, were very weakly institutionalised. They have very limited number of members, who are normally founders. Boards exist on the paper to meet the requirements of legislation and impress donors. In practice founders make both policy and administrative decisions. The top management of NGOs are very often family members or close friends. Going back to Gibson's analysis, NGOs may be treated as close organizations with dense strong ties among the members. As the institution of NGOs was initiated from external players – international donor organizations – they found very difficult to maintain weak ties across the heterogeneous groups of their communities.

Local elections of 2002 created an excellent opportunity to observe the process of alliance building and power redistribution in the pilot municipalities. Very important changes have occurred in the structures of local networks as during the elections new players have emerged on the political scene - civil society groups. In all of the pilot cities NGOs were strongly supporting their favourite candidates and in some cases played crucial role in helping the candidates to win.

In both Akhaltsikhe and Gori the strongest NGOs were actively campaigning for the candidates who subsequently won the elections and became Mayors. It is worth noting that all of them were ranked highest on their activities, technical resources and expertise as well as on the degree of non-partisan orientation before the elections (in 2001).³⁵ In both cases NGOs created coalitions with business groups: In Akhaltsikhe with the media group that owns local TV station, and in Gori with the business group that was actively involved in property re-distribution during the privatisation.

The Khashuri case is more complicated. Non-governmental sector, as well as the whole policy network, was split between the two powerful cliques. Ties of NGOs with the dominant cliques became that strong that after the elections non-governmental leaders became high officials in city local government.

What can be the consequences of increased NGO involvement in the local governments? The NGO leaders involved in the elections processes argue that their involvement was a result of increased disillusionment by the previous local governments' activities. They believe that their involvement and subsequent closer cooperation with local authorities will improve local governments' openness, transparency and responsiveness. However, the organizations that chose to remain non-partisan, express a fear that local authorities will be open and transparent

³⁵ *Regional Research Report. NGO Sector and Civil Society*. UN Association of Georgia, The Eurasia Foundation, Tbilisi, 2002.

to their ally NGOs only. In addition the civil society sector might lose the ability to monitor the local governments' activities properly and to criticize it when necessary. Even more, this cooperation might become a precondition of monopolizing all the foreign assistance by the strong local government-NGO-business alliances.

As it was described above, local elections resulted in changes in policy networks; in one case the change was structural, i.e. instead of centralized bureaucratic and relatively autonomous local government cliques two centralized cliques emerged and local government became split between them. In remaining two cases structure of networks did not change, but there were significant changes in local government cliques. The paper argues that changes in policy network are effects of formal institutional change, namely the introduction of directly elected mayors. Direct elections gave more political legitimacy to mayors, which enabled them to build coalitions and compete with the bureaucratic cliques. Thirty years ago Robert Dahl noted that the position of elected officials was key in building coalitions:

...The top leaders are most likely to compose a coalition of public officials and private individuals who reflect the interests concerns of different segments of the community. In this view, a coalition is generally formed and the policies of coalition are coordinated by elected leaders who draw on special skills, and resources of influence that leaders without public office are not likely to have.³⁶

Indeed, after the elections directly elected mayors managed to create strong alliances with the non-governmental groups and private actors. The strength of these alliance enabled local government cliques to turn strong ties with the dominant bureaucratic cliques into weak ties. This facilitated information exchange and coordination between the cliques and thus local government's performance improved. These processes could be observed in Gori and Akhaltsikhe. The case of Khashuri is different: local elections resulted in equal split of local policy domain between the bureaucratic and clientelistic cliques. These cliques maintain 'competing' rather than 'cooperation' ties and this may explain certain decline in the city government's institutional performance.

Thus the structure of policy networks is crucial for understanding why a municipality performs one way or the other. The results of the research show that local government performs better if cliques of policy network are connected through weak ties. The latest institutional change clearly increased the mayors' ability to act as bridges between the bureaucratic local government cliques. This resulted in better coordination and information exchange between the until then closed cliques. But if a policy domain is split between the equally powerful cliques and there are not weak ties between them, exchange and coordination does not take place and the level of performance decreases.

