

Reforming Local Public Administration

**Efforts and Perspectives in South-East European
Countries**

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Foreword

The regional office of Friedrich Ebert Stiftung (FES) in Zagreb, in cooperation with the office of FES in Bulgaria, organized a workshop in Sofia in April 2004 on the issue of public administration on the local and regional level. The results are presented in the publication *Reforming local public administration. Efforts and Perspectives in South-East European Countries*. During the workshop, experts from various countries from South-East Europe and from Germany compared and discussed different approaches and reform steps in the region concerning public administration on the local level. In the process of transforming societies, and in the context of their accession to the European Union, all of them are about to reform public administration. The guidelines for these reforms are mainly based on the standards of EU countries or on the recommendations of the EU. Therefore, in general the reforms follow modern principles of administration. Reforms of public administration on the local level have become necessary because of the decentralisation of the internal structures of states, thus giving new responsibilities to local units, which require an adaptation to more flexible and autonomous activities. Although the basic laws and principles of the reformed administration in different countries are quite similar, the implementation of the laws require different approaches and administrative regulations due to the variety of local units regarding their population, size, and economic and geographical characteristics. However, the transformation of legal structures into actual rules of behavior seems to be, in many cases, one of the crucial deficits. It was interesting to see how the approaches also differ from country to country.

Public administration is not only important because of the efficient organisation of public activities or economic criteria, but also because of the relationship between the local government and citizens. Through contacts with citizens, the public administration represents the local government, and citizens tend to see the quality of public administration as an indicator of the quality of the local government itself. Bad experiences with administration provoke criticism and a bad assessment of the local government. This leads, aside from the criticism regarding the bad implementation of administrative rules or the inefficient organisational structure of the administration, to the question of the education and management of human resources within the administration. In this respect, the contributions during the workshop have shown that quite a number of complaints do exist in transition countries concerning the lack of professional and experienced staff, and also of political neutrality. What still lacks and what is deemed to be one of the most important deficits, in general, is the lack of a civil service culture. However, the development of such a service mentality - for national interest or for the citizens - will not be reached soon.

The workshop on public administration on the local level is the tenth activity of a series of workshops within the project on “Local Self-Government and

Decentralization in South-East Europe". The project started in early 2001, when Friedrich Ebert Stiftung initiated, in the context of the Stability Pact for South-East Europe and in co-operation with national institutions, a regional project to analyse the situation and the reforms of self-government and decentralisation in the countries of the region. The project covers Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Macedonia, Romania, Serbia and Montenegro, and Slovenia. Based on the analysis and discussion of experts regarding different experiences in implementing reforms, and the preparation and distribution of publications resulting from different workshops, the project aims at the stimulation of public discussion with policy makers, researchers, and experts at national and local levels. Since the start of this project in 2001, several international workshops with the regional expert group have taken place on various topics of local self-government. The results of the workshops have been documented in publications, which are listed below. In the meantime some of the publications or single articles of the publications have been translated and published in national languages as well. All the publications are also available in pdf on our web site www.fes.hr.

Zagreb, May 2004

Rüdiger Pintar
Head of the Regional Office Zagreb
Friedrich Ebert Stiftung

Publications of the project edited by Friedrich Ebert Stiftung Zagreb:

- i *Local Self Government and Decentralization in South-East Europe. Proceedings of the Workshop held in Zagreb, 6th April 2001, Zagreb 2001*
- ii *Financing Local Self-Government. Case Studies from Germany, Slovenia and Croatia, Zagreb 2001*
- iii *The Interreg Model. Practical Experience in Cross Border Co-Operation, Zagreb 2001*
- iv *Citizens Participation in Local Self-Government. Experiences of South-East European Countries, Zagreb 2001*
- v *Decentralizing Government. Problems and Reform Prospects in South-East Europe, Zagreb 2002*
- vi *National Minorities in South-East-Europe. Legal and Social Status at Local Level, Zagreb 2002*
- vii *Executive and Legislature at Local Level. Structure and Interrelation in Countries of South-East Europe, Zagreb 2002*
- viii *Economic Development on the Local and Regional Level. Initiatives in South-East Europe, Zagreb 2003*
- ix *Reforms of Public Services. Experiences of Municipalities and Regions in South-East Europe, Zagreb 2003*

Erich Tilkorn

Local Self-Government in Germany An Outline

Historical development

Local self-government, as pertains to its constitutional order in the Federal Republic of Germany, is characterized by the honorary participation of citizens in the matters of local community.

Even in the early Middle Ages, a process started where communes were given self-government rights by the rulers of the German states. The developments that brought market liberty, the right to wall-in the city, the right to self-jurisdiction, and finally the authority to strike coins, dragged on for several centuries.

The *Hanse* was, at its time, an internationally recognized alliance of cities to protect and enlarge their free trade.

Due to market liberties, the traders had a strong position, but also the craftsmen within the city policy. The guilds and brotherhoods had their own self-government and soon became powerful partners in the self-government of the city.

A crucial step was the City Order by Stein (*Steinsche Städteordnung*) in 1808 in the Kingdom of Prussia, which later, in 1835, became the so-called “revised Prussian City Order,” and a guiding pattern for local self-government in all German states.

Apart from this development of self-government in the communes, the honorary participation of non-professionals, of the so-called “laymen,” also grew in other branches of public administration. That applies to some corporate bodies under public law, which are under state supervision in a different form. Thus, we can differentiate:

- **Economic self-government** in the corporate bodies of the Chambers of Industry and Commerce, Chambers of Crafts, Chambers of Agriculture.
- **Self-government of professions**, such as the so-called “free-lance professions” within the Associations of Physicians, Associations of Dentists, Associations of Veterinarians, Associations of Pharmacists, Chambers of Lawyers, Chambers of Notary Publics, Chambers of Architects and Chambers of Engineers.
- **Cultural self-government**, especially at universities and other colleges, universities for applied sciences, universities for art and music academies. The universities have an old European common tradition in the self-government.
- **Social self-government** was developed after 1949 in the Federal Republic of Germany. Today, there exist several kinds of participation of the social

security institutions in health insurance, accident insurance, unemployment insurance and in old age pensions as well as in the Federal Insurance Office.

- **Local self-government** is, however, undoubtedly the most important branch of self-government in Germany.

Legal Basis

Crucial provisions concerning the responsibilities, inner organisation, and integration of the communes and associations of local governments (*Kreise*) into the state body of the Federal Republic of Germany arose from the Basic Law (*GG*) and the corresponding constitutions of the 16 federal states. The states regulate the specific arrangement of the communal constitution in their own federal state by their own laws. Due to the division of competences between the Federation (*Bund*) and the states (*Länder*) according to Basic Law, the Communal Constitutional Law is the task of the states (*Länder*). Especially in article 28, however, the Basic Law contains some basic statements regarding the communes and associations of local governments.

Article 28, paragraph 1 GG:

The constitutional order in the states must conform to the principles of republican, democratic, and social government based on the rule of law, within the meaning of this Basic Law. In each of the states, counties, and communes, the people must be represented by a body chosen in universal, direct, free, equal and secret elections. In the communes, the assembly of the community may take the place of an elected body.

Paragraph 2:

The communes must be guaranteed the right and responsibility to regulate **all the affairs of the local community**, within the limits set by law. The associations of local governments also have the right of self-government in accordance with the law, within the limits of the functions given to them by law.

Paragraph 3:

The Federation guarantees that the constitutional order of the states conforms to the basic rights and provisions of paragraphs (1) and (2).

As an example, we will here mention the constitution of the state of North Rhine Westphalia, which fixes the following arrangement for the communes and associations of local governments.

Article 1, paragraph 1:

North Rhine Westphalia is a member state of the Federal Republic of Germany. The state is divided up into communes and associations of local governments.

Article 3, paragraph 1:

Legislation shall be enacted by the people and by parliament.

Article 3, paragraph 2:

Administration shall be in the hands of the state government, the communes, and associations of local governments.

Article 3, paragraph 3:

Legal decisions shall be taken by independent judges.

Article 78, paragraph 1:

The communes and associations of local governments are central, regional and local authorities with the right to self-administration by their own elected bodies.

Article 78, paragraph 2:

The communes and associations of local governments are the **sole vehicles of public administration** in their area, unless provided otherwise.

Article 78, paragraph 3:

The state can oblige the communes and associations of local governments by means of statutory regulations to assume and carry out certain public tasks, if arrangements are made to cover costs at the same time.

Article 78, paragraph 4:

The state shall monitor the legality of the administration of the communes and associations of local governments. It can reserve the right to issue instructions and to supervise in the case of absolute obligations on the basis of a more detailed statutory regulation.

Article 79:

The communes shall have the right, in fulfilment of their tasks, to open up new sources of tax revenue. The state is obliged to take account of this entitlement in its legislation and to guarantee financial equality across communes.

Concrete provisions for the tasks, the structure, and the kind of procedure of the communes are made by the legal state regulations of **local government laws**. There is a clear division between state tasks on the one hand, and communal tasks (local matters) on the other. Due to these laws on the legal relationships of the districts (**Kreisordnungen**), a clear assignment of the tasks and structure of the administration is also executed for these communal corporations of self-government.

Finally, there are legal provisions on inter-communal cooperation (special purpose associations), where the communes are enabled to form corporations in order to perform their common tasks.

Some federal states also foresee the possibility to build **higher communal associations** on the basis of legal regulations, by which the communes can cooperate

above the level of the district and district-free cities (cities which do not belong to a state district). It is mainly about the task areas where performance involves high costs (cultural institutions such as the theatre, orchestra, or bigger museums) or special institutions of health security (special hospitals for mentally diseased persons) or special school institutions (special schools for severely handicapped persons). In North Rhine Westphalia, for example, there are two regional associations for the states' areas of Westfalen Lippe and the Rhineland as higher communal associations, as well as the communal association Ruhr (KVR) for the Ruhr region.

Types of communal administrations in the 16 Federal States

Communal administration is a generic term that encompasses a great number of different corporations of self-government.

It is important to mention that on the one hand, there are communes and cities that belong to a district. On the other hand, there are the district-free cities and districts that are on the same hierarchic level. Also, communal special purpose associations or higher communal associations are called communal administration.

Also within the communes that belong to a district, we often distinguish between sizes. North Rhine Westphalia knows the so-called "medium-size city that belongs to a district" (25.000 - 60.000 inhabitants) and the "big city that belongs to a district" (60.000 and more inhabitants). It is the legislator who chooses that differentiation, in order to transfer tasks to the commune according to its efficiency and size. Where the tasks cannot be executed by the smaller communes, they are the task of the district.

The communal constitutions in the 16 federal states are very different in detail, but mainly uniform in basic organization.

Essential differences can be seen among the three city-states (Berlin, Hamburg and Bremen) on the one hand, and the 13 territorial states on the other.

A crucial characteristic for each communal constitution is the question of whether the mayor is elected directly by the people or by the corresponding communal council. Furthermore, it is very decisive whether the mayor is only president in the communal council or whether he is at the same time chief of the administration. Another important characteristic of difference within the constitutional types of local government law is the question of whether the mayor controls the administration by himself or whether he supervises the administration within a body (magistrate) together with others.

Another delimiting characteristic is, for example, the distribution of competences between the council and the mayor, specifically regarding whether the communal council can legislate on essential decisions by itself.

Common principles for the fields of tasks

Despite different local government laws in the 16 federal states, the following essential principles for all local government laws in Germany can be elaborated. As the communes fulfil their tasks "as their own responsibilities", but "within the

framework of the laws”, they have to have a scope of arrangement for the fulfilment of their tasks. To be able to talk about a local government responsibility, the following minimal preconditions, which can never be infringed by the state, must be provided:

- a) **Territorial sovereignty.** The communes can execute sovereignty powers within their territory.
- b) **Personal sovereignty.** The communes can determine by themselves whether, and to what extent, they can employ personnel to fulfil their tasks and how they can distribute their tasks onto the personnel.
- c) **Organisational sovereignty.** The communes can regulate the inner organisation, procedure, and structure of their administration by themselves.
- d) **Financial sovereignty.** The communes, within the framework of regular financial management, can determine receipts and expenditures by themselves. It is forbidden to deprive the communes from fulfilling their tasks by cutting their financial means.
- e) **Statutes sovereignty.** The communes, within the framework of the law, can release by-laws that have the liability of laws.
- f) **Planning sovereignty.** The communes have the right to create plans for the building arrangements of their communal territory.

The **tasks** of a commune can be subdivided into **three main areas**:

1. In some fields, it is about **mandated tasks**, about **state-ordered matters**, and about the administration of orders, which are transferred to the communes by state or federal laws. This applies, for example, to the payment of residence allowances or social security, for the issuance of passports, drivers' licences, for the registration of residence, and for register office matters like marriage.
2. All other matters fall under the responsibility of **local self-government**. Here, there are also **obligatory tasks**. One example of this is water supply and sewage disposal. Communes must also provide school space, including the equipment and premises, necessary for physical education. It is a task of self-government when the commune decides by itself on the location of a school, on its architectural arrangement, and on much more. If the money is not sufficient, then the school sometimes has to wait for a gymnasium for ten years, or use one in a neighbouring town.

Apart from that, there are **voluntary services** of the local self-government, such as the building of swimming pools, or establishing a concert and theatre programme. Nevertheless, since these offers are very important, the commune decides on its own (in most cases it depends on the financial position), whether it will become active and to which extent and in which manner it gets involved.

The detailed differentiation between order matters and local self-government matters is crucial for determining the extent to which state control, that cannot only check the lawfulness of a measure but also the expediency of local decisions, can exist.

Local Finances

The communes need revenues in order to fulfil their tasks. These essentially are funded from three sources of revenues:

1. Tax revenues (trade taxes and land taxes);
2. Financial transfers from the State (*Land*) and the Federation (*Bund*);
3. Payments, such as fees and contributions for the services they furnish.

On the whole, the general rule of thumb is that each of the three revenue kinds represents about one third of the financial revenues of the commune in the Federal Republic of Germany. The two graphs regarding local revenues and local expenditures in the West and East in 1999 make clear that per capita, more or less the same amount of financial means is allotted to the communes of West and East Germany. The purpose of the expenditure in the communes of East and West Germany, however, is very different.

The high portion in state transfers (current transfers as well as investment transfers) is connected among other things to the fact that the communes perform, to a great extent, state tasks (of the Federation or of the State) as order matters.

Local Territorial Reform

In the period from 1967 to 1979, in all eight territorial states of the former eleven federal states of the Federal Republic of Germany (that is, without the three city states Berlin, Hamburg and Bremen), local territorial reforms were put into effect. These lead in very different ways to the fact that bigger, more efficient local administrations were formed. Also, the number of districts and district-free cities was clearly reduced. The corresponding principles of this territorial reform were not the saving of costs but the increasing efficiency of bigger administration units.

New models of management

It is an aim of the reform to strengthen the efficiency and profitability of local self-government. The costs of public service have to be lowered. The field of tasks and the services of the administration should possibly be reduced to a core function.

These aims can be achieved through a wide range of administrative reforms and management methods:

- Implementing a task review
- Discovering if the task is really necessary
- Finding out if there is a better way, or lower standard of performing tasks
- Privatisation, when it is possible.

Privatisation:

- Privatising the service of tasks that were previously performed by the state (for example: the post, railways, or hospitals).

Public Private Partnerships:

- Encouraging cooperation between public and private organizations, such as planning the institution and maintenance of public buildings, fire brigades, and ambulance services.

Procedures of the administration must be organized in a more effective way:

- Many administration procedures take too much time, involving too many different institutions at the same time without a clear delimitation of competences to each other.
- In Germany there is great demand for the deregulation and abolition of provisions
- The citizen as “client” of local administration has the right to efficient services
- At this time, it seems most efficient to effect a reform in the local administration according to the following principles:
 - a) New organization in the cooperation between the Council and the Administration
 - b) Transfer of responsibility to concrete identifiable persons
 - c) Delegation of responsibilities
 - d) Good administration (professionalism).

Appendices

1. Local Government Laws in North Rhine Westphalia

Until September 1999	Since September 1999
Double-top, consisting of a mayor and communal director	Uniform top
Mayor leads Council sessions. Council elects Mayor.	Mayor leads administration deputies. Mayor is elected (for the first time in 1999) by citizens.
Council elects the communal director. Council elected by the citizens. Council elects deputies. Council controls administration. Communal director leads administration deputies. Administration deputies work for citizens.	Mayor leads Council sessions. Council is elected by citizens. Council elects deputies. Council controls administration. Administration deputies work for citizens.

4. Local Government Law for North Rhine Westphalia

Mayor / Mayor of a city district (*Stadtkreis*):

- Has the presidency in the council
- Realizes the decisions of the council
- Leads the communal administration.

Council:

- Highest executive body of a commune
- 21-91 council members
- Elected for 5 years by commune citizens.

In bigger communes:

- Administration board of directors
- Full-time deputies, elected for 8 years.

Commune citizens

Petition

Citizens' decisions

Inhabitants' application

Inhabitants from 14 years on

Committees

Local chiefs or district committees in communes that belong to a district

District representations in district-free cities

Elected by commune citizens

Public Administration Reform in BH by extensive international assistance - Lessons (not) learned

What is Public Administration Reform essentially about?

Public administration reform (PAR) is not a goal in and of itself. Basically, it is a process of change. The main purpose of public administration reform in transitional countries has been defined as **good governance**. Through the combination and simplification of a number of available definitions, for the purpose of this paper good governance shall refer to user-oriented, efficient, transparent and participatory governance of public affairs in the best public interest, at all levels from the state to the local level.

The second main motive of PAR in transitional countries is related to the changing relations between the central, regional, and local levels: i.e. the need to carry out devolution from central authorities which become “bottlenecks”. This process of **decentralisation** is aimed at the full application of the principle of subsidiarity¹ as an ideal goal.

To simplify, we can say that the actual progress in PAR in some countries in transition should be measured by the level of good governance achieved as well as the level of decentralisation gained. Ideally, if a country is really decentralised, then the application of principles and mechanisms of good governance at the local level presents the most credible indicator of actual progress in PAR.

What are the main BH context features?

The process of administrative reform in BH has its special features and difficulties. First, the administrative structure of the country was not established by normal evolution and development but by the Dayton Peace Agreement. That is the reason why the structure is so complex, multi-layered, and complicated, as shown in the table below:

¹ The principle of subsidiarity requires: each responsibility to be granted where it can be used in the most appropriate way; decisions to be taken where they are closest to the citizens; and that higher entities do not take over functions that lower entities can perform satisfactorily.

² World Bank: *Bosnia and Herzegovina: From Aid Dependency to Fiscal Reliance (A Public Expenditure and Institutional Review)*, October 2002, www.worldbank.org.ba, p. 2.

Table 1: Administrative structure of BH²

Administrative levels	Jurisdiction				
	State	Federation BH	RS	Brčko	Total
Central	1				1
Entity		1	1		2
Cantonal		10			10
Municipal		84	63		147
District				1	1
Total	1	95	64	1	161

The second special feature is the extremely strong influence and extensive assistance of the International Community in BH. An integral part of the current institutional set-up in BH is the Office of the High Representative (OHR), which has the final authority in making all important decision in BH.

Although Republika Srpska (as one of the two entities) initiated the process of civil service reform as early as 1997, one can say that real PAR in BH started by the adaptation of the document *Public Administration Reform: Our Programme* on 28 March 2003 in Brussels. *Our Programme*, actually, was an agreement between governments in BH and the international community (represented by the ten members of the Peace Implementation Council's Steering Committee) and was prepared by the OHR without any noticeable influence by the BH governments.

Current state of Public Administration Reform in BH

What is the current state of the reform in BH?

The bureaucratic answer is: “The adoption of civil service laws at the state level, entities and the Brčko District represents major progress in the establishment of the public administration system. While the implementation of these laws has begun in the RS and at the state level, in the FBH, where 70 percent of all civil servants in BH are employed, the implementation of this key law is yet to begin.”³

Besides the adoption of civil service laws, the Action Plan for Civil Service Reform was adopted (in May 2003) and the Inter-Ministerial Working Group for PAR was established.

Priority activities are divided into five main areas:

- Conducting a functional review at all levels of government
- Adopting the PAR Strategy and implementing its action plan

³ *BH Medium Term Development Strategy (PRSP) 2004-2009*, Chapter III.7. *Public Administration Reform*, p. 123, www.bih.prsp.info

- Continuing current activities on the implementation of civil service laws
- Continuing current activities on reforming the defence and interior affairs sectors
- Reinforcing the administrative capacity of BH for European organisations.

