



DECENTRALIZATION:

Experiments and Reforms

————— *Edited by* —————

Tamás M. Horváth



Local Government
and Public Service
Reform Initiative

LOCAL GOVERNMENT AND PUBLIC SERVICE REFORM INITIATIVE
OPEN SOCIETY INSTITUTE

Address

Nádor utca 11.
H-1051 Budapest, Hungary

Mailing address

P.O. Box 519
H-1357 Budapest, Hungary

Telephone

(36-1) 327-3104

Fax

(36-1) 327-3105

E-mail

lgprog@osi.hu

Web Site

<http://www.osi.hu/lgi>

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Local Government and Public Service Reform Initiative

Local Government and Public Service Reform Initiative (LGI), as one of the programs of the Open Society Institute (OSI), is an international development and grant-giving organization dedicated to the support of good governance in the countries of Central and Eastern Europe (CEE) and the Newly Independent States (NIS). LGI seeks to fulfill its mission through the initiation of research and support of development and operational activities in the fields of decentralization, public policy formation and the reform of public administration.

With projects running in countries covering the region between the Czech Republic and Mongolia, LGI seeks to achieve its objectives through

- Development of sustainable regional networks of institutions and professionals engaged in policy analysis, reform-oriented training, and advocacy;
- Support and dissemination of in-depth comparative and regionally applicable policy studies tackling local government issues;
- Support of country-specific projects and delivery of technical assistance to the implementation agencies;
- Assistance to Soros foundations with the development of local government, public administration and/or public policy programs in their countries of the region;
- Publication of books, studies and discussion papers dealing with the issues of decentralization, public administration, good governance, public policy and lessons learnt from the process of transition in these areas;
- Development of curricula and organization of training programs dealing with specific local government issues;
- Support of policy centers and think tanks in the region.

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For additional information or specific publications, please contact:

LOCAL GOVERNMENT AND PUBLIC SERVICE REFORM INITIATIVE

P.O. Box 519, H-1397 Budapest, Hungary

Phone: (36-1) 327-3104; Fax: (36-1) 327-3105

E-mail: lgprog@osi.hu; Web Site: <http://www.osi.hu/lgi>

Contents

List of Tables and Figures	7
Foreword	15
1. Directions and Differences of Local Changes	19
<i>Tamás M. Horváth</i>	
2. Local Government in Estonia	61
<i>Sulev Mäeltsemee</i>	
3. Local Government in Latvia	115
<i>Edvins Vānags and Inga Vilka</i>	
4. Local Government in Lithuania	165
<i>Aruna Beksta and Algirdas Petkevicius</i>	
5. Local Government in Poland	217
<i>Andrzej Kowalczyk</i>	
6. Local Government in the Czech Republic	255
<i>Karel Lacina and Zdena Vájdova</i>	
7. Local Government in Slovakia	297
<i>Juraj Nemec, Peter Bercik and Peter Kuklis</i>	
8. Local Government in Hungary	343
<i>István Temesi</i>	
9. Local Government in Slovenia	385
<i>Stanka Setnikar-Cankar, Stane Vlaj and Maja Klun</i>	
List of Contributors	422

List of Tables and Figures

Tables

CHAPTER 1

Table 1.1:	General Data on Central European Countries	23
Table 1.2:	Gross Domestic Product of the Economies of Central European Countries	24
Table 1.3:	Recent Local Election Outcomes in Central European Countries	40
Table 1.4:	Population and Number of Municipalities in Central European Countries	43
Table 1.5:	Territorial Governmental and Administrative Units in Central Europe, 1999	47
Table 1.6:	Midlevel Local Government Tiers in Central European Countries, 1999	49
Table 1.7:	Local Government Expenditures as Percentage of GDP in Central Europe	53
Table 1.8:	Local Government Expenditures as Percentage of General Government Expenditures in Central Europe	54
Table 1.9:	Local Government Revenues in Central Europe	55

