




Initiative *for* Policy Dialogue

Based at Columbia University 

*Working Paper Series*

## The Role of Civil Society in the Local Government Process

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Key among the arguments of proponents of decentralization is that it increases the responsiveness of government to citizens' local needs by moving some aspects of policy-making from the central to local level. This argument, in one form or another, has an enviable pedigree, including de Tocqueville (1969) and Madison (1961); its modern form is well-represented in the works of Musgrave (1959) and Wolman (1990). It depends critically on two assumptions about the political processes that sustain local government:

*Information.* A mechanism exists by which citizens' policy preferences are revealed to government officials.

*Accountability.* A mechanism exists by which elected officials are held responsible to voters for acting upon this information.

How do these conditions obtain? This paper investigates the question empirically and theoretically. It summarizes the main findings of a detailed study (Faguet 2001a) of one of the best-run municipalities in Bolivia, Charagua, and one of the worst, Viacha, seeking to understand how local government works and why it produces the outcomes it does. The study uses a large body of evidence from interviews and other qualitative research to analyze the decision processes of government in terms of the characteristics of the political system, underlying economic structure, and attributes of civil society.<sup>2</sup> It then describes a simple, two-stage model of local government based on this evidence which deals with multi-dimensional policy space in a straightforward way. I identify the incorporation of civil society into the local governance process as one of the keys to effective government.

### **Viacha**

The evidence strongly indicates that local government in Viacha was of very poor quality. The institutions of government<sup>3</sup> varied between merely ineffective and fully corrupt, and the interplay amongst them produced service and policy outputs which were insensitive to local needs and unsatisfying to local voters. There is substantial evidence that Mayor Callisaya was inadequate as a manager: he expanded his payroll by over 100% with little change in municipal effectiveness; and he squandered huge sums of money on white elephants – a municipal coliseum, a toboggan, municipal sewerage – which quickly decayed and became unusable despite significant cost overruns. Numerous sources, including public officials, municipal councilmen, and even the mayor's UCS political boss, testified to Callisaya's corruption, and a national audit of municipal accounts charged him with malfeasance. The example the mayor set spread throughout his administration, forming a chain of corruption which stretched from municipal truck drivers to experienced technicians, all of whom demanded paybacks before providing the services funded by city hall.

Across the hall from the mayor's office, municipal councilmen were good-natured and ineffective. They readily admitted to little knowledge of municipal affairs, and displayed no interest in learning. Councilmen of all parties were oblivious to their powers and responsibilities. Authoritative observers in Viacha called the council "ignorant and imperceptive", unsophisticated and easily manipulable. Respondents from both the city and countryside testified that the council

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<sup>2</sup> Faguet (2001a,b) investigates nine Bolivian municipalities, of which two are considered here.

<sup>3</sup> The mayoralty (*i.e.* local executive branch), municipal council and oversight committee.

was insensitive to local needs and beholden to their parties. And increasingly to just one party – when opposition representatives began to question municipal policy, the CBN/UCS hired them and members of their family, and the councilmen were thereafter quiet. The municipal council was thus the residual in the local political equation, unable to act as an independent policy-setting body. It offered no counterweight to the power of the mayor, and effectively short-circuited the first layer of local government checks and balances.

The next layer of checks and balances was based on the oversight committee (OC), a sort of upper house of the municipal legislature formed by representatives of a district's naturally-occurring grass-roots organizations. But in Viacha this tier was broken by the mayor, who proscribed the existing OC – which opposed him – and installed his own. Paid illegally by the mayor, this new OC was uninformed about the most basic details of official business. Its activity was limited to endorsing the mayor's political machinations, including a mayoral event that degenerated into drunken mayhem in which a municipal employee was killed. The legitimate OC denounced the mayor and sought to expose his misdeeds, but the mayor countered effectively and was able to impose his will. Having freed himself from the political oversight of an effective municipal council, the mayor was able to block social oversight of his activities and render himself unaccountable. The stress placed on Callisaya's role is intentional. These events were engineered deliberately by a canny political strategist in order to free his hand. The corruption of the entire municipal apparatus naturally ensued.

But this focus on municipal authorities reflects only the proximate causes of poor governance in Viacha – *how* the situation came about. *Why* did it come about? What incentives were there for such behavior? What factors sustained a government that should have collapsed under the weight of its own corruption and ineptitude?