The current situation is characterised by many international and local actors in each of the priority areas and with a lack of visible progress in any of them.

Is BH really a decentralised country?

If we look at the table above the answer is: “Yes, of course”. If we look at the real responsibilities and power of municipalities, then the answer is the opposite. Municipalities are, to a great extent, faced with an inadequate definition of responsibilities and intergovernmental relations. As an illustration of their fiscal autonomy, it is worth mentioning that in BH only 8% of all public revenues accrue to the municipalities of both entities combined. Rather, real power is concentrated at the intermediate levels (in the entities and, in the case of FBH, in cantons). Furthermore, the current processes and practices of designing a legal and administrative framework relevant to local governments and local problems are completely top-down oriented and without the real participation of local officers, practitioners, and civil society.

What level of good governance has been achieved in BH?

The very decentralised (formally, but not practically) administrative structure of the country was not introduced primarily as a means for the efficient and user-oriented provision of services, as is the case in most other countries, but above all as a means to protect ethnic interests and to create a basis for post-war political stability. The key principles of good governance (effectiveness and efficiency, transparency and accountability, and participation) have thus remained neglected.

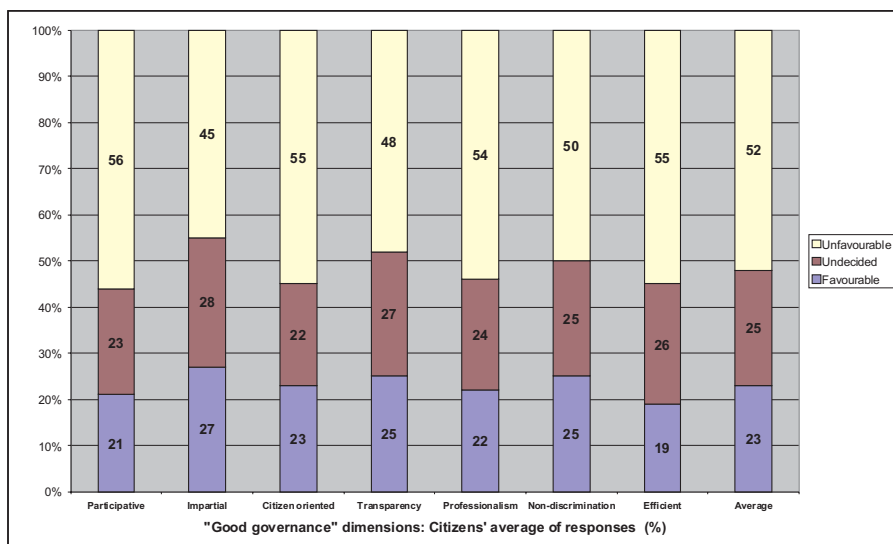
Consequently, the majority of respondents from a UNDP Governance survey (based on a total of 1891 respondents from three respondent samples: 507 citizens, 483 business representatives and 901 civil servants) expressed unhappiness with public administrative services - favourable answers amounted to just 23 percent⁴.

These findings confirmed that the fundamental change in public administration must be the transformation from bureaucratic and largely inefficient administrative procedures to public service delivery that can be characterised as efficient, transparent and participatory. That is a real challenge, because “the creation of a modern public administration is not primarily about changes in laws or regulations, but about changing people’s attitudes, behaviour, and styles of conceptualising and undertaking work. Therefore, it is also about how public service is organised, and how human resources are managed and developed.”⁵

⁴ *Governance Perception Survey in Bosnia and Herzegovina*, UNDP B&H, CSSC Programme, May 2003.

⁵ *Civil Service Training in the context of Public Administration Reform. A Comparative Study of selected countries from Central and Eastern Europe, and the former Soviet Union (1989 to 2003)*, UNDP B&H, 2003, page 2.

Picture 1: Assessment of public administration by the citizens



The progress of PAR could also be measured by assessing the application of the three basic principles of good governance: transparency, efficiency and participation.

Transparency

Since corruption is a feature of a non-transparent system, the perceived level of corruption in BH can be taken as a synthetic indicator of the unfavourable situation with regards to transparency. According to the WB survey⁶, conducted at the request of the BH governments, almost 100% of the respondents from the three surveyed groups (citizens, civil servants and business executives) refer to the presence of corruption in BH. Over half of them (60% of surveyed citizens, 54% of civil servants and 54% of entrepreneurs) believe that corruption is widespread.

Efficiency

Even though it is not possible to quantify the problem of (in)efficiency in public administration at its exit point (towards the citizens), it is possible to see how much the public sector costs citizens and tax payers at the entry point. As is obvious from the table below, the public sector in BH is very expensive, significantly more so than in other transitional countries, which strongly suggests that it is inefficient.

⁶ BH: *Diagnostic Survey of Corruption*, World Bank at the request of BH authorities, p. 12.

Table 2: Evolution of General Government Spending: European Transition Economies (percentage of GDP)⁷

Country	Pre-Transition	Transition	1997	1998	1999	2000	Change
Albania	50.5	43.8	29.5	29.8	32.6	31.4	- 19.1
BH	40.6	85.6	60.6	64.4	71.9	63.9	23.3
Bulgaria	61.6	45.9	33.5	35.8	41.2	41.9	- 19.7
Croatia	40.6	39.8	51.3	53.9	56.2	51.3	10.7
Czech Republic	68.7	52.2	40.9	40.8	42.1	43.8	- 24.9
Hungary	60	59.2	44.9	43	43.4	n.a.	- 16.6
Macedonia	n.a.	47.4	35.3	35.8	37.7	36.6	- 10.8
Poland	48.5	50	45.8	44.6	43.9	42.6	- 5.9
Romania	40.2	42	33.9	35.6	37.4	35.6	- 4.6
Slovenia	40.6	46.2	43.2	43.6	44.4	43.6	3

Participation

As a synthetic indicator for the set of issues related to participation, we will use the negative trend of voter turnout, as shown on the table below.

Table 3: Voter turnout for elections in BH (2000-2002)

Level	2000 local elections	2000 general elections	2002 general elections	Ratio 2000/2002
State	66	64.4	53.94	- 10.46
FBH	65	67.8	55.48	- 12.32
RS	71	64	51.30	- 12.7

Conclusion

The general picture of PAR in BH is rather negative. The general view leads to the conclusion that BH is far away from the application of good governance principles. The root of the problem is in public administration, which is corrupted, non-transparent, heavy and very expensive, bureaucratically inefficient and not interested in forming an active partnership with the private sector and civil society. However, this is more the picture of higher levels of government (cantonal, entity and state). Fortunately, there are significant improvements at the local level.

⁷ Taken from: *Bosnia and Herzegovina From Aid Dependency to Fiscal Reliance (A Public Expenditure and Institutional Review)*, October 2002, www.worldbank.org.ba, p. 22.

Public Administration Reform at the local level in BH

The local governance level was a “pilot” level in the reform of public administration. The process actually started during 2000 and 2001 by two comprehensive field research projects⁸ regarding the needs and state of affairs at the local level in Bosnia and Herzegovina. The projects included:

- Investigating the needs of the Program of Public Administration in BH (conducted with a sample of four municipalities)
- The preliminary diagnosis of Local Governments in Bosnia and Herzegovina (done in the first half of 2001 with a sample of 10 municipalities from both entities).

Both surveys had similar conclusions: the application of good governance principles and mechanisms was necessary. Main findings indicated a typical bureaucratic situation (i.e., a lack of user-orientation and goal-orientation, an absence of good governance principles and mechanisms, etc.) What is worse, there was a lack of understanding of the needs for changes (even at the mayoral level) combined with a lack of organisational capacities for change. These conditions led to the conclusion that the process of introducing good governance principles and mechanisms would probably face large resistance.

Four years later, significant improvements can be noticed at the local level of governance. But the picture is very mixed, varying from largely bureaucratic municipal governments to really modern and user-oriented ones. Among other things, such a mixed picture is the consequence of a chaotic approach to the reform of local administration in BH; at present, there is no complete, explicit, and system-based domestic strategy or program. Different projects, with different approaches and implementing agencies (mainly international ones), are competing instead of cooperating and coordinating.

A recent selection of the best local government practices in BH⁹ demonstrated a respectable level of achievements. 16 municipalities applied with 37 practices. From 37 only one practice was a part of the project that provides the largest financial and technical assistance to municipalities (funded by USAID). Of the 6 awarded municipal practices, 4 were created without any international support, and the two that were awarded with first prize were created with only limited international support and funding. By contrast, the design, project management and implementation of those projects were carried out by municipal development teams and local consulting agencies. The main lesson learned is: **the more local involvement in good governance related projects in the BH, the better results of the projects.**

One of the main conclusions of the *Conference on Local Governance Best Practices in BH*, held in Sarajevo in March 2004, was that **“the best level of government in BH**

⁸ Both researches were funded by Open Society Fund Bosnia and Herzegovina and conducted by EDA Enterprise Development Agency, Banja Luka.

⁹ Project “Best practices of local governance in Bosnia and Herzegovina”, managed by Open Society Fund (OSF) B&H, 2003-2004.

is the local level”. There are excellent examples of good, innovative practices in local governance making a direct contribution to enhancing the efficiency and transparency in local government and increasing public participation. BH municipalities expressed a great level of creativity in formulating solutions to their problems that can be replicated and applied elsewhere. The practices that are presented¹⁰ in addition to this paper completely prove such statements.

It is obvious today in BH, however, that there is a serious difference between municipalities regarding the level of local governance development (although there are some groups of municipalities that have noticeably similar levels of governance). In general, most of the municipalities in BH are still striving to introduce basic concepts of good governance. At the same time small, a number of municipalities have managed to establish very high standards in performing their tasks (especially those municipalities working to achieve ISO 9001/2000 certification or undertake other steps to achieve a quality management system) and introduce main principles of good local governance at the highest level. Once they have reached this higher level of governance the gap with other municipalities enlarges geometrically. From one side, it is a consequence of the fact that there is no systematic and integrated strategy for introducing good governance at any level in BH. From the other side, this situation of significant differences bears a potential risk for the future development of local governments in the country unless these successful examples are properly utilized.

Laws regulating local self-governance are currently in the process of change in both BH entities. The main innovation is related to the direct election of the Mayor. But, it is unrealistic to expect real improvements because the current processes and practices of designing a legal and administrative framework relevant to local government and local problems are completely top-down oriented and without the real participation of local officers, practitioners and civil society.

Lessons learned

After several years of accumulated experiences, successes and errors, some of the most important lessons learned are the following:

- Formal changes in legislation are only a precondition, not the essence of reform - they are not an end but a beginning. Without professional standards, legislative changes remain hollow.
- If there is too much insistence on a top-down approach, the danger arises of achieving only a formal, rather than actual, decentralization or devolution.
- Unless the reform project is transparent, providing broad consensus and participation by actors outside of the public sector, the reform process will depend too much on political changes and can be delayed or even suspended by a change of the parties in power.

¹⁰ Descriptions of three practices awarded with first prize are attached. Descriptions are taken from the Publication *Best Practice in Local Governance in BH*, OSF BiH, March 2004.

- External professional and financial assistance to reform is needed and welcome, but local ownership and local leadership in the reform process are essential.
- The reform of any segment of governance, and thus of public administration as well, cannot be carried out as an isolated process - it should from the very beginning be situated in the context of more comprehensive and attractive development programmes and strategies.
- The most difficult part of reform is overcoming bureaucratic patterns of behavior and creating a new administration culture based on partnership and user-orientation.

Recommendations for future directions of PAR in BH

BH is at a critical stage regarding PAR. Two points are fundamental for its future development:

- The assumption of ownership and leadership by local actors over the development of the reform (taking the crucial role of domestic driving/leading force in the reform process)
- The integration of current partial and ad-hoc projects into an integrated and system-based strategy with decentralization and good governance as key goals.

Future steps of the reform should respect the following recommendations:

- Taking a proactive instead of reactive manner
- Promoting and applying good governance principles at all levels
- Fully applying the principle of subsidiarity
- Rapidly and considerably reducing public expenditure, especially administration expenditure, with the simultaneous promotion of a series of new responsibilities and tasks assigned to the administration
- Establishing clear local ownership, accountability and leadership in the reform process
- Balancing a top-down and bottom-up approach
- Establishing a partnership between the private sector and civil society in designing and implementing reforms
- Investing in the in creation of local (human, as well as institutional) resources as the driving forces of the reform process
- Facilitating the process of reducing the gap between BH municipalities by creating and introducing the local governance benchmarking model, which is based on the key principles of good governance (such as comparisons, learning from good examples, taking corrective action, etc.)
- Encouraging and supporting the introduction of quality management system under the applicable ISO standard series in administrative organizations at all levels
- Promoting and gradually introducing the e-governance concept

- Promoting a culture of good governance at all levels, consolidating successes achieved and ensuring their prompt dissemination.

Public Administration Reform remains an open-ended process, and one that requires constant adaptation to ever-changing economic and social realities. Such changes are likely to require long-term high-level commitment, in-depth knowledge, and extensive support and assistance.

Best practices in local governance in BH First prize for Efficiency

Laktaši Municipality

User - oriented local government

Summary

In the last almost three years the Laktaši local authorities have become an example of efficiency and marked improvements in service quality, thanks to a number of advances and innovations. They have demonstrably higher levels of user-satisfaction, and have been certified as meeting the ISO 9001:2000 standard.

Background

Almost three years ago the Laktaši local authorities turned a critical eye on their unsatisfactory efficiency levels and service quality. A number of shortcomings were identified, of which the most important were:

- Partly obsolete technology and work organization
- An inadequate human resources structure and qualification levels
- An obsolete and inefficient information system.

Common to these was that **neither the local authority system, nor local authority staff were user-oriented**. The complexity of the problem called for sweeping changes.

Innovations

The introduction of innovations into local governance in Laktaši took place step by step with the involvement of specialist local consultancy organizations. Following initial changes in the way of thinking on the part of key personnel and achieving user-orientation, a number of specific, interlinked steps were taken, the most evident of which are:

- The introduction of an information counter for the general public
- The production of directions and forms for users for the full range of local authority services
- Complete, visually effective and very clear signposting within buildings, with an easy-to-read overview of services
- The completion of a one-stop facility for counter and other services

- Reorganizing and increasing the capacity of the reception office
- The construction of an interactive website for the municipality, with a downloading facility for forms and e-communication with the authority
- The development of the necessary office, financial/accountancy, register office and business software packages
- The installation of modern computer equipment and a network system
- Enhancing the efficiency of critical processes (e.g. the arrangement of the premises)
- The introduction of a staff training plan, which is currently under way.

Incremental, mutually consistent improvements led to improvements in the entire system. At the time the application was submitted, the local authorities in Laktaši had completed the preparations for a pre-certification audit for the introduction of a quality control system to ISO 9001:2000 standards, in the expectation of receiving the certificate by the end of 2003.

Outcomes

- Very high levels of user-satisfaction with the quality and speed of services (88% of those polled)
- Major reductions in the time taken to provide services (no queuing) and an increase in the number of services provided (approx. 20%)
- Savings, particularly in service staff and operation costs
- An ISO 9001:2000 quality standards certificate.

Best practices in local governance in BH First prize for Transparency

Tešanj Municipality

Measurable transparency as a principle of communication - new opportunities and practices

Summary

With its long-term planning documents (*Vision of development for the Tešanj Municipality, the Mission of the local authority, the Strategy for communication with the public, the Guide to access to information, ISO 9001:2000 procedures*, and other key documents), the local authority has indicated its clear preference for maximum, multidisciplinary transparency in its operations, and has made its ultimate goal complete accountability and accessibility to the general public and all service users, not only at the management level, but also on the part of all staff. Using the procedures that took shape as part of the preparations for receiving ISO 9001:2000 certification, mechanisms have been devised to ensure accountability at all levels and user-orientation on the part of the local authority, with measurable outcomes, and collective measures in the event of aberrations.

Background

The Tešanj local authority realized its governance system and service provision were unsatisfactory for users. A number of shortcomings were identified, of which the most important were:

- The absence of a vision for the development of the municipality
- Poor communication with the general public
- Poor working conditions, with a direct impact on users and their level of satisfaction with services
- A slow local authority that was poorly equipped with technology.

Innovations

The local authority developed a range of good solutions to these problems, demonstrating transparency and thus creating the basis for on-going improvements to the principle of good local governance through:

- Developing a procedure as part of the preparation for certification (the desire to introduce a system)
- Possible access via internet
- Issuing a journal of the local authorities and using local and cantonal media
- Producing a guide to the access of information with an index of information held by the local authority
- A new counter hall enabling members of the public to obtain all services rapidly and economically
- Establishing a website with approx. 2000 users
- Printing a range of flyers with information on various matters of interest to the public, all available at the counter in the counter hall
- Printing a bulletin with a print-run of 3000
- Conducting various surveys to determine what issues interest the public
- Establishing solid, long-term cooperation with NGOs.

Outcomes

Every day the local authority in Tešanj demonstrates its marked preference for high quality and fully transparent operations available to the public through various types of communication. Measurable indicators include:

- Good quality and greater public involvement in all aspects of local governance
- Communication between the councillors and the public at a high level
- Public satisfaction with local authority professionalism using new technology and premises
- A high level of user-satisfaction.

Best practices in local governance in BH First prize for Participation

Centar Sarajevo Municipality

Increasing public participation and influence in local government and the decision-making process

Summary

In mid 2000, Centar Sarajevo Municipality became aware that the general public had too little influence and participation in the decision-making process of local affairs, particularly in the preparatory stages and the adoption of resolutions by the local council and the mayor. In order to respond to the problems identified over the next three-year period, a number of activities were undertaken, including amendments to municipal by-laws and changes in practice, leading to major changes and improvements in articulating the presence and influence of the general public in the life of the municipality.

Background

In analysing the possible causes of the public lack of interest in local governance and the absence of public participation in the decision-making process, Centar Municipality did not fall into the trap of blaming the public by saying they simply were not interested. On the contrary, the local authority embarked on an analysis of the internal process that should make sustainable, long-term public participation possible, and identified as the leading priority its own responsibility for updating obsolete statutory regulations, and for reorganizing the local wards and enhancing their human and other capacities. At the same time, Centar Municipality recognized the importance of improving the actual process of communicating with the general public to ensure that they were properly informed and able to make a constructive contribution.

Innovations

In addition to the provisions of the European Charter on Local Self-Government, and the laws on local self-government and constitutional provisions, the legal basis for the necessary innovations and progress lay in the new Statute adopted by Centar Municipality in March 2002. This was preceded by extensive public debate at the draft stage, with meetings held in local wards and with other user groups. The draft Statute was also posted on the municipality's website, broadcast on the media and published in various information bulletins, etc. The final text of the new Statute incorporated 27 useful suggestions and proposals that were the direct product of this public debate. The provisions also included several innovations designed to facilitate and promote sustainable public participation in the decision-making process, through both the local wards and free forms of association. This opens the

way for the public to take action, encouraging the formation of participatory bodies and facilitating the submission of requests, complaints and suggestions. Various forms of consultation are also encouraged, through local groups, the organizations of public services users, appeals to the general public to submit suggestions and remarks on the measures introduced by the local authority and its operations, opinion polls and the use of the media. Consultative meetings are now required to be held with citizens' associations prior to the adoption of certain decisions. After the adoption of the Statute, and again keeping the public fully informed, a decision was adopted on the formation and organization of local wards in the municipality and rules of procedure for their operations.

Outcomes

The basic outcome of these activities is a significant improvement in cooperation between the local authority and the general public, which was previously not the case. This has taken the following specific forms:

- Over a six-month period in 2003, 30 public meetings were held in 15 local wards, attended by the mayor, during which 142 questions on various matters were put to him
- Local ward councils are much more active than before (in the first six months the councils of 15 local wards held a total of 112 sessions)
- Numerous suggestions have been received from the general public to amend existing regulations, mainly in relation to service provision, the use of business premises, and during the adoption of the budget
- The Sarajevo Canton Assembly has amended its Noise Prevention Law at the initiative of members of the general public from Centar Municipality
- Centar Municipality is continuing to improve procedures with regard to public participation, and has since defined procedures relating to:
 - Public opinion polls
 - The reception of service users
 - Public information and
 - Planning, monitoring and executing the budget.

