MASTERING DECENTRALIZATION AND PUBLIC ADMINISTRATION REFORMS IN CENTRAL AND EASTERN EUROPE

Edited by GÁBOR PÉTERI
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Lessons on Successful Reform Management

Gábor Péteri
Violetta Zentai

MASTERING DECENTRALIZATION AND PUBLIC ADMINISTRATION REFORMS IN CENTRAL AND EASTERN EUROPE
INTRODUCTION

In the 1990s, all countries in Central and Eastern Europe encountered the challenge to deconstruct their previous party state structures and rebuild new democratic ones. This challenge emerged in a particular historical period when a general discontent with the late modern welfare state became apparent. Throughout the developed world it got translated to ideals of a “lean and mean” governance creating a better balance between efficiency and democracy, bureaucracy and entrepreneurship.

In top of these changes, a wholesale restructuring of the political systems in Central and Eastern Europe started to take place when established democracies grapple new problems of legitimation as states are to deliver services in a globalizing economy, and an enhanced transnational movement of people and ideas. The discontent with the classical welfare state institutions and the challenges that globalization processes triggered have altered the professional discourses on state, governance, and democracy throughout the 1990s.

The changing discourses on state structures unfold in principle on a consensus that despite the paramount local specificities, welfare states in general have become many times bureaucratic, input and structure oriented, authoritative in making claims on the public good. Therefore, new ideals have started to emphasize the requirements of flexible processes serving particular tasks rather than preserving established structures. The potentials of steering rather than controlling processes, using output indicators instead of input ones for measuring performance, the cooperative decision making versus an adversarial one, enabling rather than directly managing, just to name a few of these ideals.

The need for a devolution of the power central authorities hold emerged in many countries, and the sharing of service delivery tasks with the market and civil society actors have also become a preferred model. All these ideas seem to move the current state arrangements into two parallel directions: to enhance democratic processes as well as to enable entrepreneurial performance. In other words, state structures are assumed to be more transparent and more capable, to pursue efficiency but inclusiveness as well, and ultimately become more capable yet more self-reflexive in practicing power.

Both powerful international institutions striving to influence the political reform process in Central and Eastern Europe and the broader professional circles started to promote the new discourses on state structures from the late 1980s on. Societies in this region capture these new discourses with a particular historical experience in mind.

In the early post socialist period, states in Central and Eastern Europe were viewed primarily as a locus of superpower and as such, prime target of cautious control and containment. Thus, in the early 1990s, new democratic ideals, although never homogeneously, pronounced the deconstruction of old state structures, and the rebuilding of new ones with strong democratic control.

Besides these broad principles, rarely was any political consensus on a comprehensive model of state architecture, let alone elaborate blueprints for its establishment. State structures, however, have become targets of consciously planned institutional and legislative reforms due to moral and political pressures articulated by domestic actors, and often also due to international aid and technical assistance push. The reform measures, introduced in saliently different political contexts and under varying professional support, more often than not, reflected some major element of the broader shifting discourses on state and governance. States in the region faced the paradoxical job to reform themselves, to abolish the public distrust and suspicion, and tame the impact of a globalizing economy with little nurturing impacts on post-socialist economies. To add up the difficulties, reform ideals and measures, and in a number of cases even the state apparatus itself, get captured by fights for political and economic power, such as for example the redistribution of property rights.

Redefinition of state structures has started by reform packages, bodies, and with legislative measures. The depth, direction, and space of these reforms of course greatly differ, and
one could see major difference in a particular country trajectory depending on the elections cycles, results, and actual government’s commitments. Most commonly, state reforms are conceived as public administration or/and systems of governance reforms. The magic word of “decentralization” often occurs in the title and core content of reform documents reflecting the major trends of contemporary professional and political discourses of state and governance by a single summary term.

More than that, decentralization refers to a definite goal of devolution of power from central to sub-national level, which in this region entails the establishment of a genuine system of local (and regional) governments. The devolution of power necessarily intervenes with service delivery responsibilities, public finance arrangements, rebuilding central state capacities and institutions, yet these elements themselves often appear as distinctive reform packages that may or may not move in accordance with the devolution of power.

**ARTICULATION OF REFORM CONCEPTS**

Decentralization and formulation of democratic local government system are parts of broader reforms. Firstly, they essentially modify the power systems, by shifting workplace and job related dependency of citizens towards territorial, residence based political structures. Together with new political mechanisms of multi-party elections, control over elected and government organizations local governments become critical elements of the new political system.

Secondly, establishment of local governments transforms the structure and procedures of public administration, as well. Countries gradually moved from traditional mechanisms of ‘dual subordination,’ when local administration had to report both to local councils and to sectoral ministries. New relationship is established between central and local governments by separating functions, developing audit and control mechanisms, increasing the influence of elected councils and mayors over local administration.

That is why decentralization and public administration reforms are regarded as critical elements of broader, more significant development programs. They are designed together with general ‘modernization’ strategies (e.g. in Slovakia) or fit into long term strategies of the country (e.g. ‘Strategy for the 21st Century’ in Croatia). Decentralization reforms are considered to be as important as privatization or changes in the forms of control over state ownership.

Formulation of decentralization strategies and the implementation are always connected to other reforms. The most visible one is the change in the territorial structure of the administration. In almost each country new elected municipal units were created following fragmented (Hungary, Slovakia), or amalgamated models (Bulgaria, Poland). Decentralization had more significant implications on public administration, when the intermediate level of government was created. The shift from government districts towards elected regions in Slovakia, creating new regional government units (poviat and voivodship) in Poland have established new conditions for the public administration and the entire public sector.

Devolution of competencies and powers can be implemented only parallel to reforms of the central government. Ministries and other government agencies have to go through functional reviews by separating core administrative and policy making functions from the daily management of public service organizations. Traditional centralized structures of controlled state owned companies, large networks of service providers, extended social infrastructure for public employees have to be transferred to more efficient forms of operation. The functional review was— or sometimes still remained—the most significant component of reform packages in the centralized countries, like Bulgaria, Croatia, and Latvia.

Decentralization is usually followed by reforms of the civil service. Under the new political and administrative conditions the role and position of public employees have to be changed, as well. Political impartiality, clearly regulated rules of loyalty, transparency of their operation, stability, professionalism and improved policy making capacity are those new values, which drive the civil service reforms. The legislative changes are only the first steps in this area, because the transition of the old administration has to be managed, new practices of recruitment and public employment has to be established, training and other forms of professional carrier development has to be organized. Professionalization of public administration is typically implemented in the second stage of reforms. The countries studied in this book at first paid less attention to this task. Sometimes even the legislation on civil service was delayed, (Bulgaria: 1999, Slovakia: 2001), until the real decentralization reforms have been started. Those countries, which had a quick start in public administration reform slowly, recognized the importance of changes in administrative behavior. For example the second wave of public administration reform in Hungary mostly focused on operational, procedural conditions of effective civil service.
Decentralization is closely connected to transformation of public services. Reassignment of service responsibilities is the first step of public sector reforms. It is implemented through transfer of assets, changes in organization and management of service delivery, restructuring intergovernmental relations in financing, auditing and professional control of public services. This component of decentralization has the most visible impact on the role of the central government. Reform strategies are mostly based on sectoral approach in countries with a more centralized public sector, like Croatia and Latvia. Here the legacy of ‘dual subordination’ is the strongest, so perhaps the first step is to modify these hierarchical, administrative linkages between central and local governments.

Finally, the regional development structures are also connected to decentralization reforms. As local governments of Central and Eastern Europe have a wide range of responsibilities, they are involved also in local infrastructure and economic development. The European Union accession process has also increased the local governments’ competencies and tasks in regional development. So planning, statistical, financing and coordination mechanisms of regional development have a strong impact on decentralization. Debates over regional development structures might strengthen local governments (Bulgaria, Slovakia) or they may lead to centralized dependency (e.g. in Hungary through the financing schemes).

As decentralization and public administration reforms are deeply connected to other structural changes, the articulation of reform concepts is faced with several problems. First of all political goals of the actual governments are the most critical conditions for these wide ranging reforms. As it is discussed is the following section the domestic political context can slow down or accelerate public administration reforms. The most visible examples are Poland and Slovakia, where political changes were clearly connected to shifts in decentralization policies (in Poland the failure of poviats reforms in 1993, but progress after 1998; in Slovakia breakthrough following 1998 changes in government).

Decentralization of public services is usually a slow reform process full of conflicts. Despite the close linkages between ‘territorial’ and ‘sectoral’ reforms, their implementation is often separated in time and in reform programs. For example the country reports on Slovakia described the sectoral reform as a late one and not following the concept of decentralization; in Bulgaria territorial reforms were deliberately separated from other elements of public administration reform; in Croatia implementation of sectoral reform concepts (‘files of the Strategy for the 21st century’) was delayed.

In the early stages of transition the basic question was the sequence of steps in the wide ranging and complex public sector reforms. From a merely professional point of view the transformation of central government structure and mechanisms should be in the focus of reforms. But as decentralization is a highly political process, transfer of power to local elected governments will enforce later the changes of national governments, as well. As the author of the Polish report argues, ‘after decentralization ... the reform of the center was not of such great importance and urgency as it had seemed...’ Perhaps this was the characteristics of the early 1990s, during the first stages of transition it was more important to start the reforms from below, focusing on changes in political mechanisms.

The complexity of public administration reforms is reflected also in the fact, that legislative and organizational changes should be complemented in changes of the administrative culture. Here the most evident example is Hungary, where after the well-prepared and fast start of structural reforms at the turn of the last decade, public administration reforms later focused on capacity development and improvement of management practices.

A similar shift was visible in some other countries as well (e.g. Latvia, Poland), but the Hungarian case showed the significance of institutional changes in an indirect way. In this period, when due to political reasons it was impossible to implement major structural reforms (e.g. amalgamation of small municipalities), administrative mechanisms could actually modify the basic rules of public administration. Within this stable and decentralized structure, the new rules and procedures have created an environment with rather centralized rules and procedures.

As decentralization reforms are complex and long processes, country examples discussed in this book are also characterized by different patterns and stages of transformation. (See Table 1.). There are three groups of countries, which reflecting three types of decentralization reforms. In Hungary and Poland political and institutional changes were started at a relatively high speed: political, legislative and structural reforms were implemented in two-three years. This quick start was followed by almost a decade of long process reforms.

Bulgaria and Latvia belongs to another group, where after the initial revolutionary political changes (independence,
### Table 1.
**Stages of Decentralization Reforms**

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new constitution) the actual public sector reforms were delayed. After several years of stagnation, gradual structural changes, the territorial reforms and modernization of local governments were started only in the late 1990s. The third group of countries (Croatia, Slovakia) not only started the basic structural changes with a significant delay, but they were not able to launch comprehensive reforms in the first decade of transition.

These models and waves of public sector reforms are only partially explained by their internal logic and capacity to manage and implement these complex processes. There are more important political and economic factors, which influence the reforms. The next chapters will summarize the impact of these independent variables on decentralization and public administration reform.

DOMESTIC POLITICAL CONTEXT

The domestic political environment could significantly facilitate or hinder administrative reform processes. One of the major elements of this context is the stability and persistence of the ruling political regime. In the post-socialist political transformations, elected governments often prove to show troubling frailty. As in most countries in the region the party system is still shaping up, elected central governments are formed by coalition arrangements composed by multiparty cooperation. These arrangements are often endangered by major disagreements, ideological rifts, power fights, and personal enmities.

Major legislative and institutional reform measures are subjects to not only political deliberations but bargaining processes in which the professional clarity and coherence of proposals get frequently lost. Majority governments theoretically could be more stable but they often tend to rely on authoritarian power practices, which creates professional or political resistance. Resistance could openly or subtly sabotage reform efforts regardless of the quality and relevance of these efforts.

Leading political forces set the basic goals of decentralization and public administration reforms. Depending on the political and administrative structures the models of decentralization might be connected to different political forces. For example in Bulgaria the author of the country study reports, that leftist parties supported decentralization to the lowest possible level, while the region, as the basis of economic development was targeted mostly by the rightist political party. Hungary is a different case, where regions and intermediate levels of government are regarded as transmission mechanisms of the state, so they were supported by political forces promoting centralization. (There was an interesting shift in the political basis of this model, because first the post-Communist party, later the more rightist political forces voted for strong regions.)

Alterations in the reforms process were also influenced by the shifts in political power. The speed and waves of decentralization reforms, summarized in Table 1. were very much connected to elections or other basic political changes. Croatia, Poland, Slovakia are the best examples of this direct linkage between politics and administrative reforms. In Poland the model of the new territorial administration had been prepared by 1993, but it was implemented only five years later, when similar political forces got into power, again. In Slovakia and Croatia the radical shift from the previous political mechanisms in 1998 and 2000 has opened the possibility of designing and launching decentralization programs.

The political nature of decentralization and public administration reforms exaggerates the characteristics of political mechanisms and the process of public policy making. Good linkages between politics and professional groups or the administration are critical conditions of successful reforms. As the policy making process gradually becomes more opened to non-governmental organizations, giving new opportunities for local government and professional lobby groups to change the rules of the game and to gain higher political influence.

ECONOMIC CONDITIONS

Decentralization and public administration reforms are influenced not only by political changes, but by economic factors, as well. However, stages of reforms do not necessarily coincide with the major periods of economic transformation. The policy responses of governments on economic crisis could be significantly different, as some country examples show in our survey. So the relationship between the shape of the economy and the scope of government reforms is not simple and easily identifiable.

During the past decade annual growth of the studied economies shows similar trends with declining fluctuation (see Figure 1. below). In the early 1990s the economic crisis hit mostly the ‘new countries’ of the region, like Latvia, Croatia and Slovakia. It was an obvious reason for the delayed start of decentralization and public admi-
nistration reforms. In the same period Hungary, Poland, with lower level of economic decline (but still negative economic growth or stagnation) already started the institutional reforms.

The initial economic status of these countries was also different. In 1991 the per capita GDP was the lowest in Bulgaria, Latvia (around $1,000), while it was two-three times higher in the other countries (Table 2.) The economic transition period was characterized by 4–6 years of consecutive output decline and by 2000 the real GDP has exceeded the 1990 value only in Hungary and Poland.

