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Decentralised Governance in Post-Soviet Armenia

Babken V. Babajanian

LSE

www.lse.ac.uk/ngpa
tel +44 (0)20 7955 7205
fax +44 (0)20 7955 6039
email ngpa@lse.ac.uk

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Non-Governmental Public Action Programme
c/o The Centre for Civil Society
Department of Social Policy
London School of Economics and Political Science
Houghton Street
London WC2A 2AE

Tel: +44 (0)20 7955 7205/6527 Fax: +44 (0)20 7955 6038 Email: ngpa@lse.ac.uk

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Abstract

This paper analyses the effectiveness, responsiveness and accountability of elected mayors in governing local development in Armenia. The research conducted in eight rural communities shows that in order to be effective, local mayors are compelled to resort to informal strategies to attract development resources to their communities. As formal opportunities for supporting rural livelihoods are limited, informal governance helps enhance people's well-being and social cohesion. It also reinforces a system of "clientelistic accountability", which ensures a significant level of responsiveness of local mayors to local needs, but also contributes to the disempowerment of citizens and leaves them vulnerable to corruption and mismanagement.

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About the Author

Dr Babken V. Babajanian is an ESRC fellow at the Department of Social Policy at the London School of Economics and Political Science. His interests include international and comparative dimensions of social policy, poverty reduction strategies, governance, social exclusion, community development and civil society. He has conducted research in the Caucasus and Central Asia and consulted extensively for the World Bank and the UK Department of International Development (DFID).

1. Decentralisation in Transition

Decentralisation has become part of broad market reforms in transition countries since the early-1990s. Most transition countries have been undergoing some form of decentralisation, which involves the transfer of varying degrees of decision-making power and resources from the central level to local governments and other entities. These reforms have been supported by international development agencies, such as the United States Agency for International Development (USAID), the United Nations Development Programme (UNDP) and the World Bank (Cohen and Peterson, 1999; Blair, 2000). Decentralisation in transition countries pursues both economic and political objectives. The economic rationale for decentralisation has originated in relation to industrialised countries of the West and has been linked with the objective of improving public sector efficiency (Bird and Wallich, 1994; Wetzel, 2001). It is based on the belief that due to their proximity to the population, local agents are better suited to identify and respond to people's needs (Oates, 1972; Tiebout, 1956). Local government responsiveness to citizen demands can thus arguably improve service delivery and enhance citizen's welfare. The political objective of decentralisation is concerned with building democratic institutions and promoting political pluralism in countries once dominated by a one-party monopoly and highly centralised government (Illner, 1999; Wetzel, 2001). These reforms have been associated with the introduction of democratic electoral processes and the encouragement of citizen participation in local decision-making and governance.

The broader economic, social and political impacts of decentralisation in transition countries have not been adequately studied and documented. It is generally thought that decentralisation resulted in mixed outcomes across different transition countries as well as within countries, producing "municipalities where local government performance is systematically better and some where it is poorer" (Soós, 2001, p. 9). Decentralisation is a country- and activity-specific matter, and contextual studies are needed to examine its effects in different

settings and sectors (Litvack *et al*, 1998). In particular, it is important to empirically assess how the reforms of the 1990s have so far affected local institutional arrangements for service delivery and citizen representation in various contexts of post-socialist transition.

What are the conditions that determine successful local government performance? It has been established that effective devolution requires strong political, financial and institutional capacity at the local level. Thus, decentralisation can only translate into effective service delivery if local agents have the financial, political and administrative capacity to manage their responsibilities (Parker, 1995, pp. 23-36). In recent years, the issue of democratic accountability has become a central point in current discussions on decentralisation and “good governance”. This has to do with the realisation that service delivery outcomes at the local level are largely conditioned by the quality of governance and political institutions (Malena *et al*, 2004; Mehrotra 2006; WBI, 2005; World Bank, 2004). The proximity of local agents does not automatically imply responsiveness to local needs. Thus government responsiveness requires the ability of citizens to convey their preferences and priorities for services, scrutinise their representatives and hold them accountable (Wetzel, 2001). Newell and Bellour (2002) conceptualise accountability in terms of power relations, suggesting that individuals without sufficient power base may not be able to demand accountability from those that wield power. In his paper on the “dangers of decentralisation”, Prud’homme (1995) warns that decentralisation may increase the levels of corruption as more opportunities for and fewer obstacles to corruption exist at the local level. Indeed, evidence from developing countries documents numerous instances of “local capture” of development benefits by powerful local agents (see for example the review of literature by Das Gupta *et al*, 2003). Given the Soviet legacy of informal social networks and illegal practices, the issues of accountability and capture remain especially pertinent for the analysis of decentralisation in the transition context.

This paper provides a nuanced analysis of how effectiveness, responsiveness and accountability are related in the context of post-Soviet Armenia and discusses the implications for citizen welfare and democratic governance. In addressing the question, the paper focuses on the role of local mayors in governing local development in eight poor rural communities in Armenia. How effective, responsive and accountable are local mayors in Armenia? Having faced similar financial constraints, why do some communities do better than others? Does successful service delivery performance imply positive accountability, and to what extent poor service delivery outcomes are conditioned by poor accountability? Armenia is considered one of the first and perhaps the most “advanced” liberal reformers in the Caucasus and Central Asia. Since the early 1990s, the Armenian government has embarked on a radical reform program, entailing full privatisation of land, enterprises and most state owned assets as well as decentralisation of important service delivery and decision-making functions to elected local governments.