The dominant actors in Viachan society were potent industrial-political groups – the CBN/UCS and SOBOCE/MIR – which had stormed into the vacuum left by the withdrawal of the church and military from public life. Their role in public life was in turn largely shaped by Viacha's proximity and ease of travel to La Paz. This, and the increasing migration of the owners of Viacha's factories and businesses to La Paz, made its politics the residual of national power struggles in the capital. Viachan local parties were mere franchises of their national organizations, as the MIR and UCS vividly demonstrated. They were not mechanisms for aggregating individual preferences and transmitting them to the institutions of local government; they did not champion local causes. They were, instead, a cheap form of political point-scoring at distance. Local party leaderships were made and unmade on the whim of national politicians based on loyalty, electoral success, and subservience. In the eyes of party bosses, silent ineptitude was preferable in their Viachan lieutenants to electoral success based on substantive independence. Local politics was dissociated not only from local need, but from competition for power amongst locally-based interests. In the resulting dynamic, the UCS exploited its considerable assets to suborn the opposition and woo voters with rallies drenched in free beer. For a time it completely dominated local politics.

For its part, local civil society was deeply divided between city-dwellers, who considered themselves sophisticated, Spanish-speaking urbanites, and the rural villagers they disparaged as poor, ignorant "indians". Long-term economic and migratory trends pushed these groups increasingly into contact with each other in and around the city, and social tensions rose. The mayor was able to exploit these to sow political discord between urban and rural civic groups, effectively dividing society against itself. As a result, by the end of his term Viachan civil society seemed absent from the governing process, cowed by the tight grip of party, government and brewery on local affairs. But just when there seemed no remedy to the misrule, the people of

Viacha rose up against their mayor and marched on city hall demanding his resignation. Following a series of heated town meetings, a large crowd massed in the central square opposite Callisaya's office and loudly and angrily demanded his departure. A few days later he left. Then, in the June general election, Viacha recorded a huge swing from the UCS to Condepa. In Bolivia's new institutional context, no local government, no matter how rich or powerful the interests that supported it, could govern against its people for long.

## **Charagua**

In Charagua the evidence is overwhelming that government was of high quality. Through dozens of hours of interviews with authorities and citizens from all walks of Charaguan life not a single accusation of official corruption surfaced. This is surprising given the state of public disaffection with elected authorities in Bolivia, as well as Charagua's inexperience managing large financial flows. Respondents from Guaraní communities scattered throughout the municipal area reported satisfaction with their local government, and felt that their concerns were being addressed by municipal policy. The mayor, working in concert with the OC, had implemented an investment planning system which the authorities and grass-roots alike agreed was transparent, equitable, and highly participative. The projects which resulted from this process pleased citizens both because they responded to real needs, and because of the importance given to local opinions in their conception and design. A broad variety of informed observers agreed that municipal authorities were well-meaning and effective, and that the quality of the investments and services they provided was high.

The mayor's office was institutionally weak in Charagua, suffering, as Mayor Saucedo admitted, from poor human resources and low administrative capacity. This was largely compensated by the mayor himself, widely admired as energetic, honest, and ambitious for his municipality, and by the strength of his electoral mandate. Hand-picked by the leadership of the Guaraní People's Assembly (APG), Saucedo was the white face of indigenous political power in Charagua. His endorsement by an organization which embraced the majority (over 75%) of the population and reached deep down into its traditional community structure conferred immense legitimacy upon his office. This proved instrumental in eliciting the ideas and backing for municipal investments of communities more used to the violence of the state. And so the mayor was able to integrate demands from dozens of rural communities into a coherent investment strategy that reflected their needs: human development, productive projects, and road maintenance. The fact that the municipality now spoke with the voice of the poor illustrates the degree to which power had shifted in Charagua. Town hall was no longer the domain of the cattle ranchers.

Like the mayor, the municipal council worked closely with community leaders and listened carefully to grass-roots demand. Villagers judged them hard-working, honest and able, and were pleased with the outcome of their work. In institutional terms the council was perhaps more remarkable than the mayor in the way the APG's influence overcame clear political and ideological rivalries. Once elected the two MBL and one MNR Guaraní councilmen ignored their parties to form a majority coalition, and deliberately set about working to benefit Charagua's rural communities. If the mayor and municipal council represented the APG's positions in local government, the oversight committee essentially was the APG, with seven of its eight members APG-selected. It exploited the APG's organization directly to ascertain village opinion and mobilize Guaraníes from the bottom up. And villagers perceived the OC as representative, honest and practically an extension of their collective will. Thus the strength of all three of Charagua's institutions of government was founded in the social consensus of the Guaraníes, and multiplied by the civic network of the APG.