CHAPTER 2

Table 2.1:	Parties in the 1996 Municipal Elections in Estonia	73
Table 2.2:	Revenue Structure of Selected Estonian Local Governments, 1997	83
Table 2.3:	Subnational Government Expenditures as Percentage of GDP in Estonia, 1994–97	84
Table 2.4:	Subnational Government Expenditures as Percentage of General Government Expenditures in Estonia, 1994–97	85
Table 2.5:	Share of Centrally Established Taxes Paid to Municipal Budgets in Estonia, 1991–99	86

Table 2.6: Sources of Local Government Revenue in Estonia, 1997 and 1998	89
Table 2.7: Municipal Budget Expenditures in Estonia, 1997 and 1998	90
Table 2A.1: Settlements by Population Size Categories in Estonia, 1 January 1998	102
Table 2A.2: Municipalities by Population Size Categories in Estonia, 1 January 1998	103
Table 2A.3: Specific Functions of Local Government Units in Estonia	107

CHAPTER 3

Table 3.1: State Grants as a Percentage of Total Budget Revenue in Latvian Rural Municipalities, 1996	125
Table 3.2: Lists of Candidates and Elected Deputies According to Parties, Coalitions and Voters Associations in Latvia, 1997	129
Table 3.3: Age of Candidates and Elected Deputies in Latvia, 1997	130
Table 3.4: Level of Education of Candidates and Elected Deputies in Latvia, 1997	131
Table 3.5: Local Government Functions in Latvia	141
Table 3.6: Privatization of Local Government Retail Trade, Public Catering and Consumer Services Units in Latvia	143
Table 3.7: Sale of Selected Market Services in Latvia by Form of Ownership, 1997	144
Table 3.8: Local Government Expenditure to GDP and to General Government Expenditure in Latvia	146
Table 3.9: Revenue Structure by Type of Local Government in Latvia, 1998	147
Table 3.10: Expenditure Structure by Type of Local Government in Latvia, 1998	147
Table 3A.1: Settlements by Population Categories in Latvia	158
Table 3A.2: Municipalities by Population Categories in Latvia	158
Table 3A.3: Local Government Units in Latvia, 1 January 1998	159
Table 3A.4: Specific Functions of Local Government Units in Latvia	161

CHAPTER 4

Table 4.1: Mandates Won by Parties in the 1997 Local Elections in Lithuania	178
Table 4.2: Municipal Revenues in Lithuania	196
Table 4.3: Relative Size of Municipal Budgets and National Budget Expenditure in Lithuania	197
Table 4.4: Municipal Expenditures by Sector in Lithuania	198
Table 4.5: Classification of Expenditures of Municipal Governments in Lithuania	199
Table 4A.1: General Government Finances in Lithuania, 1997	207
Table 4A.2: Size of Counties by Population in Lithuania, 1996	208
Table 4A.3: Size of Municipalities by Population in Lithuania, 1996	208
Table 4A.4: Government Administrative Personnel in Lithuania, 1998	209
Table 4A.5: Specific Functions of Local Government Tiers in Lithuania	212

CHAPTER 5

Table 5.1: Municipal Expenditures as a Percentage of GDP and of General Government Expenditures in Poland, 1994–97	235
Table 5.2: Municipal Revenue Structure in Poland, 1994–97	235
Table 5.3: Distribution of Municipal Expenditures in Poland, 1994–97	238
Table 5.4: Expenditure Assignment by Municipalities in Poland, 1994–97	238
Table 5A.1: Settlements by Population Size Categories in Poland, 1 January 1993	245
Table 5A.2: Municipalities by Population Size Categories in Poland, 31 December 1996	245
Table 5A.3: Specific Functions of Local Government Tiers in Poland after 1 January 1999	250

CHAPTER 6

Table 6.1: State Administrative Organs Operating on the District and Regional Levels in the Czech Republic	263
Table 6.2: Results of the 1998 Municipal Elections in the Czech Republic	266