The issues of local service delivery and accountability are cross-cutting, and they have been studied from various disciplinary perspectives. The “local government” literature has focused on the service delivery capacity of local governments in transition. The conventional approach commonly used by professionals and academics to analyse decentralisation in transition countries, including Armenia, has been primarily concerned with formal aspects of local governance. For example, since 1997 the Local Government and Public Service Initiative funded by the Open Society Institute has supported numerous studies on decentralisation in transition.ⁱ These studies have mostly been concerned with the political, fiscal and administrative dimensions of local government reforms in transition countries. Thus, it has been established that the fiscal and administrative constraints in Armenia have negatively affected the ability of the local governments to successfully perform decentralised tasks (Tumanyan, 2001). This narrow “local government” approach to studying local governance tends to ignore informal livelihoods strategies and alternative modes of decision-making and service delivery. For example, a growing body of literature on local governance in Africa

suggests that the boundaries between the formal and informal can often be blurred and that the existing traditional institutions and social practices can transcend the formal sphere (Lund, 2006; Mamdani, 1996; Olivier de Sardan, 1999).

The issue of accountability in post-socialist transition has been discussed in the literature on corruption and clientelism (Karklins, 2005; Kornai and Rose-Ackerman, 2004; Ledeneva, 2006; Miller *et al*, 2001; Wedel, 1998). It is generally recognised that corruption and clientelism are pervasive and impede people's welfare in most post-Soviet countries. The data sources on post-Soviet corruption are mainly limited to quantitative studies such as the EBRD-World Bank BEEPS surveys, the World Bank Worldwide Governance surveys and the Transparency International corruption perception surveys. These tools provide a useful snapshot of corruption patterns, but have modest explanatory value. There are only a few empirical studies that document the origin, nature and impacts of corruption and clientelism in Armenia (Stefes, 2006; World Bank, 2000). These studies examine accountability by analysing political and administrative processes and systems at the macro level. For example, Stefes (2006) provides a comprehensive review of the "systemic" corruption in Armenia. He shows that corruption in Armenia is entrenched in hierarchical patron-client networks that extend from top to lower level officials. These studies are based on expert views, analysis of media coverage and survey data, rather than on the ethnographic analysis of social and institutional relations at the micro level. As a result, they do not document the interface between the existing accountability arrangements and the social, economic and political context of local communities. They do not provide empirical evidence on how corruption affects people's access to citizenship rights and shapes relationships between citizens and their representatives.

This paper fills an important gap by offering analysis grounded in rich empirical evidence and contextual understanding. The paper focuses on the interplay between the *formal* and *informal* aspects of governance in Armenia. In particular, it examines the role of personal characteristics and resources of elected local

mayors in affecting service delivery outcomes in local communities. Furthermore, it focuses on local governance in *relational* and *contextual* terms. Thus, it places the analysis in the context of the existing social, institutional and political relationships in the local communities.

The paper uses the following criteria for assessing the decentralisation impacts in the sample communities. According to Popa and Munteanu (2001, p. 39), “the most tangible touchstone of the effectiveness and responsiveness of any municipal government lies in its ability to deliver basic services.” From the “local government” perspective, service delivery capacity is usually assessed through formal performance measurement criteria, as for example, the rate of economic growth, the number of street lamps per kilometre, or the number of doctors per 1000 inhabitants (Soós, 2001, pp. 19-20). Due to limited financial and administrative capacity of local governments in Armenia, such outcome indicators may not reveal the true picture of development effectiveness. Instead, this paper views *effectiveness* in relative terms, by assessing the ability of the local mayors to manage local development given the constraints placed upon them. In particular, it examines the capability of local mayors to attract resources, initiate projects and mobilise residents in order to ensure citizens’ access to priority services. For example, the ability to attract limited funding for essential repairs and renovation of community infrastructure may not necessarily produce quantifiable results or improved rates of economic growth, but it may be crucial for supporting people’s livelihoods. By *responsiveness* this paper refers to (i) the extent to which service delivery choices and priorities reflect local needs and preferences, and (ii) whether the local mayors attempt to equally address the needs of different social groups in the local communities.

Accountability can be conceptualised on three levels (Malena *et al*, 2004). *Horizontal* accountability refers to the ability of the administrative, legislative and judicial institutions of the state to exercise internal control over public institutions. *Vertical* accountability assumes that elections serve as an instrument of citizens’ control over their elected representatives. Finally, the concept of *social* or bottom-

up accountability refers to the engagement of citizens in monitoring the actions and behaviour of their representatives and holding them responsible between elections. In democratic systems, citizens and citizen groups have the ability to control public officials by monitoring, participating in decision-making, demanding information and sanctioning (Schedler, 1999, p. 14). In assessing accountability, the paper focuses on the relationship between citizens and their leaders. In particular, it examines (i) the extent to which local mayors share decision-making and information with citizens, and (ii) the extent to which citizens are able to control and influence the behaviour of their leaders.

This paper discusses the findings of the research that I conducted in eight poor rural communities in June-August 2002. Within the subsequent two years, I carried out research in another twelve communities in Armenia and I was able to observe similar patterns of effectiveness, responsiveness and accountability of local mayors. I selected eight communities situated in different administrative regions (*marzes*) of Armenia, including Ararat, Vayots Dzor, Aragatzotn, Armavir and Shirak *marzes*. The smallest community in the sample comprised 120 residents (90 households) and the largest – 1,700 residents (760 households). I based my sampling design upon the assumption that the study of communities with different socio-economic, geographic and demographic characteristics in different regions of Armenia would enable me to capture a diverse range of contexts and impacts. The research used in-depth qualitative methods, including conversational and semi-structured interviews and focus group discussions. During my fieldwork, I also engaged in direct observation. I visited important communal infrastructure facilities, including community centres, schools, medical centres, roads, irrigation and potable water facilities. I observed public meetings, social activities and interaction among community residents and between residents and their leaders.

