

Issues and challenges when engaging local authorities

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Authorities in the Balkan countries have often been blamed for the delays in reforming their economies. Part of this poor performance may be attributed to the slow pace of assimilation of the advice offered within the various foreign financed technical assistance programs. While things appeared to improve over the recent years, as testified by the better economic environment, it is likely that the Convergence may still face many challenges when engaging local authorities, which will need a lot of patience and diplomatic skills to overcome. A few of those are listed below.

1. Insufficient understanding of the issues.

Many of the policymakers in the countries may now have acquired the technical knowledge needed to understand complex economic issues. However, some others have not. Besides, local authorities tend to believe that their own transition problems are unique, and anyhow different from the textbook cases prepared for classical market economies. Therefore, solutions to those problems may be difficult to advocate and not easily accepted by local officials, even when they appear obvious to outsiders.

2. Suspicious attitudes.

The Balkans area has been ravaged by war in the recent years. This may have left many locals with a deep distrust about the real reasons behind foreign advice and consequently with little appetite to follow it. Even in the countries untouched by war, such attitudes may occasionally be encountered, particularly among the officials with a communist background.

3. Vested interests.

Sometimes the negative attitude of officials towards adopting certain much needed measures may be motivated by vested interests (privatisation with local political friends rather than strong strategic foreign investors is a very widespread example). Such attitudes could obviously not be changed even by best quality advice.

4. Authoritarian management style.

The former communist regimes have been secretive and not particularly known to encourage open debates, such as those promoted by the Convergence. This approach may not have entirely disappeared, especially when authorities have to listen to what they perceive as lesser counterparts. Advice from IFIs or the EU may be taken, but suggestions from banks or consumers will certainly be less welcome.

5. Lack of implementation consistency.

Complex reform measures, involving several entities, have always proved difficult to implement in the countries of the area. This difficulty seems to be caused by the weak coordination capacity among various players with opposing views, frequent changes in the staff and decision makers assigned to a project, as well as the existence of different opinions even inside the same institution, all combined with low accountability.

6. Fatigue with technical assistance.

Many donors have volunteered to offer advice to the countries of operation. This has created sometimes overcrowding and overlapping to the point that the local authorities were overwhelmed and could not handle anymore in an efficient way the various programs.

7. Focus on short-term results.

Local politicians tend to concentrate only on projects which bring immediate results, unless they bring other categories of rewards - such as disbursements from IFIs loans or progress in the negotiations with the EU. A mechanism such as that promoted by the Convergence, promising to bring results in the longer term, may simply not constitute a priority for some of them.

8. Perception that changes are not needed.

The indicators of the banking systems in many of the Balkan countries are now showing a significant improvement. This may have brought the feeling that no consultations are needed with the market participants, since the authorities have already proven their capability to do what was best for the sector.

ISSUES AND CHALLENGES WHEN ENGAGING LOCAL AUTHORITIES

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- ↙ **Political instability** (distortion from democratic election processes, frequent government reshuffles), can divert government attention to other issues, ensuing in a slow-down of economic reforms. Many governments do not look beyond the next election results.
- ↙ Even when there is a certain degree of understanding of the issues, **the authorities may be unwilling to cooperate/to consider comments, or take on recommendations** for certain issues. Moreover, if we are obliged to engage low-rank, junior government officials, who are not part of the decision-making process, their reports and suggestions, may not be taken into consideration.
- ↙ **The absence of a vision and comprehensive integrated planning, extreme lack of accountability from local politicians.** Inability of government authorities to prioritize issues, develop realistic program and execute them effectively and on schedule.
- ↙ **National authorities-and even more important, the people-are not committed to or they resist change.** This is where mechanisms for engaging civil society and other local bodies-are essential for **a participatory approach to reform and to development.**
- ↙ **Unresponsiveness of the government to market participants due to the following reasons:**
 1. Insufficient role, fragile/underdeveloped or non-existent market players/associations.
 2. Market associations might have the will and ability to identify problems, but they often fail to implement changes or make viable recommendation due to lack of expertise, bureaucracy, organization, experience, etc.
 3. Generally, the market participants do not have a pro-active approach, in the majority of the cases, they react after the event occurs (i.e. banks, insurance companies with small staff do not have a forward-thinking approach)
- ↙ **There not rare the cases when associations and media operate as vehicles of the government/are affiliated with personal connections with top government officials.** If no deep-rooted analysis is made before-hand, this might erroneously lead us to wrong conclusions, unilateral decisions, or even worse loss of reputation and misinterpretations of our actions.
- ↙ **Addressing the need to adopt and implement internationally or regionally accepted norms and practices at the individual country level.** Convergence will have to contend with mitigating the pressure between the uniqueness of each country's institutions in terms of political, ethnical, socio-cultural aspects and the conspicuous need for better governance and synchronization with international standards and norms.
- ↙ **Convergence and the pool of experts it will call for TA will have to cope with the Balkan culture in all Governmental levels.** They have to recognize and accept people's mentality in Balkan organizations and the decision making procedures.

- ↪ **Public administration is often prone to rivalry, ownership rights of initiative reforms.** Sometimes there exists rivalry/competition among various members of the government reflected through a mixture of power struggle and personality clashes to gain the authorship of initiating or implementing a certain reform. If we fail to recognize and effectively address these attitudes, we might put the project at risk.
- ↪ **Political risk.** Convergence should aim at reconciling the views and attitudes of all the parties involved at the decision-making process, not only the Government, but also the Parliament, as the main legislative body. Frequently, political parties take deliberately opposing stands with the Government in order to gain political advantage. An example of this situation was the misuse made by the opposition party in Albania in relation to the passage of Insurance Deposit Law in Albania.

- ↪ **Poor governance** demonstrated in:
 1. **A discretionary and unstable legal and regulatory environment probably presides over the law in the Balkans.** For example, in one country the licenses of several insurance companies are granted based on personal connections and the authorities are passing regulations that intentionally aim at benefiting or discriminating specific companies in the market.
 2. **Excessive government intervention and adoption of preferential treatment** provide a source of temptation to officials to use whatever discretion they have to elicit bribes from those who would benefit from preferential schemes. Convergence should be prepared that some of its future proposals might fall prey of these schemes, endangering the outcome.

- ↪ **Overlapping and, at some extent, conflicting programs from different international organizations** might result in competing organizational, institutional or national interests and diverging attitudes from various organizations. This situation often confuses the Authorities and sometimes may halt further actions from the Government, which in turn, prefers doing nothing rather than exacerbating the relationship with any of them.
- ↪ **The high degree of informal economy and government corruption** in some Balkan countries will lessen the effectiveness of the proposed measures, reforms.
- ↪ **The lack of proper legal framework might hamper the implementation of future program steps.** For example, the program may be successful in resolving certain issues, such as a legally sound collateral regime, however, the proper execution of this scheme is hindered by deficiencies in other laws, such as effective legal arrangements for repurchase and pledges transactions and land restitution to ex-owners in some countries.
- ↪ **The authorities might either underestimate or overestimate our role as Convergence:** Two issues may arise: they might confuse us with the World Bank or other international organizations; this will keep their expectations too high on us. Or they might think we are not related directly to them and have “no power to put conditionality”.