In spite of important changes in the composition of policy networks and policy outcomes, the situation did not change regarding inclusiveness; ethnic and political groups still play marginal roles in managing local affairs. The next part discusses the options of participatory governance given the structure of policy networks.

5. MODELS OF PARTICIPATION

The analysis indicates that despite the presence of devolved local governments in Georgia, appointed bureaucrats still maintain overwhelming control on the localities. The domination of the bureaucracy is possible because of the very limited forms of public control on their activities and the very weak forms of participation. Citizens are not involved in decision-making and the majority of institutionalized actors are left out of the processes of local governance. Elections are zero-sum games – winners win and losers completely loose. This situation generated the

³⁶ Dahl, R. (1961). *Who Governs? Democracy and Power in an American City*. New Haven: Yale University Press, 186.

attitude of distrust to local governments expressed by both political and ethnic groups that are underrepresented in councils and city governments.

It is widely accepted that participation is required to enhance people's influence on decision-making that affects their lives. There is no single meaning or model of participation - it takes many forms. Generally, it is argued that participation is both end and means: that is both an objective in itself and a way of achieving other objectives, such as local capacity building, efficient management or responsive performance. Table 7 summarizes different forms of participation. Each model possesses different degree of inclusiveness. Some of them require setting up new institutions; others can operate under the existing institutional arrangements.

Table 7. Models of participation.

Modes of participation	Process characteristics
Consultation	People are consulted about possible solutions of a problem. But the professionals define the problem and they are not obliged to take into consideration people's feedback.
Access	Enabling people to improve access to public services, such as health care by opening field offices as close to customers as possible
Input	People contribute to local projects by material resources such as food, labor or cash.
Representation	People elect their representatives to run local affairs in jurisdictions possibly as small as possible. Representatives of citizens are selected to seat on managing boards.
Interaction	People's organizations participate in defining action plans, analysis and implementation, including local institutional building/strengthening.
Deliberation	Official authorities and peoples' organizations set up special participatory institutions to address and solve tangible problems.

Adapted from: Smith, B. (1993). *Choices in the Design of Decentralization*, London: Commonwealth Secretariat; Prette, J. (1995). Participatory learning for sustainable agriculture. *World Development*, 23(8), 1247-1263.

The Ideal types of participatory models described above are hard to find in practice in pure forms. Rather, the different types are always mixed and combined. The main distinguishing factor is whether institutionalized collective interest is a necessary condition,. (I am not sure about this sentence, Zs. E.) For example, the consultation and input models may not require institutionalization of collective interests and may be used even in purely atomized communities. The access and representation models refer to the top-down process, i.e. governments try to bring public institutions closer to the citizens. Collective interests may or may not be institutionalized in these cases, i.e. the decision may be a mere expression of government's good will or may be a result of pressure from the groups. Interaction and deliberation implies that is a two-way process: governments have a will to devolve more power and citizens make pressure to receive more rights. These models require that collective interests are institutionalized, i.e. there is a well- developed set of medium institutions such as associations of citizens. From this view, interaction and deliberation are the highest forms of participation enabling actors to express and defend their defined interests in cooperation with other actors. But these models are also hardest to achieve, as it requires democratic government and institutionalized interests outside the government's control.

As it was mentioned above, participation is mean and end, or both value and mission. But in practice the introduction of a participatory model is almost always associated with either general value or certain concrete mission. Generally, in countries of well-established democratic traditions participatory models developed through decades and are considered as end aims, i.e.

it has a value in itself, without counting its pros and cons. This approach can take both individualized and institutionalized forms, i.e. participation of individual actors are as valuable as of institutionalized actors. In countries where democracy is less advanced or there are conflicting parties, participatory models tend to have clearly defined missions. Participation model tries to involve well-organized and institutionalized interests to achieve tangible objectives, such as transparency, peace building or economic growth. A good example of the mission-oriented participatory model is the system of Northern Irish Partnerships that has made significant contribution to the peace building process between the two conflicting communities.³⁷

In addition to mission/value dichotomy participatory models can be either individualized or collective. The individualized model focuses on individuals and treats them as legitimate actors in the decision-making process. For this model authorities and individuals are equal partners, no medium institutions are required to direct or manage citizens' access to governance process. The collective model gives an additional dimension to participation – citizens are treated not only as individual identities, but also as institutional identities. This model admits that an individual can not be equal partner of institutionalized authority structures. Therefore, the focus is on the medium institutions, which enables individuals to congregate interests by means of formalized association. Such a model officially recognizes that together with governments there are other organized and institutionalized actors that should have voice in decision-making. Examples of this model are named as corporatism, concertation, deliberative poliarchy, etc. Table 8 offers classification of participatory models using value-mission and individual-institutional differences.