Meanwhile Charagua's economy was undergoing contrasting changes. Amongst the subsistence-farmer majority, the APG's technical support led first to self-sufficiency and then a marketable surplus. But the cattle economy sank into crisis as Charagua's *ganaderos*, once the rulers of the southern plains with vast landholdings and vast herds, were pummeled by years of agricultural crisis that slashed food prices, incomes, and property values. As economic power passed from the countryside to the cities, their children left the farm in search of education and careers in the city. The ancient certainty of land wealth passing from father to son was broken. For many, farming would become a hobby. And so too the political party system, through which ranchers had ruled the district with little outside interference, leaving the Guaraní majority without political voice. As the cattle economy declined, ranchers' grip on politics loosened. The old parties went into retreat, new leaders emerged, and a more competitive party system quietly took shape. These changes coincided with nationwide systemic reforms which extended effective suffrage by increasing the number of polling stations, facilitating rural voter registration, and promoting transparency and fairness in electoral processes. An open, transparent system, a competitive party dynamic, and a large Guaraní majority set the stage for political entrepreneurship. Soon enough a previously irrelevant party raised the flag of Guaraní solidarity and swept into power.

With an active and well-organized civil society, a competitive political system, and previously dominant economic interests in steep decline, honest officials were able to take the reins of local government and make it respond to the people. By contrast in Viacha, with a dormant civil society, distorted political system and unchecked business interests, it is not surprising that government was unresponsive and corrupt. But what broader lessons can we draw from the analysis of these two districts? Is it possible to explain the differences in their performance in terms that are general? What follows is an attempt to theorize local government in a way that captures the complex reality of political competition in multi-issue, multiple-priority space. It seeks to go beyond simple voting models by incorporating actors such as civic groups, producer and consumer lobbies, private firms and others evident in Bolivia – and indeed throughout the democratic world – explicitly into the analysis. Such actors lobby, advocate, oversee and otherwise participate in the policy-making process, with important effects on policy outputs.

## **A Two-Stage Framework**

This section sketches the outline of a two-stage model of local government that handles multi-dimensional policy space through a simple, sequential structure. I follow Williamson's (1995) injunction regarding commonly verifiable assumptions and the primacy of discrete structural over marginal effects; the framework incorporates important features of local government identified empirically in Faguet (2001a,b). The model is described, but not formalized here.

Assume a two-stage local government game. In the first stage, politicians compete in elections for control rights over public institutions and resources. The second stage consists of a number of single-issue sub-games in which civic and private actors lobby elected officials for policies that favor them. There are as many sub-games as there are distinct policy questions. The overall model is simple, analytically tractable, and incorporates realistic elements of electoral and lobbying behavior. It handles multi-dimensional policy space in a straightforward way through an institutional structure which separates the allocation of power to political agents from substantive policy decisions. In so doing, it provides a natural way to incorporate non-voting actors (*e.g.* civic groups, firms) into the policy-making process.

In the first stage, control over the institutions of government is allocated to a particular set of individuals via elections, which serve an establishing/legitimizing function. These elections

occur in a single dimension, which I identify not as “left/right” but rather “trust” or “confidence”. The resolution of complex concerns about candidate ability and priorities into a single dimension of trust is an idiosyncratic, unobservable, voter-specific process. Since the results of such calculations are externalized through the vote, the underlying process need not be modeled explicitly.<sup>4</sup> Moreover, the structure of the model implies that individual policy outcomes are not determined by prior electoral equilibria. The winners of elections enter into implicit contracts with voters, which can be renewed or terminated at the following election. These contracts are necessarily incomplete on account of the intrinsically unforeseeable, and hence unspecifiable, nature of political contingency. Given the incompleteness of political contracts, candidates’ platforms do not represent legislative agendas, and voters do not seek to anticipate candidates’ policy decisions once elected. Platforms are instead instruments that signal candidates’ political values, broad policy priorities, and ability to govern. Voters vote for the candidate they trust most, not least to cope with unforeseen future problems. They vote over single-dimensional personalities (i.e. “trust”), and not multi-dimensional issues, and the vote bears little information.

In the second stage political competition is in some sense replayed, but with different rules and different players in discrete settings which treat the various dimensions of local policy one by one. Here the local government process resolves into issue-specific sub-games in which the institutions of local government (*e.g.* mayor, local council) are lobbied by private sector and civic organizations (*e.g.* firms, producer lobbies, traditional tribal structures, neighborhood associations, issue-specific interest groups, NGOs) over specific policy decisions. The precise characteristics of these sub-games – and the equilibria that may result – depend upon the characteristics of the question at hand; this allows us to deal with such factors as history, ideology, and the organizational structure of local society. But all share a simple over-arching structure. Each stage-two decision process can be described as a simple *n*-player game, where players include interested civic and private organizations who compete to lobby a local government decision-maker. The object of each sub-game is a decision regarding a particular policy question (*e.g.* build a school, issue a bond). Hence each sub-game occurs in uni-dimensional policy space. Through their lobbying, players reveal the payoffs they will provide the decision-maker if the policy is implemented in terms of cash and expected votes at the next election. Cash payoffs must be non-negative, whereas vote payoffs can take positive as well as negative values. Players’ ability to provide cash and votes will vary. Once all vote-cash pairs have been revealed, the government official’s decision consists of a simple constrained maximization in which she maximizes her payoff subject to sufficient votes to be re-elected in the following period. A stochastic term can be added to a policy outcome function, or equivalently to a voter turnout function, to prevent politicians from being able to ensure their re-election through the policies they enact.

