



Stabilization of Local Governments

————— *Edited by* —————

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and Public Service
Reform Initiative

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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 learned 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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Foreword

This book on local governments is the second volume in a series by the Local Government and Public Service Reform Initiative (LGI), which focuses on eight countries in Southeastern Europe. Any grouping of countries for comparative purposes is highly discretionary. When we started to design these descriptive papers, the selection of states in Southeastern Europe was made for rather simple reasons: they are from the same geographical region, and the limited number of country reports would result in a book of readable size.

However, these country studies demonstrate some very characteristic similarities, which justified our grouping afterwards. First, this region is still overwhelmed by the problems of *transforming the central state*. Unlike the countries of Central Europe presented in the first volume of the series, here the ethos of decentralization and the adaptation of various models of local government are still being developed. These countries are faced with the problem of ensuring basic public services, which requires relatively strong national governments for stabilization and equalization purposes. The history of the Southeast European region also shows that, as national states were established later, centralization tendencies prevail.

Another tragic common characteristic in some of these countries is that transition followed *war and internal conflict*. The government structures of Bosnia and Herzegovina and Croatia have been influenced by this fact, and Albania and Moldova nearly experienced civil wars that have hindered more rapid development of their local government systems. *Ethnic conflicts and tension* are still major obstacles to real decentralization in this region.

All these common problems in Southeastern Europe have required the *assistance of international and donor organizations*. They are very active especially in the countries where peacekeeping forces are involved in ensuring the proper functioning of national states. Bilateral agreements on technical assistance programs and the institutional and capacity development activities of international organizations are crucial for building effective and efficient governments. While many of these donor programs have withdrawn from the Central European countries, much remains to be done in this region. In almost every country of the Southeast European region, the *European Charter on Local Governments* was critical to the launching of major reforms.

These comparative papers summarize several aspects of local government structure and operation. Each report follows a similar pattern, but with a strong emphasis on country-specific characteristics. Our purpose is to present the developmental trends in each country of the Southeast European region, focusing on local government structures, political mechanisms, municipal functions and services, finances and service management issues.

Transition in this region began with *democratic elections* at both the national and local levels. This is the basic condition for any decentralization process and for the establishment of proper local government systems. “Old-new” political parties dominate political systems at the local level. Mayors and regional chairs typically are elected indirectly by the respective councils. Forms of direct democracy are built into political practices, and local referendums are included in legislation. However, the impact of the latter are assessed differently in these studies, as their functions vary due to political culture: in Bosnia and Herzegovina, referendum is regarded as a crucial factor of local autonomy, while in Albania it is considered a heritage of the past.

The *status and legal position of local governments* are the most important and the most common problems of the countries presented in this volume. Decentralization is characterized by elected local governments with limited functions and responsibilities. Public service competencies are divided between the national and local governments. Financing responsibilities often are shared activities; for example, ministries pay salaries, while maintenance costs are covered locally. One of the advantages of the local systems in this region is that local governments are not as extremely fragmented as in some Central European countries. Communes, or “mayoralities,” are preserved as part of the elected municipality.

Mostly basic utility and communal services are decentralized to the local level, and typically other major services (such as education) are provided, financed and controlled by sector ministries. This very often is combined with the “*dual subordination*” of local governments, as they are regarded both as self-governments and as subjects of the central state’s direct control. There are various organizational forms of deconcentrated units of line ministries; in some countries, such as Moldova, the establishment of these organizations was regarded as a step forward, as it led to the separation of state and local functions.

Central control and management of public services are implemented through various organizational forms. The traditional prefects, governors, district heads and county administrative departments are connected to some form of regional organization or intermediate level of government. Other organizational forms settle disputes between the different levels of government, such as the Romanian Administrative Commission, which serves as a negotiating forum between the prefect and the county local governments. Obviously these mixed forms do not support further decentralization in those countries that already have taken the first steps to enhance local autonomy, but they make the administrative and political procedures somewhat more transparent.

The centralized assignment of public functions and heavy control of the national government over service delivery often coincides with *low levels of own source revenues*. Only a small percentage of municipal budget revenues (usually below five percent) is defined and collected by local governments. The lack of a significant and stable local revenue base often is used to further argue the trend to centralize. Revenue-sharing practices exist, but they are highly discretionary, and often a specific sharing ratio is adjusted to individual needs and vertical imbalances of local government budgets.

The privatization of land and the transfer of formerly state-owned property to local governments have been initiated in most of these countries. By the end of the 1990s the legal basis for *municipal property* existed and was included in each specific country's privatization strategy. There are great differences in privatization policies, as the scope and forms of restitution vary by country. In some, private—and consequently municipal—property is not allowed in urban areas (such as in Macedonia), which hinders the development of a local government revenue base.

The central control of municipal service provision and limited autonomy of local finances influences local government *management and staffing* patterns. There are standardized norms for local government administration, limiting the size of municipal staff based upon the size of the municipality (as is the case in Macedonia and Moldova). In some countries the structure of local government offices is defined by the central government (as in Bulgaria). The mayor is also usually the head of the local government administration (Albania, Bulgaria and Macedonia). Executive boards and committees are created for collective decision making, which does not support local political control over municipal administration.

After a decade of gradual development of new political mechanisms, public administration and public services are high on the political agendas of public sector *reform and decentralization strategies* in all the countries of Southeastern Europe. Albania, Croatia and Macedonia are in the final stages of designing further decentralization, while in other countries specific components of local government systems are planned for reform (such as revenue decentralization in Bulgaria and redefinition of the executive role of the mayor in Romania).

There are efforts to reform internal values of local government and the rules of operation and management of municipalities. This requires not only improvement in legislation and financing mechanisms, but also modification of implementation practices and the general attitude within local governments. After the first decade of local government establishment, the credibility and efficiency of the new institutions have to be improved in the years to come. As the economy of these countries slowly develops, local governments will have more regional responsibilities. They also will be more able to mobilize local civil society, and municipalities will invent new forms of public service delivery. In this manner, local governments will contribute to the stabilization of the countries and new nations of Southeastern Europe.

We hope that this volume on local government systems will support information exchange among policymakers and practitioners in the region. It also will contribute to a better understanding of development trends in these countries, which is crucial for any international organizations interested in designing more focused assistance programs and aid policies. It is hoped that such projects will have greater impact on the recipient countries if they are adjusted to local needs. This is the primary reason behind LGI's effort to launch this series. The information collected in this volume also will guide our own development and technical assistance activities.

These studies do not cover every aspect of local government and public administration, but they provide updates on the major components of the local public sphere. Development trends are presented in the country studies, so perhaps the most recent events in this quickly changing region are not discussed in detail.

This project to collect basic information on local government systems in Southeastern Europe was a major effort for our partners and for LGI. The LGI steering committee launched this project and defined the basic goals and style of the volumes. We are very grateful to the editor of the book, Ms. Emilia Kandeva, who managed the report-writing process. The quality of the reports depended on the country authors and reviewers. On LGI's behalf, Ondrej Simek and Irakli Rekhviasvili provided project management. Christine Zapotocky was the copyeditor of the book. We are very grateful for their excellent work.

Gábor Péteri

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