Nora Ananieva

Local Administration Reforms in the Republic of Bulgaria after the Adoption of the New Constitution

Foreword

The notion “administration” is treated, in theory and in practice, in the broad and in the narrow sense of the word. Its broad sense denotes the entire executive power, i.e. the elected, as well as the appointed structures and persons engaged in executive government activities; the elected political persons, as well as the officials regulated by the Civil Servants Act. In Bulgaria, this broad interpretation is treated in the specialised Administration Act (1998), where Chapter 4 specifies all institutions and bodies of the executive power, including the Council of Ministers and the Municipality Mayors. Chapter 3 of the same law defines all administrative positions. The broad interpretation of “administration” is also reflected in the concepts and practices of administrative justice. The Supreme Administrative Court exercises control over the lawfulness of the acts of all of the Council of Ministers and the individual ministers.

The narrow sense of the word “administration” denotes state bodies at the central, regional, and local levels, as quoted in the Administration Act (Chapter 5, Article 34: Administration of Executive Power); “When exercising their competences, the executive power bodies shall be aided by an administration.” The most significant differentiation between administration in the broad sense and administration in the narrow sense is the distinction between status and way of recruitment. The Council of Ministers, the ministers and the mayors are elected for a specific term of office, as a result of political elections. Administration, as an apparatus aiding the elected bodies, is regulated by the requirements to civil services and civil servants, which presupposes de-politicisation and the stability of legal labour relations. The officials of municipal administrations have the status of civil servants. However, the very fact that the Local Self-Government and Local Administration Act had to specifically confer the same status means that municipal administration is something different compared to state administration. But, as a section of the state apparatus, along with the activities of local significance, it is also engaged in activities aimed at the realization of state policies that are assigned by a law.

Almost every ministry has local structures. In addition, regional governors, as executives of the local policies of the central government, act within a specific territory via their regional administration. This means that in practice three different types of administration structures operate in a specific territory. The subject of the analysis and evaluation of this report is the reform of municipal administration, not the functioning of local administration in general.

Constitutional and legislative grounds of municipal administration reforms

The new Constitution of the Republic of Bulgaria, adopted on July 12, 1991, also created the constitutional grounds to perform radical reforms of local self-government and local administration. The new principles of the political and economic system were: political freedom and its culmination - free and democratic elections; the combination of direct and indirect forms of expressing the sovereignty of the people; the principle of local self-government; and, the introduction of judicial control over administrative acts. These are only a few of the constitutional solutions, which presuppose the general harmonization of legislation with the new principles.

With regards to local self-government and local administration reforms, the laws adopted during the first stage are of great significance: the Administrative and Territorial Division of the Republic of Bulgaria Act; the Local Self-Government and Local Administration Act; the Local Elections Act; the Municipal Property Act; and legislation in the field of local taxes, privatization, concessions. Apart from the fact that all these legal acts have undergone numerous amendments and supplementations, which were not in favour of stability and the reforms of local self-government and local administration, the constitutional ground has been preserved stable and it marked the way for the necessary harmonization of local executive activities with the new principles.

Of special interest concerning local administration reforms are the Civil Servants Act (adopted in July 1999 and amended several times: in 2000, 2001, 2002, and 2003) and the Administration Act (adopted in November 1998 and amended in 1999, 2000, 2002, and 2003). The first law defines the status of civil servants, applied also to municipal administrative officials, and the second act defines the normative basis of its functions and competences.

According to Article 38, paragraph 1 of the Local Self-Government and Local Administration Act, the “municipal executive power body is the mayor of the municipality.” Municipal mayors, as well as mayors of mayoralties (settlements having populations of not less than 250 inhabitants), are elected directly by the population. The mayor of a municipality appoints, without a specified term of office, the secretary of the municipality, who has to be a person of higher-educational background. The secretary is the person vested with the specific competence to organize the activities of the municipal administration (Article 43, paragraph 3 of the Local Self-Government and Local Administration Act). However, the mayor preserves the competence to manage generally all executive activities of the municipality and to direct and coordinate the activities of the specialised executive bodies, including to appoint and release from office the deputy mayors of the municipality and the smaller-size settlement deputies, the heads of the units responsible for the municipal budget, and the heads and the employees of the municipal administration (according to the Article 44, paragraph 1 of the Local Self-Government and Local Administration Act).

Summarizing the normative grounds of local administration reforms, it is significant to especially note the ratification of the European Chart of Local Self-Government in 1995, which, by force of a special constitutional provision, becomes an integral part of national legislation via the very act of ratification. Of the two major recommendations of the European Chart, i.e. the decentralisation (devolution) of competences and resources and the introduction of electivity on the second level of administrative and territorial division, - decentralisation is at a more advanced stage in spite of the whole inconstancy and arbitrariness of the process. It is a fact, however, that each day adds newer and newer arguments to this European recommendation.

In most recent times, under the rule of the current government, a new draft law on administration was elaborated by the government, which has not been entered into the National Assembly for debate and adoption yet, but it will entirely replace the acting one.

As a part of the newest normative grounds of state administration reforms, the government strategy and normative basis aimed at the introduction of electronic administration must be considered. This so-called “electronic government” presently includes information systems of the tax department, the customs office, the judicial system, an electronic register of public orders, as well as other elements. A number of other secondary legislation acts, necessary to achieve these aims, have been elaborated, i.e. the Chart of Administrative and Legal Electronic Servicing of the Population, etc. In the framework of the general strategy, it is of great interest to mention the project: “Municipal information services for the citizens provided electronically.”

The entire legislative basis (constitutional, legislative and secondary legislative) provides possibilities to outline the general directions of the local administration reforms, and specifically of the municipal administration reforms.

1. The general tendency of the **decentralisation (devolution) of competences and resources** from the central to the local bodies of government, presupposed by democratic development and recommended by the European Chart of Local Self-Government. Although it has not been sufficiently consistent and radically performed, in any case this tendency means restructuring, including the creation of new units of municipal administration. As a result of intensive negotiations with the National Union of the Municipalities in Bulgaria, and as a response to the existing acute financial crisis of municipal budgets, the Council of Ministers has recently adopted a programme of fiscal decentralisation.

2. A **modernisation of the structure** in response to the new principles of the political and economic system. On one hand, for the functioning of the bodies of self-government (municipal councils and mayors) that are directly elected by the population, a permanent mechanism for democratic control over the municipal administration was established. In spite of being the immediate person in charge of the municipal administration, a mayor is obliged to enter the most significant issues for consideration and decision by the municipal council and the council employs a great variety of forms of control. On the other hand, the new constitutional principles of the economic system, which provide the normative prerequisites for the development of a

functioning market economy, introduce significant changes in the range, the management, and the forms of the management of municipal property and they result in new, considerably more powerful units of municipal administration. And finally, under the action of this model of local self-government, unified for democratic Europe, the structural modernisation of municipal administration becomes much more adaptive with regards to the positive European practices, which can contribute to the increased effectiveness of administration activities and make it closer to citizens. An integral part of the modernisation and Europeanisation of local administration is also the new media policies, the establishment of new special units for work with media and continuous communication with the public.

3. The search for a new quality of human resources engaged in municipal administration: via the introduction of competitive principles; via requirements for the employees, legislatively defined and specified in accordance with the location; via the action of qualification systems, such as foreign language training for the purposes of studying European and world practices and for the development and implementation of projects with international support and the active international relations of the municipalities. A significant incentive in the process of achieving this new quality, i.e. the higher qualification and effectiveness of the administrative potential, was granting the status of civil servants to municipal employees.

4. The development of local self-government and local administration with the perspective of joining the European Union: the acquaintance and implementation of the structural policy of the European Union in the pre-accession period; the development of an institutional and administrative framework for its application; monitoring, and effective control, which is necessary for this purpose.

Main stages of municipal administration reforms

The radical change in the government bodies of the existing executive committees of the municipal councils, prior to the changes of 1989, became a prelude to the subsequent municipal administration reforms. As a result of the consensus (between delegations of the then ruling Communist Party and then consolidated after the changes in opposition structures), achieved at the “Round Table” and made legitimate by the still acting National Assembly and a Decree of the Council of Ministers, all existing Executive Committees were replaced by “provisional” local bodies coordinated between representatives of the major political forces on a pluralistic basis. These provisional bodies functioned until the first local elections under the Constitution in 1991, newly adopted by the Grand National Assembly.

It could hardly be expected from provisional structures of this type to perform anything of great significance in the structure and the work of municipal administration. But at least one achievement was logical: the establishment of a greater degree of publicity and transparency in the functioning of municipal administration, and its subjection to a pluralistic, i.e. wider, public control.

The following development can be divided by convention into three stages:

First stage (1991 - 1996). The beginning of this stage should be treated in connection with the adoption of the new Constitution and the first free and democratic local elections in October 1991 (together with the first General Elections for National Assembly).

This is the stage of new legislation based on the new constitutional grounds, as well as efforts to develop the general national strategy of administrative and territorial reforms in the Republic of Bulgaria. The Decree, adopted in 1995 by the Council of Ministers, motivated the development of a series of draft laws for the updating of the existing legislation, as well as for the primary regulation of new matters. Typical in this respect were: the Local Taxes and Fees Act, the Municipal Property Act, and the Public Referendum Act. With a longer perspective, the “National Strategy for Territorial Development” and “Programme for Development of the Technical Infrastructure” were designed.

Second stage (1997 - 2001). The development of the legislative basis of local self-government and local administration continued during this period. Adopted were the Municipal Budget Act, the Public Orders Act, the Administration Act, Regional Development Act, etc.

Essential specifics of this stage became the intense politicisation of self-government issues and the high degree of dependence of municipalities on the central government. A significant element was the restoration of the regions existing until 1987, with regional governors appointed by the government and vested with the competence to implement the regional policies of the government. It is a fact that regional governors placed the accent of their work on monitoring local self-government and local administration and, in practice, they started taking over the competences of the municipalities. This was in combination with the amendments introduced into the Local Elections Act, which deprived the settlements with less than 500 inhabitants from the right to elect directly their mayors, hence it represented a regression of local self-government practices.

During this period, a significant counterpoint to this tendency became the constitutional right to unite, employed by the municipalities, which resulted in the establishment of a strong union - the National Union of the Municipalities in the Republic of Bulgaria - which was national, and independent of the political “colour” of individual mayors and municipal council majorities. The Union commenced serious work on problems concerning the reforms of local self-government and local administration. It initiated and developed a number of European projects and eventually it turned into a major opponent and later a partner of the government.

Third stage (since 2002). This period also started without a clearly defined conception of administration reforms and of the reform of municipal administration in particular. The new parliamentary majority started partial amendments of the already existing legislation.

In spite of this, the forthcoming accession of Bulgaria to the European Union defined certain new priorities. On one hand, the strategy of modernisation of state administration from accession to integration in short terms 2003 - 2006 was updated

(by decision of the Council of Ministers of September 24, 2003). On the other hand, due to the competent pressure exercised by the National Union of the Municipalities, the Government made serious steps towards the financial provision of the shared, and delegated, functions of the municipalities. Finally, an entirely new draft of the Regional development law was prepared, which had to take into consideration the European standards of consolidation to implement the pre-accession funds. However, this created a third level of management - "a region under development", which postponed the interaction with the municipal level of self-government.

In general, municipal authorities do not only stand somewhat aside, but they are not even regularly provided with information concerning the course of the negotiations and the expected impact of membership in NATO and the European Union. This is true, even though it is they who, being closest to the citizens, will be responsible for preparing the population, the infra-structure, and all other sectors concerning the everyday life of people. It is a paradox, that the majority of information that is provided to the municipalities comes via the continuous and active relations of the National Union of the Municipalities with the Committee of the Regions and other specialised structures of the European Union.

Major changes of the structure and the forms of municipal administration

The structural changes of municipal administration evolve most of all from the following main factors:

- The new principles of the political system
- The new principles of the economic system
- The application of information technologies
- The Application of European standards in local self-government: the European chart and the adaptation of good European practices, as well as activities concerning the forthcoming accession of the country into the EU.

1. The most general expression of the new principles of the political system has become the **all-penetrating democratisation**, which can be observed both in the way of structuring and in the approaches and actions of the municipal administration. The municipal councils and mayors, elected for a period of four years via free and democratic elections, constitute the main structure of the administration and exercise control over it in the conditions of pluralistic debate and publicity. The municipal administration is also regulated by the norms specified in the Administration Act (1998), according to which the administration, while performing its activities, should be guided by "the principles of lawfulness, openness, accessibility, and coordination" (Article 2, paragraph 1). The main principle is that the bodies of state power, in this case the municipal councils and mayors, "exercise immediate management of the administration" (Article 3).

Public administration in general, and the municipal administration in particular, acts as a mediator between the public and the state. When the administration is well informed about the specifics of social problems and, at the same time, citizens have

free access to its activities aimed at the solution of these problems, this mediating function will be established and it will develop without provoking distrust and hostility. With regards to this, of great significance are the widely established information units, registers, and reference sources, as well as the specialised units of municipal administration for interaction with civic organisations and public relations. Public reports and the meetings of the mayors and the municipal councilors with the electorate represent a specific type of “feedback”.

At this stage in the development of municipal administration reforms, interaction with the various structures of civic society and the media is already considered highly necessary. There is hardly a municipality at present without specialised units, a press center, and a structure for work with the public. In bigger municipalities there is hardly one without newspapers and/or electronic media. Recent years marked the development of a great number of municipal initiatives aimed at a more effective partnership between executive power and public organizations, including traditional organizations like the Union of Disabled People, the Red Cross, Community Centers, etc., and non-traditional ones established on the occasion of grave public problems.

An evaluation of the activities of these new structures, and the forms of partnership between the municipalities and the public, has established great differences between big and small municipalities. Activities in smaller-size municipalities are affected to a great extent by the lack of sufficiently qualified and active specialists, due to the fact that it is very difficult to prevent the migration of young and educated people.

The development of civic control is of great significance for the general process of democratisation and the reformation of municipal administration. In addition to the various individual and collective complaints against incorrect and unlawful administrative acts, citizens can complain against individual administrative acts or the refusal to issue required acts via court proceedings. A significant role in this respect was played by the amendments of the Supreme Administrative Court Act, according to which citizens can appeal against unlawful administrative acts before the Supreme Administrative Court. The population of municipalities also has the right to appeal against unlawful normative acts of the local administration before the administrative court.

The Ombudsman Act was adopted with great delay, and the institution on the parliamentary level has not yet started functioning. Due to a series of European projects, a similar institution acted in some municipalities, yet it was not legally adopted. This necessitated efforts to legitimize good practice - which was in many places already established - via amendments to the Local Self-government and Local Administration Act. These amendments created **the possibility to elect a public mediator in the municipalities to defend the rights of the citizens and contribute to the effectiveness of the work of municipal administrations.** The solution, however, does not represent a universally mandatory norm and municipalities have the right to make a decision concerning its implementation.

In spite of the great variety of models in Europe, the tendency of the decentralisation of competences and resources towards local authorities is an integral part of the process of democratisation and, via the European Chart of Self-Government, it is an

integral part of Europeanisation. With regards to these grounds, during the whole period of transition, certain competences have been assigned to the municipalities (although this was done with certain hesitations at times) in the following fields: finance, municipal property and municipal enterprises, the structure and development of the municipality, health care, town planning, social benefits, environment and natural resources, and sports and tourism. Most often, the solution was the so-called “shared competence”. In any case, it meant the creation, and the development or restructuring of the relevant structural units of municipal administration. The Local Self-Government and Local Administration Act provides for the right of municipal councils to define the scope of competences via internal regulations and to create the necessary structural units of administration in order to perform these competences.

In spite of the somewhat contradictory nature of the legislative regulation and the practices of decentralisation, lately we can note the achievement of a certain degree of political consensus aimed at the formation of a decentralisation framework and the agreement on a set of principles adopted in the updated by the Government, “Strategy of Modernisation of State Administration - from Accession to Integration” (2003 - 2006).

2. The new principles of the economic system, as a result of which a stable beginning to the development of a market economy was constitutionally created, had a significant impact on the contents, the structure and the forms of the work of municipal administrations. This includes the principles of various forms of property and free economic initiative, as well as the principle of defence of competition.

In addition to the general constitutional provision, according to which property is private and public (Article 17, paragraph 2 of the Constitution), the same text also contains the provision that the regime of state and municipal property (as varieties of public property) should be defined by a law. Further, in Chapter 7 of the Constitution, there is a special text: “Municipalities shall have the right to property used in the interest of the respective territorial community” (Article 140). On this basis, the Municipal Property Act was adopted, which regulates the management, privatization, post-privatization control, and concession of municipal property, public orders, etc.

This outlined a whole new and significant direction of the structure of municipal administration. Today even the smallest municipalities have departments to manage property. The significance and the role of these structural units are increasing via the created legislative possibility to transform state property into municipal property. It is another matter, however, that the imperfect legislative solutions have led to subjectivism concerning the competences performed by regional government in this field, resulting in the establishment of different practices in the various regions in the country. For that reason, at present a property of the same designation and status is municipal property in one municipality and state property in another.

In the process of the implementation of the Municipal Property Act and the regulations on its application, most of the municipalities have adopted their own decrees regulating the acquisition, management and the disposition of municipal property (additional regulations include the concession and exercising of the rights of the municipalities on the municipal share of capital in the companies, the tender and

competition procedures, etc.). By the force of both specialised laws and those adopted by municipal councils decrees, all municipal administration bodies engaged in these activities are subject to immediate control exercised by the municipal councils and the mayors. In spite of this, practices demonstrate that this is most vulnerable to corruption practices. Similar are also the findings of the specialised public organization for the fight against corruption, as well as of judiciary power. However, at this stage the struggle against this all-permeable sickness of administration, including municipal administration, is ineffective.

3. The process of integration in Europe has a radical impact on municipal administration. The word does not go only about the establishment of specialised administrative bodies to develop and implement European projects, but also about the involvement of the whole municipal administration in these activities.

Until recently, this process was developing with uneven paces, depending on the initiative and the potential of individual municipalities, or on the interest of foreign partners. The decisive role in this respect is continued to be played by the National Union of the Municipalities, which is also a direct partner in a series of European projects implemented nationally.

On the other hand, an essential factor for the Euro-integration process is played by the strategy and the practices regarding the introduction of modern information and communication technologies in administration, including on the municipal level. Although these practices have not been widely adopted by Bulgarian municipalities - they are at the stage of "pilot projects" - this process has resulted in new municipal administration structures, as well as in the development of a specialised information infrastructure with two main components: a server "reception office" and a server "processing office". The continuous connection of the server "reception office" provides quick access to the population via the Internet. Those who do not have access to the Internet can use the services at easily accessible centres.

Municipal administration issues in the context of the "Strategy for the modernisation of state administration - from accession to integration (2003 - 2006)"

According to the programme of the modernisation of state administration adopted in the beginning of 2003 and in compliance with the requirement to carry out a horizontal administrative reform, work has been started to develop a new institutional culture and modern administration. A strategic approach was developed for institutional consolidation aimed at the speeding up of the process of applying the legislation of the European Union, and the provision of transparent and effective use of European funds during the future participation of the Republic of Bulgaria in the structural funds and the Cohesion fund of the European Union.

A priority requirement of the European Union in this process is the training, and quality, of the human resources involved in it. On one hand, the organizational structures have to implement the funds, and on the other, to staff these structures with sufficiently well-trained specialists. What is more, the necessity of reinforcing the

capacity of the territorial, regional and municipal administration for participation in the general process of the European funds is unconditional.

In practice, the major programmes and projects (under PHARE, SAPARD, ISPA, etc.) reach the municipalities, although they are subjected to centralized evaluation and management. Having in mind that in the following years the funds of the European Union (about Euro 300 million annually at present) will considerably increase, it is clear that a lot of work has to be done, including on municipal level, aimed at:

- Organization and management of the municipal administration structures involved in the management of projects
- Qualification of the staff with regards to the knowledge and skills required for the realization of the programme cycle of the pre-accession funds
- Development of the motivation of the staff.

Unfortunately, the general evaluation of the administrative potential to manage projects is unsatisfactory in a number of aspects and due to various reasons: the lack of a training system to produce specialists in project management at the higher educational institutions; an underdeveloped market of specialised training in project management; and great differences in the quality of the provided training. Regarding training, concept apparatus is still undeveloped, different “terminological languages” are used by the specialists, and access to information about forthcoming and running projects, funding and competitions, and about training possibilities is difficult.

The regional policies of Bulgaria in the period of accession to the European Union also need reforming. The Regional Development Act of 1999 marked the beginning - six planning regions were defined that had to minimize the internal regional differences. Provisions were also made to define a new role for the municipalities in the process of planning and managing regional policies. But in the course of implementing this law, a number of serious deficiencies have been established: the lack of a national strategy for regional development; not sufficiently clear and exact definitions of the functions of the various aspects; resource provision problems, etc.