As figures in Table 2. show, this process had been completed by the end of the decade: the share of private sector in GDP is above 65%; general government expenditures, as primary sources of state intervention have decreased in countries with wide ranging reforms. (Exceptions are Croatia and Latvia, where the weight of government spending has increased.) The share of agriculture in the economy is below 10% and declining (except in Bulgaria (16%), where the economic reforms were delayed).
Table 2.
Selected Economic Indicators (1991, 1999)

<table>
<thead>
<tr>
<th>Countries</th>
<th>1991</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BULGARIA</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP per capita [USD]</td>
<td>1,014</td>
<td>1,513</td>
</tr>
<tr>
<td>Private sector share in GDP [%]</td>
<td>20.0</td>
<td>70.</td>
</tr>
<tr>
<td>Share of agriculture in GDP [%]</td>
<td>11.6</td>
<td>15.9</td>
</tr>
<tr>
<td>Unemployment [%]</td>
<td>15.3</td>
<td>16.0</td>
</tr>
<tr>
<td>General government expenditures in [%] of GDP</td>
<td>43.6</td>
<td>40.7</td>
</tr>
<tr>
<td><strong>CROATIA</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP per capita [USD]</td>
<td>2,291</td>
<td>4,467</td>
</tr>
<tr>
<td>Private sector share in GDP [%]</td>
<td>20.0</td>
<td>60.0</td>
</tr>
<tr>
<td>Share of agriculture in GDP [%]</td>
<td>10.7</td>
<td>8.6</td>
</tr>
<tr>
<td>Unemployment [%]</td>
<td>13.2</td>
<td>13.6</td>
</tr>
<tr>
<td>General government expenditures in [%] of GDP</td>
<td>36.1</td>
<td>49.0</td>
</tr>
<tr>
<td><strong>HUNGARY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP per capita [USD]</td>
<td>3,613</td>
<td>4,853</td>
</tr>
<tr>
<td>Private sector share in GDP [%]</td>
<td>30.0</td>
<td>80.0</td>
</tr>
<tr>
<td>Share of agriculture in GDP [%]</td>
<td>6.5</td>
<td>5.4</td>
</tr>
<tr>
<td>Unemployment [%]</td>
<td>9.3</td>
<td>7.0</td>
</tr>
<tr>
<td>General government expenditures in [%] of GDP</td>
<td>59.6</td>
<td>44.8</td>
</tr>
<tr>
<td><strong>LATVIA</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP per capita [USD]</td>
<td>848</td>
<td>2,582</td>
</tr>
<tr>
<td>Private sector share in GDP [%]</td>
<td>10.0</td>
<td>65.0</td>
</tr>
<tr>
<td>Share of agriculture in GDP [%]</td>
<td>16.5</td>
<td>3.6</td>
</tr>
<tr>
<td>Unemployment [%]</td>
<td>3.9</td>
<td>14.4</td>
</tr>
<tr>
<td>General government expenditures in [%] of GDP</td>
<td>40.5</td>
<td>46.8</td>
</tr>
<tr>
<td><strong>POLAND</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP per capita [USD]</td>
<td>2,197</td>
<td>3,987</td>
</tr>
<tr>
<td>Private sector share in GDP [%]</td>
<td>40.0</td>
<td>65.0</td>
</tr>
<tr>
<td>Share of agriculture in GDP [%]</td>
<td>6.7</td>
<td>5.2</td>
</tr>
<tr>
<td>Unemployment [%]</td>
<td>14.3</td>
<td>13.0</td>
</tr>
<tr>
<td>General government expenditures in [%] of GDP</td>
<td>50.0</td>
<td>44.7</td>
</tr>
<tr>
<td><strong>SLOVAK REPUBLIC</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP per capita [USD]</td>
<td>2,213</td>
<td>3,650</td>
</tr>
<tr>
<td>Private sector share in GDP [%]</td>
<td>15.0</td>
<td>75.0</td>
</tr>
<tr>
<td>Share of agriculture in GDP [%]</td>
<td>6.2</td>
<td>4.4</td>
</tr>
<tr>
<td>Unemployment [%]</td>
<td>10.4</td>
<td>19.2</td>
</tr>
<tr>
<td>General government expenditures in [%] of GDP</td>
<td>58.0</td>
<td>43.3</td>
</tr>
</tbody>
</table>

Source: Transition report 2000, EBRD.
The ‘costs’ of this transformation was rather high. The drop in general government expenditures has decreased not only the redistribution in the economy, but the public resources available for basic public services, like social assistance and pensions, health care and education. Unemployment is high and increasing in all the countries, except in Hungary and Poland, which had started the reforms earlier, than the others had.\(^5\)

The ‘minimum’ set of market based institutions did not result automatically in better performance of these economies. So by the end of the decade new components of the simplistic reform strategies have been built into policies of the national governments and international organizations. The ‘new consensus’ on reform policies in transition countries emphasizes the importance of institution building, learning new rules and changes in behavior under market conditions.\(^7\)

Several components of decentralization and public administration reforms became critical elements of the new reform policies. Institutional reforms to provide market discipline now include the transfer of responsibilities to local governments, moving towards reformed social assistance systems, where local and national governments have new roles. Also the encouragement of further economic growth should be based on new government practices in securing property rights and developing transparent regulatory mechanisms.\(^7\)

The success of these reforms are even less clearly measurable, than the formal changes in other market mechanisms, like the scale of privatization, scope of price liberalization, etc. Obviously in the first wave EU accession countries these institutions were strictly scrutinized during the negotiation process. Law harmonization and general requirements on enforcement mechanisms encouraged this adaptation process. In other countries (e.g. Bulgaria) the Council of Europe reports played similar roles. But the implementation of these ‘soft,’ institutional reforms does not show that clear, linear trend similar to the first stage of economic reforms.

That is why the impact of economic conditions on decentralization and public administration reforms is not identifiable. They are parts of the decade-long process, but the actual steps or even trends cannot be clearly connected to the stages of economic development. For example in Bulgaria, the economic crisis of 1996/1997 has led to centralization, or the 1995 bank crisis to postponement of public administration reform in Latvia. Unlike Hungary, where similar events did not change or even encouraged decentralization, but later, after 1999 the economic growth coincided with centralization policies. Latvia, as a counter-example was able to launch decentralization reforms after the first signs of economic recovery in 1997.

**PROFESSIONAL EXPERTISE**

New institutions and procedures of public administration have to be professionally designed and prepared for operation. Similarly to economic reforms, general models and legal frameworks of the public sector should be adjusted to local conditions. This transfer of knowledge and development of implementation capability requires domestic professional capacity and expertise. Standardized models, internationally accepted practices will not work under specific local conditions. The most important task during the reform process is to develop and to use efficiently the available professional expertise.

Development of professional capacity supporting decentralization and public administration reforms requires different sets of activities. Firstly, the new models have to be invented and introduced. Secondly, the modified legislation, administrative and management techniques have to be implemented and built into the daily practices of the public sector. This latter task is long lasting and especially complicated at local level, which usually has lower professional capacity. It is part of the civil service and public sector management reform, which were not discussed in detail by our project.

The first professional task, design and legislation of a decentralized and modern public sector were solved under two different circumstances in the selected CEE countries. In one group of countries the preparatory work had been started well before the actual political changes. For example in Poland and Hungary the academic and policy research groups were in a position to discuss and assess the key elements of theoretical models. This made it possible not only to keep the reform ideas in the center of political thinking, but also supported the learning process both among policy makers and the public at large.

The other group of countries had a much shorter time to prepare the new legislation. In Croatia or Slovakia only the political shifts in the late 1990s have opened new windows of opportunities for actual policy design. This does not mean, that there were no previous studies or researches on future reforms. But they were mostly dominated by theoretical, legalistic approaches and no experiments or gradual small reform steps were made possible.
This had an impact on the reforms later, because the policy makers did not speak the ‘language’ of reforms, as it was stated in the Croatian report. They did not understand the new requirements of modern, decentralized public sector, operating in a privatized environment, but also in a narrow sense they were not able to communicate with their foreign counterparts.

Professional capacity for preparing reforms might be developed at various units of the policy arena. In the most centralized structures units of national ministries or controlled semi-independent policy centers are the key actors. For example in Bulgaria under the present Ministry of Regional Development and Public Works the National Center for Territorial Development has monopolized the programming of the decentralization process. For several decades only they provided technical advice to the government. The Hungarian Institute of Public Administration, under the government and later reporting to the Ministry of Interior had a similar role.

Poland had to follow a different model, when independent researchers and academics formulated an informal group, which promoted reforms, whenever the political climate, made it possible. In forms of research groups, clubs of reform minded experts they are able to keep the reform agenda alive and this way having indirect impact on local and national government policies.

Later the work of these consultants become easier, when the foreign technical assistance entered the transition countries. There is no doubt, transfer of knowledge and expertise had an enormous impact on the reforms. We cannot assess the efficiency of the foreign technical assistance and donor programs here, but it is sure, that they played an important role in all stages of decentralization and public administration reforms. During the formulation of strategies, design of models and policy options they made international standards, various country practices widely known. This information and advice was available in these countries from the early stages of reforms.

International and bilateral donor programs sometimes played critical roles in the reform process. They were especially important under two conditions: when the political climate was not favorable for reforms or when the reform capacity had to be developed in a relatively short period. Bulgaria is an example, when in the mid-1990s foreign expert studies or institutions set up by donors, contributed to reforms significantly. In Slovakia, during the two years of preparing large-scale reforms foreign technical assistance helped not only the small group of policy makers, but also other civil and non-governmental organizations, which provided external support for the reforms.

However, cooperation with foreign donors raises several problems. Sometimes, even when financial and professional support comes at the right time (e.g. EU Phare funding to the office of the reform plenipotentiary in Poland), donors are not able to respond on the actual needs of a country. When the political conditions allow only a few months for the reform forces (e.g. in Poland), the foreign technical assistance is usually late.

National governments also have to learn the cooperation with donors. Understanding the decision making process at the donor organizations is critical for the domestic reform groups, because otherwise the foreign technical assistance arrives with a delay or with a wrong focus. The task is diverse: not only the professional content of programs have to be influenced, but coordination and adaptation has to be designed, as well.

Coordination of technical assistance is built into the procedures of the major international programs (e.g. EU Phare), but even in that case their implementation and bilateral donor activities should be harmonized. Positive examples are mentioned in the Slovak country report, where a government center was set up for coordination of foreign program in public administration or in Hungary, where in the latest stage of reform, the unit under the prime minister’s office tried to work with all the major international organizations.

In other cases coordination was hardly feasible and perhaps not really desirable, when the technical assistance programs are directed toward local governments. These donor programs sometimes are looking for innovative mayors and municipalities. Through these partnerships they can develop good practices and models, which might be an example for other municipalities or could have an indirect effect on policy reforms.

Obviously the most difficult task is to adjust the foreign advice and models to specific conditions in the target countries. Especially the models at the national government level might be misused, because the organizational and management practices could have different and unintended political implications. (At local government level diversity in goals and values leads to more balanced consequences of technical assistance and advice in a country.)
One example is the influence of the British model of central government on some CEE countries. The very efficient model of centralized chancellery and system of special advisors controlling the line ministries could have negative impact in our region. Within coalition governments, where centralized policy making mechanisms are still alive in the central administration, the State Chancellery in Latvia or the ‘ministerial prefects’ within the Prime Minister’s office in Hungary, this British model is highly preferred. But they serve different political and public administration reform goals. They might strengthen the leading political force of the coalition government and support centralization within the national government decision making.

Generally foreign technical assistance programs played critical roles not only in design and introduction, but also during the implementation of reforms, as well. Making the policy process opened to the general public developed new policy making practices, for example. The use of the media was learned by the reformers mostly through these programs (e.g. systematic professional debates by major regions in Slovakia, supported by a donor).

Marking and use of media was important in other cases, as well. In Poland the poviat reform was partly ‘sold’ through a survey, which was about drawing the actual boundaries of these districts. The conditions, set up by the reform groups (size, distance, access, etc.) have defined rather strictly these boundaries and the geographic centers of poviat, but the survey helped to internalize the new structures by local leaders and gave additional arguments to the experts. Other educational and promotional media programs also helped to create the favorable social conditions for change.

Finally, professional capacity should be developed within public sector through training. There are different models of public administration training, depending on the scale and level of centralization. In most of the CEE countries some centralized schools are established (e.g. in Latvia) or developed, which are responsible for training of civil servants. In the case of local public employees the organizational models might be less centralized, but still keeping the control of the national government: for example through an accreditation procedure and partial funding of training programs in Hungary. Local government associations and their special subsidiaries might have an important role, as well.

The most critical factor of professional capacity and expertise in preparing reforms is the timing. As the political conditions of decentralization and public administration reforms are hardly controllable by the experts, they have to be prepared for the change. In Hungary and Poland, where the expertise was available at the very beginning of the reform, the changes were deeper, compared to other countries, where the professional capacity was developed parallel to the political shifts (Croatia, Slovakia).

Time is critical during the reform design as well. The dilemma of the latest Polish regional reform was whether to produce high quality, elaborated reform concepts or to grab the political opportunity and to introduce the critical elements of the reforms in a relatively short period. The conclusion of the Polish author in this book is, that the speed of changes is perhaps more important, even if ‘quality would suffer.’ Obviously this statement can be evaluated only in the long run, when all the components of the Polish regional reform are introduced. But it is true, that the critical step, the creation of regions and basic reassignment of the functions of sub-national governments was implemented.

**GOVERNMENT’S REFORM MANAGEMENT CAPACITIES**

Professional design and implementation of decentralization reform strategies are responsibilities of national government bureaucracies. They have to develop coherent reform packages, which not only meet the professional and political requirements, but which can be legislated and later enforced, as well. The complex nature of these ‘institution building plans’ and the conflicts between short term, firefighting and strategic tasks, claim efficient management capacities of national governments.

Coordination both among the political interests and the administrative structures is the most critical element of reform management. Development of decentralization policies should be supported the leading political forces throughout the entire reform process. Political parties in opposition sometimes are champions of decentralization, until they get into power. In other cases new governments are able to promote legislative reforms, but very soon they lose control over enforcement and administrative implementation of the new legal framework.

This shift in government policies might be caused by the administration itself. Bureaucrats may slow down reforms for very simple reasons. Transfer of government functions to private or non-governmental organizations might de-
crease the power (influence, budget, etc.) of ministries. Ministerial administration could be against decentralization, because it might decrease public sector employment. According to the Croatian report one of the difficulties of reform implementation was that bureaucrats were afraid of losing their jobs with the transfer of competencies. In Hungary, where declining public sector employment was the main indicator of reform progress, decrease in national government staff was faster, than at local level.\textsuperscript{17}

Harmonization of administrative strategies is also critical for successful reform management. Decentralization of government functions is often separated from the de-concentration of state administrative institutions, which does not lead to coherent structures. Strong regional or local state organs might counterbalance and even destroy the powers of elected sub-national governments. Regulatory, inspection and service roles of national governments should be adjusted to the decentralized environment.

This requires horizontal administrative coordination among the organs responsible for decentralization reforms and the sectoral ministries or other government agencies. Sectoral fragmentation and conflicts between ministries (e.g. with the Ministry of Finance) were reported in almost each country, as the main obstacles to decentralization reforms.

At the early stages, the design and management of reforms was typically assigned to one single ministry within the government administration structure. Ministry of Interior (Hungary, Slovakia), Ministry of Regional Development (Bulgaria) or other specially established government units (e.g. Ministry of State Reform in Latvia) is responsible for reforms. They are members of the government, so their competencies and influence are defined by the political relations within the cabinet. (See Table 3.)

As the one single ministry is not sufficiently strong to launch and to implement complex reforms the reform preparation is often transferred to special entities, which have greater power. Government plenipotentiary (Poland, Slovakia), reform commissioner (Hungary) usually under the Prime Minister or deputy Prime Minister, is more efficient form of preparing administrative reforms. They might have not only the power to balance sectoral interests, but they explicitly show the reform orientation of the government, as well.

After the first waves of comprehensive, structural changes the focus of reforms is shifted towards quality improvement of public administration, building mechanisms of continuous development, establishing adaptation mechanism of innovations and learning. In this third stage of public administration reforms responsibilities with the government structure become more centralized and concentrated: special units within prime minister’s office (Bulgaria, Hungary) or coordination of reform activities by the deputy prime minister show the new assignment of responsibilities.