In total, 94 in-depth interviews and 14 focus group discussions (involving 51 participants) were conducted. I identified two groups of respondents. The respondents in the first group were selected from the community members who

were most knowledgeable about local development issues (key informants). The key informants included local mayors, deputy mayors, school directors, heads and members of local groups and associations as well as community members who were somehow involved in the initiation and implementation of local projects. The key informant interviews lasted from one to two hours. The second group of respondents included community residents representing various social groups in the chosen communities. The sampling of community residents was stratified so as to reflect the social composition of the communities and represent a variety of views and circumstances. In particular, the respondents were purposefully selected to include men and women; the elderly; indigenous residents, new settlers from other parts of Armenia, and ethnic Armenian refugees from Azerbaijan; the disabled; the relatively better-off and marginally poor households; ethnic Armenians and Yezids. The names of the communities and participants of this study have been concealed in this paper in order to ensure anonymity.

2. Local Leaders and Service Delivery

In Armenia, as in other countries of the Soviet Union, the communist ideology required extremely centralised systems of decision-making and policy implementation. The central government consisted of 40 ministries, which administered the country's economy through 37 different territorial administrative units. Three parallel hierarchies of administration extended from the central government down to the regional, city and district level: the city and village *sovets* (*kaghsovet* and *gyughsovet*), or elected councils (in practice appointed by the party committees), representing the legislative power; *gortskoms*, the executives, representing the executive power, and *partkoms*, or party committees, – representing the Communist Party. The centralisation left no room for local policies and initiatives. There was strict vertical subordination of local administrators to the higher levels of governance and the Communist Party. The central apparatus exerted strict control over local authorities, including direct interference in administrative affairs. The Soviet financial system was based on one central budget. The central government controlled the local units through the distribution of funds from the central budget.

Decentralisation in Armenia started in 1995 as part of the process of political and economic liberalisation after independence. There are only two tiers of government in Armenia: central and local. There is no autonomous regional level of government. Instead, the central government has established its regional administrative offices (*marzpetarans*) in the ten regions (*marzes*) of the country. Armenia is divided into 930 units of local government, or “communities” (*hamaynk*). Rural communities account for 872 of the 930 units of local government. This notion of a community as an administrative unit overlaps with the “village community.” More than half the population lives in communities with less than 1,000 inhabitants. All local governments have a directly-elected community leader (*hamaynkapet*), or local mayor, and an elected council (the Council of Elders, or *Avakanî*), with 5-15 members depending on the population

size of the community. Local government elections are held every three years. Local governments are responsible for a wide range of local development issues. These include the formulation of community budgets and local development plans; the operation and maintenance of water supply, irrigation and central heating systems; the management of utilities, such as potable water, sewage, and solid waste collection and disposal; the construction and operation and maintenance of roads, bridges and other related infrastructure; the management of culture clubs, community centres, kindergartens, sports facilities; and issuing permits and regulations for local trade and services.

While the Constitution and legal framework appear to allow substantial local autonomy, in practice, there are major financial and administrative constraints which limit the effectiveness of decentralisation in Armenia. Local governments do not have sufficient financial resources to effectively manage local development issues. The main sources of revenue for local governments are transfers by central government and local land and property taxes. The weak financial and administrative capacity of the central government restricts its ability to effectively support local governments. The central government has failed consistently to meet its commitments for approved transfers to local governments (Rawkins, 2004, p. 19). Most local governments do not have sufficient funds to employ trained professionals or to procure the necessary equipment (Rawkins, 2004, p. 18). Due to the extreme material and social deprivation of the population in Armenia, collection rates for local taxes are very low, with actual payments estimated to be at between forty to fifty per cent of required levels (Rawkins, 2004, p. 20). In 2001, the amounts of taxes raised in the studied communities were only about ten percent of planned amounts. As most people have little cash at their disposal, they are unable to pay the required water and electricity charges. For instance, the average annual collection rate of water charges throughout the country stayed at around thirty percent between 1999 and 2001.

All local governments in the studied communities experienced enormous constraints in managing local development. The limited financial and

administrative resource base significantly constrained their ability to effectively formulate and design policies, undertake local projects and initiatives and to provide high quality services. In all of the sample communities, the actual budgeted resources (and expenditures) were significantly less than the planned amounts. In K, S and E, the actual expenditures were twice lower than the planned amounts, in T they were four times lower, and in R they constituted only 4 percent of the planned budget in 2001. During 1999-2001, none of the local governments in the sample communities spent any resources on new construction projects and purchase of community assets and agricultural inputs. The respondents reported that their communities were not able to carry out the needed relatively complex maintenance works that required significant investments and technical solutions. The actual salaries paid to the local government staff in 2001 were twice lower than the allocated amounts in S, three times lower in K, and six times lower in T. As a result, the local governments were unable to address many imminent needs of the local population.

The service delivery capacity of local communities is restricted not only by the fiscal and administrative constraints, but also by the poor governance environment in the country. It has been recognised that the weakness of the rule of law and pervasive corruption affect all spheres of economic, social and political life in Armenia (Anderson and Gray, 2006; Freedom House, 2006; Greco, 2006; Hansen, 2002; ICG, 2004; Stefes 2006; TI, 2006; World Bank, 2000). Personalised relations, unwritten rules, favouritism, misuse of public positions and rent-seeking continue to be part of post-Soviet reality. In this situation, goods and services, information and opportunities can be obtained in exchange for friendship and reciprocity or informal monetary or material compensation. The World Bank's Institutional and Governance Review (IGR) study (World Bank, 2000, p. 4) attributes the pervasive lack of accountability of public officials in Armenia to the existing systemic, financial, legal and regulatory bottlenecks. Thus, the mechanisms of *horizontal* accountability, i.e., the system of internal "checks and balances" within the state itself, have not been fully developed yet (World Bank, 2000). In particular, the existing fiscal, administrative and legal mechanisms do

not encourage individual and organisational accountability and transparency within the public sector. The weak accountability is conditioned not only by the existing formal rules and structures but also by the informal attitudes and values that dominate public institutions. Thus the existing rules “have little impact, restraints or incentives on [the] actual behaviour’ of public officials” (World Bank, 2000, p. 4).