The draft of a new Regional Development Act envisages better synchronizing between the three main levels: a region for planning, region, and municipality. On the municipal level municipal plans will be developed and individual projects will be proposed - for regional (supra-municipal) development and local projects. The municipal plans for development are developed in concordance with the regional strategies and schemes of development and management, and shall be adopted by the municipal councils on the proposal of the mayors. The general scheme of planning and programming of the regional policies in Bulgaria in the pre-accession period includes movement in the two directions: “up-down” and “down-up”, which does not exclude municipalities - rather, it makes them an integral part of the general process.

All this presupposes and makes necessary active involvement on the part of the municipalities in the two already developed strategies: first, the training of civil servants as an important element of the human resources management and development policies (via general and specialised training in a unified system of qualification); and second, the modernisation of the state administration and the formation of a new institutional culture concerning both the application of European legislation and the building up of a potential to manage the funds of the Community.

A favourable factor in this respect is the development of a country wide and effective network of higher educational institutions (public and private), as well as of structural units for life-long-learning. The curricula of most universities offer education in "Public Administration" (at about ten faculties all over the country) and the interest towards the profession is constantly increasing. If we also add the fact that the network of Law Faculties has already been well developed, and education in Public Administration places special emphasis on regional studies and local self-government and local administration studies using modern forms and practices of training, we can expect the gradual overcoming of the existing deficiencies of personnel potential in the field of municipal administration.

However, the question remains open concerning a system for the training of municipal officials in European studies, which would play a significant part in the general process of integration into European structures.

In conclusion: municipal administration reforms are entering a radically new stage linked with the integration of the country into the European Union. This means new criteria, new forms, and new contents of local administration activities. Our hopes are connected with the experience accumulated over the course of nearly 14 years, coupled with the new young educated generation starting to work in local administration bodies.

Reform of Public Administration on the Local Level in Romania: Opening the System towards the Citizens

The legacy: dealing with the past, maintaining existing order (1989 - 1992)

The year of the “great change”, 1989, found Romanian administration in the midst of enormous turbulence due to the implementation of Ceausescu's “systematization” plan. According to this plan, set forth in 1972 but put into practice in the late 1980's, half of the Romanian villages were to be erased and the inhabitants were to be relocated into “agro-industrial centers”. The main principle of state organization was the so-called “democratic centralism”, with four main features:

- a) Local authorities were totally subordinated hierarchically to the above sitting bodies
- b) Initiatives coming from local authorities could be blocked
- c) Activities of local authorities were limited by the decisions of the above-mentioned sitting authorities. The will of the local communities was not obeyed
- d) Control of the activity of local authorities both prior to action and after, from the point of view of legality and opportunity.

These principles have to be born in mind because the centralist mentality is present even 15 years after the change of the system. A large number of public servants, trained in the spirit of those principles, have a hard time implementing decentralization and keeping local autonomy as the main guiding principle.

The main task of local public administration, as set forth by the national government, was to ensure the continuity of public services and to implement national decisions. As a result of the very fervent activity of parties involved in local administration (December 1989 - May 1990), the government appointed by the newly elected Parliament (which also acted as a Constitutional Assembly) excluded party politics from local administrations. It left only mayors, for the local administrative units (communes, towns and cities), and prefects to represent the national level on the intermediary link (counties). The features of the period until the first local elections (February 1992), which marked the beginning of the reform in administration, were: no legislative bodies on the local or regional level, a highly centralized budget, and insignificant activities delegated to the local authorities.

However, at least two elements have to be noted here. Firstly, - the national government stopped Ceausescu's systematization plan, restoring the administration

of the villages that were to be wiped out¹. Secondly, - the beginning of citizens' involvement in administration matters took the form of the Association for Restoring Abusively Dissolved Counties (March 1990), thus urging reform in public administration².

Setting the legal framework for reform: first elections, then experimenting with the constitutional order (1992 - 1996)

The most significant moment in the period starting with 1989 and going up to the present day is, undoubtedly, the adoption of the new Romanian Constitution in 1991³. The Fundamental Law clearly listed the new principles operating in local public administration: local autonomy; decentralization of public services; eligibility of local public administration; legality; and consulting the citizens regarding local issues of special interest. Also, a full list of local authorities is given

- Mayor and Local Council for local matters
- County Council for harmonizing the interests of administrative units and for providing services on the county level
- Prefect as the Government representative in the county, guarding the legality of administrative acts.

Two other laws give details on the organization of public administration: Law No. 69/1991 of Public Administration and Law No. 70/1991 of Local Elections⁴. These laws look upon local autonomy as a right and the capacity of local authorities to deal with a large variety of other issues, in the interest and for the benefit of the local communities, defined as “the total sum of citizens from an administrative territorial unit.” Also, it is of utmost importance to state that between the three levels of administration - local, regional (county) and national - there is **no hierarchical**

¹ Only two villages, near Bucharest, fell victims to this plan. Although it did not play an important role in national Romanian politics, on the international arena the Belgium founded “Operation Villages Roumaines” (OVR) had a say in raising awareness of what happened to administration in Romania. OVR proposed in early 1989 twinning doomed Romanian villages with West European villages, to offer moral support to Romanians. Later on, OVR kept an eye on the development of local democracy and assisted mayors from villages to fight for better standing as compared to the national administration. OVR is still active, assisting development programs for rural Romanian areas.

² The association still exists, but the reform, in the sense of re-designing the counties did not take place. The only changes so far refer to declaring new villages and cities. Apart from this, the government stated as a reform principle the regional policy, by creating 8 development regions (in which the existing counties maintain their autonomy).

³ The Constitution was amended in 2003, making way for European Union principles such as the possibility for non-Romanian citizens to run for office on the local level, the possibility of Romanian citizens to engage in EU local and European elections etc.

⁴ For an extensive description of the provisions and of the local public administration, see Christian Parvulescu, Local Public Administration in Romania, in *Local Self Government and Decentralization in South-East Europe*. Proceedings of the workshop held in Zagreb, 2001, FES Office Zagreb, 2001, pp. 225-249.

subordination, the relations being described as “legality and cooperation, in view of solving issues of common interest.” Yet it has to be noted that the national, central administration was reluctant in giving too much autonomy to local authorities, mainly pointing out:

- a) The necessity to preserve a homogenous type of administration on national territory
- b) The lack of competence on the local level (especially in handling issues such as investment, international relations, or the protection of minorities)
- c) The threat of state dissolution, in the case that local autonomy is based on ethnic principles.

Since direct infringement of the Constitutional principle of local autonomy was impossible, state control was maintained through financial tiers. The most striking elements of this are the under-financing and understaffing of local administrations. Criticism pointed this out, plus the unclear relations between the local authorities and the local institutions, delivering services on the local level, but hierarchically subordinated to ministries. Also, reports on the status of local democracy by European rapporteurs pointed at the national control over local resources and the difficulties local authorities encounter when trying to fulfill their responsibilities towards local communities.

Due to Romania's lack of experience in local autonomy, European guidance was of decisive importance. Due to the European Charter on Local Self Government (as a crucial document of the Council of Europe regarding this issue) it was possible to weigh the Romanian realities or wishes against generally accepted European democratic parameters. This Charter was brought into public debates as early as 1992, even though Romania actually ratified the document only in 1997. The political and administrative elite of Romania debated the content of the European Charter, making “European convergence” food for thought when developing legislation.

The Government acknowledged the task to ensure the functioning of local elected authorities as a top priority in reforming public administration by taking steps in four main directions⁵:

- a) Improving the legislative framework for public administration
- b) Developing and diversifying public services for the population (setting as objectives the transfer of responsibility for education and health units to local authorities, objectives met only in 2003)
- c) Training public servants and elected authorities
- d) Promoting social dialogue more vigorously (at that time the Association of County Council Presidents, the Association of cities, the Federation of Municipalities, and the Association for Restoring Abusively Dissolved Counties, were recognized as partners).

Some of the objectives, though extremely generous, were reached only in 2002-2003, due to the pace of different aspects of reforming the Romanian legal system,

⁵ Governmental Report *Three years of governing (1992-1995). Main directions, actions and measures for 1996*, Bucharest 1995.

specifically regarding financial decentralization, the tax system, and educational institutions.

Accelerating reform, deepening decentralization (1996-2004)

The Law on local taxes was enacted in 1994. It became an instrument of financial decentralization (under the Law on Local Finances No. 189/1998) only later on, after being modified by a series of Government Ordinances. Also, the law regulating the Status of public servants, No. 188/1999 (modified by Law No. 161/2003), gave stability and strength to the servants working in the public administration. The Government Ordinance No. 81/2001 on establishing and organizing the National Institute for Administration pushed forward the legal framework for educating both elected authorities and public servants, in a unified manner, enabling them to carry on new tasks at the local level⁶. The new legislative framework describes the three categories of public servants and the strict conditions they have to fulfill in order to take office, to be eligible for promotion or to be transferred in another public institution. Furthermore, the law states that public servants have to follow, periodically, courses of professional development, regardless of rank or experience.

The landmark for this period is the new Law of Public Administration No. 215/2001. It became fully operational after the local elections in Romania in June 2004. This law widened the range of action for local authorities in a significant manner. Also, it diversified the possibility of citizens to participate in local administration. Until this law, the only known type of citizens' participation had been the referendum. Referenda proved to have limited effects as they are expensive, lacking dialogue and hard to organize. The possibility to be present at Local Council meetings merely gave citizens the role of spectators. The new law allows for citizens to organize in consultative bodies and thus to become partners of the local authorities. Yet, this possibility has been used with less frequency than originally expected.

However, this legal framework needed two other laws: Access to information Law No. 544/2001 (making it obligatory for the administration to offer information of public interest, limiting the area of secret or professional information) and Transparency in Decision-Making Process Law No. 53/2003 (which makes it obligatory for the administration to publicize the projects 30 days before adoption, to organize, upon request, public hearings). This framework opens way for NGOs to put pressure on the administration and empowers citizens in an unexpected way. All this was possible due to the effort of the national bodies to Europeanize Romanian administration, reducing the distance between the Romanian practice and the European Union standards. Even though there is no "European administration model", the concept of "good governance" is one to be kept in mind when

⁶ The National Institute for Administration (INA) provides tailored courses for all types of personnel operating in administration. Among other activities, it will help turning prefects into professionals, by the year 2007 all prefects will not be politically appointed representatives of the Government (as it has been the case from 1990 on), but high ranking administrative officials.

restructuring administration. Among other things, good governance presupposes that the administration is open towards its citizens and that the citizens have the right to be heard on matters that affect their lives. The outcome of implementing the two above-mentioned laws (access to information and transparency) is:

- Territorial offices for public information (aimed at assisting citizens, organizations and institutions to access the needed information; and monitoring the implementation of the two laws)
- Information bulletins issued by public institutions at least once a year (more active administrative authorities issue such bulletins weekly and/or create information kiosks and Internet sites)
- Specialized PR offices (or, at least, a spokesperson) in each public institution, to be accessible to citizens.

The new Public Administration Law establishes that “central authorities can not establish or impose any kind of responsibilities on local (...) authorities in the process of decentralisation of certain public services or of creating new public services without ensuring the adequate financial means for achieving the respective responsibilities”. Article 9 of the same Law set forth that “Within the national economic policy, the communes, towns and counties have the right to own resources (...)” and that “these resources must be proportional with the responsibilities stipulated by law.” Such detailed descriptions point at the relation between the Government - which tries to get rid of as many local responsibilities as possible - and the local bodies, which might have difficulty in ensuring the proper administration of the newly acquired areas of activity (such as the maintenance of schools, hospitals, other social services). Criticism during this period pointed at issues hampering the decentralisation process such as:

- The lack of a national strategy fixing the overall decentralisation priorities
- The lack of co-ordination in the implementation of relevant laws
- The lack of a consultation and communication programmes at the local level
- The discrepancy between the political ambitions of central authorities and the reality at the local level
- The unclear and not totally transparent systems related to the distribution of available central funds
- The delays in the distribution of the above-mentioned funds
- The lack of monitoring procedures.

But the main problem still resides in the mentality of national authorities. In the annual report on the activity of the Ministry for Administration and Internal Affairs for 2003, Mr. Ioan Rus admits that “the Romania of powerful and rich local communities will be the future of our state, a state European at core” but makes amendments: “how many local communities do you know that have their own policies concerning the public affairs? (...) We have to *push* these authorities, to develop thorough policies. The local

authorities must be rendered accountable for themselves and even more than that⁷. Here another element is worth looking into: the co-ordination of the administration from the national level. In 1991-2001, the Government had only a Department for Local Administration, led by a state secretary with the rank of a minister. Since 2001, the Department was raised to the rank of a full ministry. In 2003 the reform of central administration unified the Ministry for Public Administration with the Ministry of Internal Affairs. The newly formed Ministry for Administration and Internal Affairs put under the same heading the prefects, the professional development of public servants and the police forces.

On the other side, the opposition points at the lack of coherence in the legislative framework. The opposition underlines that:

- The long promised “code of administration“ (which was due in 2002) is still only a draft
- The statute of the local elected officials was withdrawn from Parliamentary debates also in 2002 and has not been promoted in a new form so far
- The transfer of responsibilities towards local authorities was not accompanied by suitable transfers of means to finance the new activities
- Mayors feel that political pressure migrates towards the governing party. This tendency is evident in all legislative cycles, mainly due to the national control on budgetary transfers
- The capital city of Romania is treated like any other administrative unit, despite the promise to draft a special law which would take into account the dimension, importance and specificity of the city⁸.

While in the Romanian domestic arena the results of reform in this sector are subject for political battle (especially due to the forthcoming local elections in June 2004), the European Union looks at the same issues with a critical eye. The EU points out that “the weakness of Romanian public administration is a matter of concern not only regarding the implementation of the *acquis*, but also regarding the use of structural funds up to the time Romania joins the EU”⁹. Yet the Delegation hints at the enormous aid for speeding the reform offered by the European Union for strengthening administrative capacity (8 million Euro) and fiscal decentralization (4 million Euro) available under current programmes, plus new programmes financed through PHARE.

Looking into the future (2004 -)

While analyzing the results of reform in the public administration sector, the inter-ministerial committee in charge with this topic identified, at the beginning of 2004,

⁷ Quotation from *Info.R*, The communication bulletin of the Romanian Government No. 22/January 2004, p. 41.

⁸ *Evaluation of the SDP Governance in 2001-2003*, Alliance “Truth and Justice” Liberal Party - Democratic Party, the National Committee for Strategy, March 2004, pp. 142-146.

⁹ See “Sector file. Reform of Public Administration” on the site of the Delegation of the European Commission in Romania, June 2003.

four main arguments which call for speeding up the changes:

Economic arguments: Due to low economic growth and the diminishing of budgetary sources for local administration, and due to the fact that the private sector needs modern and flexible administration, it is vital to create an administration capable of developing public-private partnerships.

Technological arguments: The introduction of information technologies in public administration brings changes in the way administrations operate.

Sociological arguments: Citizens, as the beneficiaries of public services, become more demanding and are not satisfied solely with what the administration proposes or does for them.

Institutional arguments: Romania's integration in the EU triggers forth a different way of organizing services, based mainly on decentralized structures.

Therefore, public administration has to engage in speedy change, on four levels:

1. **Strategic**, which defines the role of the state versus private organizations;
2. **Legal**, aimed towards simplifying the legislative framework with less specific regulations, leaving room for initiatives on the part of executive authorities;
3. **Organizational**, oriented towards reducing hierarchies and simplifying the procedures for delegating the execution of public services to bodies which do not belong to the public administration;
4. **Cultural**, aimed at a change in the values and actions of elected authorities, of public servants, of interest groups and of citizens.

This analysis gave, as a result, an ample document entitled “The Governmental Strategy for Speeding the Reform of Public Administration,” with measurable parameters, including both the reform of central administration and the effects of the reform on the local level¹⁰. This ambitious document brings into light new principles for reform, in addition to the constitutional ones:

- The separation of political and administrative careers
- The establishment of a corpus of well-trained, professional, politically neutral civil servants
- Defining the roles, responsibilities and relations between institutions
- Legality and fairness in administration, with due respect towards social values, citizens' freedoms and rights
- Subsidiarity
- Autonomy in decision making
- Transparency of governance, allowing the public/citizens to follow administrative decision-making processes and to obtain information regarding their rights as customers of the public sector
- Simplifying administrative procedures
- Respect towards citizens

¹⁰ See the full text on www.mapgov.ro. Also, the Prime Minister Adrian Nastase, in his recent book *Towards Normality. The Governance of Reforms, the Reforms of Governance*, Bucharest 2004, devotes a whole chapter to Continuing the reform in public administration sector, pp. 446-451.

- Delegation of certain prerogatives and the de-concentration of certain services
- Orienting interest towards results based on efficiency and quality of services, by increasing the responsibility of public servants
- Protecting the rights of individuals. A respectful and polite attitude of the public servants is compulsory.

Since the strategy depends on a large number of factors, though some of the objectives can be reached on short-term basis, it is only desirable that future development will make the document a genuine light-house for reform.

Opening administration to the citizens

Throughout the reform, apart from political will and from European pressure (be it from the Council of Europe, from the Congress of Local and Regional Authorities in Strasbourg, from OVR or from the European Union), an enormous pressure came from civil society. NGOs active in this field (mainly the Pro Democracy Association, but also other organisations) pushed for developing the accountability of administration, for transparency and for partnership between administration and citizens. An extensive study comparing the agenda of the elected officials and the agenda of citizens, issued in 2002 by the Pro Democracy Association, proved that these agendas do not overlap in many areas. What is considered to be a priority for many mayors occupies but a marginal interest for citizens, while the public looks at different issues that are not tackled by the administration¹¹.

To meet the interest of the public, and also to fulfil European criteria regarding accountability, the laws on access to public information and on the transparency of the decision making process were issued. Also, the new Law on Public Administration 215/2001 widened the possibilities of letting the citizens in the decision making process even at an incipient stage. The law stipulates, in article 38, that the local council may “decide the association with Romanian or foreign juridical persons, with NGOs or other social partners, in order to finance or organize activities, services or projects of local public interest.” This provision can be read in many ways. A breakthrough was made by the Local City Council of Timisoara, which decided to have as partners Proximity Consultative Councils, recruited from the citizens in the districts of Timisoara. The Local Decision 204/2003 created the local legislative framework, and the Regulation for Proximity Consultative Councils was soon adopted¹². Out of the 13 proposed consultative councils, 8 have been created. According to the Regulation, a minimum of 7 citizens from the same district, at least 18 years of age, must inform the City Council on their intention to create a Consultative Council and must register to the City Hall. The work of the members is voluntary (non-paid). The

¹¹ *Dialogue with the administration at the beginning of the mandate*, Pro Democracy Association, 2002.

¹² Information on the matter, on the official site of Timisoara City Hall www.primariatm.ro.

sessions are public, in places allocated by the City Hall. The suggestions issued by the Proximity Consultative Councils are brought to the specialized committees of the Local City Council for analysis, development and further proposal. The experiment is unique in Romania and it copies the model of proximity councils in European Union countries.

Why was it possible in this particular city and not in other areas? An answer could be drawn from encountering the interest of Timisoara citizens in public affairs. An evaluation of citizens' involvement in public affairs, as a consequence of the Law 52/2003 six months after implementation proved that 42 recommendations from the citizens were transmitted to the administration, 18 of which were taken into consideration by the City Council, while in neighboring counties, comparable in size (Arad, Caras-Severin, Mehedinti) only 8 recommendation were made to local authorities and a maximum of 3 were included in the Local Council proceedings. In such a highly sensitive area, ignoring citizens is practically impossible. Since the Proximity Councils are only at an initial stage of existence, their efficiency is difficult to evaluate. Yet, they represent the signal that public affairs have become, undoubtedly, matters for public debate.

Slovenian Public Administration: Continuation of Reform

Introduction

Reforming public administration has become a permanent topic in most countries in Europe. From Britain and the United States, reform movement based on the New Public Management movement has swept around the world. Although the rhetoric is quite often the same and reforms are legitimised and justified by comparable values, there are marked differences between individual countries in operational terms, since the same general principles (effectiveness, efficiency, transparency, citizen participation, coordination and integration, etc.) might mean something quite different and be balanced differently in varying historical and institutional contexts. Countries also follow different reform strategies, from centrally planned, comprehensive ones, to evolutionary, incremental reforms. Consequently, there has been a great heterogeneity of reforms over the past decades.

After the transition, East European countries joined the process. However, in these countries administrative reform has been a much more complex and demanding task and all countries have developed comprehensive reform programs as part of a broader all-encompassing transition strategy and strategy for joining the EU.