Parallel to improved coordination of the government units, also the rules of the political discourse have to be changed. The dialogue between the politicians and the national government organs is extremely important, especially in coalition governments. This level of political coordination is usually implemented in special councils, commissions, which have political legitimacy.

Strong political leaders or advisory councils are not substitutes of these political fora. These councils might also keep the reform alive in those periods, when it is not high on the political agenda. Special reform councils could be also good forms to incorporate other actors (local governments, non-governmental organizations, civic groups, etc.) into decentralization reform processes.

Finally, the most important condition for building effective administrative capacity of reform management is timing. The professional knowledge and administrative units, managing the reform should be available at the time, when reforms are politically feasible. The experience of the studied countries show, that major changes in the public sector can be implemented immediately after parliamentary election, only in the early months of a new government. Now, after the first decade of political transformation, the significance of timing within a government’s period is even greater. There are lower chances of ’trial and error’ methods in reform, than it was at the beginning of transition.

**PUBLIC SUPPORT**

If pursued in democratic conditions, reform efforts need wide public support. Public support is composed by trust by the populace expressed in different explicit and implicit forms. Moreover, public support is shaped as well as mediated by the dominant media discourses and representations. In the field of state and governance reforms, civil society organizations, professional groups, and already existing subnational governmental bodies may have a relatively influential voice. Not that these forces would be capable of implementing reform measures by themselves, but their cooperation or resistance could become a major obstacle to or initiator in the reform process.
Countries of Central and Eastern Europe have inherited quite an extended public sector and ‘heavy handed’ state. This common legacy of the post-Socialist countries put the public administration and decentralization into the center of reforms. It was supported by almost all-political forces and the general public. Local governments as newly established, democratic institutions together with demolition of the centralized public administration were widely accepted strategic goals.

Table 3.
Changes in Administration Structures, Responsible for Decentralization Reform

<table>
<thead>
<tr>
<th>Country</th>
<th>Administration Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BULGARIA</strong></td>
<td>Ministry of Regional Development and Public Works (decentralization)</td>
</tr>
<tr>
<td></td>
<td>Ministry of Public Administration (public administration reform)</td>
</tr>
<tr>
<td></td>
<td>Prime Minister (Regional Coordination Directorate) (1999)</td>
</tr>
<tr>
<td><strong>CROATIA</strong></td>
<td>Office for the Development Strategy of Croatia, under the Deputy Prime Minister</td>
</tr>
<tr>
<td></td>
<td>Ministry of Justice, Administration and Local Government</td>
</tr>
<tr>
<td></td>
<td>Sectoral ministries</td>
</tr>
<tr>
<td><strong>HUNGARY</strong></td>
<td>Ministry of Interior and Ministry of Finance (1990)</td>
</tr>
<tr>
<td></td>
<td>Commissioner of Public Administration Reform (1996)</td>
</tr>
<tr>
<td></td>
<td>Special Unit for Public Administration and Regional Policy at the Prime Minister’s Office (1998)</td>
</tr>
<tr>
<td><strong>LATVIA</strong></td>
<td>Ministry of State Reform (1995)</td>
</tr>
<tr>
<td></td>
<td>Department of State Reforms within the State Chancellery (1996)</td>
</tr>
<tr>
<td></td>
<td>State Minister of Labor at the Ministry of Welfare (1997)</td>
</tr>
<tr>
<td></td>
<td>Bureau of Public Administration Reform, under the Deputy Prime Minister (1997)</td>
</tr>
<tr>
<td></td>
<td>Minister of Special assignment on Public Administration and Local Government Reform (with extended administrative support) (1999)</td>
</tr>
<tr>
<td></td>
<td>Plenipotentiary for the Public Administration Reform (1993)</td>
</tr>
<tr>
<td></td>
<td>Plenipotentiary for the Public Administration Reform (1998) in cooperation with Plenipotentiary for the Decentralization of Public Finances, and Under-secretary of State at the Ministry of Internal Affairs and Administration (responsible for administrative division and implementation of the reform)</td>
</tr>
<tr>
<td><strong>SLOVAKIA</strong></td>
<td>Ministry of Interior (1990)</td>
</tr>
<tr>
<td></td>
<td>Deputy Prime Minister (1992)</td>
</tr>
<tr>
<td></td>
<td>Deputy Prime Minister of Economic Affairs, responsible for coordination (2000)</td>
</tr>
</tbody>
</table>
This was reflected by the citizens’ constantly high level of trust in local governments. During the past decade in countries of Central Europe public opinion surveys show, that local governments seem to be more trustworthy organizations, than other political institutions. After the first years of transition the surveys on trust in public institutions show, that local governments are put higher than the parliament, or the president of a country.

The stability of local governments is also reflected in the low rates of local mayors’ turnover: two thirds of them are usually re-elected. This fact shows the acceptance of local governments.

There are interesting inquiries into the nature of public trust in public institutions in post socialist political transformations. Theoretically, public trust is something that becomes a political force mostly at times of elections (or dire crisis situations). But the fear, anticipation, and reference to public trust or distrust become an important device for the political actors. Although public expectations regarding the state and its institutions are in flux in the current transformations, one may identify some strong typical public convictions.

Societies recently departing the almighty party states often prefer weak state systems with strong service delivery capacities. In contrast, what they often experience is a state that is relatively weak in service delivery but strong in controlling the civic liberties, means of production, and not infrequently violating human and political rights.

Although directly influencing the quality of democracy, public administration changes and issues of decentralization do not rank high in the public interest and this gives a diverging impetus to reform initiatives: relatively low public interest may paradoxically enhance the successes of a reform process. The lack of pointed interest may leave administration and governance reform in the shadow of political clashes and ideological debates. But in other contexts, heightened public sensitivity to state structures could attract political opinion and inspire committed reform actions. A diversity of interactions between the public and the political actors could be discerned in the observed countries. There is no simple model of the nature of interactions but the public is a crucial pretext and context of forming and performing reform measures.

Similarity in political slogans does not necessarily mean, that the functions of local governments and expectations towards them are identical in the studied countries. The hopes for establishing new political institutions were changing over the decade, as well. There are countries where local governments are regarded as more democratic (responsive, accountable, transparent) units, emphasizing the political aspects of decentralization. In other cases the effectiveness and efficiency of public service delivery are the most highly ranked characteristics of the autonomous local governments.

These differences in general perception make the public support essential for successful decentralization reforms. Beyond the political consensus, properly designed professional concepts and effective administrative reform management the techniques of communication with the public should be developed, as well. Experiences of the studied countries show that parallel to political bargains active consultation with non-governmental, civil organizations and public debates were necessary conditions of successful reforms.

In the field of state reform, professional associations of public servants, local authorities, and service delivery NGOs could become major proponents or exponents of reform conceptions. Alliances or adversary relations with them could profoundly help or hinder the elaboration and implementation of reform packages, especially if decentralization is targeted.

The most important NGO partners are obviously the local government associations. There are two basic models of representation in these countries. The concentrated, more centralized local government associations (Bulgaria, Latvia, and Slovakia) seem to be more efficient partners of reform governments or political parties. They operate almost as ‘ministries’ of local governments, giving opinion on reform proposals, having limited say in budgeting and fund allocation. In other CEE countries the local government associations were more divided by politics, type of local governments or regions. Hungary and Poland are examples of this model, where also the administrative capacity of the several local government associations were fragmented and consequently more limited, than under the ‘concentrated’ model.

In some of the studied countries direct contacts with the local partners and good relations with the media had high importance during reform design and implementation. Media is a key actor to express public opinion but it is also
a means to communicate key political messages. By the same token, the media has its own relatively autonomous voice and modus operandi. Having a subtly crafted position in the political arena, the media attention to state structures and governance reforms could be a major hindrance in achieving reform goals. Moreover, the media could be a primary means to make the public sensitive to the relatively uninteresting aspects of state reform and thus pushing ruling governments or reluctant coalition partners to act. If some reform ideals are formed and actions are envisioned (mostly by central governments and legislative bodies), the attention of the media is again could be crucial in generating public support, a willingness to stand the “prices,” and capture the long term rewards of reform packages. The capacities of reform implementing bodies are different in the region as most of them are just learning how to deal with a plural and mediatized public thinking. In Poland the 1997–1998 regional reform used the media promotional and educational programs for supporting the wide ranging reforms. But it was already part of the ‘media war’ in public television—typical in several CEE countries in the late 1990s—, so they had to rely mostly on private and local (cable) TV networks.

The first wave of Polish reforms in 1993 was supported by a wide ranging survey of local leaders on their preferences of the boundaries of sub-regional entities; later the pilot projects helped to launch limited reforms even in a period which was not favorable for decentralization programs. The 24 regional public meetings in Slovakia on the planned public administration reforms helped not only to inform the general public, but also indirectly supported the decentralization, by making the process irreversible.

CONCLUSIONS

Studies and country reports in this book mostly focus on critical elements and techniques of decentralization and public administration reforms. Ultimately the effectiveness of these methods can be measured by the success of reform efforts. However, questions like what has been achieved in these countries or the performance of reformers cannot be easily answered. There were some partial victories, the reform processes had several waves, due to numerous external and internal factors during these very complex reforms.

This brief summary on the most important achievement of decentralization and public administration reforms gives a very diverse picture. Even in countries where the reforms had been started with a significant delay, by 2002 important changes were legislated and partially implemented. In Croatia the former sectoral monopolies are partially overturned and de-concentration of public service responsibilities to county local governments and large cities have been started. It is still a long way to design and implement comprehensive public administration reforms, but the first strategic planning stage has been launched. In Slovakia, which finally had four relatively stable years of modernization, the critical step of shifting public functions from state administration to elected middle-tier government has been made. This irreversible action will hopefully create the basis of future reforms in the public sector.

The two countries starting reforms earlier, progressing only gradually were well on the road of decentralization. In Bulgaria, the relatively large municipalities serve as stable bases of decentralization. The regional development structures and policies will support future reforms. In Lithuania the greatest reform achievement was the fundamental change in work style of public administration and professionalization of government operation.

Hungary and Poland in many respects showed the examples for reform forces in other countries. In Poland decentralization at regional level was implemented even under unfavorable political conditions and the newly created elected regional governments are good experimental cases for other EU accession countries. In Hungary, the slowdown of structural changes coincided with a shift towards operational and management issues of public administration. In this stage knowledge and expertise might be accumulated, that will assist future reform waves.

The general conclusion of these wide ranging and diverse reforms might be, that there is no one single solution or model, that works even in this similar group of countries. This is especially true in the case of reform management techniques and methods. The core elements of an efficient public administration system can be designed, as they are summarized in Part I. of this volume. But professional and administrative capacity of successful reform management is very country specific.

As the public administration system and its public policy making capacity is improving, the reform management will be more successful. The tendency is to gradually move from the legalistic approach of reforms towards introduction of other mechanisms and institutions of public sector reforms. During this process the accumulation of ‘reform wisdom’ will improve the capability of reforms minded governments to learn from the previous mistakes.
ABOUT THE PROJECT

For the purposes of this research we used the term decentralization broadly, when all the components of public administration and public sector reform are parts of the decentralization process. The country studies of this book were prepared for a workshop in Croatia. As the country is in the middle of designing its decentralization strategy, LGI’s contribution was to help developing efficient methods for managing reform policies. We provided professional support to the Croatian Soros National Foundation and the Croatian Law Center (CLC), who are involved in the implementation of the government’s decentralization program.

Beyond this immediate task, we were also interested in formulating the policy lessons for the broader region and to summarize the general conclusions on the management of public administration reform and decentralization policies in Central and Eastern European countries. That was the reason for commissioning other comprehensive reports.

This volume of LGI Studies series has two major parts. After this introductory and summary chapter the first one focuses on substance of decentralization and public administration reforms. Here three authors give a general overview on various aspects of these reforms in Central and Eastern Europe. Kenneth Davey identifies the elements of decentralization reforms, the difficulties and resistance during the implementation. Tony Verheijen discusses the ways that the major structural problems of decentralization can be solved within a properly managed public administration reform context. Civil service reform, as a critical condition of systematic changes in public administration is presented by Miroslav Beblavý.

In the second part of this volume experts from selected countries write about their own experiences. The authors are not only specialists of public administration, but at some stages of reform they were—or are still—involved in the design and implementation of reforms. As our request to the authors was primarily to write about the methods and techniques of decentralization reforms, their primary focus is on administrative and institutional conditions of changes in public administration. But readers of the country case studies might get some useful insights on various aspects of decentralization in these selected six countries.

The authors of the country report were asked to respond on questions, set by us, as project managers. The first task was to give a brief description of typical reform trajectories, explaining country specific rules and processes, by providing a brief history of the past decade of decentralization and public administration reforms. The components and sequence of legislative changes, conflicts of old and new elite’s were analyzed by describing the major trends since the public administration reform was put on the agenda in the studied countries.

As management of the reform process was in the center of this research, the authors had to analyze the behavior of the major actors, the relationship between politics and administration, external conditions for change, organizational and management techniques will be compared. Some elements of these reforms have been identified for the authors, in advance.

Adjustment to political changes, election cycles is critical during decentralization reforms, which often cover more than one period of a government. Our basic question was how did the political system support or hinder the reform process. We were also interested in how domestic and international professional capacity contributed to reforms. Beside political willingness and professional concepts administrative capacity is needed for public administration reform. The role, organizational setting and relationship between government entities during reform design and implementation were asked to be discussed.

The authors of the country reports provided very good and concise description of these wide ranging reforms. We are very grateful for their contribution and also acknowledge the high quality work of the authors, discussing the substantive issues in the first part of this volume. The CLC team, Marko Kovacic and Mladen Ivanovic also helped the project by organizing the workshop in Croatia.

LGI’s goal is to promote information exchange and transfer of knowledge between countries of Central Europe, South Eastern Europe and the former Soviet Union. As decentralization and public administration reforms are on the agenda in most of these countries, we hope that this publication will help this transfer process. Our objective is to support systematic reforms by discussing the findings summarized in this volume in countries committed to reforms. Examples and findings, summarized in this book, together with professional support of our experts might help better design and more efficient management of reforms in other countries.
NOTES


2 Discussed in depth by Verheijen in this volume.

3 Beblavy’s paper in this book.


5 The recent crisis may modify this favorable picture in Poland.


7 They are important elements of the reform agenda, identified by The World Bank. (Annex 1. in Transition, the First Ten Years. The World Bank, Washington DC, 2002).

8 Consolidated central government, including net lending.

9 in 1995.

10 in 1998.

11 First data are from 1992.

12 in 1993.


14 First data are from 1992.


16 T. Verheijen’s study in this volume.


19 Despite the general problems of the public sector (low level of public services, corruption at local level, etc). Source of turnout and turnover data is P. Swianiewicz (Editor): Public Perception of Local Governments, LGI Books, OSI/ LGI, Budapest, 2001.

Most recently there are signs of changing attitudes, especially when fundamental changes are implemented, with unclear consequences for the ordinary citizens: the turnout at the newly created regional governments was extremely low (Slovakia: 26%) J. Nemec: Decentralization—the Main Tool of the Public Administration Reform in Slovakia? NISPAcee News 2002, Vol. IX, No. 1, Winter.
PART I.