The poor governance environment restricts the ability of local communities to access economic resources, information and social opportunities. Most respondents perceived that important things in local communities can be only done through influence, connections and cash. A resident in A said, “Connections are very important. In order to lay a single pipe, you need connections.” The respondents expressed an opinion that if ordinary residents attempted to take an initiative to resolve a local problem, where co-operation of authorities would be needed, “nobody would take them seriously.” As a resident in A put it, “It is very hard for people to get things done: wherever you turn, you encounter reluctant attitude [of authorities] or lack of finance.” Various accounts of the respondents indicate that when people directly appealed to regional or central authorities, they, as a rule, were neglected and encountered bureaucratic resistance. A resident in S said, “If we go to the *marzpetaran*, they will tell us - who are you?” In this situation, the formal position of authority is not sufficient for local mayors to be successful in responding to people’s needs and advancing the interests of the community. The personal attributes (entrepreneurial and organisational skills) and resources (access to influential networks and information) of local mayors play an important role in attracting external resources and facilitating local communities’ access to public goods, services and regulations.

This rest of this article examines the development effectiveness, responsiveness and accountability of local mayors in local governance. The analysis of fieldwork data allows a distinction to be drawn between two types of local leaders in the sample communities: developmental and predatory.ⁱⁱ This typology is based on

the specific empirical evidence from the studied communities and further research may identify leaders who can fall between these categories.

(a) Developmental Leaders

Developmental local mayors are committed to their communities and are effective in governing local development. All developmental mayors in the sample communities were from the former elite, who held administrative posts in Soviet times, or were former managers of Soviet collective enterprises and industries. Before his election in 1996, the mayor in K worked as the director of *sovkhoz* and as head of the former village executive council (*gyughsovet*). The mayor in E was the regional *Komsomol* official in the 1980s, after which he held the post of mayor for twelve years. The mayor in A was an influential businessman and had many contacts among the economic and political elite in the country. The mayor in T was the head of the local *sovkhoz* for 16 years. The mayor of N had an influential brother and multiple connections in the political circles in Yerevan. The mayors' former positions offered them important experience, managerial and organisational skills and knowledge that helped them effectively govern local affairs. From their previous positions, they also inherited social status and important contacts. Community members perceived that most important initiatives in their communities can be realised thanks to the efforts and connections of their mayors. Residents believed that even development projects supported by international agencies were "brought from above", through the mayors' intermediation.

Thanks to their connections and leadership abilities, developmental mayors were successful in attracting external resources and "bringing projects" to their communities. They established friendly relations with the regional governors (*marzpets*). These personalised relations translated into continuous support to the village by the *marzpets*. For example, using their contacts with *marzpets*, the mayors organised delivery of fertilizer at a subsidised price. Through their networks, developmental mayors managed to secure funding from central

government funds for the rehabilitation of important infrastructure in their communities, including irrigation systems, potable water pipelines and roads. They were involved in negotiating with the district water authorities the amount and schedule of irrigation water to be supplied to their communities. The residents believed that the reliability of water supply was largely influenced by the informal agreements that the mayors had with the district water authorities. Informal connections also helped in dealing with commercial institutions, such as banks and agricultural co-operatives. For example, the mayors of S and K helped their community residents to become members of an agricultural credit union in order to obtain small credits. A community resident in A said about their mayor, "The mayor has lots of really good connections; so it is good for the village. He uses his contacts to get things done for the village. Without him it would have been very difficult."

The formal position of authority is not sufficient for the mayors to be effective in local governance in Armenia. Access to influential social networks and entrepreneurial abilities are the key determinants of success. The mayor in S was genuinely committed to his community, but residents perceived him as ineffective as he lacked important connections and strong leadership skills. A community resident in S complained about the mayor, "The mayor is clever, but he is not tough enough, one must be tough to get things done." The mayor used to be well-connected at the time when he was elected by the community. However, with the changes in the country's political landscape, he lost his former connections. This has negatively affected his ability to attract external support for the village.

The importance of personal attributes and resources is demonstrated in the power-sharing arrangement in the village of P. After the large scale violence against Armenians in Azerbaijan in 1989-92, the village hosted many ethnic Armenian refugees from various parts of Azerbaijan. The mayor was a refugee himself, and he was democratically elected by the residents. However, as he had spent most of his life outside Armenia, he did not have important connections and influence in the country. In order to effectively manage the community, he entered

into an alliance with a village resident, who was well-connected and entrepreneurial. The mayor largely relied on the informal leader's connections and leadership skills to solve some of the most imminent community problems. At the same time, the mayor represented the public face of the local government. As the informal leader said, the mayor is "very educated and he knows how to deal with the public and listen to women." Both leaders benefited from this alliance as they derived authority and access to economic and social opportunities. The alliance also proved to be very effective for the residents, who had some of their immediate problems effectively solved.

Thanks to their strong leadership and organisational skills, the developmental mayors were successful in collaborating with foreign and local non-governmental organisations (NGOs) and donor agencies. Initially, many donor organisations themselves targeted these communities as they lacked adequate social and economic infrastructure. Through their interactions with these organisations, the mayors learned how to write proposals, manage application process in order to raise funds for local projects and effectively deal with the paperwork and reporting requirements of funding agencies. The mayor in N, for example, learned to send "thank you" letters to all organisations he was in contact with, even if they refused funding. The mayors in the sample communities established good working contacts with the representatives of Save the Children, Oxfam, Care and UN agencies and often appealed to them for funding and technical support. The mayor of K, for example, visited their offices from time to time to "chat and ask them for help." He managed to secure funding from IFAD for the rehabilitation of the second irrigation pipeline on the village. He also collaborated with the Norwegian Refugee Council (NRC) and the World Food Program (WFP). All of the mayors were successful in obtaining funding from the World Bank supported Armenia Social Investment Fund (ASIF) project for the rehabilitation and renovation of essential communal infrastructure, including schools, potable water and irrigation networks and health clinics. The mayors also used their contacts to raise money from individual benefactors. For example, the mayor of A obtained funding from an individual sponsor to renovate the local culture club. The mayor

explained, “We have some friends in Yerevan, so we got together and had something to eat and drink and we got the project.”