Table 6.3:	Revenue of District Offices and Municipalities in the Czech Republic	275
Table 6.4:	Expenditures of District Offices and Municipalities in the Czech Republic	276
Table 6.5:	Share of Municipal Budgets in Local Government Budgets in the Czech Republic, 1991–97	277
Table 6.6:	Proportion of Municipal Revenues and Noninvestment Expenditures to Total Municipal Expenditures in the Czech Republic, 1993–95	277
Table 6.7:	Local Budget Revenues in the Czech Republic, 1993–97	280
Table 6.8:	Local Budget Expenditures in the Czech Republic, 1993–97	280
Table 6.9:	Structure of Municipal Expenditures in the Czech Republic, 1995	281
Table 6.10:	Municipal Expenditures per Capita in the Czech Republic, 1993–95	281
Table 6.11:	Development of Municipal Debt in the Czech Republic, 1993–96	282
Table 6.12:	Indebted Municipalities According to Size Categories in the Czech Republic, 1996	282
Table 6A.1:	Czech Republic Public Budget Revenues and Expenditures, 1997	286
Table 6A.2:	Czech Republic Budget Balance, 1997	286
Table 6A.3:	Municipalities in the Czech Republic by Size Category, 1994	290
Table 6A.4:	Specific Functions of Local Government Tiers in the Czech Republic	293

CHAPTER 7

Table 7.1:	Expenditures by Type of Administrative Unit in Slovakia, 1997–98	324
Table 7.2 :	Municipal Budgets and Macroeconomics Indicators in Slovakia	325
Table 7.3:	Structure of Municipal Revenues in Slovakia	326
Table 7.4:	Municipal Revenue from Income Taxes per Capita in Slovakia, 1996	327

Table 7.5:	Credit Burden of Slovak Municipalities per Capita	327
Table 7.6:	Revenues and Expenditures of Regional and District Offices in Slovakia, 1997	328
Table 7.7:	Revenues and Expenditures of Regional and District Offices in Slovakia, 1998	329
Table 7.8:	Revenues and Expenditures of Regional and District Offices in Slovakia, 1999 and 2000 Budgets	329
Table 7A.1:	Annual General Government Budget in Slovakia	335
Table 7A.2:	Settlements/Municipalities by Population Size Categories in Slovakia, 31 December 1997 ..	336
Table 7A.3:	Population of Administrative Units in Slovakia, 1997	336
Table 7A.4:	Civil Servants and Public Employees in Slovakia	337
Table 7A.5:	Employees in State Administration and Local Self-government in Slovakia	337
Table 7A.6:	Specific Functions of Local Government Units in Slovakia	340

CHAPTER 8

Table 8.1:	Results of the 1998 Elections in Hungary	355
Table 8.2:	Number and Percentage of Mandates in the 1998 Local Elections in Hungary	356
Table 8.3:	Distribution of Mandates in 1998 Elections for County and Capital Assemblies and Mayors in Hungary	357
Table 8.4:	Local Government Ownership in Companies in Hungary	368
Table 8.5:	Expenditure of Public Finances in Hungary, 1994–97	369
Table 8.6:	Distribution of Local Government Revenues in Hungary	371
Table 8.7:	Local Government Expenditures by Sector in Hungary, 1996 ..	372
Table 8.8:	Expenditures and Grants of Local Governments by Administrative Status, 1996	372
Table 8.9:	Distribution of Local Government Expenditures by Categories in Hungary	373
Table 8A.1:	Settlements by Population Size Categories in Hungary, 1997	379
Table 8A.2:	Specific Functions of Local Government Units in Hungary	382

CHAPTER 9

Table 9.1: Revenues of Local Governments in Slovenia, 1997 and 1998 406

Table 9.2: Local Government Expenditure as a Percentage of GDP and of General Government Expenditure in Slovenia, 1994–97 408