Decentralization and Public Administration Reform

MASTERING DECENTRALIZATION AND PUBLIC ADMINISTRATION REFORMS IN CENTRAL AND EASTERN EUROPE
Kenneth Davey

Decentralization in CEE Countries: Obstacles and Opportunities
Decentralization in CEE Countries: Obstacles and Opportunities

Kenneth Davey

INTRODUCTION

Decentralization is a protracted and difficult process. So much is clear from the experiences related in this book. Vested interests and intractable problems subject reform to long delay and prevarication. Even when a comprehensive package is enacted, as in Hungary in 1990/91, operational problems arise which defy solution. A change of government can bring the process to a halt, as in Poland in 1993, or move it in a false direction, as in Slovakia the following year.

The Polish experience also shows that persistence pays. If reformers have a clear program and sustained determination, the opportunity to move ahead occurs sooner or later. Political momentum can be short-lived, however, and the reforms have to be ready for launching while the favorable tide lasts.

This chapter attempts to summarize a number of the issues which arise from the country experiences and to address four key questions:

• What are the key components of a decentralization program?
• What are the major difficulties associated with each of these components?
• What are the main sources of resistance to reform?
• What circumstances provide a favorable opportunity for promoting decentralization?

ELEMENTS AND STAGES OF REFORM

The introduction of pluralist democratic government at national level has led in almost all CEE countries to an immediate demand for a parallel reform in local administration. One of the first acts of newly elected parliaments in countries such as Hungary was to provide for the election of representative municipal councils with an executive mayor selected either by the voters at large or by the council.

What varied greatly, however, was the speed with which these elected bodies were vested with the powers and resources that determined their real weight in local affairs. Four sets of issues typically pose challenges:

• Territorial structure
• Assignment of competencies
• Financing
• Transfer of state property

Territorial Structure: the Municipal Tier

Problem issues concerning territorial structure have typically arisen at both primary and upper tiers of local government. In the majority of post-Communist states, local government legislation often reinforced by constitutional provisions has allowed human settlements of any size to claim the status of an autonomous municipality. This has been exploited by thousands of small villages, often reacting against forced amalgamations and deprivation of services and development under Communist regional planning policies. The result is that the basic level of local government has a highly fragmented territorial structure as illustrated in Table 1.

This situation is not universal; in Bulgaria and Poland, for example, the basic levels of local government have average population sizes well over 5,000 which have been the target minimum in western European reorganizations and are viewed empirically as adequate for most municipal services. (Council of Europe, Colloquy on the size of municipalities, efficiency and citizen participation, Budapest, 1994).

However, most CEE countries have thousands of communities with municipal status with populations below 1,000 (and a substantial proportion of these fewer than 200). Reform programs are challenged by the inability of such communities to provide administrative and financial capacity and the scale economies and catchment areas
institutions at regional level that can provide a focus for planning and partnership in economic and social development. Moreover, most post-Communist countries have a legacy of powerful state administration at a regional/county level that do not fit comfortably in a democratic system of government; they lack direct accountability either to a local electorate or to national ministries, and are often vested with considerable authority to intervene in municipal affairs.

While most reform programs have contained a commitment to establish an upper tier of self-government, doing so has often proved a tortuous and protracted process. Numbers and boundaries pose endless possibilities of argument, historical identities conflicting with ethnic loyalties, administrative rationality and the European Union’s obsession with minimum population sizes for its regional development funding. Cities fight to become or remain regional capitals because of the facilities to which this status apparently entitles them.

There are also strong arguments about the responsibilities of upper tier self-governments. While the specialized service institutions may be obvious candidates for devolution to them, it is arguable whether they should take over many of the tasks of regional bureaucracy which are regulatory or very specialized (meteorology or cadastral registration, for example,) by nature, or aimed at overseeing the operations of municipalities.

These contentious issues often take many years to resolve because forces at both national and municipal level lack sufficient positive enthusiasm for the creation of potentially powerful political rivals.

There are a range of solutions to territorial fragmentation including amalgamation of smaller units, performance of tasks through inter-municipal bodies, and assignment of selected tasks to either central town municipalities or to higher tiers of self-government. For varying reasons, reform programs find it extremely difficult to make a strategic choice between these options. Architects of reform are so obsessed by the economic costs and irrationality of fragmentation that they refuse to accept the political (and often constitutional) impossibility of amalgamation. Local government associations resist the compulsory frameworks that usually accompany inter-municipal cooperation on any significant scale. Assigning tasks to central towns is unpopular with villages, and assigning them to higher tiers is unpopular with the larger towns. Failure to drive a solution forward often leaves in the hands of local state administration functions that should be managed by locally accountable bodies.

**Territorial Structure: Higher Levels**

Most CEE states have faced the challenge to establish a higher tier of self-government. The municipal tier, whether highly fragmented or not, does not provide adequate catchment areas for the more specialized services such as secondary education, hospitals, or residential care institutions. There has been increasing pressure, particularly from the European Union, to establish representative

necessary for such essential services as primary education or waste disposal and for the employment of staff qualified in law, engineering, physical planning etc.
Assignment of Competencies

Most local government legislation assigns responsibility to the basic municipal level for what are often described as "communal services." These are elements of physical infrastructure including local roads and lighting, heating, water supply, sanitation, waste management, parks, and cemeteries. Management of housing is also included although the extent and nature of these tasks changes with privatization of the public housing stock. These are often recognized as "own" or "original" functions of municipalities; difficulties attach more to finance and property rights than to the location of responsibility.

The most contentious item in devolution of physical infrastructure is water supply. Although the construction of individual pipelines, treatment plants etc may have been financed by local budgets, water supplies have customarily been operated in the Communist era as integrated units covering a range of urban and rural settlements. Decentralization has not been too difficult where local governments have agreed to the conversion of these regional entities into joint stock companies with constituent municipalities sharing the equity. Where, however, they have insisted on the transfer of assets to the municipality where they are located, grave operational difficulties and disputes have inevitably arisen.

Greater difficulties in the reform process surround the responsibility for the human services (education, health, social welfare and culture) and the local regulatory tasks (for example, physical planning and construction control, civil registration, trade and occupational licensing and child protection). Uncertainty and argument focus on two issues. The first harks back to territorial structure—the mismatch between catchment areas for schools, hospitals, social care institutions etc and the size of local governments, together with the inability of smaller municipalities to employ qualified professional staff. These difficulties do not in themselves challenge the principle of decentralization, but pose practical difficulties that, as discussed before, often exceed the political support for decentralization or the willingness of interest groups to compromise.

The second issue concerns the proper division of responsibility between national and local government; it is intrinsically more difficult to resolve because it involves principle as well as practice. Both the human services and regulatory tasks are often defined as tasks of "state administration" rather than "local self government" which can at most be delegated rather than devolved. In terms of the human services, this definition implies that there are universal rights to minimum standards of provision that the State must guarantee. In respect of the regulatory tasks, the definition implies that the task involves an impartial application of national laws to the circumstances of individual citizens, in which there is no room for local variation or discretion; these are seen as roles for qualified bureaucrats, not elected politicians.

There are, of course, strong countervailing arguments for decentralization of both human service and regulatory competencies. The services are of strong concern to citizens, putting pressure on local governments to devote resources to their development. Local councilors and parents are just as worried as the Minister of Education if a school is failing its pupils. To retain such services under State management is to exclude the contributions of local resources and local accountability which local government is under strong pressure to provide.

There is ample evidence from Western Europe that national minimum standards of human services can be guaranteed within a decentralized framework of administration. The problem is, however, that such guarantee depends on a combination of arrangements that are relatively sophisticated and unfamiliar to a post-Communist state. The first is a normative system of financial equalization that ensures that national standards can realistically be achieved despite differences in local revenue bases. The second is national systems of inspection which can provide positive guidance as well as negative criticism, and which can be divorced from administrative management and political bias. The third is overcoming the difficulties of inappropriate territorial structures that have been discussed in the previous section. Time and determination are required to develop such framework for devolution.

Until a satisfactory framework for devolving the human services is developed, various interim solutions apply. In some cases service management is retained by State agencies which suffer from the lack of local accountability and may well be under-resourced. In a second scenario responsibilities are shared as where local governments manage schools but teachers are paid by the State, health service facilities are provided by local government, but funded principally by health insurance agencies, or the State provides social benefits but local government provides welfare services. In a third case competencies are fully transferred to local government, but subject to severe incidence of 'non-funded mandates,' i.e. decisions made unilaterally by sectoral ministries like teachers’ salaries increases or extra social
benefits which are not accompanied by changes in local revenues.

Similarly, the argument that regulatory tasks should be excluded from local self-government jurisdiction because of their judicial nature is oversimplified. Many regulatory decisions do involve elements of subjective judgment, e.g. the capacity of a family to bring up its children, the architectural consistency of a proposed new construction, the balance between economic benefits and environmental costs of a new industrial estate or retail park. Moreover, decisions made within the apparently neutral framework of state bureaucracy may be no more protected from political influence than in local government, simply less exposed to public scrutiny. Moreover, local governments may well be more concerned to see that such administrative processes are discharged in a “client friendly” manner. Decentralization of regulatory tasks may well be the most satisfactory solution in the long term, but again it depends on the sustained development of a supportive environment. A key element is professional staffing requirements and the combination of training, qualification and professional association that can alone ensure adequate protection and weight within local government.

Finance

The dependence of effective decentralization on an adequate and equitable financial base needs no explanation. Most post-Communist countries inherited inter-governmental finance systems, in which the cost of local public services fell initially on local budgets. These were funded partially, if not completely, by local collections of a wide basket of taxes, fees and charges including taxes on both personal and enterprise incomes as well as land. There was a system of redistribution, both vertical and horizontal, but lacking a normative base, subject to arbitrary variation in annual budgets and much political bias in its application at both national and regional levels. Liabilities for taxes and charges and their rates were determined nationally. There were strong disincentives for revenue mobilization or cost discipline. Much local budget expenditure subsidized low charges for utility services.

This framework was clearly incompatible with the functioning of a legally and politically autonomous system of local government system. Moreover its inherent inefficiency is increasingly intolerable given the massive shifts from public to private consumption and the consequent fiscal stress experienced by post-Communist governments. In financial terms decentralization has demanded a range of fundamental reforms.

Firstly, it has been necessary to distinguish clearly between the responsibilities of different levels of government, national, regional and local, for meeting the costs of specific services. This has to be in line with the assignment of competencies, and the process is, therefore, subject to the uncertainties and arguments outlined in the previous section.

Secondly, decisions are required on which revenue sources should accrue exclusively to local governments, which should be subjected to some intergovernmental sharing (and in what proportions), and which should be retained exclusively by the State Budget. This poses several difficulties. Until the assignment of responsibilities have been resolved it is impossible to quantify the relative resource needs of individual tiers of government. The structure of taxation may be concurrently subject to reform to adjust it to the requirements of a market economy. Taxes on enterprises that have previously accrued, at least in part, to local budgets may no longer be suitable for such assignment once problems of origin or disparity can no longer be solved by arbitrary redistribution.

Thirdly, there are strong arguments of accountability and efficiency (together with the provisions of the European Charter of Local Self-Government) for giving local governments some power to determine liabilities for local taxes, fees and charges. Ministries of finance have been in no hurry, however, to surrender their exclusive powers in these respects, often supported by macroeconomic arguments concerning the control of inflation and the encouragement of private investment. Nor have they been under pressure from local government lobbies, eager to obtain larger tax shares rather than taxing powers. The demands of local government leaders have been generally short sighted in this respect, ignoring the fact that a taxing power is less hostile to political fortune than a tax share.

Fourthly, a system of redistribution may still be needed, particularly if extensive responsibilities for the human services have to be financed by local governments, requiring rough equality in per capita expenditure. This demands the creation of equalization transfers, either vertical or horizontal based on normative assessments of the differences between local needs and resources. Calculating such formulae poses technical challenges of measurement and data collection, but also political judgment over the balance between equality and incentive.
Fifthly, the demands of both efficiency and equity and the increasing intervention of private sector ownership or management have led to progressive decline in general subsidization of public utility services. This involves the challenge to apportion responsibility between the State and local government for making such decisions, for funding and managing the individually targeted compensation for poorer consumers of essential services, and for meeting the increasingly urgent demand for investment in repair and upgrading.

Finally, the greater the degree of fiscal decentralization the greater the need for improved systems of accountability. EU accession processes, for example, highlight the need to develop systems of external audit of local government and to restrict indebtedness, measures that are both unpopular and technically demanding.

To list this agenda (which excludes the practical issues of revenue assessment, budget management etc in a competitive mixed economy) is to indicate its complexity and the demands it makes both on technical capability and political courage.

Property Rights

It has been an obvious and generally accepted principle of decentralization that transfer of ownership of State property should accompany assignment of functional responsibilities to any legally autonomous tier of government associated with their performance. In practice, this has often proved a contentious and protracted process.

Communist states obeyed the principle of the unity of state property. However, administration of property was often delegated to regional or local executive bodies, usually according to location or catchment area. Regional administration felt that an electricity supply belonged to them, so that they appointed the directors, controlled the budgets, disposed of surplus land etc, as though they were legal owners. The same applied to the attitude of city officials to a local hospital. This was often reinforced by the fact that capital investment in a utility plant or a service institution was often funded by regional or local budgets.

The restitution of property to pre-Communist owners has added complexity to the process. In many cases, service institutions like schools, residential homes and hospitals were originally built and managed by voluntary bodies, usually religious. The principle of restitution has also encouraged municipal governments to demand return of assets they constructed in pre-Communist times, whether or not they now accord with their functional responsibility.

Both of these earlier patterns of ownership or management have complicated the process of transferring property rights in line with the assignment of competencies. City governments claim ownership of hospitals or secondary schools that serve a much wider area with consequent difficulties for the allocation of running costs and control over access. Municipalities, on the other hand, are made responsible for the provision of utility services that are the monopoly of regionally owned and managed networks. Technical solutions are possible, such as joint ownership of utility companies, but application is obstructed by arguments over the apportionment of shares and the opposition of current management who have succeeded in some countries in thwarting the process by buying out the assets or the contractual rights to manage them.

Property transfer is also subject to systemic difficulty, such as the lack of inventories and cadastral records and overload of the State apparatus by the processes of restitution and privatization. Again technical difficulty combines with political conflict and ambivalence to impede and delay an essential component of the decentralization program.

VESTED INTEREST

What the previous sections have tried to convey is that beyond the simple creation of legally autonomous, elected bodies at municipal level, decentralization is a complex and contentious process. It involves choices which are either politically or technically difficult (or both), such as the territorial structure of regional administration. It requires the reconciliation of conflicting interests, for example between national responsibilities and local discretion in the management of a service like education. It demands tenacious spadework, for example to devise an appropriate equalization formula or a workable framework for inter-municipal cost sharing.

To drive the process through, demand, determination and positive enthusiasm. These two qualities are often insufficient to overcome vested interest and inertia. Some interest groups are bound to oppose decentralization. The bureaucracies of sectoral ministries and local state administrations are likely centers of opposition, having much power to lose or being faced with unfamiliar roles.
Ministries of finance will be nervous, their anxiety over fiscal decentralization reinforced by IMF demands for strict control over levels of taxing and spending. Others may well be ambivalent. Mayors of smaller municipalities are often reluctant to see human service and regulatory responsibilities transferred to local governments, because a narrow range of competence preserves their freedom from cooperation with neighbors and from state oversight. The larger towns may well see the introduction of a higher tier as a threat. Local government associations may well be ambivalent or in conflict over particular stages of reform.