The existing communal projects and initiatives had an informal nature, in that they were mostly dependent on volunteer labour and cash donations by the residents and the mayors’ ability to organise collective action. Developmental mayors initiated and managed various small-scale informal public works initiatives, for which they mobilised community residents to contribute money and volunteer labour. These were mostly small clean-up works, minor repairs and other activities where limited technical skills and resource investment are needed. In all of the sample communities, the local mayors assumed primary responsibility for initiating and managing the operation and maintenance for important communal infrastructure. The local mayors mobilised collection of cash or materials from the residents, assigned responsibilities for rehabilitation and maintenance works and oversaw their implementation. They also played the most active role in the supervision of civil works under the ASIF funded infrastructure projects. Their functions included regular monitoring of the progress and quality of civil works, dealing with the contractor and liaising with ASIF with regard to problems occurring during construction. Effective supervision had an immediate positive effect on the quality of civil works. These mayors provided important leadership in organising community-wide social and ceremonial activities. In order to mobilise resources for public initiatives and social events, they collected money from the better-off residents and contributed resources from the local government budget and sometimes even from their own personal savings.

The extent of responsiveness of developmental leaders to citizens’ needs was determined by the constraints faced by the local governments. The respondents believed that their mayors’ decisions with regard to resource allocation and policy choices reflected the most imminent local needs. The mayors themselves were residents in their communities and they closely interacted with other villagers on a daily basis. They were well aware of the priority problems and of people’s needs in their communities. This of course does not mean that the mayors were able to

address all of the imminent local needs. As noted earlier, due to their limited financial and administrative capacity, the local governments were unable to effectively respond to the problems requiring significant financial investments and logistical effort. Communal investments in the sample villages were also often driven by the donor preferences. As there were limited funding opportunities, local mayors tried to seize any opportunity to attract development resources. For example, the mayor of A managed to raise funds to renovate the culture club in the village, which many villagers found unnecessary. The mayor did not have an alternative, as the individual benefactor, who provided the funding, prioritised that particular investment. This implies that the available choices rather than community priorities may predetermine the types of local projects and initiatives undertaken in communities.

The developmental mayors played an important role in maintaining social justice by responding to the needs of the poorest residents. In all of the communities, there were some extremely poor households, who did not have income from formal or informal employment and who sustained their livelihoods thanks to the support of co-villagers, humanitarian aid and social assistance benefits. The poorest households had different characteristics in different communities. These included households with single female heads, persons with disabilities, single elderly (for example, elderly couples left behind by migrant children) and households with many children. Refugees, as a rule, were some of the poorest residents in their communities. The local mayors were involved in verifying the eligibility of these poor households for humanitarian aid and for the state funded social assistance benefits. Most residents thought that their mayors distributed humanitarian food aid fairly. The refugee residents considered their mayors equally attentive to the needs of the refugee and non-refugee population of their villages. Mobilisation of monetary contributions for public works and infrastructure projects in these communities normally had a poverty targeting element – the poorest residents were exempt and higher amounts were solicited from the relatively better-off residents. The mayor in E supported the poorest households by waiving land taxes and water charges so that “people could breathe.” The

mayor in S extended payment deadlines for water charges for single female headed households. The poorest were often excluded from contributing towards community-wide social and ceremonial activities, but were allowed to take part in them.

The developmental mayors tended to unite people in their communities. The frequent involvement of local residents in community projects and initiatives, meetings and social events under the guidance of developmental leaders fostered local co-operation and trust building. The mayors' hard work, commitment and ability to secure benefits and attract external resources strengthened their reputation and people's trust in their mayors. By treating community residents fairly, developmental mayors managed to establish a trusting atmosphere in their villages and avoid the formation of factions and social tensions. High levels of social cohesion and support by local residents in their turn enabled these mayors to effectively govern local development. Thus, these mayors were successful in mobilising community members for public works and in raising contributions for communal infrastructure projects.

An example of a mayor's influence on local social relations can be shown in the case study of N. The village of N was founded in 1992 to accommodate ethnic Armenian refugees from Azerbaijan. The refugee population of the village was composed of diverse social groups, with different backgrounds and educational level, who had come from various geographic areas of Azerbaijan. Many refugees were from urban intelligentsia in Baku, and they had never lived or worked in rural areas before. The village also accommodated some indigenous Armenian families from the neighbouring villages. According to the local mayor, the village was composed of an "eclectic mix" of people, who did not have a shared experience of living as a community. The residents had a very difficult adjustment period, in which they were slowly getting acquainted with the new area, new neighbours and new lifestyle and working conditions. Gradually, people became more united and more trusting of each other; they were more willing to co-operate and support each other with labour, money and moral encouragement. The mayor in N had an

important role in developing the community. He made a conscious effort to foster a collective spirit among the residents and unite people under common objectives. For instance, he often assembled community meetings, organised community-wide social events and mobilised people for community works. The relations among community members strengthened also thanks to the fair and respectful treatment by the mayor, who did not discriminate against the refugee population and provided both refugees and local Armenians with equal opportunities.

(b) Predatory Leaders

Predatory leaders are neither committed nor effective. The local mayor in R was perceived by the residents as the main cause of their poverty. The mayor had little influence and weak leadership skills. He was unable to effectively network, obtain external resources, initiate development projects and govern local development. It seems that the energy and efforts of the mayor were channelled into obtaining personal benefits. He was accused by the community residents of selling communal property, extorting bribes and misappropriating development aid. A resident said, "The village is pilfered. Aid is always coming to the village but very few people receive it. State property is being taken away and sold." Another resident said, "Everything is being stolen and pocketed here." The residents alleged that the mayor sold fertilizer and other agricultural inputs designated as aid to their village. They suspected that potable water supplied to the village was scarce as the mayor "sold" it to some better-off individuals for irrigating their fields in the neighbouring villages. A resident said, "It is all their mafia, they take advantage of donor aid and projects; it is all his [mayor's] circles who benefit, nobody else." The mayor did not adequately supervise the execution of civil works by a contractor under an irrigation system rehabilitation project. As a result, the newly rehabilitated system supplied little water. The scarce water supply in R was also conditioned by the mismanagement of the irrigation facility by the mayor.

