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The Role of Participatory Governance for Overcoming Information Asymmetries in Rural Political Markets: A Case Study in Guatemala

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Abstract

This study addresses the question how information asymmetries can be overcome in rural political systems, which are analysed as political markets. Previous research shows that increasing voter knowledge about government performance is a key condition for making elections work as an effective accountability mechanism in developing countries. Yet, how this can be best achieved remains unclear. Therefore, we examine the potential of participatory governance forums to transmit information about government decisions to poor voters in rural areas of Guatemala. The suitability of participatory governance as an information provision mechanism has not been examined so far in the literature on political market imperfections in developing countries. Hence, we complement previous political economy research on the interaction between elections and other information provision mechanisms, such as the media, central government audit reports and information campaigns. At the same time, we add to the literature on the effects of participatory governance reforms by exploring a new mechanism through which these reforms can improve local government performance.

The empirical analysis of the study consists of a comparative case study of two Guatemalan participatory governance forums, the so-called Municipal Development Councils. The two municipalities were selected from a pool of ten cases which were studied in a broader research project on public service provision in rural areas. They represent the two extremes of a highly effective and an ineffective participatory governance forum. In both cases, we study what type of information these forums provide, how they convey this information and what audience they reach. Then, we examine the performance of the local governments in the two municipalities. Finally, we analyse what conditions explain the difference in the effectiveness of the two participatory governance forums in providing information about policy decisions to rural voters.

The results show that a local participatory governance forum that functions effectively can reduce the information asymmetry between a local government and its electorate and, thus, contribute to better local government performance. In line with previous research on the implementation of participatory governance we also find that a high familiarity of citizens with the rules, a dense civil society and low costs of attending meetings are crucial for making a participatory governance forum an effective information provision mechanism. Moreover, the results of our study suggest that village representatives and civil society actors' knowledge of their rights and their technical and organisational capacities to claim them can be increased effectively in the short- to medium-run by capacity building in

spite of low levels of education. Finally, our results indicate that the formation and the functioning of civil society organisations can be promoted through capacity building and group-based fund allocation and that in places with high poverty mitigating the cost of participation for village representatives and civil society actors can foster participation.

Keywords: Decentralisation, Guatemala, information asymmetries, participatory governance