A further hurdle is coalition politics. Most CEE countries have proportional election systems that rarely produce overall majorities for a single party. Governments usually comprise coalitions of parties that may not share a uniform view of decentralization. However much priority may nominally attached to such policy, it is difficult to persuade sectoral ministries to tow the line in terms of functional devolution or ministries of finance to share taxes if there is insufficient cabinet discipline and prime ministers are constantly afraid of parties walking out.

**OPPORTUNITY**

Nevertheless, opportunities for pushing through a decentralization program do arise, often unexpected. The overthrow of an autocratic regime may be one such occasion, leading to a determination to remove a regional apparatus that may have supported the regime in power. The 1998 election provided this opportunity in Slovakia although it has only been partially exploited.

The threat or occurrence of civil war may demand radical decentralization to give ethnic groups a sufficient degree of local autonomy to buy off attempts at secession. The current legislative program in Macedonia is a clear example.

Recent developments in Ukraine illustrate another path to reform. The severity of the State’s budget crisis encouraged Government to side with Parliament in adopting a major program of fiscal decentralization involving a clear separation of functional responsibilities between State, province and city budgets, accompanied by an equally explicit division of revenues and a formula system of equalization. Although enacted through financial legislation, this reform has greatly enhanced local autonomy by severing the chain of vertical dependence.

Finally, negotiations over accession to the European Union have put pressure on candidate countries to complete structural reforms including the formation of regional tiers of self-government.

**PREPAREDNESS**

These are examples of circumstances that give decentralization programs a favorable wind behind their sails. But the wind can lose force or change direction. The important thing for reformers is to be able to take advantage of the wind while it is still behind them and blowing strongly enough to overcome opposition and inertia.

This means preparation. Two examples bear this out. The Hungarian reforms in 1990/91 were far more comprehensive than in other CEE countries because the Hungarian Institute of Public Administration took advantage of a more liberal political climate to prepare them during the late 1980s. The incoming Polish administration in 1997 was able to push through the creation of two higher tiers of self-government with remarkable speed, again because so much preparatory work had been done during the previous frustrating electoral period.

By contrast, the Slovak coalition which came to power in 1998 quickly adopted a strong decentralization platform, but has taken early four years to implement it and then only in a diluted form. Argument over regional boundaries has highlighted the conflicts that have delayed reform, but equally debilitating has been a failure to formulate a clear model of how to devolve state competencies on a very fragmented municipal structure. The absence of a coherent model of inter-municipal relations has allowed sectoral ministries to procrastinate over the devolution of competencies, which in turn has delayed the elimination of the local state administration and the introduction of a permanent structure of intergovernmental finance; the Ministry of Finance has been able to argue, with some justice, that it did not know the scale of the finances which would have to be transferred to local government and to which tier. Lack of technically coherent solutions has been just as responsible for the delays as the ambivalence of coalition partners and xenophobia.

Earlier sections have highlighted the technically problematic areas for which blueprints have to be prepared. Particularly important are the questions of inter-municipal cooperation in the territorially fragmented states, (and its
implications for the roles of upper tiers of self government), the precise divisions of responsibility between the State and local government in respect of education, health care and social welfare, and the basic elements of intergovernmental finance, namely the division of tax revenues and the system of equalization.

Reformers can never quite know when their day will come. When it arrives, they will still have many vested interests to surmount. Their success will depend heavily, not only on political support, but also on averting excuses for delay. A politically and technically coherent set of proposals will enable reformers both to catch a favorable tide and, more importantly, to keep up momentum.
A.J.G. Verheijen

Removing Obstacles to Effective Decentralization: Reflecting on the Role of the Central State Authorities
Removing Obstacles to Effective Decentralization:
Reflecting on the Role of the Central State Authorities

A.J.G. Verheijen

INTRODUCTION

Decentralization policies in Post-Communist states are hampered by a lack of comprehensive approaches to the definition of the architecture of the state. Whereas much attention has been devoted in the literature on decentralization to the optimal size of local authorities, the definition of the number of levels of government, models of financial and fiscal relations between levels of government and the legal basis for local government, there are few examples as yet of comprehensive processes of reform. Such comprehensive processes would include the review of the allocation of functions across levels of government, the design of a clear architecture of the state administration across levels of government. These are design issues to be undertaken as a basis for and over and above the development and implementation of the necessary 'technical' elements that make the system function and deliver services effectively, such as the system of fiscal intergovernmental relations.

The lack of attention for systemic aspects of public administration development is due in part to the lack of reflection on the role of the state in Post-Communist states, with reforms and re-allocation guided by a mixture of ad hoc decisions and, in some cases, perceived requirements of EU accession. It is also due to the lack of a comprehensive approach to central government reform, which only in the last 3–4 years has started to emerge as an important issue on the political agenda of the states of Central and Eastern Europe. However, the increased attention for this area of reform does create an opportunity to re-visit some of the more fundamental questions that continue to hamper the creating of effective and efficient systems of public administration.

This paper addresses the link between overall government reform and successful decentralization and reflects on how decentralization policies can be better 'embedded' in overall administrative development strategies. This paper draws on the conclusions of two recently published UNDP publications, ‘Rebuilding State Structures, Methods and Approaches’ (2001) and ‘Recreating Effective government, Local Level Initiatives in Transition’ (2002), which both address these questions more in depth, as well as on earlier work by the author.

LINKING THE WORLDS OF ADMINISTRATIVE REFORM AND DECENTRALIZATION

Administrative reform and decentralization are often treated as rather separate elements of institutional reform processes, even if the are clearly and indisputable linked. In central Europe, for instance, much of ‘administrative reform’ in the early 1990s was in fact decentralization and local government development, as politicians and citizens alike turned their back on discredited central state structures. When reforms in the area of decentralization stalled in many states of the region in the mid-1990s (with the exception of Poland), attention shifted to central government reform. This was due to some degree to the issue of ‘administrative capacity’ arriving on the EU enlargement agenda after 1995, but also due to the increasing realization that strengthening the system of central government is a key condition for the development of effective and efficient local government [see UNDP, 2002, chapter 4]. As a cross-cutting issue, sectoral institution building requirements for EU membership have in recent years driven a more sectoral approach to administrative development, thus reducing to a certain degree the attention both for horizontal administrative reform issues and for general issues related to decentralization policies. ‘Institution building’ in the sectoral sense has become a category of administrative reform of its own in many candidate states, often managed again by a different institution to those responsible for general administrative development and decentralization, and thus further reducing the chances for a successful overall reform of administrative systems.

Therefore, even if all three elements of administrative development, local, central and sectoral, have at times
featured as important issues on the political agenda of Post-Communist states, they have rarely been addressed together and holistically, except maybe in institution building plans. Institution building plans became an additional requirement for candidate states in 1998-1999. They are now a mandatory element of the documents candidate states have to submit to the EU on a regular basis, much in the same way as the National Programs for the Adoption of the Acquis. However, in most EU candidate states these have remained relatively low-key planning tools, and for other associated states they are not yet an integral part of the association process. In many cases, responsibilities for central government reform, decentralization policy and the management of institution building plans are even institutionally separated. In particular in states where EU accession is a key priority, however, the three areas should be clearly and explicitly linked, as the EU will assess the quality of the administrative system as a whole, and in particular the strength of the linkages between levels of government. Two important illustrations of the above are the system of checks and balances, in particular in the area of financial control and oversight, and systems for cooperation in decision-making. The latter is important both in terms of the way regional development resources are planned and, ultimately, in the extent to which local governments are effectively involved in EU decision-making. However, attempts to sensitize governments to the importance of integrating central government reform, decentralization policies and sectoral institution building strategies in a holistic approach to institutional development have generally not led to changes in the way these issues are being handled.

Apart from questions related to the architecture of government, there are additional questions of importance that link central and local government development. As an example, the degree to which the central policy on civil service employment conditions is mirrored and local level and the extent to which civil service systems are integrated across levels of government have fundamental repercussions on the ability of local governments to attract and retain qualified staff. The lack of a clearly defined concept of the role of the state is a first and key issue that hinders both the development and implementation of public administration reform overall and has strong repercussions for the success or failure of decentralization policies. There is no longer a strong over-arching ideological ‘drive’ to reduce the role of the states, as the strong neo-liberal influences that dominated the political agenda in Central Europe and parts of the former Soviet Union in the early 1990s have gradually waned. However, there has not been as yet a clarification of thinking on the role of the state, in particular in social and economic policy areas. The UNDP publication ‘The Shrinking State’ (1997) possibly captures best the general trend of ‘unorganized state withdrawal’ from key social policy areas, driven mainly by concerns over dwindling resources. If there is no clarity over what the
state will provide and under what conditions, how then can one think in terms of effective decentralization? One of the reasons why local governments, and in particular self-governments, have been left with ‘minimal packages’ of tasks is that where there is no consensus on the role of the states, it is impossible to define what level of government should undertake what task. One way governments have found there way around this ‘dilemma’ is to transfer functions to lower levels of government, in particular self-governments, without increasing significantly transferred resources, so-called non-funded mandates, which ultimately may lead to the delivery of many services, but in a highly inadequate way. Another approach that has been widely practiced is mandatory across the board reductions in staff, applicable of course mostly to local state administration structures. By and large this has had a similar effect to creating non-funded mandates: key-underlying imbalances (mandated services versus resource base) are exacerbated rather than mitigated.

In most states of Central and Southeastern Europe EU membership obligations provide some degree of counterbalance to the general lack of strategic thinking about the role of the state. National systems have to then be built around these EU obligations. However, even in these states numerous choices remain, for instance about health, education and social welfare systems, where EU competencies are relatively weak.

‘Leftover’ Elements of the Previous System Reduce the Scope for the Re-allocation of Scarce Resources

The continued presence of leftover structures from the previous system of governance is a second serious impediment to reforming current systems of public administration and freeing up resources to fund functions transferred to local levels of government. The involvement of Public administration in economic management under the previous regime created the need to develop a number of administrative structures to support that role. These include economic branch ministries that controlled state enterprises as well as units in finance ministries that worked on budget calculations for such ministries. One may have expected that such structures would have disappeared ten years after the start of the transition to a market economy. Other structures, such as printing and publishing facilities, research institutions attached directly to ministries, and credit and loan management institutions, could also have been either privatized or abolished. However, the functional review conducted in Slovakia in 2000, for instance, found that many of these types of institutions were in fact still in place [UNDP, 2001, chapter 1]. Recent budgetary problems in Poland, where the new incoming government found a deep hole in public finances upon taking office, have been widely blamed on the lack of systematic restructuring of state structures and the continued operation and budget funding for a large array of agency structures. The widespread existence of such institutions can pose a serious hindrance to economic development uses much needed budgetary resources. This is in stark contrast to the apparent inability of the state to properly fund mandates transferred to local government structures.

Functional reviews conducted in various states have been useful in identifying redundant structures and make arguments for their closure. However, unfortunately the same functional reviews generally have not gone beyond the central level of government. A review of local state administration structures could have identified further scope for rationalization of the central state administration and for re-considering the allocation of functions between levels of government. Bulgaria is one of the first states to take this type of approach to administrative reform and is planning a review of the division of functions across levels of government, but this remains an exception in the region, with Kazakhstan as the only further example of a state engaged in this kind of process.

Lack of Vertical Coherence in Policy Sectors Reduces Reliability and Predictability

A further common feature of systems of public administration in Central and Eastern Europe is the lack of a clear system of inter-institutional relations inside policy sectors. Modern systems of public administration are generally built on a clear distinction between types of institutions in any given policy sector, with related systems of accountability. Generally the following types of institutions are distinguished:

- Policy-making institutions;
- Regulatory and licensing bodies;
- Supervisory bodies;
- Inspections;
- Service delivery institutions;
- Institutions under tutelage.8

Institutions should preferable perform only a single type of function and a clear and well-defined system of reporting
and accountability has to be in place. The development of a rational system of division of functions across institutions is also a key condition for the creation of a working system of local-central government relations. For instance, the development of clear lines of responsibility and accountability between school inspections (as part of the state administration) and locally managed schools is key to a well-run education system. If, therefore, there is no clearly defined role and position for supervisory, regulatory and other types of administrative bodies, and of their relations to local self-governing authorities, this leaves local governments open to ad hoc and unpredictable decision-making by such authorities. This risk is even greater if the independence of inspections and regulatory bodies is in doubt. Informal pressure and ‘instructions’ by central authorities are often quoted as some of the main reasons why local self-governments are not able to fulfill the role legislation provides for them [see for instance Verheijen and Coombes on Bulgaria, 1998], and much of this could be avoided with a rationalization of the system of central state administration. This risk is particularly strong in systems where local self-governing authorities carry out a large array of functions on behalf of the state.

Weakness of Inter-sectoral Coordination Makes the Adoption of Strategic Approaches More Difficult

In addition to the lack of a clear organization and transparency in the organization of policy sectors, there is the added complication of weak horizontal management systems in state administrations. Formerly horizontal management was largely performed by Communist Party structures, where sectoral inputs were integrated into state policy. The disappearance of the Party from the system left public administrations virtually without any horizontal management systems. Little has been done to replace these systems. One could argue that weak inter-sectoral coordination could in fact be an advantage to local self-governing authorities, as it may improve the ability of local governments to ‘play’ state institutions against each other, and thus possibly increase freedom of action. However, in reality weak systems of inter-sectoral coordination are bad for local governments. Strategic decisions on decentralization, which are always difficult to make, require consensus to be taken and have generally to be enforced by the line ministries. This gives central authorities two ‘windows’ to delay and obstruct strategic decisions on decentralization. In first instance, the need to build agreement across the government in systems that still operate in a highly top-down fashion is extremely difficult. In addition to the problems of low capacities in administrative coordination, brought out by virtually any analysis of systems of public administration in the region, the fact that most EU candidates states have political systems that rely on coalition governments makes the adoption of strategic decisions extremely difficult.

The process of decision-making over decentralization in Slovakia (2000–2001) is a painful example of how administrative obstruction and unwillingness to forge political compromise can delay, and almost destroy an ambitious policy of decentralization. Even if the process of preparing the decentralization strategy was taken out of the administration to avoid administrative obstruction, in itself an indictment of the Slovak policy-making system, the subsequent phase of (political) decision-making dragged out the process. Finally, the whole project almost failed to be adopted in time for it to be completed during the current government’s mandate. Political priorities clearly overrode economic rationale, with only the threat of a government collapse finally saving the decentralization process.

Problems of enforcement of decisions can further hinder effective decentralization. Decision-making systems in Central and Eastern Europe are notorious for their implementation problems. In many states this is largely due to a lack of a well-functioning system of monitoring implementation, which is an additional element of weak coordination capacities. This is a point repeatedly stressed by the EU in its annual assessment of administrative capacities. Therefore, even if strategic decisions are taken, the implementation process provides many opportunities to those that feel their objectives have not been met to delay the implementation of government decisions. This problem affects decentralization in particular, as government officials are rarely enthusiastic to lose their control over policy areas. Therefore, even if weak systems of inter-ministerial coordination might at first glance constitute a possible opportunity for local governments, in reality they are likely to hinder the implementation of the very strategies and legislation that should empower local self-government.