When comparing the effects of the transformation processes at local levels in different countries, since 1989, it is important to consider not only the current situation and the dynamics of change over the study period, but also the different starting positions. Slovenia had the advantage of an earlier experience with a self-management system that was based on a quasi market economy, the exposure to democratic and market economic influences through trade, and the relatively free mobility of people since the mid-1960s, especially with its neighbouring countries Italy and Austria, which facilitated the transition. In addition, Slovenia had a special position, more favourable and promising than that enjoyed by other former Yugoslav republics, the significance of which became especially evident in the years that followed its secession. This advantageous position within the former state, and the ensuing better starting position at the beginning of the transformation period, was not due solely to favourable natural factors and its geo-strategic position. Other factors, connected to the political structure within the Yugoslav Republic at the time, were of significant influence: the level of economic development, the stage of development of the private sector, the self-confidence and national consciousness of the population, their living and working habits, their attitudes towards natural and cultural heritage and a polycentric settlement strategy with a relatively low level of environmental pollution. For these reasons, Slovenia has endured the shocks of economic and political transition rather

well. A gradualist and more evolutionary approach to reforms might have been beneficial for Slovenia as well.

The structure of public administration

Public administration in Slovenia is composed of the state administration (ministries, deconcentrated administrative units, regional branches of different ministries), the administration of 193 local self-government units, and quasi-government organizations (the so called specialized persons of public law) holding public authorizations (like public agencies, the Pension and Disability Insurance Institute, the Health Insurance Institute, etc.). There are 32.000 civil servants employed in the state administration and 4.000 in the administrations of local self-government units, which represent around 4% of the active population in the Republic of Slovenia. In the period from 1996 to 2002, the number of employees in public administration increased by 23, and now the attained employment level in the public sector is similar to the level in other countries.

For a well functioning state and local government, the adequate administrative and professional capacity, defined as the ability to perform appropriate tasks effectively, efficiently and sustainably, is of utmost importance. Weak administrative or technical capacities at the state and local levels may prevent or slow down decentralisation and weaken local self-government. It can also result in services being delivered less effectively and efficiently in some areas of the country. Therefore, the reform of a local self-government and decentralization strategy has to include programs of capacity development by which individuals, organizations, institutions, and society will develop abilities to perform appropriate tasks. As such, it should be carried out at different levels, (individual and organizational, local and central, professional and general public) simultaneously. A stable and continuous local capacity relies on institutional mechanisms (such as competitive pay, prestige, a training system, etc.), and not on individuals who may at some point of time disengage from activities.

Although Slovenia had a quite well-trained and functioning administration before the change in 1991, it was not adequate for the new tasks. First, as an independent state, Slovenia lacked many institutions, which had to be established and staffed. Second, many institution had to be transformed in accordance with the new political and economic system and the EU standards and requirements, which was an enormous task to be done in such few years. There was also a need to increase the number of people employed in public administration, since before it was rather small. Due to deep political, social, economic, and administrative changes, new knowledge and experiences had to be acquired. Thus, administrative reform in Slovenia has been many-sided and wide-ranging.

The reform of public administration

The reform of public administration in Slovenia started immediately after gaining independence. It can be divided into three phases:

- 1991-1996: the establishment of a new state and administration
- 1997-2002: public administration reform within the process of Slovenian accession to the European Union
- since 2003 : improving public administration.

During the first period, the reform of public administration was directed towards the establishment of institutions needed for the normal functioning of the state. In Yugoslavia, certain tasks were the responsibility of the federal government (defence, customs, monetary system, foreign relations, etc.). Consequently, after succession, Slovenia had to set up its own institutional system in different areas. Since the new political system was based on the constitutional concept of division of power, the administrative system had to be redesigned accordingly. Due to the reform of the self-government system, further adjustments were needed (such as the separation of state and local administration, resulting in the establishment of administration units assuming state functions, and municipal administration being responsible only for local tasks).

In the second period, the reform of Slovenian public administration was driven by the requirements of the accession process. The Governmental Strategy on public administration reform regarding Slovenian accession to European Union was a blueprint for reform activities, specifying programs and projects. It was divided into six areas:

- State administration
- Local self-government
- Public services
- The protection of individual rights toward administration
- A civil service system and
- Public finances.

The main focus of reform efforts in these areas was to elaborate a new legislative framework for public administration operations, which will be in accordance with the EU requirements and standards of the so-called “European Administrative Space”. Since many of these standards had been already well known and practiced by the Slovenian administration, the reform focused on upgrading the existing system and no radical changes were needed. Although the implementation of reform actions did not follow the specified time schedule, most of the goals were fulfilled. The legislative part of public administration reform was concluded in 2002 with the adopting of the five fundamental legal acts:

- The Public Agencies Act (adopted in 2002)
- The Inspection Act (adopted in 2002)
- The Salary System in the Public Sector Act (adopted in 2002, applies from January 2004)
- The Public Administration Act (adopted in 2002, amended in 2003)
- The Civil Servants Act (adopted in 2002, applies from June 2003)
- The Act on the Access to Information of a Public Character (adopted in 2003).

These acts together provide a consistent legal framework for the further development of public administration. The Civil Servants Act provided legal conditions for the establishment of professional, politically neutral career civil services. This law is complemented by the Salary System in the Public Sector Act, which provides for a uniform Salary System in the public sector, ensuring a uniform basic salary for comparable positions.

Since the administrative capacities of individual sectors did not meet requirements, reinforcing the administrative capacities of those sectors was the highest priority. This part of the reform was successfully concluded, as testified by the Reports of the European Commission on the progress of Slovenia in its integration into the European Union (2002 and 2003). The Reports give positive evaluations of administrative capacity on both ministerial and horizontal levels.

Through the whole period, improving the quality of public administration operation was one of the main goals of what new systemic legislation should contribute, providing the conditions for new approaches. Various measures were implemented on the level of implementing regulations and on the operative level to improve the quality of public administration operations, its services and information, to attain the greater satisfaction of customers and the better qualification of employees (especially in the area of European affairs). Upgrading and maintaining quality is formally regulated by the Decree on customer-related electronic government service in public administration bodies, adopted in March 2001. The Decree also includes methods of quality checks of operation in order to measure the efficiency of the public servant-service user relationship. The methods include employee-satisfaction and user-satisfaction surveys, information points, requests book, up-dating users on the course of their procedures, identification marks etc. Also, the Decree on working and office hours in state administration bodies contributed greatly to the harmonisation of office hours on different levels of public administration, and in particular, those areas that are important from the clients' point of view.

Between 1999 and January 2003, the administrative units in Ljutomer, Slovenj Gradec, Šentjur pri Celju, Jesenice, Novo mesto, Tržič, Murska Sobota, Črnomelj, Postojna, Idrija, Krško, Trebnje, and Grosuplje obtained the ISO certificate. Beyond administrative units, the implementation of quality management systems according to ISO 9000 standards has in Slovenia also started at the level of local government with the participation of big urban and small rural municipalities: Maribor (urban), Novo Mesto (urban), Duplek (rural). Also the Common Assessment Framework (CAF), based on the structure of the European model of business excellency, is being introduced in Slovenian public administration as the quality standard in terms of self-estimation, comparison and external evaluation.

The third phase, that already took its course to some extent, is based on a new "Further development strategy of the Slovenian public sector 2003 - 2005" that was adopted by the government in July 2003. The Strategy is based on common European principles for public administration, legality, legal protection and predictability, political neutrality, openness and transparency, quality, effectiveness and efficiency. The stated goal of Slovenian public administration is to obtain results comparable with the result

of public administrations in the countries of the European Union, under the indicators of imposed measures and the satisfaction of citizens, traders and other affected persons and public-financial effects. The Strategy sets the following reform priorities:

- Human resource management
- Reorganization (functional and organizational restructuring of the public administration)
- The optimisation of business processes and e-government (the standardisation, optimisation and informatisation of administrative procedures and other business processes and the provision of user-friendly e-services)
- Quality management
- Open government and
- The rationalization of public expenditure.

The implementation of the Strategy is overseen and coordinated by the Ministry of internal affairs, who is responsible for public administration. Individual ministries and other state institutions have to submit regular yearly reports on the state of reform in their sector to the Ministry of the interior, which forces them to implement reform programs and projects with greater eagerness. According to the strategy, the following reform activities will have to be improved:

- Efficiency
- Openness and transparency and
- The quality of services, contributing to the increased satisfaction of citizens and legal persons as the users of public administration services.

Effects of public administration reform at the local level

In Slovenia, citizens enjoy the constitutionally guaranteed right to self-government. According to the Constitution, municipalities are the basic socio-economic, political and administrative units below the level of Central Government, responsible for the development of the local economy and social services in their territories. Slovenia has thus introduced a single-level system of local self-government¹, differing greatly from the former local government organisation under the previous Yugoslav administrative hierarchy, where the commune (as the basic local government unit) performed both state and local functions. Slovenia also ratified (1996, 1997) the European Charter of Local Self-Government. Currently, municipalities perform only their own functions, since the state has not yet transferred any of its responsibilities to the municipalities. The position of the municipality vis-a-vis the state is protected because that the Constitutional Court watches to see that the regulation of each local community is administered in accordance with the Constitution and law, and determines disputes between the state and municipal authorities.

¹ It was introduced according to the Law on Local Self-Government (passed in 1993, and later amended six times) and the Law on the Establishment of Municipalities and on the Determining of Their Territory (1994).

As a result of the reform of the local government system, the number of municipalities has tripled since 1991, increasing from the previous 62 communes to 147 municipalities in 1994, to 192 in 1998, while the remaining one was formed in 2002. The average size of a municipality is 137 km² (ranging from about 25km² for the smallest one to over 500 km² for the biggest) and has a 10,000 person population (from 400 to 270,000 inhabitants). The number of municipalities is not expected to further increase since the government and the parliament have come to the conclusion that the organizational part of local self-government reform at the municipal level has been concluded.

While municipalities have similar political institutions (mayors, councils, supervisory boards), they differ quite a lot in the field of municipal administration and services. The organization and structure of the municipal administration is left to the municipalities themselves. According to the law, the mayor determines the structure of the municipal administration. The size and organization of the administration are heavily dependent upon the size of the municipality. In small municipalities, with few employees, there is some functional division, but they have to perform all the tasks needed. Larger municipalities, including all urban municipalities, are organized according to the departmental principle (finance, spatial planning and environment, public services, etc.)

The mayor is the head of local administration, which is granted with professional autonomy in performing its administrative tasks. As the mayor has a right to employ and appoint municipal administrative staff (higher levels with the consent of the council, lower levels by himself), there are many possibilities for patronage and political appointments, which may frustrate the establishment of an unbiased professional local administration. The mayor often delegates this responsibility to the municipal secretary and authorizes her/him for decisions concerning administration. The municipal secretary is a municipal civil servant, responsible for the management of the local administrative staff. The secretary is appointed by the council at the proposal of the mayor, to whom (s)he is responsible. Before, there were no specific criteria defined for this post. However, the Civil Servants Act prescribes the required educational level (at least university degree for urban municipalities and a higher professional degree for others) for the director of municipal administration (municipal secretary).

Concerning the status of municipal public administrators, national legislation on civil servants and their salaries applies to local staff also. The new Civil Servants Act comprehensively governs the civil servants system in state bodies and in local community administrations, and the particularities of civil servants employment in state bodies and in local community administrations. It requires that the employment of civil servants be implemented so as to guarantee equal access to work posts for all interested candidates under equal conditions, and to guarantee the selection of the most professionally qualified candidates. It establishes career systems, based on political neutrality and professionalism for the state and local level.

Slovenian municipalities have been part of the process of adapting to changes that occurred in the area of legislation and other areas in the domain of public

administration from the very beginning, since local administration represents the part of public administration that is closest to the people and provides the services that are most needed. Although all national legislation in the area of public administration applies to local public administration, the organizational autonomy that is assumed in international documents and the Slovenian Constitution is respected. Also, the current Strategy for public administration development does not deal with changes to the organizational structure of administrative territorial systems and it especially does not relate to political bodies of local self-government units (mayor, council, supervisory board). Rather, it deals only with the further development of the administrations of local self-government units.

Municipalities are also taking part in the general informatisation of the functioning of public administration. Many have developed e-services, although there are big differences from one municipality to another. They are also attempting to make procedures uniform, catalogue tasks, competences, and administrative procedures, develop budget indicators and other methods of abolishing administrative obstacles. Promotion and the spreading of good practices across municipalities and their involvement into the introduction of adequate quality standards, such as ISO, CAF and EFQM, have been of utmost importance for improving local administration.

In the following years, municipalities should strive for the reinforcement of their status, greater quality and a more rapid performance of services. Increased cooperation among municipalities and the establishment of regions will ensure performance of the part of their tasks that surpasses the organizational, financial and personnel capacity of individual municipalities and enable the decentralization of authority and democratisation of public affairs management on the basis of the principle of subsidiarity. In a unitary state, like Slovenia, regionalisation is a way to find an intermediate level between local communities and the state. If the emphasis is on decentralization, the accompanying regionalisation is a precondition for success and at the same time local government capacity building is of utmost importance. The development of local self-government and the excessive centralisation of tasks in Slovenia shows the necessity to strengthen the power of municipalities in relation to the state by having the region be the second level of local self-government in Slovenia. One of the future priority tasks of the municipal administration is the search for and the enforcement of new forms of citizen participation in the decision-making process. The participation of citizens in local-self-government is crucial for democracy because, by participation in decision-making, citizens assume a part of the shared responsibility for their community. They gain valuable practical experience of how democracy works. In mutual connection, the region should perform the tasks of the state that must be carried out in the region, and self-governing tasks of local relevance that reflect the processes of the area. The region should directly, and with elected bodies, provide for the democratic administration of local matters of vital importance and state matters for the benefit of its inhabitants. A region will also have its own financial sources, its own property and its own legal personality.

According to the proposed law, a region will have the following organisational structure:

- A regional council as a directly elected representative body (number of members related to the number of citizens of the region)
- The president of the region and regional committee as the two executive bodies
- Regional administration that will perform administrative tasks and will consist of regional administrative units
- A managing director of regional administration.

After transferring national competencies to the regional level, a gradual insertion of a single-line governance system will be initiated. The government and the ministries will be able to influence the organisation and the work of regional administration:

- By the government's advanced opinion on the decree by which the regional council determines the organisation of regional administration
- By the government's consent to appointing the managing director of a regional administration.

Future reform tasks

In spite of the above mentioned reform efforts and certain results already showing, Slovenian public administration has a number of deficiencies that must be addressed in a further course of administrative reform. In this context, the lack of criteria for efficiency and motivational elements should be mentioned together with the still existing problems in the employment system and human resources management related to the separation of politics and administration, and the criteria for employment and promotion. To these difficulties with the organization and evaluation of work processes and the coordination of activities, unsatisfactory openness towards citizen participation should be added. Although e-government is developing, much need to be done in the future. Especially important is the further building of data infrastructure, an association of databases, and their opening to users inside and outside of the administration. Citizen participation, openness and transparency of public administration are also far from satisfactory.

Future reform activities should be directed to the elimination of these and many other deficiencies. But what should be stressed most is that a culture of civil service needs to be developed in state and local administration if reform is to succeed. Not only administrators but also politicians and citizens have to accept basic civil service values and respect them in their contacts with the administration. This is especially true since future administrative reform will be, from an administrative point of view, about balancing competing democratic and administrative values within the Slovenian context - and there is hardly one model Slovenia could apply. Rather, it must develop its own answers with care and through public dialogue.

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Public Administration Reforms in Hungary

Introduction

When we take a look at the institutional setup of municipalities, we can see that the “office” consists of public servants who provide for the execution of local decisions made by an assembly whose work is supported by the office and different commissions. The mayor is the chief executive, being also a member of the legislative organ (assembly). The legal supervision of the local government's activity is provided by the notary (a de-concentrated organ of public administration who is the head of the office.) The tasks that are related to municipal administration (a branch that was divided from unified public administration affairs) and everyday operation are carried out by one and the same office, namely the municipality in Hungary. In some cases, a department for administrative authority issues is established (e.g. Székesfehérvár) but mostly the departments' staff carry out the administrative authorities' tasks, especially in smaller settlements.

In most of the municipalities there is a so-called document-office that deals with the service of local inhabitants in all public administrative issues. This is the result of the first customer-oriented reform of the municipalities and makes the fulfillment of public administrative tasks smoother. Partially, even duties of the Ministry of Interior are delegated to the local level and sufficiently carried out by the staff of local governments in order to reduce the time and costs related to administration.

Moving towards customer, (or rather, citizen), friendliness is one of the relevant directions of the reforms in Hungary. Other aspects have already been included in the reforms of 1990 and 1994, when the council system was converted into a decentralized local-self-government system and later, when the efficient functioning of local service delivery was put into the focus of the reforms. The most recent focus of public administration reform is connected to the issue of the setup and operation of regions, as well as incorporating the already functioning small-regions (voluntary cooperation of municipalities) into the Hungarian public administration system.

This paper first summarizes the largest changes of the transition period with special respect to the local level's duties and challenges and shows the second phase, the so-called revision of the reforms. Subsequently it gives a brief overview of the discussions that were initiated by the Ministry of Interior during the last one and a half years in connection with the activity of the so-called IDEA team, which is responsible for drafting the new public administration reform in Hungary. In the closing part, the e-administration as a new innovation in public administration will be characterized.

The reform processes in the region have been evaluated in numerous ways. A recent project launched by LGI has a Hungarian branch of analysis about the democracy of local self-governments that introduced a set of indicators about legality, transparency,

and public responsiveness. These indicators are the result of a combined set of aspects of local governance. It seems that the Hungarian large cities have made a great progress after the transition; however, there is still lack of basic democratic comprehensiveness related to publicity and transparency issues (Soós 2002).

Reforms in Hungary after the transition from the Soviet-system

In 1990, with the Law on Local Governments, the decentralization process took a quick pace. However, the first steps had already been undertaken in the mid-eighties, when some economic freedom was given to the councils with the introduction of investment funds. Additionally, three targeted subsidies were created for the construction of schools, hospitals and housing.

With the tax reform and the property asset transfer, the way for decentralization was paved. However, with the establishment of local governments, the then centralized and only de-concentrated system was turned upside down and new responsibilities and duties were given to the local governments.

In 1990 the former council system was abolished, even though it actually represented a de-concentration of the state administration on three levels meaning that the local level's executive competencies were given to local agents of the current territorial units. Settlements were amalgamated into approximately 1300 councils and the county level - the middle tier - was a powerful level since it was represented in the central government's planning committees and the counties had the authorization to distribute their revenues to the local councils.

With the decentralization, however, all settlements received the right to establish new local governments, being all equal, and consequently, the counties lost all of their importance. The number of approximately 3000 local self-governments rose during the first years because it became obvious that the more funds and revenues a settlement has, the more functions and services it can provide; hence some settlements were divided. The process of separation is still going on, as with a referendum the population of a settlement can declare itself independent from an administrative unit. For example, in recent weeks one small settlement of a couple of hundred inhabitants located in one of the tourist areas in the North-East of Hungary (Mátra), next to and administratively belonging to a regional center of 40000 inhabitants, was bargaining about its independence.

With the system of the local governments having directly elected councils (legislature) and mayors (executive), the division of local power was fulfilled (Bennett, 1997: 6pp.). The local government system was drafted in compliance with the European Charter on local governments so as to handle the needs and problems of the citizens, keeping with the subsidiary concept of the European Community (Pigey, Kálmán 1999).

The pace of change, which in first instance assured the independency of local governments, was lowered by 1994, since by then the institutional setup was fulfilled and the financial "freedom" of the local governments - meaning that the reallocated personal income tax on origin base was originally 100% - had to be cut significantly.

This cut was due to Hungary's extremely large inner and foreign debt, and on the basis of asset transfers to the municipalities that assured their ability to gain revenues from either selling properties or imposing property taxes on them (see below). The stabilization program was adopted in 1995, considerably modifying the local governments' financing and lowering public expenditure in a lot of areas, s/a social services, education etc.

This next phase of public administration reform aimed at functioning effectively, forcing the local governments to find incentives for their own development and everyday operation (Szegeváry 2002). Since it is the local level that is responsible for the delivery of its own public services, and since some services cannot be sufficiently financed from the centrally defined normative ad-targeted grants, one of the most important steps of the reform has been that the local self-governments may impose local taxes and use the revenues (e.g. from local business taxes) for their own purposes. Moreover, the trend of “under-financing” local governments seems to continue, since central governments year by year tend to cut the amount of centrally allocated normative grants to the settlements and instead choose to enlarge the ratio of so-called earmarked grants that can be applied to or competed for and that are defined as resources for certain development tasks. Parallel to this, the way of service provision was opened to local governments, meaning that they can contract out service delivery and thus be more economically efficient (Besides budgetary institutions, private companies, companies with mixed ownership, municipally owned companies, NGO's can deliver public services, and some concessions have been awarded to different companies as well).