Table 8. Typology of participatory models

	Collective	Individualized
Mission oriented	<ul style="list-style-type: none"> ○ Deliberation ○ Interaction 	<ul style="list-style-type: none"> ○ Input ○ Access
Value oriented	<ul style="list-style-type: none"> ○ Representation 	<ul style="list-style-type: none"> ○ Consultation

Georgian legislation proposes several mechanisms for citizens' participation. These mechanisms are outlined in organic law on Local Government and Administration and in Administrative Code. According to these principles citizens can attend public meetings, can request information from public organizations and can initiate bills or regulations on council meetings. Public organizations are obliged to announce well in advance about the date, time and agenda of the meeting. Public organizations can not close meetings without substantial reasoning. If they do so the decision loses legal power.

According to the classification model outlined above the Georgian legislation offers value oriented individualized model of participation. The model does not work for several reasons: First, value oriented individualized participation model implies that individual rights are so well protected by the state that an individual can oppose powerful bureaucracies if his or her rights are violated. In practice, as it was shown in previous sections, the bureaucracy is a very powerful actor and one can not expect that it is willing to share the power with other powerless actors. Second, medium institutions such as non-governmental, business, and professional associations are not well developed. Such institutions do exist, but they tend to be based on the individuals and serve individual interests rather than to the aggregated interests of many individuals. Because the legislation fails to offer mechanisms of participation via the medium institutions, actors outside the government are marginalized or eventually merged into the governmental structures.

³⁷ NIVT (1999). *Communities in Transition. The Challenge of Peace Building*. Belfast: NIVT

What preconditions are necessary for the participatory model to be successful? To answer this question we need a case of successful participatory model. Such case is the model called participatory budgeting launched by the winning left-wing political party in Porto Alegre city, Brazil. The idea of the participatory budgeting model is to undermine a clientelistic allocation of public resources and to base the budgeting on the actual needs of the citizens. The process of discussion over the budget is done in several steps and is brought to citizens as close as possible. The discussions are organized in the sixteen administrative districts of the city. In each district Regional Plenary Assemblies meet twice a year. Participants of the assembly are representatives of city government, neighborhood associations, youth and health clubs. The process starts with discussing the implementation of the prior year's budget. The assembly elects delegates to have regular meetings to define spending priorities for the following year. The delegates hold regular meetings in neighborhoods and discuss possible projects, which the city might fund in the region. After these discussions the delegates report back to the Assembly with a budget proposal. The assembly approves the proposal and elects two delegates to participate in the city budget discussion on the Participatory Budgeting Council. The council is at the city level and is composed by the delegates from each of the regional assemblies, elected delegates from the city government, delegates from workers' union, neighborhood associations and municipal agencies. The council approves the municipal budget that maximally corresponds to the needs of local population. Approved budget is submitted to the Mayor, which either accepts the budget or uses his veto power and returns the proposal back to the council. The council can either amend the budget or over-ride the veto by 2/3 of votes.³⁸

The main lesson from participatory model described above is that the success of a participatory model is determined by several preconditions: (1) the presence of political will of official authorities to make the decision-making process more inclusive; (2) the presence of developed medium institutions able to articulate and protect collective interests; (3) the practical orientation of the model. That is, the actors involved know what should be achieved from the participatory model and can measure the success against the clearly defined objectives. Next part of the paper suggests that the participatory model in Georgia must rely upon these three preconditions.³⁹

A way forward: the main conclusions and recommendations

The paper analyzed formal and informal power structures of the Georgian local government. The analysis revealed that local policy domains were largely controlled by the powerful cliques composed of the bureaucrats and private actors. The latest institutional changes transformed the ties between the local government and bureaucratic cliques. These changes were reflected in the policy outcomes of local governments. That is, local governments performed differently depending on the structure of policy networks operating at the local policy domains. Yet, the institutional change did not affect the level of inclusiveness in non-homogenous communities.