Limited Strategic Capacity Leads to Over-reliance on Outsiders

Reviews and reports on public administration in the region all point out the problem of policy-making capacity. Public administrations in Communist states used to be mainly implementation machines, with little or no role in policy
Conclusions: The Problematic Nature of Structural Reform and its Implications for Decentralization Policies

The above set of complex and interrelated problems has not been fully addressed by any state in the region. Yet, as the above analysis has shown, these problems need to be dealt with if the decentralization processes in the region are to be more successful. Several factors reduce the scope for the adoption and implementation of structural reforms in the region.

First, there is the multi-faceted nature of structural reform. Structural reform involves the re-definition of the role and position of ministries, they’re subordinated organization, the core executive unit(s), and local self-governing authorities. This is of particular importance in Central and East European states as there are a number of fundamental ‘system values’ that need to be changed. For instance, core executive units of the administration used to ‘shadow’ line ministries under the previous regime and play a dominant role in the process of policy co-ordination. Policy processes were therefore ‘top heavy’, based on co-ordination at the top, and ultimately controlled by the Communist Party. Core executive units also tended to manage large numbers of subordinated institutions. Ministries in turn had direct responsibility for the management of a plethora of subordinated bodies, including often state enterprises and other institutions that in a market economic either belong in the private sector or, at the very least, in the ‘third sector.’ Local self-governing authorities did not exist at all, and the development of a workable system of relations between central governments and local self-governing authorities possibly requires the greatest change in administrative culture in the whole restructuring process.

A second element of complexity is the need for radical change in accountability systems, which has both institutional and cultural implications. In the past, accountability lines were directed towards the leading political party. Changing a system based on a single hierarchy with single accountability lines to a complex accountability system with various ‘centers to which institutions report is a highly difficult task. In particular, the development of a system where the activities of local self-governing authorities are subject to ex-post legality control only, away from a tradition of ex-ante controls or ‘veto-rights’ for appointed higher level officials, goes beyond merely adopting legislation, mentality changes are much more difficult to come by than changes in legislation.

During the last few years initiatives have been taken in several states to come to a more comprehensive approach to structural reform. One method applied has been the use of framework laws to regulate the role and function of the different institutions in the administration and to rationalize their operation. For instance, in Bulgaria a Law on Public Administration was adopted in 1998, defining the type of institutions that can exist in the state administration, and their relations of accountability. Other states have also taken initiatives of this kind in recent years, such as Latvia and Lithuania. Slovakia has defined a package of laws and regulations, which is in the process of being adopted. The clarification of the role and function of the different parts of the state administration is relevant for local self-governing authorities. It provides them at least with an understanding in principle of their own rights and obligations towards the various state structures, and,
in an ideal situation, with enforceable rights. The development of legislation to regulate accountability systems could in this way help to overcome at least the problems of vertical fragmentation.

THE ROLE OF CIVIL SERVICE REFORM

Whereas the implementation of structural reform in the central state administration could provide much better conditions for the successful implementation of decentralization policies, there is also an important linkage between civil service reform and decentralization. As will be argued in this section, building local government capacities goes beyond putting in place training systems for local governments. Whereas I would not in the least dispute the importance of high quality and tailor made training programs to build up local government capacity, this alone is not a sufficient condition for creating strong local self-governing institutions. The development of suitable employment conditions (in terms of remuneration and career possibilities) is a second necessary condition for building strong local self-governing institutions, and thus ensuring effective decentralization.

In fact, the link between civil service reform and decentralization is not often explored. Civil service reform is most often seen as a matter for the central government administration, and as not directly relevant to decentralization policies. However, the development of civil service systems can provide both incentives to the development of professional capacities at local level as well as impede the development of suitable employment conditions at the level of local self-governments. Three possible scenarios can be considered in this respect.

The first scenario is a full de-linkage of local and central government employment conditions. This provides the best guarantee for autonomy to local authorities in terms of setting employment conditions for their own staff, thus safeguarding the independence of local self-government. In this case, the adoption of a central level civil service law will have no implications for local self-government staff. However, if no over-arching regulation of local government employment conditions is put in place, this will make it impossible for poorer municipalities to attract adequate staff. This can also lead to a departure of talented officials from self-governing authorities to local state government authorities on the same territory.

The other extreme, a fully integrated civil service system, in which employment conditions for civil servants at central and local level, including local self-government, are regulated through one set of rules, provides potentially better employment conditions for local self-government officials. However, this is achieved at the cost of a loss of budgetary autonomy for local governments. In addition, the problem of a ‘brain drain’ from local to central level is difficult to prevent in this kind of system. Unless there is an obligation for civil servants to spend at least part of their career at local level (a two-way mobility), civil servants at local level will merely hope to use the integrated system of employment conditions as a launching pad for a central government career. The potential advantage of this kind of system remains that local self-governing institutions can at least temporarily attract qualified staff, but a high level of turnover is inevitable in this case.

A third possible option is the parallel development of legislation regulating the employment conditions of central and local government officials. The success of this kind of model depends on the extent to which fiscal relations between levels of government are adequate to ensure that the law on local government employment conditions can be implemented regardless of the size and location of the local government.

There are few examples of states that have tried to relate civil service reform at central government level to employment conditions at the level of local self-governments. The trend in the region has rather been the inverse. Civil service laws have increasingly focused on defining a core civil service, incorporating mainly managerial and policy staff at central government level and senior management staff at the level of subordinated bodies [see for instance, Reinholde and Jansone in Verheijen, 2001]. Whereas earlier versions of civil service laws in the region tended to be more inclusive in nature, at least as far as officials in the central government and subordinated bodies were concerned, the more recent laws have focused on improving employment conditions for smaller categories of staff, leaving most public officials outside the remit of the Civil Service system. Staff of local self-governing authorities generally do not enter the picture at all. Among the EU candidate states, Lithuania is the only state that has adopted an integrated civil service system, including local self-governing authorities, but even in this case amendments to the Civil Service law will in all likelihood
reduce the impact of the law on local self-governing officials. The Lithuanian case, however, did provide an interesting example of how a balance could be struck between local autonomy and the principle of integrated civil service, providing for a central definition of employment conditions with local autonomy in the hiring process, of course within the limits set by the law [see Lazareviuciute, Tirviene and Poniskaitis in Verheijen, 2001]. Kazakhstan is the only other state as yet to experiment with an integrated civil service system. However, since the role of local self-governing authorities is still limited in Kazakhstan,17 this example is for now less relevant. The one important lesson that can be drawn from the Kazakh case, however, is the difficulty of implementing a system based on unified salary scales in a state where economic disparities are wide. Interestingly, this could actually put cities and larger towns, where life is more expensive, at a disadvantage in attracting qualified officials.

It is urgent that those designing decentralization strategies do reflect on the issue of local employment conditions. The argument that this should be a matter of local autonomy does hold much value in states where disparities are wide and local government revenues unstable. The development of capacities at the level of local self-governing institutions should be a matter of interest of central government, and employment conditions are a central issue for discussion in this context. However, looking at the professional and academic literature on this subject, little attention has been devoted to this problem. Capacity development through training appears to have been the main and almost exclusive focus of thinking on this issue.

As discussed above, the development of integrated Civil Service Systems may not be a miracle cure for the low level of competitiveness of local authorities, especially in the current context, where Central and East European states are moving towards the creation of ever more narrowly defined Civil Service Systems. However, other means are available to address this problem. The creation of a law on employment conditions of local self-government staff, mentioned as an option above, could create a more competitive system of local self-government. Many EU member states have such arrangements in place. Such legislation should obviously prepared in close consultation with associations of local governments. It is important to cost of the implementation of such laws, and to make provisions to address regional disparities, as these tend to be significant in the region. Furthermore, for legislation on local self-government employment conditions to work, it is essential that the cost of employing staff is properly integrated in the system of intergovernmental transfers. This would ensure that even small municipalities could afford minimum staffing levels, while encouraging them, through fiscal incentives, to set up joint administrations.

Innovative solutions are required to address the problem of staff capacities at the level of local self-governments. This requires urgent reflection on the problem of creating employment conditions that can attract qualified staff. If decentralization policies are to have better results, the factor of staff quality needs to be given more attention.

THINKING ABOUT LOCAL GOVERNMENT IN ADMINISTRATIVE REFORM PROCESSES: CREATING BETTER CONDITIONS FOR SUCCESSFUL DECENTRALIZATION

This paper has looked at the issue of integrated public administration development. Central government reform, decentralization and sectoral institution building for EU membership continue to be ‘separate worlds’ in many ways, even if all three would benefit from a more integrated approach. Decentralization will not fully succeed unless central government reform issues are addressed in parallel, while success in sectoral institution building is dependent on progress in both central government reform and local government development. Reforms at central level, especially when concerned with the transfer of functions, will be blocked if local government capacities are insufficient to take on those tasks that central government needs to transfer.

The above argument has been illustrated by reviews of two key areas of public administration reform and their relevance for the successful implementation of decentralization policies. Some of the key structural problems in central government reform have serious implications for the chances for effective decentralization. Issues such as horizontal and vertical fragmentation of the state administration, the lack of consensus on the role of the state and the related irrationalities in budgetary allocations to redundant institutions all combine to make effective decentralization much more difficult.

The development of a more comprehensive approach to Civil Service Reform, taking into account employment conditions at the level of local self-government, also could do a lot for effective decentralization. In particular the development of special legislation on local government
employment conditions, designed in parallel to national civil service laws, is an under utilized tool to strengthen local self-governing authorities. This should be an issue for advocacy by local government associations and external supporters of decentralization policies alike.

In general, a better synchronization between central government reform and decentralization policies is essential if both are to be more successful than they have been thus far. It requires to integrate rather than separate responsibilities for these areas of reform and to develop a holistic view of state reform. Thus far the fragmentation that has characterized public administration systems in Central and Eastern Europe in general appears to have been equally present in reform efforts. This is one among the many issues that policy-makers in the region should address urgently.
REFERENCES

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NOTES

1 Chief Technical Adviser on Governance, UNDP Regional Support Center. The views and opinions expressed in this paper are the personal views of the author only and do not necessarily reflect the views of UNDP.

2 In some cases, any approach at all.

3 There are some examples where this type of approach has been tried at least partially, such as in Slovakia (even if in an imperfect manner), and a reflection on ways of rationalizing the allocation of functions between levels of government has started recently in Bulgaria.

4 Institution building plans are an obligatory element of national plans for EU accession and have been used since 1999.

5 There are exceptions to this, especially Lithuania has devoted a lot of time and energy to developing institution building plans as real planning tools, to a lesser degree this is also true for Latvia. See for instance, Verheijen, T., Developing a methodology for the development of a Lithuanian Strategic Institution Building Plan for EU accession, Produced for the European Committee under the Government of Lithuania and the EU PHARE SEIL project. Linkages to the institution building plan are provided in the chapters of the NPAA 2001–2004, covering both vertical and horizontal aspects.

6 This relates both to formal decision-making, where it is relevant mainly to states with strong devolved systems of authority (Germany, Spain, Belgium etc.), and to consultation practices, e.g. to ensure that local governments have been consulted and are able to apply EU public procurement rules. Obviously the former issue is of less relevance to the current candidate states, as all are strongly unitary.

7 The following section draws broadly on the argumentation in the UNDP paper Rebuilding State Structures, chapter 1, but sets out the relevance of the issues discussed there for the decentralization process.

8 The concept of ‘tutelle’ (in French) is best translated as ‘guardianship’ and in this context refers to institutions that are subject to administrative control on the financial regularity of the use of allocated budget resources, but otherwise have a high degree of autonomy in the way they are managed. This modality could apply in particular to cultural institutions, higher education institutions etc.

9 Instead the process was managed by a plenipotentiary, how drew on limited staff resources for inputs.

10 The final decisions on the decentralization process were taken only in late Spring 2001, which was the last possible moment possible as regional elections had to be held by the end of 2001, in order to avoid having two major elections in 2002. Two of the main political forces clearly used delaying tactics to gain maximum political benefits for their constituents.

11 In addition one of the main political forces tried extensively to use economic arguments to back a clearly political strategy.

12 The development of the administrative reform strategy in Bulgaria by STRATEGMA is one key example.

13 For instance, Chancelleries, Prime Minister’s Offices, Cabinet Offices or Council of Ministers.

14 experimented with in Lithuania and Kazakhstan.

15 and makes local self-governing institutions more competitive at local level.

16 For instance, the Latvian Civil Service law adopted in 1995, the Polish Civil Service Law adopted in 1996.

17 Local self-governing authorities in the European definition exist only at village level thus far, even if experiments with elections at city and Raion level have started during the last year.
Management of Civil Service Reform in Central Europe

Miroslav Beblavý
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INTRODUCTION

This paper deals with experiences from management of civil service reforms in countries of Central Europe (primarily Czech Republic, Hungary, Slovakia, but also Slovenia). Therefore, it is not primarily focused on the substance of the civil service reform in these countries, but on how the challenge was managed. To understand the management of a reform, however, one frequently needs to allude to the substance as well.

To analyze issues in civil service reform management, several questions need to be asked: what is reform? What is a civil service reform? What does management of such reform include? Introduction provides brief and rather stylized answers to these questions for the purposes of the paper.

What is reform? To put it very simply, reform is a conscious implementation of changes. [Kolarska–Bobinska (2000), p. 7] A more sophisticated version can define reforms as a specific set of public policy measures aimed at significant and swift change of public policy in a certain area with an objective to obtain a qualitatively new state.

What is civil service? There is no single, overarching definition, which would be universally accepted except that it means a subset of public sector, which excludes certain groups of employees. In most countries, employees of organizations with corporate status are excluded. In 20 out of 34 countries surveyed by OECD, health professionals are not included and in 18 out of 34 countries, teachers are not included. [See Synnerström et al. (2001)]

These views are reflected in the paper, which does not focus on teachers and health professionals or employees of public corporations. It does however include both central and local public administration employees. This is due to focus of the book as well as OECD findings that in the sample of 34 countries, 18 countries include subnational civil servants in the general scheme, while 11 others have a separate civil service scheme for them.

What is civil service reform in transition?

As analyzed more closely in the next section [see also Beblavý (2002), Hojnacki (1996), and Vanagunas (2002)], transition countries inherited a public administration, which was problematic in several aspects:

• its employees were responsive to political pressure and vulnerable as individuals;
• the bureaucracy as a whole had very little political accountability toward the people or the party/ies;
• public administration as a whole lacked skills and information needed to participate in policy-making in a new world of market democracy;
• due to state control of all organizations, there was a lack of public service ethos as the distinction between “civil service” and other government employees (including enterprises) was blurred.

To gradually remedy this situation, all civil service reforms in Central Europe, in some way, pursue some of the following essential components:

• to replace some of the public administration employees with new employees with a different set of skills and preferences;
• to give the remaining and incoming public administration employees incentives to mould their behavior in a desirable manner;
• to equip public administration employees with skills that enable them to respond to incentives in a desirable manner.

Management of civil service reform, in this context, means inter alia:

• primary and secondary legislation concerning civil service—preparation, interpretation, monitoring of implementation and amendments thereof;
• Management of transition of the existing public administration employees into the new system (exams, oaths, lay-offs etc.);
• organization of training for existing and new civil servants;
• setting up institutional solutions for recruitment, dismissal, evaluation and remuneration systems of civil servants (which usually require complex institutional underpinnings).