The process of constant change in financing local governments strongly influences the process of decentralization, since despite the increasing reallocated resources, there is more and more central state control of the utilization of relocated resources (transfers), narrowing the room for local decisions concerning locally defined development goals and operation. The State Audit Office in its evaluation of the Hungarian State budget of 2004 stated that in 2004, local governments receive approximately 8% more funds (related to the rising PIT to be reallocated as a shared tax) but in some cases the real value of the grants decreases. Normative grants will decrease by 2,5%, but those targeted grants that are connected with infrastructure investments, will substantially grow (37,7%). Shared PIT will increase by 14,5%, and other supplementary grants related to operation will grow by 22,5%. Altogether it means that 30% of the growth of the transfers is targeted, meaning that the local governments' ability to decide what to spend it on, is again significantly limited.

In addition to the constant changes in local government financing, the problems related to local human resources in leadership positions have to be emphasized. Often enough, due to the lack of local political elite, former soviet officials took over the leadership especially after the first elections in 1990; consequently, their mentality was uneasy to harmonize with the new responsibilities. As in all transition countries,

¹ Studies of the World Bank often focus on the incompetence of the administration since it can hinder the work of the municipalities. (see also *World Development Report 1999/2000*: 122).

leading positions were distributed among less competent but politically rather reliable employees - normally assigned by the local or county branches of the Socialist Workers Party, the state party. In Hungary, this was true in the system of councils (soviet). In accordance with the European guidelines for local governments, a training and examination system for public servants was introduced in 1992 that has been providing for basic knowledge so that public servants fulfill all of the duties that arise during the functioning of a municipality. As of now, all the particular employees of the local governments have had to fulfill this requirement and also, information about the European Union's functioning is included. Besides this, numerous donor organizations participated in training programs for effective local governance, with the aim to refashion local tax levying, budgeting, development planning etc.

Reorganization of Public Administration

Parallel to the decentralization process of government, a reorganization of public administration occurred. The Hungarian municipalities, in addition to providing the basis of local governance and decision-making, have to act as authorities as well. The duties in connection with this role can be classified into two main groups: the affairs of municipal authority and the affairs of public administration (Kusztosné 1998).

In the reform period, the formerly unified public administration was divided into two parts, which resulted in the separate treatment of municipal authority issues. This concerns cases where by law or local decree the local government compels or empowers itself to fulfill tasks (e.g. in case of social or housing subsidies etc.) The assembly normally delegates these kinds of authority rights to different commissions or to mayors. Against decisions of this kind, the persons can apply at the assembly or at the court. With this reform, the local administration got a burden of administration, but at the same time, the subsidiary principle of local governance was strengthened to a great extent.

After 1996, some reforms were initiated in public administration, having more or less influence on the administration's operation. The latest initiative of 2001, which is supported by an organized group of advisors, the so-called IDEA group, is responsible for the development of the reform. It is set up from numerous acknowledged researchers, leading public servants, representatives of local governments and local governments' associations, members of the Parliament and representatives of large financial institutions (banks). There are three working groups, the small regions' working group, the regional working group, and the local government financing working group.

The aim of the reform is to restructure and draft alternatives to the present system in these three areas. It is quite obvious that the importance and weight of the regions (as middle tier) has to be enlarged in order to accomplish the functional and institutional needs set up by the European Union. On the other hand, this change would bring along the transformation of functions and competencies of the local governments as well (and a complete legal reform).

By now, a large number of studies and analysis have been carried out in order to evaluate the current system and to show the weaknesses and potential reform areas. There are also some background materials available about the differentiation of local governments' duties and competencies. Numerous analyses (Vadál 2004, Horváth 2004 and Dudás 2004) present the necessary changes in the current system.

The first question that lies behind the reform is the question of grouping the duties of the state and public administration. When evaluating the present public administration setup, it can be seen that the Hungarian system is a decentralized one compared with other European states. However, as a result of the decentralization, local governments are in a weak position, since their freedom to decide upon local service delivery or authority tasks is limited due to few resources.

Another discussion was launched about the role of small regions in economic and regional development, which is now a task of municipalities (which can establish associations or work in close cooperation). It seems that the present capabilities of small regions are not sufficient, their operation is not harmonized throughout the national level, their tasks are not homogeneously defined and hence the small regions do not constitute a public administration level in Hungary.

As pointed out earlier, the forming of regions as self-governance units (at this point there are 7 of these merely statistical development regions (so-called soft-regions), having low resources and mainly coordination tasks) is one of the key questions of the public administration reform. Despite the revision of the regulation of 1994 when the county assemblies' rights were increased, no substantial changes occurred. The range of activities is decreasing; no coordination mechanisms of public administration bodies are established on the middle-tier. Therefore, it seems that the regions with self-governments will not be a result of an organic, bottom-to-top development, but a centralized decision will have to initiate their establishment (similar to the processes of public administration reform after the transition). The forming of the middle-tier would also go along with the centralization of certain tasks (economic and regional development and county level governments would be shifted "higher").

Innovations in public administration on the local level

In 2002, in line with the European processes ("Common List of Basic Public Services"), the first steps toward e-governance have been undertaken in Hungary in order to respond to the needs of the local communities.

In the first stage, local governments posted their web sites on the internet (normally www.name_of_the_city.hu), and began to upload information about the municipality, the local government structure and their institutions together with relevant news about the settlements' political and cultural life. In the second stage, local decrees and protocols about the assemblies' meetings were posted; opening hours of the department were announced. In the third step, tools for e-administration will be implemented by 2006.

The National Development Office introduced an Operative Program with the resource of approximately 7 billion HUF by 2006 to facilitate the e-development of

municipalities having more than 10.000 inhabitants. 75% of the costs will be financed by the Structural Funds of the European Union. This improvement concerns the setup of integrated databases on the local level, the development of websites and the complete implementation of tools of e-administration (an on-line information service and on-line payments).

The Central Hungarian Region, being the richest and most innovative among the 7 regions, began to implement its e-governance program already by 2000. In this framework, all local governments are being connected to a common communication chain. In 2000, the small regions' centers were connected. By 2002 approximately 120 local governments were connected, and in these settlements the digital governance software was installed (a software developed by numerous companies). The final step will be to integrate also county level institutions into the data-flow (altogether it will cost 24,8 billion HUF).

Recently Nagykanizsa (a regional center in the Western part of Hungary) has formulated its own information strategy and will complete its e-administration program by November 2004, with 50% support by the Ministry of Information and Communication (altogether 40 million HUF). Besides the services for the citizens, it will also sufficiently carry out tasks related to capital management, and the administration of authority related duties.

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Oliver Nikolić

Reforming Public Administration The Case of the Republic of Serbia¹

The adoption of the Serbian Law on Local Self-Government (February 2003) might be taken as the beginning of administration reform on the local level. However, real reform will be effectuated only upon the thorough political-legal and economic reform of the entire country. Under political-legal reform, the adoption of a new modern Constitution is understood, as well as the full guaranteeing of the protection of human rights and liberties and decentralization: in sum, the creation of the conditions for the rule-of-law. Economic reform is characterized by privatisation, a real transition towards a market economy, the reduction of state intervention into the economy, and the like. Therefore, at present there can only be discussion of the novelties brought by the Law on the Local Self-Government and on what there is left to be done in the field at question. The full effects of the goals that were envisaged by the law will be evident only after the local elections (most likely in the autumn 2004) that are to be organized in conformity with the said law.

The Law on Local Self-Government is in line with Council of Europe recommendations, and introduces important innovations and reforms: the widening of municipal competencies; the direct election of the president of the municipality or mayors²; the establishment of new institutions; special institutes for human rights and minority protection (ombudsman); some financial decentralization; and the limitation of undue interference by central authorities.

The above-mentioned Law has just initiated decentralization, while the forthcoming constitutional reform is to create the normative basis for further decentralization and a functional reform of all governmental levels. However, if the structure of the Serbian parliament and the mode of the adoption of the new Constitution are taken into account, crucial changes in the new Constitution are not to be expected. The changes are going to be mostly “cosmetic,” with or without the necessary harmonization with the Constitutional Charter of the Union of Serbia and Montenegro. Most of the political parties see decentralization within the new Serbian Constitution as the strengthening of local self-government at the expense of the jurisdiction presently withheld by provinces. Some go as far as to recommend the abolishing of provinces,

¹ This contribution was made possible by the abundant documentation provided by Agency for Public Administration Development.

² In Serbia municipalities and cities and their respective bodies are differently called. In municipality there is the Municipal Assembly, the Municipal President and the Municipal Council, while in the city there is the City Assembly, the Mayor, and the City Council.

which may cause serious political repercussions. All in all, the destiny of decentralization in Serbia won't be known before the adoption of the new Constitution (announced for the beginning of summer 2004), by which the same goes for the status of local self-government in its entirety.

The process of modernization and the strengthening of the status and functional capacities of the local government imply a new distribution of competences, a new type of partnership relations among the various levels of government, new forms of coordination, and the establishing of new financial arrangements, together with a strengthening of local government autonomy (fiscal federalism). Regulations on municipalities and other types of territorial organization, public administration, property, local finances, etc., are a precondition of reform in this area.

The new Law on Local Self-Government has expanded the scope of the competences of the local government. As opposed to the immediately preceding Law on Local Self-Government from 1999, when there were only 13 original competencies of municipalities, now there are 35 competencies. Consequently the following areas currently fall under the responsibility of the municipalities: the provision of utility services such as the supply of water and gas, sewage, sanitation, and the collecting and disposing of garbage; certain parts of the traffic infrastructure and the road network; areas of elementary education and primary health care; cultural institutions and activities, including social services, sports, recreation, ecology and environmental protection; and finally, stimulating economic development.

In the area of social care, certain competencies have been transferred from the national to the municipal level, but these are still under the auspices of the state bodies. Moreover, the original competencies of a municipality include the provision for the expanded entitlements of citizens, as well as the development of specific forms of social care and protection.

The establishment of the Ministry of Public Administration and Local Self-Government in May 2002 was also an important step forward. The reform should enable municipalities to increase their performance, especially as a client-oriented service.

It is important here to continue the process of clarifying the division of competences and the relationship between the municipal and state authorities. In this context, it is necessary for different line ministries to clarify management's systems and structures between the local and central levels. There is also a need to ensure a closer, more transparent and structured flow of information between the local and the central levels of governments since the current flow is insufficient and inefficient.

In this context it is also important to look at the relationship between the semi-independent agencies, especially for utilities, with the objective to define the appropriate role of local government (i.e., regulatory, guarantor, etc.) and how to move towards greater financial independence.

The co-ordination, co-operation and linkages between municipal authorities, services providers and different governmental bodies operating on the local level (health, education, social, enterprise development, labour, etc.) should be strengthened. The objective is to increase the efficiency of service delivery and to exploit synergies.

The reform of local government entails the restructuring of the local government from supervision body and administration to client-oriented service. Besides increasing the performance of these client-oriented services, the main engine for the ongoing reform process on the local level is increased decentralization and democratisation, as well as the mounting focus on the rights of the citizens. As a result, there is a need to improve capacity and develop more efficient organizational and management structures so that the increase in the transparency and productivity of local bodies might be achieved.

The Law on Local Self-Government modernized the organization and work of the units of local government through the delegation of competences to municipalities and cities. Instead of the complex and inefficient system that existed before, the new division of powers between the assembly as the legislative body and the president of the municipality as the representative of executive power are clear and transparent. The way forward depend very much on the adoption of the new Serbian Constitution, which will layout new the territorial organization of the Republic of Serbia.

The Municipal Assembly, which traditionally has been viewed as a weak institution, is also gaining new authorities particularly with regard to the oversight of municipal finances and development planning. Additionally, local councillor accountability was strengthened with the recent decision of the Serbian Constitutional Court (2003) that municipal assembly mandates would also belong to councillors themselves rather than to their respective political parties.

The policy-making capacity of the local self-government must also be increased, by strengthening the institutions responsible for this aspect on the local level. In this context it will be important for the municipalities to become more proactive regarding local development and the encouragement of investments. The present organization of municipal authorities is the classical European assembly-mayor model, with a strong unity of authority. The new Law on Local Self-Government provides a new optional model of authority organization: the mayor-assembly model, and the assembly-manager model. The introduction of direct elections for municipal presidents is in its essence the effort to establish on a municipal level the executive branch with clearly defined competencies and responsibilities. However, there is a relatively unclear relation between the municipal president and the municipal council, which represents the president's cabinet but was meant to be its counter-balance.

The local self-government unit may appoint a Civil Council (Ombudsman) to protect the collective and individual rights and the interests of citizens by undertaking thorough review of the activities of the administration and public services. The introduction of this institution constituted a kind of "protector of citizens' rights and interests" that ought to protect them from arbitrary or careless actions on the part of local authorities and public services. The basic meaning of this extremely important body is to bring back citizens' trust in state institutions, as well as to increase the efficiency of justice. The Ombudsman is a part of the system that is regulated by the Constitution and the republican level Law on Ombudsman. This particular law has been held for quite some time in parliamentary legislative procedure and is pending adoption.

Regarding the institutions of local direct democracy, the Law envisages a citizens' initiative, a citizens' assembly and referendum. The citizens' initiative presents questions that are of the most direct interest to citizens. The citizens' assembly discusses questions falling into municipal competencies. Finally, a referendum is called by the assembly regarding issues of its jurisdiction.

The financial autonomy of the municipalities has been strengthened, giving them the right to raise loans, collect several state taxes, and a portion of receipts are re-distributed back to them. Currently some 35% of the total municipal revenues originate from resources that are partly or totally controlled by the local government, which represents a considerable share compared to other countries in the region. Despite this, there is a need to investigate if the municipalities have adequate financial autonomy and resources to solve the task at hand. There is also a need to introduce modern budget and treasury functions in local government, as well as links to central government.

As a result of the introduction of the value added tax and the abolishment of the sales tax planned for 1 July 2004, the system of local government financing will have to suffer radical changes, since the current sales tax adds up to 30 percent of the local self-government total revenue. It is the intention of the Government that the introduction of the value added tax would be revenue neutral for the local self-government.

Some of the problems inherited from previous times are still omnipresent, and that further impedes the public administration reform. The question that arises is whether these problems might be eliminated by the reforms of public administration that have already been undertaken or whether additional time to this end is needed. The bodies of public administration lack expertise, loyalty and the motivation of employees and every initiative to change the situation is considered transitory. Low wages, unsatisfactory work conditions, as well as the low reputation of the employees create a problem of motivation and make the employment and keeping of capable and highly educated individuals more difficult.

The traditional formalistic approach to adopting a large number of statutory rules and rules subordinate to statute often does not lead to the successful implementation of their content; i.e. reaching the aims of the politics of state administration. Apart from what is mentioned above, this approach is also very inflexible. On the other hand, excessive legal regulation presents a real burden in the parts of the social system that require necessary realignment towards greater deregulation in the areas in which this is needed and possible. In the work of the bodies of state administration, the bureaucratic behaviour of employees towards service-users is still visible.

Despite the fact that the system is legalistic, there are several areas that are not regulated by statutory rules (there is no Civil Servants Act), and there are areas with the appropriate statutory and subordinate rules but which are not wholly or partially applied in practice.

As to the inefficiency, we can take as an example the application of Article 208 of the federal 1997 General Administrative Proceedings Act which provides that an administrative body or other state authority is bound to take the decision and to deliver

it to the party within two months if the separate examination procedure is carried out. In practice, this often leads to the situation that the procedure is not concluded in as short a time as the circumstances would allow.

Corruption, which is widely present in many forms, as well as inappropriate legal protection (for example in the form of a satisfactory system of appeals that exists in state administrations of West European countries) makes the state dysfunctional.

One potential obstacle to administrative reform is the size of Serbian municipalities, for they are the largest ones in Europe. The municipalities differ enormously, from those with one thousand inhabitants up to those with more than three hundred thousands of inhabitants, as well as those occupying 3 km² up to those occupying above 1.500 km². Searching for the ideal size of a municipality is a process of delicate balancing between the necessary democratic character of a particular local community and the size balanced enough so that the tasks of economic growth, and the initiation and provision of adequate services can be successfully undertaken.

The good feature of this Law is that it raised the question of professional work in local governments, i.e. the optional introduction of municipal managers or city architects. Additionally, the law gave municipalities the possibility to both choose and correct the arrangements of authorities in conformity with their needs; namely, it directed them towards economisation, efficiency, and successfulness.

Financial autonomy, i.e. the guaranteeing of secure, sufficient and regular sources of income, represents one field in which very little has been achieved. Local authorities and communities are, unfortunately, still financially dependent on the central authority which allocates resources, limits the tax rates, as well as the gross budget. The fields of finance, budget and distribution are certainly important aspects of state modernization so that the finalization of the reform of the municipal financial system becomes necessary. Firstly, the municipalities need to obtain property (the property was taken by the Law on the Property of the Republic of Serbia from 1995), for property is the basis of autonomy and allows for normal economic functioning. The entirety of the tax system should reflect a partnership between central and local authorities of all levels in the distribution of goods and currency (the model of decentralized market redistribution). Such a set of economic and financial laws would introduce a chain of new economic institutions and regulate the relations necessary for a market economy which would, in turn, open enough space for the activities of local authorities in attracting capital, stimulating economic growth and developing municipalities in general.

In the implementation of politics it is necessary to establish an orderly sequence of reformative activities so as to avoid the risks imposed by the political and economic inheritance of the Republic of Serbia.

Within an environment that has had so many experiences with corruption, the curtailing of discretionary right in reaching decisions, and the increase of political responsibility, has to precede all other steps. Without prior strengthening of responsibility, reform could lead to even greater corruption and lesser quality in the provision of services.

The public administration has to adopt a system that includes the delegation of authority to lower bodies. An adequate preparation for decentralization presumes that the premature strengthening of regional and municipal level potential could lead to lesser quality, greater corruption and disproportional operating in regional development.

It is necessary that different levels of authorities develop partnerships, and not hierarchical relations; hence, central authority must not interfere with the jurisdiction of local authorities. Both authorities, central and local, are susceptible to constitutional and legal control of their acts exclusively. The same goes for their activities and the work of their bodies, functionaries and civil servants.

In connection to the ombudsman, it is note-worthy that the Law on Local Self-Government provides for the optional introduction of this institution, not a mandatory one. It appears, however, that such an institution deserves to be present in every single unit of local self-government, hence there is a strong hope that this would be the case in practice after the final regulation of the Ombudsman in the Constitution and corresponding law.

In managerial reforms there is always tension between projecting complete system reforms (because of complementary institutions) and aiming to specific priorities and specific areas in which the requirements of the officials for implementing the reforms are the greatest. Thus, a real programme of reforms aimed at what is required is indispensable. More precisely, pilot projects on the basis of the strategy of selective radicalism serve to extend experience and increase support for the reform.

In order for this new approach to succeed, structural changes have to be implemented to ensure: the appropriate organization and appropriate control of the use of resources; a precise definition of working tasks; an assessment of results (in other words, an assessment of the effects and quality of the work, in relation to established aims, and a system of monitoring and reporting); and mechanisms of awarding and sanctioning.

Although in last few years international donations made a difference in the technical support of the units of local self-government, the technical aspect still represents one of the impediments towards the functioning of the local self-government.

It also would be beneficial if, in further local level administrative reforms, the chance for institutional flexibility would be provided. Such flexibility would make it possible for the municipalities to choose between different institutional arrangements. For example, in multi-ethnic municipalities the option for a bicameral instead of the so-far exclusively unicameral assemblies might be given, thus making it possible for the second chamber to debate primarily the questions regarding local ethnic issues.

In sum, it is indeed well that Serbia opened the doors to public administration reform on all levels, including the local level. Unfortunately, the complete evaluation of the reform will be possible only upon necessary constitutional and legislative changes and their real, practical implementation.

Local practice

On the basis of the above-elaborated issues, the conclusion is that public administration reform on the local level, although initiated at the beginning of 2002, is realistically still in its cradle. Main elements of the reform are still lacking, hence the final success still cannot be predicted. For that reason, the example that will be provided below must be taken with reservation, for it stands as an example of a municipality that did very much in both its technical improvement and the furthering of its relations with its service-users.