Table 9.3: Structure of Local Expenditure in Slovenia, 1997 and 1998 409

Table 9A.1: Municipalities by Size Categories in Slovenia, 1998 415

Table 9A.2: Population of Urban Municipalities in Slovenia, 1996 415

Table 9A.3: Specific Functions of Local Government Units in Slovenia 418

Figures

CHAPTER 2

Figure 2A.1: Administrative Map of Estonia 103

CHAPTER 3

Figure 3.1: Model Organizational Structure of Latvian Local Governments 138

Figure 3A.1: Administrative Map of Latvia 159

CHAPTER 4

Figure 4.1: System of Administration in Lithuania 170

Figure 4.2: Local Government Structure of Vilnius 182

Figure 4.3: Territorial Planning Process in Lithuania 186

Figure 4A.1: Administrative Map of Lithuania 209

CHAPTER 5

Figure 5A.1: Administrative Map of Poland 247

CHAPTER 6

Figure 6A.1 Administrative Map of the Czech Republic 291

CHAPTER 7

- Figure 7.1: Sectoral Responsibility for the Performance of State
Administration at the Level of Regional Office in Slovakia 309
- Figure 7.2: Relations among Public Administrative Bodies in Slovakia 311
- Figure 7A.1: Administrative Map of Slovakia 338

CHAPTER 8

- Figure 8A.1: Administrative Map of Hungary 380

CHAPTER 9

- Figure 9.1: Political Representation in Municipal Councils in Slovenia 393
- Figure 9A.1: Administrative Map of Slovenia 416

Foreword

Decentralization and development of modern local government systems were fundamental components of transition in Central Europe. During this first decade of demolishing centralized states and unifying public services, various local government models were designed. Political mechanisms, economic systems, inherited institutions and management practices were restructured in these countries. Several shifts in objectives and modifications in the speed of changes characterized the long learning process of establishing new local governments. Ten years after political transformation, this book is an attempt to assess the most important elements of local government systems and to present the similarities and differences in the existing models of eight countries of Central and Eastern Europe (CEE).

This publication is a continuation of the first anthology on local governments in the region published by the predecessor organization of the Local Government and Public Service Reform Initiative (LGI) in 1994. At that time there was a need for basic information on local governments. Those reports described a wide range of countries in a concise manner. Our first goal with this publication is to update the information on the first of three groups of countries. At the same time our intention is not only to present systemic information, but also to analyze and evaluate internal processes. In this way local government structures can be better understood and compared.

These goals are in line with LGI's mission to generate knowledge on local governments and public services in the CEE region. This information and analysis will be an important building block for the gradual development of local governments. Countries following different patterns might learn from this information on local models. We also hope that through this publication LGI will be able to establish new partnerships with policymakers and other potential users of this book.

The country reports focus on the major components of decentralization and local government operation:

- legal and constitutional frameworks and structures of local governments;
- local politics, decision making and internal organization;
- local government administration and service delivery mechanisms;
- fiscal issues and financial management.

Evaluation of local governments is based on some objective indicators, showing the progress of decentralization and level of local autonomy. At the same time a detailed description is provided on those issues that are important for countries with new local government structures. The primary topics for our analysis of legal frameworks are particularly the assignment of local

government functions and the relationship between the traditional state administration and new local governments.

Local politics and decision-making mechanisms are embedded in the political institutions and culture of a given country. Besides traditional characteristics of local politics (elections, role of parties, et cetera) there are two aspects of local decision making that are new for these countries. Local governments are faced with problems of ethnic minorities. Improved forms of representation, new methods of conflict management and the need for special services are parts of a local government's daily operation. Minority issues influence local governments on different scales, depending on the size and position of these groups. Another new phenomenon of local politics is the emerging form of the association. Joint local lobbying activities started to develop when municipalities realized the failures of the new party hierarchies and the lack of efficient representation in central government decision making.

Local service delivery experienced major transformation in the privatized economic environment. This raised the claim for new local government administrative functions (control, monitoring), which required more professional personnel in municipal administration. In the field of local government finances, local and regional economic development is the main new municipal function. In these countries with their relatively developed market mechanisms, local governments establish new forms of partnerships in service delivery and economic development.