The mayor's self-interested behaviour and ineffective management had a direct negative impact on the level of economic and social development in R. Even visually it was strikingly different from the other communities visited during the research. The potable water and irrigation systems in the village had completely deteriorated and were malfunctioning. Due to irrigation water scarcity, conflicts over water persisted and were a constant source of social tension. The village did not have a health centre or even a grocery shop, where people could buy bread and items of first necessity, such as soap and basic medicines. For four years, the village did not have electricity supply. The village used to have a revolving drug fund set up by Oxfam, but as the majority of residents were unable to make cash contributions, the fund was dissolved. The number of people reported to have migrated outside Armenia in search of income generating opportunities and better life was the highest in R.

The mayor in R seemed to be indifferent to the needs of the poorest households in the village. The number of extremely poor households was especially high in R and comprised over one third of the village's population. For example, a single female who did not have any income and who had to support her three disabled children, did not receive any social assistance benefits. She was unable to travel to the hospital for people with mental disabilities to complete paperwork in order to become eligible for social assistance. She appealed for help to the mayor several times, but he did not do anything to assist her. Most of the extremely poor residents in R did not receive humanitarian food aid. Instead, according to the residents, the incoming food aid was distributed among a small group of better-off residents.

The mayor in R contributed to the disintegration of the existing stocks of social capital in R. Thus, the lack of effective management and accountability by the local mayor transferred into social cleavages and tension. As described earlier, the mayor reportedly allocated development resources to his immediate circle and excluded the poorest community members. This contributed to the division of the community's residents into several factions. The first faction was comprised of the

immediate circle of friends of the mayor, who allegedly benefited from development aid and resources. Second, there was a group of extremely poor residents, several of them with severe disabilities, who were isolated and were dependent on other community residents for their survival. Finally, there were several local entrepreneurs who attempted to find solutions to communal problems. They believed that the mayor and his environment stifled any initiative in the village and marginalised the poor residents. They felt that they were in a minority, and that they would not be supported by other community members if they raised their voice against the mismanagement in the village. One of them referred to the lack of unity in the village, "People will not support each other in this village. They are all by themselves; this village is disintegrating." The social division in R translated into the inability of residents to get together to pursue common objectives and to demand accountability from the local mayor (more detailed discussion follows in the next section).

3. Local Leaders and Democratic Accountability

How do the existing accountability arrangements correlate with the effectiveness and responsiveness of local leaders? Is it correct to assume that developmental leaders are more accountable to the public than the predatory ones? The rest of this section examines the patterns of local accountability in the communities with developmental leaders.

The key formal and informal role that local mayors played in governing local development and securing livelihoods for community residents provided the mayors with significant discretionary control and influence in local decision-making. The mayors themselves made most decisions with regard to the prioritisation and allocation of local resources, as well as the management of local services and development programmes. The mayors dominated the Councils of Elders. The Councils are designated to approve all of the key decisions made by the mayors and oversee that these decisions correspond to the needs of community members. In reality, local mayors tend to influence the outcomes of the elections to Council positions and have the decisive voice in meetings of Councils (Rawkins, 2004, p. 25). Most respondents considered the role of the Councils only formal. A resident in S said, “The mayor is the sole master and organiser here.”

Local mayors normally themselves defined the boundaries for community participation in local governance. Participation of community members in communal affairs was most commonly restricted to the provision of “physical” inputs, such as contributions of labour, cash and materials. As discussed earlier, local projects and policy initiatives were undertaken by developmental mayors after consultation with community members. The input of community members in decision-making was normally solicited by the mayors on important local matters, as for example for the organisation of communal works or planning and preparations for the new agricultural season. However, the mayors had a final say

in the local decision-making and could choose not to take onboard wishes of community members. Thus, according to the World Bank's empowerment classification (World Bank, 2003, pp. 6-7), community members in the sample communities had access to their leaders ("passive access") and opportunities to exercise voice and express their demands and preferences ("active participation"). At the same time, they had limited "control" with regard to the formulation and implementation of local policies and programmes and especially with regard to resource allocation.

The mayors dominated the existing grassroots organisations. Thus, the Water Users Associations (WUAs) in E, K and A were mostly controlled and managed by the local mayors and had little discretionary authority. The mayors themselves appointed the WUA heads, and the WUA heads regarded themselves accountable to the mayors. The mayors made most important decisions with regard to water allocation and distribution and the operation and maintenance of the irrigation facilities and tertiary canals. The WUA staff members implemented these decisions, for example, they collected water charges, monitored water distribution and mobilised residents for labour or material contribution.

Information-sharing and consultation with community members were conveyed through formal meetings and informal channels. The local mayors held meetings to inform people of planned initiatives, gather opinion, plan important communal activities or mobilise community support and contribution. Such formal meetings were not institutionalised, and they were mostly assembled irregularly, depending on emerging needs. The infrequent character of formal meetings does not imply that decisions made by the local mayors did not have community basis and support. In most cases, the local mayors consulted community residents through the existing informal mechanisms. The relations between the mayors and community members were informal and personalised. The local mayors learned about the everyday problems and preferences of people as they lived in the same community and interacted with the villagers on a day-to-day basis. At the same time, the mayors did not feel obliged to share information about important issues

with community members. They did not report to the community on the financial aspects of local management. For example, community members did not receive any reports from their mayors on how user charges for irrigation and potable water were used. The fact that people were not provided with ample information left room for suspicion and allegations of corruption.