The municipality of Valjevo, in the centre of Kolubara county, has almost 97.000 inhabitants. Up until a few years ago, it was a typical municipality with all the deficiencies that could have been detected elsewhere in technical, logistical and service-oriented aspects (i.e. extremely unkind relations between civil servants and citizens/service users, insufficient experience in the managerial skills of the elected local authorities, an obsolete and inefficient way of thinking on the part of civil servants.) This behaviour resulted in extreme citizen distrust in municipal institutions.

In last three years, however, more was invested in the municipal Assembly of Valjevo than in last few decades. Apart from investing in the infrastructure of the municipality and its technical equipment, a lot was done in terms of educating the employees. For example, the municipal switchboard was completely renewed and the municipal books and electoral lists were completely updated. As the municipality posted its own website, all data relating to electoral lists can be found there. Via an interactive website page, citizens can also raise any issue related to local government work, as well as to any aspect of Valjevo's public life. For better orientation, at the entrance of the municipal building, there is a board with directions to all municipal services, as well as corresponding direction signs for easy access. Also printed is a guide as a brochure to the municipal services with all the necessary information for citizens.

Apart from computer literacy courses, English language classes, and courses for advancing communications skills of window civil servants, numerous specialized trainings for employees in special professional services were held. Introduced were internal and external evaluations of all employees, so that citizens were able to evaluate local government employees for the first time in their history.

The results are visible especially in communal services. However, the problem of disposing residue materials, as well as the construction of a local thermal energy plant, still remain, making these two issues Valjevo's major priorities for the time to come.

Reforming Public Administration on the Local Level in the Republic of Macedonia

Introductory notes

Administration is one of the most significant phenomena in contemporary societies. It is an indispensable instrument in the co-ordination and performance of a great variety of very complex duties of both central and local authorities, contributing significantly to the development in many specific fields of a social reality and an overall social system. At both the central and local levels, the administration performs a lot of duties enabling the other organs, executive and legislative, to work successfully. The characteristic administrative tasks are the following ones:

- Following and analysing the situation in many social fields (education, health care, etc)
- Preparing acts
- Implementing local provisions
- Carrying out the policies determined by the other, executive or legislative bodies
- Passing acts in an administrative procedure, etc.

Their role becomes, in some circumstances, high profiled since in the process of the performance of their duties they communicate with citizens, enterprises, NGOs, and other stakeholders. Therefore, it is very necessary that both at central and local levels the administration should be:

- Well organised
- Socially controlled
- Educated and trained
- Motivated
- Equipped.

Therefore, in this paper, after the presentation and explanation of all relevant facts we shall try to make a synthesis of whether the Macedonian local administration is characterized by the above features and in that way is responsible, accountable, efficient and effective.

In addition, since the local government system is not a fully independent segment of the overall political system in a country, but is closely linked to the central authorities that regulate the set-up and modes of functioning of the local authorities and exert co-ordination and control over the local bodies including administration, the relationship between central and local authorities will be analysed as another factor determining the effectiveness and efficiency of the local administration.

Macedonian local government legislation

In order to understand better the characteristics and professional capacities of the local administration we can give a brief presentation of the range of Macedonian local competencies as a framework of where the administration performs its duties.

Local competencies according to the Local Government Act enacted 1995

Responsibilities mandated by law

The municipality shall:

- Adopt programs arranging building zones within the municipal territory
- Adopt a general urban plan after the approval of the state urban authorities
- Adopt a detailed urban plan and prepare urban documentation for the inhabited areas on the territory of the municipality after the approval of the state urban authorities that are obliged to consult some other organs and organizations in this respect.

The municipality shall regulate and organize:

- The construction and maintenance of local roads, streets and other infrastructure facilities of local relevance
- Drinking water supply, the drainage of rainwater and sewerage in conformity with law
- Settlement cleaning, garbage collection
- Lighting.

The municipality shall regulate, within the framework of the law:

- The maintenance of parks, greenery
- Local transport
- The maintenance of street and traffic signals
- The maintenance of public cemeteries
- The maintenance and utilization of the riverbeds
- The maintenance and usage of green markets
- The cleaning of chimneys.

Responsibilities chosen by discretion

- Municipalities may establish secondary professional schools, etc.

Taking into consideration the former local government competencies, the local units can perform public services by establishing enterprises for water supply, sewerage, street and road maintenance and construction, the maintenance of parks and greenery, the maintenance of cemeteries, etc¹.

A new Local Government Act was passed in 2002 that enlarged local competencies covering education, primary health care, economic activities, social care, etc.

¹ Local Government Act, *Official Gazette*, 52/1995.

However, it is not effective because the sectoral laws elaborating them have not been passed yet. Therefore, at the time being local competencies are few and they reflect the administration structure.

Legislative set-up of the local administration

The status, position, and competencies of local administration are stipulated in the Local Government Act² passed in 2002. According to it:

- Local administrations are established for the performance of those tasks within the competence of local government organs
- The municipal administration is organized in sectors and departments
- Municipal inspectorates can be established within the municipal administration
- The tasks of the local administration can be determined by the local council, upon the proposal of the mayor.

The mayor:

- Passes municipal regulations on the job positions of the municipal administration
- Manages the municipal administration
- Makes decisions on employment, as well as the rights, duties and responsibilities of employees in the municipal administration, unless otherwise determined by law.

Next, the local civil servants performing professional, legal, administrative, supervisory tasks, and those working within the administrative procedure have the status of state civil servants, and for the assessment of their activities, professional contributions, and salaries, the provisions of the specific Civil Servants Act will be applied. To the other employees, those working on administrative-technical and auxiliary jobs, the ordinary labour legislation provisions will be applied.

The duties of the municipal administration are the following:

- The preparation of the acts both for the mayor and municipal council
- The preparation of the sessions of the council, and its standing and ad hoc commissions
- Making expertise on behalf of the mayor and municipal council
- Being in charge of the accountancy of the municipality
- Following the situation in the fields of municipal competencies and making analyses about it as well as giving initiatives and suggestions for its improvement
- The provision of information and data related to the activities of the municipalities upon the request of the municipal organs or according to the law
- Keeping the documents of the municipality, etc.

² Published in *Official Gazette*, 5/2002.

There is the possibility of establishing a joint administration for the needs of two or more municipalities.

The control of the government is not directly exerted over the municipal administration, but over the acts passed by the Councils and the Mayors. However, since these acts are prepared by the local administration indirectly, their work is subject to control by the central authorities. The central bodies exerting that control are the following:

- The control of the legality of municipal regulations is exerted by the Ministry of Local Government
- The control of the legality of the work of the municipal organs is exerted by the state administration
- The control over material and financial work is exerted by the Ministry of Finance
- The audit of the material and financial work of the municipality is exerted by the State Audit Agency (that is within the Ministry of Finance)
- The control of the delegated competencies is exerted by the Ministry that has delegated the competencies to the municipal organs.

Cooperation between local authorities and central authorities

There are no provisions in the Local Government Act (2002) that deal with the cooperation between the local and central administration or at least the local administration and some central authorities. So, the relationship between the central and local authorities can be seen through these provisions:

- The municipalities will be consulted in due time and appropriately about the state activities concerning them
- Municipalities will be consulted for planning public affairs dealing with the preparation of the spatial plan of the Republic.

The Government may, for the sake of coordination, programming, and the implementation of its policies, conclude contracts in some fields for cooperation with the municipalities if there is a joint interest of both parties.

Obligatorily, it means that according to the law, the Government cooperates with the municipalities in relation to the:

- Laws related to the municipalities
- The amount of annual subsidies (grants) that should be allotted to the municipalities
- The sources of financing the municipal competencies.

Empirical research results

Cooperation between local authorities and central authorities

The fields where the communication between central and local administrations is the most intensive are urban and spatial planning, land construction management and

financial issues since the central authorities collect all taxes (and all but one fee for local authorities³) and later on distribute these amounts to the local authorities.

According to specific research⁴ documentation, the relations between the local branch offices (of the ministries, i.e. central authorities) and local administration can be dominantly characterized with negative attributes. More precisely, the mayors of 11 out of 12 researched municipalities find that the cooperation is very poor or non-existent. Their arguments are, that in many cases state branch offices do not respond at all to their initiatives, and in some cases the former do not want to provide the local authorities even with some information and that the inspectors within these state branch offices are corrupted and do not want to cooperate with local authorities even at the level of information. The most negative case in these terms is a specific municipality where the state civil servants in all offices (various ministries) are not even allowed - according to written instructions - to communicate with the local administration. There is one municipality only, whose mayor assesses the cooperation with the state branch offices as “sometimes good”.

In addition, the mistrust that the central authorities have against the local ones can be seen by the fact that no tasks have been delegated from the central to local authorities for the last 9 years, even though such a delegation of tasks was stipulated in the former Local Government Act enacted in 1995.

Lack of employees

The issue of the sufficient number of employees shows variation, where the newly established municipalities can be characterized with understaffing, or an insufficient number of employees, while in the older municipalities there are all three variations - underemployment, over-employment, or staff appropriate in number to the tasks that are being performed⁵.

Focusing on the newly established municipalities, we find, according to their mayors - who are in charge of hiring the local administration - that they lack a lot of staff. The analysis made on a representative sample of 18 newly established municipalities shows that they had averaged 2.7 employees in a particular municipality whereas they lacked 5.5 employees. The list of the employees needed includes all local administration categories - from administrators through communal inspectors, officers for communal affairs, traffic, construction engineers, accountants, architects, treasurers, interpreters, etc.

³ The local authorities collect the construction land utilizations fee only. All owners of buildings pay a fee to the local authorities for erecting their buildings on a construction land that is not private.

⁴ There are several pieces of research dealing with these issues such as *Functioning of the Local Government in the Republic of Macedonia*, conducted by the Institute of Sociological, Political and Juridical Research in 2000-2001, based on a representative sample of 12 municipalities and the City of Skopje, *Local Government Functioning in the Newly-Established Municipalities 2002*, etc.

⁵ Until 1996, there were 34 municipalities in Macedonia, each one consisting of a town and a number of villages gravitating towards it. Then the New Territorial Division was introduced, splitting the existing 34 into 123 municipalities. The 89 newly established municipalities that emerged from the old municipalities were mainly rural.

To these, mainly rural municipalities, the lack of staff is a very big problem that badly affects the everyday professional activities of the municipality.

The old municipalities mainly have a sufficient number of employees, but they cannot cover the needs of their municipalities, from a professional point of view. For example, some very ordinary positions are overstaffed, and some more qualified ones face a lack of staff.

Civil servants' education

The prevailing number of municipal employees polled (62,94%) have a university degree or higher; 32,51% are with secondary education and 4,55% are with primary education.

Work adaptation (introduction)

The answer to the question of how employees have been introduced into the working process reveals various practices. Whereas 32,92% of them did not pass an organized introduction to the work process, 37,47% learned the process by following the activities of their more experienced colleagues and 23,60% were conducted by their managers. Only 1,86% of them were conducted by a mentor, 4,14% did not produce an answer to the question.

Internal co-ordination

The opinions of the local civil servants, regarding the existence of co-ordination among the municipal sectors, were very divided. In that respect 50,72% of the respondents regard that there is a high quality of co-ordination among the municipal departments, and 46,17% have the extreme opposite attitude, while 3,11% did not produce an answer.

Job description

About 30% answered that there is a gap between their formal job description and their actual work performance. 6% of those polled did not produce an answer to this question.

Training

According to specific research: 40,17% of those polled stated that they had never been trained; 14,70% said that they had been trained less than 5 times in a period of 30 years; 15,53% said once in 5 years; and 26,09% said once a year. 3,52 % of those polled did not answered.

The satisfaction of local civil servants with their remuneration

The big majority of the civil servants are not satisfied with their remuneration. Thus 57,14% of the polled are not satisfied at all; 34,58% are partially satisfied and 7,04% are satisfied, where 1,24% have not produced an answer to this question.

In this context, 21,39% of those dissatisfied with their wages say that better work incentives will be produced by raising their current wages by 70%; for 44,03% that

percentage is 50, and 23,88% of them find that their wages should be raised by at least 35% in order to stimulate better work.

Types of local leadership

Most of the respondents said that the type of leadership in their municipality depends on the current situation. 18,84% of them said that their leadership is authoritarian and almost the same (18,22%) that it is co-operative. 2,90% did not express their attitude towards this issue.

Organizational shortcomings

Most of the respondents (58,33%) said that there are shortcomings in their organizational structure. 20,83% did not think so, while 20,83% did not give an answer.

Obstacles towards better efficiency in the local administration

According to the answers of the respondents, more than 40 % answered that their job descriptions were very big impediment towards the efficient performance of their duties. To more than 30%, it is the overlapping of duties among the municipal sectors. To more than 20%, it is the lack of municipal employees. More than 30% believed that it is the low proficiency of municipal employees, and to about 60% it is the lack of financial resources.

Of course the list of obstacles to better professional efficiency of municipal employees is much longer, including poor legal regulations regarding the status of the municipality, very poor co-ordination between central and local authorities, a lack of computers, etc.

Organizational characteristics

Analysis by experts reveals the following situation:

- There are not very clear criteria for the division of duties among the local government administrative sectors or departments.
- In some municipalities, the organizational structure is very elementary. They have only departments for communal issues (local physical infrastructure), urban planning, some inspectorates, and departments dealing with internal issues providing administrative and financial support to local organs and bodies. There is no department dealing with the improvement of services.

Computer usage

46,79% of those polled do not use computers; 46,58% of them use them and 6,63% did not give an answer to this question.

Problems in the newly-established municipalities

Most of the newly established municipalities face a lot of problems in their everyday activities. Thus, according to some research, 13 out of 18 analysed municipalities lack

sufficient offices; 12 out of 18 lack office furniture; 9 out of 18 lack a fax machine; 10 out of 18 lack computers; 14 out of 18 lack a vehicle for business needs; and only 4 out of 14 are connected to the internet.

Conclusions

If we take into consideration the former facts about local government administration we can assess the various components of its functioning as being average or of a low level. Its organization, training, and equipment can be assessed as having an average functional quality, but low motivation. Therefore, its efficiency and effectiveness can be considered at or below average.

Public administration reform can be seen in the following directions

The organizational scheme of the administration can be improved by introducing sectors for human resource development, an information centre, a department for development and planning, etc. Such measures have not been undertaken yet.

One of the most important issues is the lack of specialized professional staff. Many municipal civil servants have university education, but they are usually from the law faculty, which does not produce very specialized staff. The solution in that respect is found by the establishment of public administration faculties that will produce their first generation of graduated administrators in the year 2005.

Another way to reform the field of municipal public administration is found in the Law on State Servants, passed in 2000. Municipal civil servants have the same status as state civil servants, and there is much regulation providing a regular and organized assessment of the work of civil servants, including better incentives such as a salary range of 1:9 instead of the current 1:3, promotion based on work achievements, etc. Another novelty is the establishment of the State Civil Servant Agency with the task of proposing assessment criteria, promotion criteria, and remuneration criteria to the local authorities. Unfortunately, this law has not produced any effects in practice, due to the lack of financial resources available to raise the salaries of the higher ranked civil servants without pushing the lower ranks under the relative poverty line, and outdated organizational schemes and job descriptions. Probably the interim solution can be found in some moderate enlargement of the differences between the ranks, but, for the time being, there are not any attempts being made in that direction.

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Croatia: In Search of a Public Administration Reform Strategy

General framework for public administration reform

Expectations regarding the role of public administrations in modern societies have radically changed during the last decade. Globalisation and the rapid development of information and communication technologies have contributed to a new dynamic of social development, as well as to a new perception of the optimal structures and methods of public administrations. Instead of the traditionally hierarchical, authoritative and regulatory model of public administration, a new model is gaining importance; one based on negotiations, dialogue and partnership with various social actors working jointly for public good. For Croatia, as well as for most other countries of Central and Eastern Europe, the perspective of European Union membership represents an additional driving force of reforms, requiring fundamental adjustments to the European governance principles and standards, as well as the strengthening of administrative capacities for the successful implementation of the *acquis* within a relatively short period of time.

These several factors constitute the general framework for considering Croatia's efforts towards public administration reform. What follows is a short overview of the main challenges Croatia is facing in that process, with a special emphasis on the positioning of local self-government, as an integral component of the overall reform.

The problem of continuity in the public administration reform process

The Croatian Government has not yet adopted any strategic document for overall, long-term public administration reform. A number of initiatives, however, have been undertaken in this direction so far.

The first substantial step towards public administration reform was announced in the Action Programme of Croatian Government formed after the parliamentary elections of 3 January 2000. The Government programme aimed at preventing further expansion of public administration: initiating a process of the broad decentralisation and strengthening the role of local and regional self-government; promoting horizontal decentralisation and delegating some public administration affairs to independent, non-governmental organisations. These non-governmental organizations carry out a critical assessment of the cost-effectiveness and efficiency of public administration, as well as encourage a gradual transformation of the

territorial system. In order to provide the necessary preconditions for the implementation of the strategic guidelines of the Action programme, the Government launched the project *Croatia in the 21st Century*, co-ordinated by the Government Office of Development Strategy that was set up in July 2000. Within this project, a draft strategy of public administration reform¹ was prepared by a team of experts in 2002. This document, committing the Government to some fundamental reforms, such as depoliticising, restructuring, and strengthening public administration, was never formally approved by the Government.

In November 2002, the Ministry for European Integration was assigned the role of coordinating body in preparation of the feasibility study and the programme for public administration reform in Croatia. The strategy paper produced by the working group of the Ministry² was supposed to be followed by a detailed action plan of reform activities including an *ex-ante* analysis of its financial implications, as well as by the implementation of reform through concrete measures. However, this process was postponed, partly due to internal conflicts within the coalition government, preventing it from focusing on reforms.

Although the Government has formulated some broad policy objectives for advancing regional and local self-government, it is clear that policy strategy in this field is still missing. For the purpose of implementing the proclaimed goals of decentralisation, in November 2000 the Government concluded an Agreement on co-operation with the Open Society Institute that included the three year *Decentralisation of Public Administration* project. The co-ordination of this project, which gathered around fifty experts, was entrusted to the Croatian Law Centre. The project covered several specific areas: the electoral system of local elections, the territorial organisation of local and regional self-government, the legal status and competences of local self-government, the status of local officials, decentralisation in the fields of primary and secondary education, health care, social services and culture, and the financing of local and regional self-government. For each individual area, the project included an analysis of the situation and an identification of problems, a preparation of proposals for an appropriate policy and alternative models, a legitimisation of the proposals (through discussion with relevant institutions and actors), the adoption and application of the proposals, as well as an evaluation of the results and success ratio. This project was conceived as one of the principal instruments of formulating and implementing the Government's decentralisation policy. Since it has been carried out in co-operation with the Government, the project was supposed to more easily ensure stronger political support for its implementation as well as a wider impact of its results. However, the Government failed to give its full support to the implementation

¹ Government Office for the Strategy of Development of the Republic of Croatia (2001), *Public administration*, www.hrvatska21.hr

² Ministry of European Integration of the Republic of Croatia (2003), *Programme of the Public Administration Reform*, unofficial non-published document, not adopted by the Government.

of the proposed measures³, thus bringing the overall project purpose and results into question.

Judging from the Programme for its 2004-2007⁴ mandate, the new Croatian Government has placed the necessity of public administration reform and the reform of local self-government high on its agenda. In order to prepare, in its turn, a strategy for public administration reform, the new Government also established a working group in charge of preparing a strategy for public administration reform. The working group, set up in March 2004, will be attached to the newly formed Central State Office for Public Administration.

The multiplicity of initiatives towards establishing a strategic framework for carrying out public administration reforms shows that the Government is aware of the importance of the reform. However, the lack of a clear and coherent short and medium-term action plan indicates its inability to focus on priority reforms and ensure the continuity of the reform process.

Main goals of the proposed reforms

The fundamental goal proclaimed by both the previous and present Croatian Government is to ensure the organisation of a responsible and efficient public administration that will be at the service of citizens and businesses. Taking into account the conclusions of the existing strategic papers, as well as some independent policy analysis, it is possible to single out three priority areas which usually appear as the common denominator of the proposed reforms of public administration: organisational framework and restructuring, human resources management and policy management methods and capacity.

The problem of the organisational framework of public administration includes some critical issues such as its size, costs, restructuring, and decentralisation. Some of the main challenges that are to be addressed in this context are: a very high consolidated general government wage bill as a percentage of GDP, mostly due to overstaffing in non-civilian areas and high salary levels; the need for linking these issues to the budget planning process; and a thorough budget reform including multi-annual programming and a more decisive priority setting.