In all these aspects, reform management involves issues such as how much change? How fast? What sequencing of individual steps? How to combine top-down and bottom-up approaches?

In all of these countries, because of their legalistic culture and other factors, a new civil service law became a focal point of civil service reform and its management, around which all these issues gathered. However, as the enumeration above shows, it would be a mistake to confuse passage of legislation with a reform. Nonetheless, because of its focal nature, the civil service legislation and management of its preparation and implementation is going to play a prominent role.

The rest of the paper is organized in the following manner: first of all, some key factors impinging on civil service reform and its management are introduced. Then, choice of institution responsible for civil service reform is analyzed both from the positive and normative point of view. Look at various stakeholders and their role follows. The paper concludes with a discussion of timing issues in the reform.

KEY FACTORS INFLUENCING CIVIL SERVICE REFORM AND ITS MANAGEMENT

This section introduces and details some of the key influences on civil service reform and its management. Starting generally with how heritage of communism influenced civil service reform, it then goes on to look specifically on governance and public administration reform as well as labor code reforms.

Heritage of Communism

Since communism meant a totalitarian system based on collective ownership of all means of production and repressive and intrusive political system, both outsiders and insiders often tend to see it as an environment with very low level of autonomy for individual actors in any area. Such a view tends to perception of the whole communist society as a centralized, vertically and horizontally integrated hierarchy, where the center (e.g. central committee of a communist party and its government apparatus) directed resources and activities of sectors, organizations and individuals. It ignores, however, several important factors.

The officially tightly knit hierarchy contained thousands of organizations with legal autonomy. While the system could rely to some extent on its ability for arbitrary use of power to resolve conflicts between interests in this hierarchy, arbitrary use of power in itself was an insufficient answer to daily routines of administration in a complex society. The communist system lasted from 40 to 70 years in countries of Central and Eastern Europe as an industrialized economy where citizens were provided with a welfare-to-cradle superstate (issues in quality, responsiveness and ability to generate wealth notwithstanding). No economic, political and social system would be able to last so long in these complex conditions unless it developed a relatively predictable system for conflict resolution between both individual and organizational interests. [See Beblavy (2002)]

As several authors, including Mlčoch (2000), argue, the hierarchy was largely an illusion: “In a closed system of hierarchical management, the planning was a widespread social game based on a all-encompassing dichotomy between the real rules and the official ones. In reality, local “controlling” groups tried to maximize their share of a social pie in the inverted pyramid. Planning was an instrument and an ideological smokescreen to utilize a monopoly power over allocation of scarce resources, information and decision-making processes within the social reproduction process;” [pp. 30–31]\(^1\)

By 1970s and 1980s, the public administration was penetrated individually (by compulsory party membership on many levels), but it was nearly invulnerable collectively [see Sootla (2002)]. As Hojnacki (1996) writes: “There can be little doubt that during the last several years of the communist rule, the major force in both policy-making and policy implementation... was the communist-led bureaucracy that was almost immune to political pressure from any source.” [Hojnacki (1996), p. 147]

Since the hierarchy involved not only public sector as understood in the OECD countries, but also the whole corporate sector (enterprises), the well-known problems of information flows and information asymmetries were even more acute than in public sectors of OECD countries due to span-of-control problems and lack of accountability systems. Managers of organizations were the real masters of the system because of their unique position in the
information flows and decision-making. In other words, the real rulers of communist countries were, to quote Burnham (1972): “the men who are running the factories and mines and railroads, the directing members of the commissariats and sub-commissariats of heavy and light industry and transportation and communications, the heads of the large collective farms, the expert manipulators of the propaganda mediums... the managers in short.” [Burnham (1972), pp. 221–22]

Since the “public” and “corporate” sectors were treated equally under the communist system—both were controlled by sectoral ministries and were subject to similar regulatory environment—this blurring not only led to enterprises behaving like “civil service,” but also to “civil servants” behaving like corporate managers. In other words, the two groups were part of a unified system and a continuum, where there was neither a sharp distinction between the two in the eyes of actors themselves nor much difference in systems and incentives regulating their behavior.

Governmental organizations during the communist period generally had no accountability systems. On the other hand, they had a number of legal relationships with other elements of the government. Since the “public sector” organizations themselves and their ministries saw them on par with “corporations” (as it was unclear anyway what belongs where) and as the regulatory framework was similar, this led to high level of both de iure and de facto autonomy.

All of this led to a situation where the real heritage of communism is not a hierarchical, disciplined public sector with a distinctive culture and ethos, but a chaotic free-for-all, where organizations often had legally defined autonomy, rights and responsibilities, their staff and particularly managers remained responsive to political pressure individually, but acquired very little accountability, felt certain informal ownership rights and the distinction between public- and private-sector mentality remained blurred or non-existent in eyes of most actors. Public administration employees also on the whole lacked skills and information needed to participate in policy-making in a New World of market democracy.

**Governance and Public Administration Reform**

A key influence on civil service reform has been the overall governance reforms in transition countries. Not only did the level of government involvement in the economy and in the society decrease by any fiscal or financial measure, the role of state was redefined “down,” sometimes repeatedly.

Partially as a consequence of this redefinition, but also due to economic challenges of transition, the public sector in transition countries has experienced a long-lasting and profound decline in funding, prestige and stability. It was clear in early transition everywhere and it is still true for most transition countries that the extent of government involvement in society both in fiscal and other terms and the size of the public sector were incompatible with a market democracy and the actual wealth of these countries. To remedy this, public sector employment and government involvement in the civil society have been repeatedly and relentlessly cut during the transition, but these cuts were smaller than the actual decrease in financial resources available to governments. As a consequence, not only is the public sector doing much less in transition countries than it used to do, it is doing with smaller funding and resources than would be proportional to its reduced size. This, together with a very high level of uncertainty and decreasing prestige of the public sector due to new employment alternatives for the best staff, led to the already mentioned long-lasting decline in funding, prestige and stability.

On the other hand, within more narrow confines of public administration, there has often been simultaneously a growth in number of employees due to pressures of devolution and de-concentration as well as additions of new functions not to mention establishment of new countries (e.g. Slovakia and Slovenia).

The overall role of public sector in service delivery has consequently been diminishing, while regulatory and policy-making responsibilities of public administration mushroomed, putting a particular strain on ministries and other policy-making bodies. These reforms, however, were rarely if ever pursued within a systemic conceptual and legal framework, which would set out in advance the goals, the instruments, their relationships and the timetable across the board. Due to low quality and capacity overload in public administration as well as among the political classes, these changes usually occurred as a quick sectoral fix.

Another key influence is the decentralization momentum and its influence on civil service reforms. All countries in Central Europe gradually loosened the hierarchic structure of their public administration and granted substantial autonomy to local governments, usually moving up from municipalities to regional structures. This has had, of course, a profound influence on the civil service reform. The
interplay, especially concerning the issue of timing, is analyzed in more detail in part E.

Labor Code Reforms

Nearly all transition countries emerged from the communist period with a general labor code applicable to all employees. The code has been subject to several reform steps, ranging from initial adjustment to new realities of a market democracy and existence of a private sector to pre-accession adjustments to EU requirements, with many possible changes occurring in between aimed particularly at labor market flexibility or increased protection of employees.

Public sector employees have gradually been partially or completely separated from this general framework by a passage of separate legislation. A complete separation occurs rarely because it is more practical to use relevant provisions of labor codes for general issues such as occupational safety etc.

Labor code reforms therefore are interdependent, to some degree, with civil service reforms. In some instances, they can be used as proxies for more complex civil service reforms (e.g. provisions included into the Labor Code in the Czech and Slovak republics in the early 1990s aimed specifically at regulation of public sector employee behavior). In other cases, a civil service reform can be understood as a part of a complete overhaul of a labor legislation (Slovakia in 2000 and 2001) and thus directly tied to labor code reforms.

Most frequently though the interdependence is only limited to a relationship of a tree and an imputed bough. Civil service laws and regulations then build on general provisions of a labor code, amending and complementing the general set of rules as necessary. Labor market reform and civil service reform is thus decoupled both politically and temporally. Such was the case particularly in Hungary in 1992 and in Poland in 1998.

INSTITUTIONS RESPONSIBLE FOR CIVIL SERVICE REFORM MANAGEMENT AND EFFECTS OF THE CHOICE

This section analyses potential choices of institutions responsible for the management of civil service reform. The management task, as indicated in the introduction, involves primarily administration of components of the reform and/or their co-ordination (see introduction for the list of components).

There are several likely players in the area of civil service reform, based on their responsibilities either inherited from the ancien regime or assigned by a new, democratic one. In this section, they are going to be introduced and the role of three key institutions is going to be analyzed in more detail. The key determinant of institutional responsibility for civil service reform management is, unsurprisingly, whether the country has an integrated civil service with a single legal, institutional and financial frame-work or a fragmented civil service. In addition to sectoral civil service systems, non-core public employees often have a different status than the core public administration.

One institution, which always plays an important role, is a ministry of interior in a given country. Ministries of interior are usually responsible for a combination of local “state” administration (i.e. de-concentrated administrative bodies), law enforcement and general issues in public administration, with the mix varying in each country. In Hungary and Slovenia, this has been the ministry generally responsible for the civil service reform. Therefore, they will be one of key drivers analyzed more closely in this section. The ministry can also have a sectoral role if there is separate civil service legislation for policemen and if it is responsible for the law enforcement, which is the case in most transition countries.

Ministries of labor are usually closely involved in the civil service reform due to their responsibility for working issues and labor market. These ministries have been responsible both for general labor legislation and specifically civil service regulations. They have played a key role in the Czech Republic and Slovakia by preparing (repeatedly, as it turned out) a legal framework and remaining, in the Czech case, to be responsible for it.

In several countries, a separate agency is responsible for some or all components of a civil service reform. It is usually created as a consequence of a new legal framework for the civil service to implement and oversee the reform and functioning of the civil service. In Poland and Slovakia, such an agency is officially a separate quasi-ministry with an independent director. In the Czech Republic, a separate bureau, which is part of the Government Office, is envisaged, with its director being a political appointee. Once created, such an agency usually becomes a focal point for further civil service reform.
From the point of view of civil service management, ministries of finance in Central Europe are in a peculiar position. Even though they hold enormous influence over the reform via purse strings, they are rarely a key driver or a key actor in the process. This is in stark contrast to situations in some other small European countries (e.g. Finland), where the Ministry of Finance is the key actor on civil service legislation, financing and reform. Ministries of finance generally seem to prefer a more arms-length approach, which allows them to veto or downsize financing requirements for the reform should that prove necessary. The only exception exists if there is separate civil service legislation for customs or tax officials, who usually are part of the superstructure of the ministry of finance.

Countries with a cabinet system of government generally have an institution at the center of government responsible for co-ordination as well support for the cabinet as a whole. Again, various names are attached to it in various countries, but Government/ Cabinet/Prime Ministers Office is the most frequent ones. Even though its central location would make it suitable for co-ordination of such a multi-sectoral exercise as a civil service reform, this has not really happened to any significant degree. Even in countries such as Slovakia, where Government Office and a Deputy Prime Minister were responsible for the overall public administration reform, the civil service reform remained in the hands of individual ministries or specific agencies.

Ministries of defense, justice (and finance in the already mentioned case of tax and customs officials) act as sectoral ministries for their own mini-systems of civil service should those exist. In such cases, those ministries like to wrestle as much control over all aspects of their employee status and career as possible.

Three key institutions—interior ministries, labor ministries and single-purpose agencies—are now going to be analyzed in more detail due to their importance.

Interior Ministries

Ministries of interior are one of default choices for an institution responsible for a civil service reform. Its strongest points are usually administrative continuity, an extensive pool of employees with wide administrative experience and close relationship with local governments.

In most countries, the necessity of smooth functioning as well as their existence under the previous regime precluded major and abrupt changes in their staff after the fall of communism. This personal and institutional continuity also means however that ministries of interior tend to be conservative in their approach and usually focus on incremental change or stability. On the other hand, their direct relationship with local governments and various branches of administration means that the “ivory tower” problem should not arise and ministry should have a holistic view of general public administration rather than create the reform based on a narrow range of central government experiences. This integrated approach also makes it easier to carry out pilot projects on various levels. However, this vertical advantage is not always accompanied by a broad horizontal knowledge, especially in cases of a fragmented public sector, where large parts might formally not be a part of the executive branch of government. Ministries of interior also usually offer administrative advantages in organization of training as they usually inherited institutions relevant to this area and also again based on their ties too much of public administration.

Hungary and Slovenia chose this approach, among others. In Hungary, this was accompanied by a decentralized civil service system, so the role of the interior ministry focused primarily on legislation and regulation. In Slovenia, the role of the interior ministry is again limited primarily to legislation and regulation, with more specific tasks now handed over to personnel service and personnel commission. This points to self-acknowledged limitations of the pivotal role an interior ministry can play in the reforms.

Labor Ministries

Labor ministries are not a frequent choice for co-ordination of civil service reform, but the Czech Republic and Slovakia chose this route. In Slovakia, this approach is based on identifying civil service reform with civil service legislation and identifying civil service legislation with labor law reforms. As already noted, this approach was taken to its extreme in Slovakia, where the two laws covering public sector workers (State Service Act and Public Service Act) were passed together with a new Labor Code in 2001, with an emphasis placed on interdependency of these laws.

Based on the Czech and Slovak experiences, it is easy to understand why the choice is rare. Both ministries placed an almost exclusive emphasis on labor and social aspects of a civil service reform, particularly on employee protection, at the expense of the rest of the civil service reform. Apart
from the advantage gained by the fact that the legislation was drafted by individuals well versed in the overall framework for the labor market, this offers mainly problems.

Labor ministry also has much less contact with the lower tiers of the public administration than an interior ministry. On the other hand, by its involvement in labor issues everywhere, it is better placed to co-ordinate civil service reform for non-core parts of the public sector if the civil service reform is pursued as a “government-as-whole” reform.

Single-purpose Agencies

In Poland and Slovakia, single-purpose agencies’ were created as a part of a civil service reform to take over functions related to civil service reform management. In the Czech case, a separate bureau within the Government Office is envisaged in the law under debate. Such single-purpose agencies offer several crucial advantages, but also run several major risks.

First of all, the issue is whether a civil service agency should or should not be an executive agency? Executive agencies are not responsible for policies, but for an implementation of policy determined by ministries.

If the agency is supposed to execute policies decided elsewhere, several problems emerge. Agencies generally have more information and expertise than ministries on policy issues related to their work. The cause is often the policy weakness of ministries rather than particular strength of agencies. Larger agencies also have more resources for public relations, work with media and stakeholders. As a result, the presumed split of policy/execution tasks between ministries and agencies does not de facto apply as agencies are very often informally responsible for preparation of policy and legal changes in their area that are officially submitted by the ministry in question. Agencies can also usually block changes they dislike using their relationships with stakeholders as well as the media.

Problems go beyond the issue of who is really going to determine policy. Executive agencies create fragmentation of responsibility for a civil service reform, thus adding to an already existing fragmented system of civil service reform management. If it is not on par with other ministries in its position, it will also have a very hard time co-ordination their work on civil service reform, as its authority will probably be insufficient.