The relationship between local mayors and community residents in rural Armenia can be characterised as a patron-client system. As shown in the previous section, local residents are almost entirely reliant on the good will and personal resources of local mayors for their survival. Local mayors in their turn derive various benefits from their formal positions, including influence, social status and access to economic and social opportunities. They have direct access to information and financial resources, which allows them and their immediate circles to be involved in income generating opportunities. Kharatyan (2003), for example, demonstrates that local mayors occupy key economic positions in rural communities in Armenia. Most local mayors have their own businesses, or are involved in some sort of entrepreneurial activity. Local mayors tend to buy land plots from impoverished residents who often cannot afford expensive agricultural inputs and find it difficult to cultivate their land. As a consequence, local mayors are often the largest land owners in their communities. Local mayors and their families benefit most from the local infrastructure improvement projects. For example, in all of the studied villages, it was the mayor's house that had the most regular water supply. In terms of their living conditions, the local mayors and their deputies were some of the better-off residents in the studied communities.

The patron-client relations in Armenia are different from the "landlord-tenant" type of patronage prevalent in many developing countries. For example, in South Gujarat, India, these relations are exploitative and are structured around the individual dependence of poor agricultural labourers on powerful landlords (Bremen, 1974; 1993). These landlords provide labourers with income security in exchange for their labour and servitude. Community leaders in Armenia do not derive benefits from individual exploitation, but rather from opportunities and

authority offered by their formal position. Thus, leaders do not expect that their activity be reciprocated in terms of the labour or monetary contribution of community members. Furthermore, one can consider developmental local mayors in Armenia not only as “patrons” who intermediate residents’ access to goods and services in exchange to personal benefits. These leaders are also “social entrepreneurs”, who are firmly enmeshed in local social networks and have a strong sense of civic responsibility. They are committed to contributing to the well-being of their co-villagers and use their personal resources to support their communities. Thus developmental mayors can be characterised as both self-interested and altruistic, as they are driven not only by their narrow personal interests, but also by their sense of belonging to their communities.

The main institutional mechanism that citizens can use to control their representatives are local elections (*vertical* accountability). Elections of local mayors may be used as a mechanism to sanction weak mayors for their ineffective performance, but not necessarily for their rent-seeking behaviour. Thus, criteria for accountability are based on citizens’ assessment of their leaders’ performance. In all studied communities, including those with developmental leaders, residents alleged that their leaders were involved in corruption. They believed that their mayors took advantage of their position and benefited from construction projects, donor funded public works programmes and humanitarian aid. Local residents, however, did not regard elections as a mechanism to end rent-seeking behaviour or mismanagement of local resources by local mayors. People considered voting out their elected representatives only when they did not adequately deliver to their communities. For example, the residents in R were determined to oust their allegedly corrupt and ineffectual local mayor in the forthcoming local elections.

The mechanism of *social* or *bottom-up* accountability does not appear to be an effective tool for exacting accountability within the institutional and social context of post-Soviet Armenia. Civil society organisations and the media in Armenia are not sufficiently strong to be able to effectively challenge the influential power

structures. Ordinary citizens are restricted in their ability to exercise social control. Community members in the sample villages did not appear to monitor the actions of their mayors and to demand greater transparency with regard to policy formulation, project management and resource allocation. They were not sufficiently informed, or did not feel entitled, to query financial aspects of local governance. When people attempted to influence the behaviour of their mayors, they encountered resistance and indifference. For example, many residents in R publicly criticised their predatory mayor. This, however, did not have any effect on his stance and behaviour. The attempts by the residents in the studied communities to claim their rights by appealing to the regional and central governments and organising protest marches were unsuccessful. Such unsuccessful outcomes reinforced the general sense of powerlessness within the local communities. Some respondents did not believe in the effectiveness of bottom-up accountability. People realised that they had limited avenues to hold the authorities responsible for their actions, and some even believed that top-down accountability could be most effective in the circumstances of Armenia. A resident in S said, “The mayor should be appointed so as he fears those who appointed him and takes responsibility. Now he does not feel responsible, as he can give some small things to some people, and they will re-elect him.”

The limited financial resources of the local governments and insufficient state support for local communities diminish community’s expectations of the local mayors. Most respondents were aware of the enormous financial and administrative difficulties their leaders face. They accepted that there was a limit to what local authorities could possibly do and were modest in their demands. Residents did not pressurise their leaders to deliver things which were beyond the capacity of the local governments. A community member in S said, “A local mayor can work well only when in addition to his good reputation he also has financial resources.” Many respondents thought that some “bigger” issues needed to be solved by the central government.

In conclusion, the existing system of accountability in Armenia is adjusted to the needs of the patronage system and can be termed as “clientelistic accountability.” “Clientelistic accountability” does not imply a complete lack of accountability, but it is also different from “democratic accountability.” In democratic systems, elected officials are held accountable not only for their service delivery effectiveness, but also for their rent-seeking behaviour (Manin *et al*, 1999, pp. 40-41). As local communities in Armenia are often restricted in their choice of “effective” leaders, people usually tolerate rent-seeking behaviour by those mayors who are effective in attracting development resources for their communities. Thus citizens allow their representatives a certain degree of public resource misappropriation as a reward for utilising personal or informal resources of their leaders. The elected officials in their turn observe the “social contract” with local residents, which entitles them to take advantage of opportunities and resources in exchange for their public commitment and support.