Efforts in the field of human resources management should address as a priority the inadequacy of the present training and education programmes for Croatian civil servants. In addition to preparing a long-term, service-wide training plan, the adoption of a modern set of leadership competencies for senior management, the establishment of a highly professional, merit-based recruitment process, as well as the depoliticising of the overall human resources management policy are often stressed as key priorities. Improving policy management methods includes strengthening the analytical and strategic capacity to determine the impacts of fiscally driven decisions, improving

³ For the summary of the project results see: Croatian Law Centre (2003), *From Dependency to Autonomy*, Integral Report on the Project "Decentralisation of Public Administration", Zagreb, www.hpc.hr.

⁴ Government of the Republic of Croatia (2003), *Programme of the Government of the Republic of Croatia for the Mandate 2003-2007*, www.vlada.hr.

policy coordination and consultation, as well as ensuring the continuity of the policy development process.

The above-mentioned challenges of overall public administration reform apply to the same, or even greater extent, to the process of local self-government reform.

Local self-government as an integral component of reform: achievements and obstacles

Despite some broad policy objectives that the Government has endorsed in advancing local self-government, generally speaking, the overall progress achieved so far has been slow. Faced with the requirements of the European integration process, the Government's efforts have been mainly focused on setting up a legal framework for the development of local self-government and its greater independence. Since November 2000, constitutional amendments have introduced necessary modifications in the system of local self-government: namely, the constitutionally defined competences of the units of local self-government were extended; the obligation of the state to offer assistance to the financially weaker units of local self-government was introduced; the principle of subsidiarity in delegating affairs to local self-government was provided for; and, finally, the concept of regional self-government was established. Based on these constitutional changes, the new Law on Local and Regional Self-Government, which entered into force in July 2001, aimed at providing local government bodies with enhanced competences in the areas of education, social welfare and health, as well as with new possibilities regarding the organisational structure, as the basis for decentralisation. The adoption of this Law was accompanied by a number of other legislative changes regulating the organisation of local and regional self government, the scope of their activities, territorial organisation, the electoral system, and financing⁵.

This enhanced legislative activity that initiated the decentralisation, however, was not adequately linked to the implementation process. In its Annual Report on Croatia for 2003⁶, the European Commission pointed out that municipalities, cities, and counties are not yet capable of meeting their new responsibilities and implementing the proposed reforms. There are several factors that have impeded reforms so far: the lack of implementing mechanisms, inadequate territorial organisation, the lack of financial and managerial capacity of local units, the insufficient number of training and education programmes for local officials, as well as the tendency of over-politicisation, which is even more pronounced at the local level.

⁵ The Law on the Territories of Counties, Cities and Municipalities in the Republic of Croatia, The Law on the Election of Representatives to the Representative Bodies of the Units of Local and Regional Self Government, The City of Zagreb Act, and Law on the Financing of Local and Regional Self-Government Units.

⁶ European Commission (2003), *Second Annual SAP Report on Croatia*, COM (2003) 139 final; 26.3.2003.

At the central level, no implementing mechanisms have been adopted yet that would clearly define goals and methods for the transfer of responsibilities from state authorities to counties, towns, and municipalities. This provokes a general impression that the process of decentralisation and local self-government reform are a matter of technical and legislative adjustments, and not a strategic, dynamic process requiring stronger priority-setting and clear deadlines.

The present territorial organisation, which includes a large number of local self-government units, is inadequate. At present, the system of local self-government is composed of 425 municipalities and 124 cities, including the City of Zagreb, which has been given both the status of a city and of a county. This organisational structure was conceived without a proper analysis of the current situation regarding the particularities and capacities of local units. As a result, almost one third of local units have fiscal capacities that do not enable them to cover even their basic expenses. There is a discrepancy between the continuous lack of funding for local administration and the growth of costs of infrastructure, as well as the increase of the number of employees. Also, the majority of these local units still lack the administrative capacity to perform the tasks entrusted to them by legislators. Such a state of affairs poses a challenge to amalgamation and partnership among clusters of local units, hindering the pace of reforms.

Despite an increasing number of technical assistance programmes, there are still not enough formal training opportunities for local civil servants. The success of the process of decentralisation requires specific managerial skills and knowledge, and this often appears to be a genuine challenge for the majority of local officials who are used to performing routine tasks and reluctant to adapt to the new circumstances. This is especially the case in smaller units where officials are simply not prepared for taking over new, complex tasks, involving high levels of responsibility. For this purpose, foreign expert assistance is frequently used. Among the major initiatives providing training opportunities in this field, one should mention the USAID funded *Croatian Local Government Reform Project* led by Urban Institute, Local Democracy Embassy training programmes conducted under the auspices of the Council of Europe, as well as the European Commission funded CARDS projects. Within the CARDS Programme for 2003, the European Commission approved 1,5 million Euros towards the Decentralisation of the Croatian Public Administration Project, which is currently in preparation. The project will pay special attention to the strengthening of the capacity of public services on the local level. However, it must be stressed that the efficiency of co-operation with some foreign experts in the field of decentralisation and local self-government development is often brought into question, due to the lack of knowledge of foreign languages.

The problem of politicisation is very pronounced at local levels where political pressure for highly estimated administrative jobs is significant. Therefore, a clear-cut demarcation line between political appointees and professional civil servants, as well as the merit based recruiting process, should be ensured. An important step towards reducing the tendency towards politicisation was recently made by the new Government which introduced a system of direct elections for municipal, town and

county mayors. The new Law, currently under discussion in the Government, is expected to shift emphasis from political party affiliation to the personal and leadership qualities of candidates for the most important local level functions.

Expectations for the continuation of reform

According to the new Government programme for the mandate 2003-2007, the reform of public administration and local self-government is considered a basic precondition for the overall economic progress of the country. One of the first decisions adopted after parliamentary elections concerned the Government reorganisation and cuts in the number of ministries (from 19 to 14) and other state administrative bodies. Although the reduction of the number of ministries might lead to improved policy co-ordination and better internal efficiency, there is a tendency of over-emphasising the importance of this step, and shifting the attention from other more acute problems such as overstaffing and weak human resources management. Among the changes having direct implications for the public administration and local self-government reforms was the establishment of the Central State Office for administration, which took over the responsibility for dealing with these issues from the Ministry of Justice. According to the Government decree of 22 January 2004, the Central State Office will consist of 11 organisational units, including the Centre for training and educating state employees. These reforms are still expected to become fully operational.

If judged by its programme, the new Government intends to preserve the present territorial organisation of Croatia with the existing number of counties, but also plans to delegate part of the state affairs to towns with more than forty-five thousand inhabitants, allowing them greater influence and responsibility for development. In addition to being a very contentious political issue, the territorial organisation of the country has also given impetus to a number of debates in expert and academic circles. The expert team gathered for the project *Decentralisation of Public Administration* draws attention to the difficulties related to the search for an optimal size of local units. Namely, the expectation that a mere increase in territory and number of inhabitants would increase the financial capacity of local units is justified only provided that growth develops in conditions where there is homogeneity of critical factors. Taking into account the heterogeneity of these factors, particularly the natural, geographic, historical, economic and political variables, as well as their interaction, it is very difficult to offer a clear-cut solution to the problem of the optimal size of basic local self-government units. Recommendations by some influential international actors such as the World Bank⁷ stress the importance of amalgamation agreements among local units as one of the central issues of an overall decentralisation strategy. However, the advocates of the step-by-step, sequencing approach to reforms point out that such agreements are not appropriate for the first phase of decentralisation, since they might prove to be unproductive and conducive to political instability, especially when they

⁷ World Bank (2003), *Croatia - Country Economic Memorandum, A Strategy of Growth through European Integration*, Washington.

are enforced by top-down dictates. In addition to being a very sensitive political issue, the possibility of amalgamation agreements also brings up the considerable problem of the lack of skilled personnel capable of negotiating, managing, and monitoring such agreements.

The Government also proposed the establishment of a new system of financing local and regional self-government by means of changing the tax policy, determining original revenues, reallocating income tax and corporate tax, and the introduction of annuities and fees in accordance with the programmes and projects of the local population. This proposal is undoubtedly driven by the negative fiscal capacity of one third of the local self-government units, but also by the very low share of local and regional contribution to the total income of the consolidated general government. Expressed as a percentage, in Croatia that total income level is only 10,32%, in comparison with other transition countries (28,8% in Poland, 26,7% in Hungary, 20,8% in Czech Republic, etc.). Given the complexity of fiscal decentralisation related issues, which require a very dynamic, pro-active approach, it is difficult to expect great progress in this field in the short or medium term.

The absence of the human resources management dimension among the proclaimed Government priorities is striking. The pace and the overall success of the proposed reforms largely depends on the development of the capacities of public officials, on their permanent education and training, as well as on the more rigorous, merit-based criteria for recruitment. This is particularly important for senior management officials who should seek to acquire modern leadership skills and master more sophisticated policy management methods. Drawing lessons from the experiences of the most developed European countries, the already mentioned study produced by the Ministry of European integration stresses that it is only through highly competent human resources that institutional and procedural deficiencies of the public administration system can be overcome.

The complexity and scope of reforms stemming from the highly ambitious European integration agenda often seem to be overloading the Government's decision-making system, making it very difficult to conduct serious financial, policy or regulatory impact assessments both at the central and local level. Nevertheless, such assessments should be made mandatory in order to provide early and fact-based warnings of the potential impacts, especially at the sub-national level. Given the present lack of policy management capacity of public administration at all levels, it is essential to develop better co-operation with non-governmental actors capable of conducting independent policy impact analysis and even introducing some modifications in the implementation process.

To conclude, public administration reform is a complex process with far-reaching implications for the whole society. For Croatia, which is facing the huge task of implementing simultaneously the transition and European integration agendas, it is of vital importance to involve the greatest number of actors whose input could facilitate and accelerate the whole process.

An Example of Good Local Practice: Information Management - City of Osijek

Summary

Within the framework of the USAID funded Local Self-Government Reform Project, led by the Urban Institute, the City of Osijek has implemented a new software system and developed a dynamic and interactive Internet portal that not only provides a number of new opportunities for citizen participation, but offers a new, modern and more efficient model of local self-government management, contributing to an accelerated pace of city development.

Background

The City of Osijek has adopted a resolution to use the information management system as part of the everyday work of all City departments. Urban institute information management specialists worked with officials from the City of Osijek to develop a marketing strategy for the information system, in order to inform and educate citizens of its availability and use. This strategy relied on the use of local media and the printing/distribution of brochures (at the expense of the City of Osijek) along with a grand opening ceremony for the information system.

Innovations introduced by this project include:

- The possibility for citizens to settle the majority of administrative affairs through direct contact with officials of city administration (the City Administration Directory includes all official e-mail addresses of members of the City Council, the City Government and all officials employed by the City administration);
- The possibility to follow, directly via the Internet, the online sessions of the City Government. Currently efforts are being undertaken to ensure online access to all materials for City Government sessions, and also to ensure the technical preconditions for the Internet coverage of the sessions of the City Council;
- Providing a detailed Guide for citizens including useful information and step-by-step explanations of how to carry out projects or find solutions for some problems with the help of the City administration.

Results

Using the new software system, the City of Osijek has saved time and money for both citizens and the local government. Thousands of Osijek citizens had access to the information system during the first months of operation. Citizens were able to obtain information about the City's services and even communicate directly with the persons within the City responsible for providing those services. They have also expressed their delight at the speed of conducting business with the City, as well as at the improved transparency and efficiency of the work of City administration.

For more information, see *www.osijek.hr*

Reforming Public Administration in Southeast Europe: Some Observations Workshop summary

The reform of local self-government has been part of the broader transition process in all countries participating in the project "Local Self-Government and Decentralisation in South-East Europe." Most countries have succeeded in passing basic legislation and establishing a legal framework for local self-government. Serbia is also joining this process with the adoption of the new law regarding the local self-government system in February 2003, while Macedonia passed its new law in 2002. Due to its specific circumstances, Bosnia and Herzegovina should be treated differently, since a stable internal state structure and legal framework for local self-government still must evolve out of the present complicated institutional system based on the Dayton Peace Agreement and supervision of the Office of the High Representative. Surprisingly, local government units in Bosnia and Herzegovina are considered to be the best level of government in the country, since many of them are very active, creative and efficient.

All laws on local self-government in the participating countries were drafted in line with Council of Europe recommendations, and thus reflect the modern principles of local autonomy, subsidiarity, and decentralisation. However, this is just a necessary, but not sufficient, condition for effective local self-government. Although legal reform is the most advanced part of comprehensive local self-government reform, it still leaves a lot to be desired from the point of view of the division and clarification of responsibilities between different tiers of government, fiscal decentralisation and the fiscal capacities of local governments, inter-municipal cooperation, regionalisation, etc. Also, the top-down approach that is prevalent in most transitional countries, despite formal decentralisation, prevents real changes in the functioning of local units. After establishing a legal ground for local self-government, territorial reform was carried out. As a result of the reform of the local government system, the number of municipalities has considerably increased. There are also big differences between municipalities in terms of size, population, and fiscal and administrative capacity, making the new system more complicated and less suitable for the uniform solutions that countries had come to expect during previous regimes. For example, some Serbian municipalities are among the largest in Europe. Also, their scope varies from 1.000 inhabitants to more than 300.000, and their size from 3 to 1.500 km².

Local self-government reform has also included institutional reforms, introducing new political management arrangements for local governments. By drawing on the experience of other countries, and taking into consideration their own tradition and new political circumstances, countries have elaborated institutional arrangements of

local government to which politicians, public administrators, and citizens have to accommodate themselves. Experiences with the practical functioning of new arrangements are still limited, but some countries have already made changes to better adjust themselves to local circumstances. It has proven once again that systems cannot be copied, but rather that every society has to find its own solutions. However, when searching for solutions, comparative studies of other systems and their experience can be of great value.

Legal and organizational reforms are an easier part of the reform process of local self-government, because they can be centrally guided, legislated and imposed upon existing systems. Making them work and produce desired results, however, is much harder. The end result should be a vigorous and energetic local democracy. In the process of establishing a well functioning self-government and implementing the principles and mechanisms of decentralization, public administration is one of the most important actors. Effective local government requires ever more energetic and active public administration, which is willing and able to participate in processes at the local, regional, national and international level, since many local communities have been actively participating in the programmes of the European Union. Within this context, public administrators have to assume new functions and responsibilities and they have to adopt new ways of carrying out their tasks. In this process of change, public administration also plays a significant role in the institutionalisation of the new forms of social, political, and economic structures that are developing as a result of the transition and accession to the EU. Administrators are needed who are willing and capable to professionally and responsibly participate in these processes.

However, many municipalities have a very small number of staff, with very limited if any public administration experience. Moreover, even the municipalities, which have larger administrations, lack experienced public administrators that are capable of responding adequately to new circumstances. One of the possible solutions for this problem is the so-called 'amalgamation' of smaller municipalities, where they could share their obligations and services, and provide them jointly. Also, by raising the status of civil servants in society, young and educated people would be encouraged to work in administration, bringing the necessary knowledge and skills with them.

The situation in societies that are going through deep transformations requires changes at the organizational and individual levels, which very often lag behind the legal and organizational changes. Value systems and organizational culture usually do not follow formal changes, so very often new public administrations replicate old patterns of behaviour, in which their main task is to serve political leaders and not to uphold democratically defined public interest, constitutional order or the legal system. Another big problem in almost all transitional countries is corruption, which is connected to the lack of changes in values. This problem lowers the trust of citizens in the government system, slows reforms, and generates dissatisfaction with the public administration.

The lack of a civil service culture based on professionalism, political neutrality, and serving public interest and citizens, is the most important deficiency of local and national public administrations. Changes in this area require time. However, it is very

important to work on them, since they are prerequisites for the development of good governance based on vigorous local democracy.

The very basic question that arises is how to reconcile existing public administration with the practices of effective democracy and good governance in countries that lack a democratic political tradition and civil service culture. Public administration reforms should provide an answer, but until now, the progress has been slow, especially at the local level, although there are important differences between the individual states. What is specific for public administration, as a professional aspect of democracy, is its social responsibility. The public administration profession is responsible for carrying out public interest, to strive for public well-being and public good, whatever that means in each specific situation. So, professionals employed in public administration should be much more aware of the social responsibility of their respective profession. It should be stressed that public administration reform is a process that cuts across all spheres of government and is in all countries closely interlinked with EU accession. The European Union has provided an external pressure for reform and very often it has offered financial and technical support for that purpose.

Thanks to that, most countries now have legislation in place, drafted with the professional support provided by the EU programmes or other international organizations, while some are still working towards it. Unfortunately, support from the European Union also creates problems, and not just solves them - some countries that rely too heavily on such support do not create their own ways and methods of dealing with local and country-specific problems. Local circumstances based on traditions, conventions and administrative cultures are very important in personnel policy, civil service training, recruitment, and career patterns. Also, there is one simpler, more basic problem when international support programmes are introduced into local administration, and that is the lack of knowledge of foreign languages. So, when the European Union introduces CARDS support programmes in, for example, Croatia, lots of time and effort has to be spent on translating materials and training local staff in their native language.

Introducing civil service legislation, which applies to all levels of administration, was a first step towards the creation of neutral, professional, career civil services. Although the principles underlying the legal system are similar, providing for neutral and professional career civil services at national and local levels, the implementation of new regulation is slow and there are substantial differences between states. The basic obstacle to implementation is the lack of political support and the prevailing political culture. Many local and national politicians are in favour of the old system and wish to patronize over administration - partially because they distrust an administration that was hired by their political opponents, and partially because they wish to distribute administrative jobs among their own supporters. Slovenia has laws that determine the level of required education and the terms of dismissal for civil servants, which prevents changes of personnel whenever the government changes. Although such laws are present in other countries as well, in Slovenia special care is given to their implementation. Limiting political interference in matters of personnel, especially the hiring and promotion of administrators, is necessary, if public

administration is to become professional. Legal and organizational changes are not enough, and there is also the need to develop adequate political culture and help politicians to better understand the value of professional career civil services. Since citizens are becoming more and more aware that they should require and receive better services, their pressure could also serve as a motivation for changes.

Since local administrators are crucial for the functioning of the whole system of local-self-government, and since they should possess the knowledge and skills needed to perform their tasks to the best benefit of the local community within the ever changing local, national and international environment, more focus should be on human resource management at the local level. National governments should help by supporting certain programmes and actions that would improve the quality of local administration. Unfortunately, the report from Macedonia states that over 40% of the civil servants have never received any training for the jobs they are performing. Special training programmes are needed that would provide administrators with adequate theoretical and practical knowledge. They need training in different areas (management, finance, policy management, etc.), since quite often they have to perform many different tasks because narrow specialization is not possible in smaller municipalities. Such large-scale training programmes are still offered mostly by international organisations and initiatives (for example, the initiative *Croatian Local Government Reform Project* of USAID and the Urban Institute, mentioned in the paper on Croatia by Igor Vidačak).

When talking about public administration in the context of these processes, distinction between state and local administration should be taken into account. While basic legal norms regulating civil service apply to both, local community should enjoy organizational and personnel autonomy. Therefore, local community should have the authority to regulate internal organization in line with local circumstances as well as to choose, promote, and dismiss its staff, but always in accordance with legal norms regulating employment in public administration.

At the same time, changes in administrative culture are needed, including a change in attitudes toward corruption. The general attitude is that it is still a part of the system, and for citizens it is sometimes worthwhile to pay 'extra' for services, because they will be done faster and more efficiently. This kind of attitude will probably prevail until public administration becomes efficient and functional in and of itself.

When looking into the future development of public administration, we have to carefully analyse its present and past. If we do this, we can realize that there may indeed be a great mismatch between the values and systems governing the behaviour of public administrators today and the roles they are expected to fulfil in a new democratic political system. Normative foundation as a base for proper conduct has always been a prerequisite for good governance. Because of the changes occurring in our countries, this is even more imperative. The success of public administration reform and, indeed, overall confidence in the government will depend on it. The important issue that local government systems face is not so much efficiency, but rather how to assert the primacy of ethics and to enforce integrity in the public sector, thus providing for effective public administration. In countries without a civil service

tradition, ethics systems need to integrate traditional and long-lasting public service values such as integrity, probity and equity with new values of responsiveness, effectiveness and efficiency, which have entered modern public administrations during the last two decades. When devising programmes for changing administrative culture, countries can learn from each other and exchange experiences, since some countries (for example Slovenia and Hungary) have already made some progress. Finally, examples of good practice within a country should be shared among local communities, since such experiences are of special value and easier to implement.

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