Stage two is thus where preference revelation occurs. Sub-games are preference-revelation incentive compatible, since the events that trigger them – whether planned to a regular schedule (*e.g.* the public budgeting process, the public works program) or not (*e.g.* an external shock) – naturally call forth the lobbying efforts, testimony, and expressions of interest of diverse parties. Voters and organizations who are indifferent remain on the sidelines. All this information enters the public arena, and based on it a decision is taken.

A key assumption of the model is that preference revelation involves the mediation of intervening organizations. Voters do not reveal their preferences individually, as per median-voter models. Rather an initial round of preference aggregation is carried out by the spontaneously occurring organizations of civil society and the private sector. These actors represent the collective

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<sup>4</sup> In this respect my framework follows the spirit, if not the form, of Besley and Coate (1995).

preference of each grouping to policy-makers in the second stage of the governing process. Hence much will depend on the quality of these organizations and the rules and norms that govern their interaction. Questions of interest include: Is the sub-game dynamically transparent? Is it open to participation by all? Do organizations, and the interplay amongst them, elicit a broadly representative range of opinion from interested parties such that no players are privileged/dominant? Where these questions can be answered affirmatively, the resulting equilibria should entail political accountability in the strict sense that policies implemented are majority-preferred.

Another approach to these questions is to ask how the civic organizations that represent the poor or marginalized interact with other actors in the sub-game context. Private sector firms and associations will tend to have relatively strong cash endowments, and relatively weak vote endowments with which to engage in sub-game strategies. By contrast the civic organizations of the poor will tend to be relatively well-endowed in votes and badly endowed in cash. Middle class civic organizations will lie between these extremes. Because cash is easier and cheaper to administer and offers policy-makers the prospect of immediate gratification, the poor enter a sub-game dynamic at a disadvantage. But in a developing country such as Bolivia where the poor are in majority, their countervailing electoral advantage may compensate. Much depends on the skills such groups display in eliciting members' needs and opinions. Much also depends on their ability to mobilize the vote. Both sets of activities rely on civic groups' ability to communicate information credibly: upwards in the case of preference revelation – from individuals to elected officials; and downwards in order to mobilize the vote – informing citizens about candidate quality and policy commitments in a way which coordinates voting behavior and achieves favorable electoral outcomes. Of the nine municipalities studied in Faguet (2001a,b), it is notable that the quality of civic organizations was consistently and positively associated with local government effectiveness.

## **Conclusion**

In Charagua civic groups were important to both functions identified at the outset, relaying information on local needs and preferences to elected officials, and helping voters to hold them accountable for the policies they pursued. And in Viacha society's divisions blocked the flow of information and stymied attempts to enforce accountability. The insertion of civil society into the policy-making process is thus essential to explaining local government outcomes. The model described above provides a systematic way in which to think about this. It differs from generations of voting models, which posit the electoral mechanism as a means of revealing voter preferences and holding politicians accountable without resolving the fundamental indeterminacy of a uni-dimensional voting instrument in a multi-dimensional policy space.<sup>5</sup> This model instead builds on evidence to propose a two-stage model of government in which elections serve only to select officials, and policy dimensions are considered one by one in a context where interested parties have both the incentives and the means to reveal what they prefer. Where civic organizations are strong, the process provides voice and power to grass-roots groups – including the poor – to obtain the services they need.

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<sup>5</sup> See Mueller (1989) for an extensive review.

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## Abbreviations

- APG Guaraní People’s Assembly, a sort of civic-group “peak association”
- CBN National brewery (Cervecería Boliviana Nacional), owned UCS leadership
- Condepa Conciencia de Patria, a populist party
- MBL Movimiento Bolivia Libre, a small, left-wing party
- MIR Movimiento de la Izquierda Revolucionaria, a large, center-left party
- MNR Movimiento Nacionalista Revolucionario, a large center-right party
- NGO Non-Governmental Organization
- OC Oversight Committee, based on geographically defined grass-roots groups
- SOBOCE Large national cement company (Sociedad Boliviana de Cementos)
- UCS Unión Cívica de Solidaridad, a populist political party