4. Implications for Citizen Welfare and Democratic Governance

As this paper shows, decentralisation in Armenia has resulted in establishing two parallel systems of governance in local communities. On the one hand, it has created formal local governments delegated with specific service and welfare delivery tasks. On the other hand, it has strengthened and legitimised clientelistic networks and informal practices for resource allocation, service delivery and decision-making. Both the formal and informal systems of governance are interdependent and complementary. The position of authority elected officials enjoy is an important source of legitimacy and provides local mayors with leverage and authority, especially in negotiations with other public institutions. In the absence of formal and predictable rules governing resource allocation in the country, local mayors are forced to rely on informal channels to attract development resources and to effectively perform their formal duties. As a consequence, personal characteristics and resources of local leaders directly affect service delivery outcomes in the local communities. Accountability appears to be a crucial factor affecting local government responsiveness in Armenia. Thus, the complete lack of accountability in the community with the predatory leader negatively impacted upon the local government's responsiveness to local needs and service delivery outcomes. At the same time, the absence of "democratic accountability" does not necessarily translate into poor responsiveness and negative local government performance. In particular, service delivery in developmental communities was conditioned by the system of "clientelistic accountability", which ensured a significant level of responsiveness of local mayors to the needs of citizens.

So what are the implications of the current decentralised system of local governance with regard to citizen welfare and democratic governance? The patron-client system in Armenia has an important communal significance. It facilitates resource mobilisation for investment in local infrastructure and public services. The activity of developmental leaders goes beyond serving welfare

gains of a small group of individuals, but benefits the community as a whole. In a situation where the state has limited resources to adequately support local development and ordinary citizens are powerless to advance their interests, the patronage system provides residents with access to basic services and infrastructure, agricultural inputs and income generating opportunities and plays an important social welfare function. Based on their findings in Jamaica, Rao and Ibáñez (2003, p. 21) maintain that dominant leaders who have “communitarian motives” can benefit their communities by obtaining funds for projects that solve important communal problems. In particular, the domination of local leaders during the social fund micro-project cycle in Jamaica stifled community participation, but nevertheless had a positive developmental impact on local communities. They characterise the role of such leaders in local development as a “benevolent capture.”

Despite its positive welfare effects, the system of “clientelistic accountability” creates a highly volatile and insecure environment for the fulfilment of social needs and the citizenship rights of ordinary residents. The accountability of elected officials is mostly conditioned by the personalised and informal terms of reciprocal obligations in patronage system. The extent to which local leaders observe these terms depends on their personal characteristics, social embeddedness and good will, rather than uniform, formalised and impersonal rules and regulations. Furthermore, the reliance on the patronage system is always prone with a risk of “predatory capture.” As power relations stay unequal, citizens remain vulnerable to corruption and mismanagement. As this paper shows, “clientelistic accountability” that defines the relationship between citizens and leaders in this context evaluates local leaders on the basis of their effectiveness and legitimises rent-seeking. In addition, citizens do not have effective formal and informal mechanisms to control the public behaviour of their leaders between elections. In the absence of “democratic accountability”, public officials may pursue their own private gains. For example, they can extract public resources and increase their personal wealth, extend favours to friends and families, and choose policies that advance their own narrow interests or the

interests of certain individuals and groups (Manin *et al*, 1999, pp. 40-41). Thus, as the system of “clientelistic accountability” prevails, citizens are not protected against the abuse of political power and capture.

As this paper has shown, the patronage system limits the agency of citizens and reinforces structural barriers to establishing “democratic accountability.” It restricts the ability of citizens to claim the rights to which they are entitled. In their essence, patron-client relationships are asymmetrical, and one party has more power than the other (Waterbury, 1977, p. 329). The key role that patrons play in governing local development and securing livelihoods for community residents narrows the power base of citizens and restricts their ability to demand accountability and transparency. Based on a review of the literature, Kabeer (2002, p. 23) concludes that informal relations rooted in patronage networks represent an obstacle to claiming and exercising citizenship rights. Thus, dependence on patronage networks in obtaining access to resources implies that individuals may choose not to exercise and claim their rights, fearing the consequences for their livelihoods. Even if local leaders seek to contribute to the social and economic development of their communities, the existing balance of power makes the opportunities for empowerment of community residents limited and hence restricts the prospects for institutional change.

This finding has important policy significance, as it casts doubt on the effectiveness and relevance of bottom-up engagement as a means to institutionalise democratic governance in post-Soviet Armenia. In the recent years, international development agencies, such as the World Bank, have intensified support for decentralised and participatory projects to fight corruption and improve accountability. These projects are based on the belief that civic engagement can help defeat the “three fundamental threats to the construction of good governance and the rule of law in the developing world, namely corruption, clientelism and capture” (Ackerman, 2005, p. 3).ⁱⁱⁱ The ability of citizens to monitor and scrutinise the policies and actions of their leaders on a regular basis appears to be crucial for ensuring “democratic accountability.” As this paper shows, the

patronage system itself imposes constraints on the ability of people to exercise voice and control their development. Further research is necessary to explore the extent to which citizen participation may succeed in challenging and altering the existing power structures within the institutional and social context of the patronage system.

Improving the system of local governance in Armenia requires profound changes in the governance structures at the macro level. It is the inability of the state to enforce the rule of law and citizenship rights that contributes to the emergence and strengthening of clientelistic relations and informal networks at the micro level. It is indeed crucial to enhance the financial, political, and administrative capacity of local governments to better manage their responsibilities. However, without a system of “democratic accountability”, the improved capacity does not automatically imply that local agents would be willing and committed to serve the interests of citizens. The system of “clientelistic accountability” at the local level would remain in place as long as the elites derive economic and political benefits from patronage and rent-seeking and have little desire to share power with citizens. Ultimately, developing “democratic accountability” requires political will on the part of a country’s ruling elite to enforce the rule of law and actively promote the principles of democratic governance.

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1. These studies are published on www.lgi.osi.hu. See, for example, Munteanu and Popa (2001), Soós et al (2002) and Tausz (2002).

2. The distinction between developmental and predatory leaders adopts the classification made by Evans (1989) with regard to the state in developing countries. Evans uses the term “developmental” with regard to the states that seek to promote economic and social development and the term “predatory” with regard to the states that impede transformation and undermine people’s welfare.

3. See also Malena *et al* (2004) and WBI (2005).