Thinking about the further reform of local governance several factors must be taken into consideration: (1) formal structures of local governments play subordinated roles in managing local affairs; (2) non-governmental sector tends to merge with the public sector; (3) large groups in the non-homogenous municipalities have no mechanisms to participate in the decision-making.

³⁸ For fuller description of the Porto Alegre participatory case see: Avritzer, L. (1999) Public Deliberation at the Local Level: Participatory Budgeting in Brazil; Baiocchi, G. (1999) participation, Activism, and politics: The Porto Alegre Experiment and Deliberative democratic Theory (<http://www.ssc.wisc.edu/~wright/RealUtopias.htm>)

³⁹ Fung and Wright name this model as Empowered Deliberative Democracy. The outline of its main principles can be found at: Fung, A. Wright, E.O. (2000) Deepening Democracy: Innovations in Empowered participatory Government (http://www.ksg.harvard.edu/prg/fung/deepening_democracy.pdf)

The problem of inclusiveness can not be addressed by a single player in the local policy domains. It requires combined and coordinated endeavor of a number of actors: local governments, central government, non-governmental sector and international aid organizations. But the role of the central government remains central as it carries the ultimate responsibility of creating a functional local government. The latest institutional reform opens a window of opportunity for the government to successfully complete the process of devolution. As it was described above, a formal institutional change has a potential of changing policy networks and hence, changing policy outcomes. The recommended action could be summarized into three main steps:

Fiscal decentralization. Why are the bureaucratic cliques so powerful? Why is it so important to maintain connections with this clique to manage local affairs? Why do non-governmental organizations try to merge with the public sector? The answer lies in incomplete fiscal decentralization, i.e. political devolution is not accompanied with fiscal autonomy. The bureaucratic clique still remains in charge of the public money and other actors' success depends on the connections with these cliques. Therefore, the completion of the fiscal decentralization process will brake ties between the bureaucratic and local government cliques on the one hand and between the non-governmental and public sectors on the other. Thus, local governments should be given more financial autonomy by increasing their revenue basis and taxation power. Many interest groups such as association of local government experts and young economists' association have been advocating for these changes for several years. According to a draft prepared by them, several taxes with predictable and stable revenues should be allocated to local governments.⁴⁰

Giving greater financial autonomy to local governments may have both positive and negative effects. The positive effect is that different actors in local policy domains may find common interests – spending of the funds according to local needs. The negative consequence may be that the bureaucrats who lost control over the localities may invade local governments and may legitimize their power and influence through local elections. These negative consequences can be dealt with by the introduction of coherent participatory models. Thus, local governments should be given legal rights and obligations to involve local groups in decision-making. For example, like the Porto Alegre case the local governments may be required to create participatory budgeting boards, which will include representatives of different interest groups in the municipalities. In this model the local government is only one of the actors and not the only actor. It maintains the role of arbiter or mediator among the variety of interests.

As mentioned above, the non-governmental sector is closely tied to the interests articulated by the international donors. They find it difficult to address the needs of citizens. As a result, non-governmental organizations fail to mobilize and represent citizen's interests. Thus the institution lacks the main feature – ability to act as medium between the government and the public. The problem can be addressed by granting to the non-governmental organizations the right on procurements. That is the government must recognize that citizens' organizations are legitimate actors that must be in charge of some portion of public money to undertake certain portion of services that are currently delivered by the public structures.

The reform consisting of three main components – fiscal decentralization, empowering civic sector, introduction of participatory models – is a continuous and perhaps never-ending process. It may have effects not only for local, but also for national policies. Georgian state is frequently called a failed state because of its inability to cope with the private interests and involve different communities in the policy-making process. Giving more rights to local governments, empowering non-governmental sector and introducing participatory models may create a solid precondition for better governance at all levels of government.

⁴⁰ Conference organized by the Association of Local Government Experts, Tbilisi, February 2003 (Unpublished materials).

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