Country reports discuss these four major topics, but the depth in which each issue is addressed differs, depending upon the importance of these issues to the country in question. The authors present a brief history of policy discussions on local government issues. Due to our limited resources and time, their research is based mostly on a secondary analysis of existing studies, government publications and reports of international organizations.

It is obvious that this type of descriptive publication never will be complete. Our intention is to present relevant information on all major elements of local government structure and operation in a balanced fashion. So the reader of this publication will not find, for example, detailed information on local public services, like education and welfare. Not only these sectoral issues, but also analysis of judicial structures and systems of appeals were out of our scope of work. General employment regulations and other rules of administrative personnel are not discussed in equal length. Transfer and functions of municipal property are very much dependent on the size and forms of state ownership and privatization patterns in each country, so detailed analysis of municipal property was also beyond our capacity.

However, description of the eight countries with the most decentralized local government systems provides sufficient information on general development trends in the CEE region. There are similar efforts in this group of countries to modernize local government structures and management practices. These reform activities on the one hand are initiated by external factors, like political changes (as in Slovakia) or European Union enlargement (such as structural reform

at the regional level of government). On the other hand planned changes are often the result of internal development processes to increase the efficiency of local government operation and management.

The reports identify four major directions for further development of local government systems in these countries. After ten years of almost continuous changes *public administration reform* is still on the political agenda in most of these countries. Reports emphasize the importance of further decentralization of local government structures (as in Slovakia) or decision-making powers (as in Slovenia). The relationship between the functions of existing central public administration and the new municipal administrations is also subject to change. In countries involved in the European Union preaccession process the role of the intermediary level of government—regionalization—is a crucial issue (as in the Czech Republic, Hungary and Poland). The legal and administrative structure of large capital cities is also an important component of the planned reforms, as in these relatively small countries the nation's capital has an exceptional position (as in Estonia).

Parallel to systemic changes internal processes of local government operation are also important items on the reform agenda. Higher *efficiency* of local government services, improved management techniques or developing new rules of modern administrative ethics are primary objectives (such as in Estonia and Latvia). Several countries realize that further professionalization of local government staff and municipal service organizations is required for better service provision.

Local government finance reforms are almost constantly discussed in the countries of the CEE region. Earlier intergovernmental fiscal relations, especially concerning the system of transfers, were the focus of transformation. Now mostly the increase of independent revenues as the basis of extending local autonomy is the objective of the reforms. Suggested methods are more sophisticated; not only local taxation but also, for example, personal income tax sharing schemes are under development (this is the case in Estonia and Poland). In some countries property issues are still unresolved (as in the Czech Republic).

Local governance and management methods are also subject to change in this group of countries. Higher *public participation*, more transparent operation of municipalities and the establishment of direct contacts to citizens are high priority goals of reform (as in Lithuania and Slovakia). This requires further refinement of the legal position of elected leaders (as in Slovenia).

Hopefully this information will be useful to all of our targeted readers. Primarily the book is recommended for policymakers and legislators who believe that the countries of Central and Eastern Europe have common roots and thus are able to learn from one another. Civil servants in ministries or experts advising members of parliament now are able to work with a group of consultants and think tanks. This common knowledge on specific characteristics of local governments in the CEE region is slowly incorporating work by academic researchers, for whom this book might provide comprehensive information on local governments. As the direct contacts

between local practitioners (mayors, chief executives, finance directors) are developing, they could learn from the other countries addressed in this book.

Writing and editing this volume was a rather long process. We acknowledge LGI's steering committee, which initiated the work and contributed valuable advice on several professional issues. The authors of the country reports, together with the editor and the reviewers, presented this comprehensive information, which hopefully will be appreciated by the readers. Tamás M. Horváth, the editor of the book, made particularly important contributions not only in discussing the draft papers, but also by summarizing the major trends in his introductory chapter. The first project manager at LGI was Sharon Cooley, and later, Ondrej Simek, who provided administrative support for this publication. Christine Zapotocky helped us with copyediting. We are very grateful for their contributions and work.

Gábor Péteri

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