On the other hand, if the agency is granted a quasi-ministerial status (defined primarily by responsibility for all relevant policy and legal affairs in a given area), political and accountability problems emerge.

In countries with a strong tradition of an overly politicized civil service, there is a natural tendency to reinforce independent and apolitical nature of the head of the civil service agency transcending government terms of office (e.g. Poland, Slovakia, to some extent the Czech Republic). However, such a status raises significant political accountability issues, if it is fused with an overall responsibility for civil service policy. The government then has only a limited ability to influence civil service policy while being responsible for it as well as for its outcomes.

Looking beyond the policy/execution split, single-purpose agencies have several attractive features. They can easily provide a good focal point for civil service reform, which can otherwise be lacking, as civil service reform is not a key issue for either of the ministries named above or the ministry of finance. They can thus become a driver for further reform, active in public advocacy for the civil service reform. Such an agency is also ideally suited to understand and weigh interests of various elements of the civil service and understand complexity of the civil service reform.

On the other hand, major risks apply as well. Especially if it is not granted a quasi-ministerial status, the agency can be too weak. In addition to loss of power over policy and legislation, it is subject to budgetary problems. It is easy for a part of the public sector to get lost in the enormous fiscal pressures transition countries have been facing. If an agency does not have a quasi-ministerial status or other source of power in budget negotiations, the likelihood that it will be ignored or that the reconciliation of pressures will be done at its expense is significant. This is particularly relevant because new public institutions always face a financing squeeze in the budgeting process.

Another issue is that if precautions are not taken, the agency can be easily captured by the relevant interest group—civil servants. This is true for ministries as well, but in a single-purpose agency, the risks are higher for two reasons. One is that due to its isolation from the political process, there is less accountability and consequently more tendency to become an agency for the benefit of civil servants. The other is that the agency is subject to more intense lobbying by civil servants as it centralizes many of the sensitive and important issues. On the other hand, if there is sufficient political will at the outset to prevent
these issues (e.g. by appointing a reform-minded management, which does not come directly from the civil service or has a wide experience outside of the civil service), the opposite can happen—see, for example, the Polish experience.

OTHER ACTORS
—INCENTIVES AND ROLES

This section focuses on other actors interested in civil service reform and their influence on its outcomes. Such a view is important for management of the reform because it can offer suggestions of potential pitfalls as well as ways of avoiding them or minimizing them. The section deals primarily with civil servants, the European Union, the media and the public as well as political parties and trade unions.

Civil Servants

Civil service reform is one of the few reforms where civil servants as a group have direct pecuniary and non-pecuniary interests. To distinguish them conceptually from civil service trade unions, one needs to focus on civil servants as individuals present at policy-making, their influence and interest.

In our stylized approach, civil servants present at policy-making defend interests of current senior civil servants as they see them. The reason is that influential civil servants tend to be senior current civil servants themselves. Let us return to three aims of the civil service reform as defined above:

• to replace some of the public administration employees with new employees with a different set of skills and preferences;
• to give the remaining and incoming public administration employees incentives to mould their behavior in a desirable manner;
• to equip public administration employees with skills that enable them to respond to incentives in a desirable manner.

The influential civil servants rarely have any interest in the first aim, slightly more in the second and most in the third. They have an additional interest in maximizing utilities for individuals like themselves. This tends to skew their aims for the civil service reform towards training, tenure and privileges that are attractive for insiders, but not for outsiders and would not induce reduction in the number of civil servants. [Beblavý and Štěchová (2001)]

For example, in considering pay raises and other measures that increase attractiveness of the civil service for outsiders, civil servants have to weigh these increased benefits for themselves with risks of increased competition. An ingenious compromise is related to preference for seniority-based pay increases. In general, a more civil-servant-driven reform, one can see these effects (they are least dominant in Poland, most in the Czech Republic and in the original draft of civil service law in Slovakia).

Civil servants have their greatest influence during preparatory stages of civil service reform within the executive and then, of course, in its implementation. In between, their power is very limited.

Foreign Partners—EU and Others

Foreign partners in civil service reforms include both individual states and multilateral organizations. Foreign assistance and involvement in the issue of civil service reform in Central Europe has been dominated by the European Union to such a degree though this section will deal almost exclusively with its role.

In his paper on institutional change in advanced transition countries, Jackoby (2001) speaks about “tutors” and “pupils”—invoking not only the learning process, but also certain powers a tutor has over students. In his analysis, he recognizes “thresholds”—a qualitative and individual view of what minimum standards the new formal structure must fulfil to allow a membership in a certain organization [p. 181], in this case the EU. Since reform of the civil service certainly was an element of the EU threshold, the EU involvement in such reforms concerning both their design and evaluation is understandable. However, to understand the EU incentives, a more detailed analysis is needed.

Civil service legislation as such is not part of the acquis communautaire that each member country must formally incorporate into its legal framework to allow EU membership. However, a functioning administrative system including the civil service is a necessary precondition for full membership in the Union. Awareness of this has been growing gradually and, consequently, the EU bodies have paid increasing attention to the topic, particularly by the European Commission. [See Verheijen (1999) for a discussion.]
The European Union was a pivotal player in two specific developments relevant to a civil service reform and its management—the civil service law and the decentralization.

The legalistic nature of the acquis has focused the accession process on changes in the legal framework in transition countries and this has spilled over into the civil service reform as well. Therefore, from the EU perspective, the civil service reform was often reduced to a passage of an appropriate civil service legislation that would contain mechanisms aimed at achieving a professional civil service. Consequently, in countries where sufficient civil service legislation had not been passed prior to relevant accession negotiations (the Czech Republic, Slovakia, and Slovenia), the act usually became a focal point of negotiations with regard to public administration.

Existence of regions with self-governments compatible roughly in size and functions with regional policies of the EU is a precondition for successful membership in these schemes. Therefore, again, in countries where a minimum extent of decentralization had not been implemented prior to the start of relevant accession negotiations, need to do so became the second focal point of negotiations with regard to public administration.

Governments often use foreign partners, including international investor and financial markets as a ‘sacrificial lamb,’ to push through otherwise unpopular reforms. [Beblavý and Sičáková (2001)] In case of civil service reforms, a better expression would be a “battering ram,” because in the case of the Czech and Slovak republics, civil service legislation was subject to a domestic political deadlock within the government or between the government and key stakeholders. Without the EU pressure, it is unclear whether any relevant reform would be passed in either of the two countries. The ‘battering ram’ function allowed to create credible exogenous pressure on individual politicians, political parties, government employees and stakeholders and break through a very complex web of interests, which would otherwise almost certainly veto the change.

Concerning tools of intervention by the EU, the dominant one has been PHARE. PHARE started operating in 1990, but initially only limited attention was devoted to public administration development. This has gradually developed towards becoming one of the key PHARE areas. There are two essential components [Verheijen (2002), pp. 252–3]:
- national projects, where the dominant horizontal projects followed relatively similar formats, focusing on support for the development of the new legislative framework for the operation of the administration, improvement of decision making structures, general capacity building through training and the development of training institutions and the provision of equipment;
- Multi-country programs, where PHARE recipient states have facilities available, of which SIGMA and TAIEX deserve a mention.

With regard to civil service reform and its management, PHARE has tended to bring financial support, but also to complicate the management issues because of lack of coordination in project design, lack of coordination with bilateral and other donors and slow and inefficient programming and contracting procedures. Experts often ‘tried to export their national systems without taking into account the conditions they were exporting them to... because of the multi-national composition of the consortia, recipient countries were often given contradictory advise within one project.’ [ibid. p. 254]. Since 1997, twinning has been the dominant form of assistance in public administration reform in PHARE. The efficiency and effectiveness of these projects varies.

On the multi-country front, SIGMA played an important role in developing civil service legislation in latecomers (particularly in Slovakia). It was pivotal in knowledge diffusion and network building both within the region and between region and EU countries. It also contained an expert body for the European Commission itself during the accession negotiation concerning public administration reform.

Generally, it needs to be noted that while the EU was very successful in pushing through major formal institutional instruments it focused on (creation of regions, civil service act), it was much less successful in influencing the actual content of the change. Civil service reform is too close and too important for both politicians and civil servants to allow themselves to be dominated by EU experts. Therefore, even in countries where EU pressure and assistance has been pivotal in the overall reform (the Czech Republic, Slovakia, and to some extent in Poland), its role in implementation is much weaker and less focused. [See Beblavý and Sičáková (2001), Verheijen (2002)].

The Media and the Public

Even though the quality of the civil service and the public administration in general has gradually been recognized
in transition countries as a key factor in achieving major policy objectives, it is not an issue about which the electorate cares very much per se. It is also an issue where the relationships between reform steps taken and outcomes experienced by citizens are tenuous at best and where reforms take a long time to feed through into the quality of the civil service.

Therefore, it is not surprising that public and media interest in the issue is rather volatile and difficult to mobilize. It usually tends to be seen as a technocratic “technical” issue (technical in the sense that, if successful, it contributes to politically relevant successes in other policy areas).

As a consequence, the media and the public play a more significant role in the civil service reform process if there is a visible disagreement/conflict within the government or between key stakeholders (e.g. in Slovakia and the Czech Republic). Only in that case can the battle for public opinion have significant consequences for the reform itself. In such cases, the conflict tends to be phrased in ways that fit the political divisions in other areas (e.g. communists vs. reformers, more money for bureaucrats, politicization of public life).

The public and the media, unsurprisingly, tend to react favorably to reforms, which market themselves as:

- decreasing the size of the civil service;
- removing politicization of the civil service;
- decreasing corruption in the civil service;
- modernizing the civil service.

One of the other key elements used is also the need to approve the legislation within the process of EU accession (see above).

Political Parties

In their approach to the civil service reform, political parties are subject to two contradictory incentives.

On one hand, in competitive democracies, parties in power feel a need to deliver on their election promises to increase the likelihood of re-election. A need to deliver pushes parties to favor civil service reform. Parties in the post-communist countries generally lack the capacity for policy design and rely on civil servants for assistance even more than in most industrialized democracies. Quality of civil servants in ministries is, therefore, even more important in these countries than elsewhere. As Sootla (2002) writes about the situation in Estonia: “Political leaders... soon became aware that popular, but very volatile support at the elections alone is not a sufficient tool for efficient policy-making. Also, the organizational capacity of their parties was weak.” [Sootla (2002), p. 34] On another level, quality of the civil service influences implementation of policies, particularly of service delivery, pushing for a wider civil service reform. Both of these observations were confirmed in Hungary, for instance [see Gyorgy (1999)].

Parties also generally tend to be responsive to public desire for a civil service reform, but strength of this pressure is rather low (see above).

On the other hand, potential for patronage and need for direct control create strong pressure on parties to resist civil service reform. Ability to influence appointment is attractive both in cases of top appointments, but also in cases of lower-level appointments if local unemployment is high and/or civil service wages are attractive. Even more importantly, since civil service reform usually means removal of political influence over most appointments and dismissals, it significantly weakens direct control of politicians and parties over civil servants and their actions. In environments where parties are under pressure to deliver on their pledges, which can often be at odds with desires and aims of civil servants, their ability to personally penetrate the civil service is important for their ability to deliver. Again, the Estonian case can be used to illustrate: “The need for direct control over the administration and ad hoc interventions became more and more necessary to ensure that ambitious reform policies would be carried out without any impediments.” [Sootla (2002), p. 37]

That does not mean that the conflict is absolutely inherent. A key issue is how to win the trust of parties in both neutrality of the reformed civil service, and its responsiveness to their concerns. One of the practical solutions is the advisory council to the Head of the Civil Service in Poland, where parliamentarians from all parties are involved in addition to experts. Many other versions of this approach can be used, but the rule is: if parties cannot be persuaded that civil service protected from politicians will not ‘stab them in the back’ when they are in power, the likelihood of reform failure is very high.

Trade Unions and Other Interest Groups

Trade unions are, understandably, an important actor in the civil service reform and its management. They tend
to be conservative and risk-averse, reflecting both a general political economy of unions as well as tumultuous nature of transition. In civil service reform, they tend to place emphasis on job/tenure guarantees, prevention of lay-off, minimization of individual and political influences over the civil service and additional enticements for civil servants (additional salaries, longer vacation, shorter working time etc.)

Their role in the civil service reform and its management itself is manifold. They usually play a role in preparation and approval of key policy and legal documents relating to the reform. (In most Central European countries, they are formally entitled to this position based on some sort of tripartite arrangement, where the government, employers and trade unions negotiate concerning their key interests).

They often have the very rare expertise in labor and legal issues and extreme interest in the civil service reform. The reform can therefore be easily captured by trade unions, especially if there is weak or uncertain political leadership on the issue. Trade unions are also in a unique position to mobilize support among civil servants for their proposals, as public administration employees tend to trust them on social issues.

On the other hand, it is interesting to contrast the Czech and the Slovak experience, where the Slovak trade unions as a whole defended the position of civil service trade unions, on all issues, whereas in the Czech Republic the trade unions split on the issue, with Czech union leaders protesting what they saw as unfair privileges for a small part of the overall employed.

The other social partners - employers - are usually quite indifferent to the reform though in some countries they tended to resist what they as precedents for other groups of employees (vacations, additional salaries etc.)

### TIMING IN REFORM MANAGEMENT

**Timing of Civil Service Reform — When to Start Reform**

Timing and sequencing of a major civil service reform are primarily determined by the fact that a government needs to work every day. Policy documents and laws must be prepared and public services delivered. Therefore, in a way, no time is ‘right’ for a civil service reform because many other pressing ‘real’ issues always present themselves. As one can see from Table 1, countries in Central Europe are extremely varied in timing of civil service reform.

**Table 1**

<table>
<thead>
<tr>
<th>Country</th>
<th>Passage of Civil Service Legislation</th>
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<tbody>
<tr>
<td>Slovenia</td>
<td>1990 but continuing major changes</td>
</tr>
<tr>
<td>Hungary</td>
<td>1992</td>
</tr>
<tr>
<td>Poland</td>
<td>1996, 1998 (a completely new law)</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1999</td>
</tr>
<tr>
<td>Slovak</td>
<td>2001</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>2002 (expected to pass)</td>
</tr>
</tbody>
</table>

Source: OECD SIGMA, laws of respective countries, country report on Bulgaria in this volume.

However, several factors influence, to some extent, the optimal timing of civil service reforms.

Civil service reform is usually ranked among the so-called ‘second generation’ reforms in transition. The first generation usually involves [see e.g. Zemanovičová (2000), Beblavý and Šišáková (2001)] implementation of “simple” speedy systemic changes (privatization, liberalization of prices and trade, macroeconomic stabilization). The second generation, on the other hand, involves ‘messy’ and ‘wicked’ complex issues such as education, health care, social security and public administration. These involve sectors, where there are no clear-cut best practices, no universally accepted model, and a high number of individual stakeholders with difficult monitoring of their efforts and a complex political economy.

Such a reform is both more meaningful and more urgent when the early transition measures have already been taken and there is at least a fragile consensus on the size and function of the state. At least a rough consensus is also needed within the society and the political elites that civil service should be at least partially set aside from political struggle and that reform will serve interests of all. Therefore, even in two countries where the civil service reform was already started in early transition (Hungary, Slovenia), either major changes were later implemented as transition progressed or the civil service reform was of a much ‘looser’ nature.
Sequencing of Components of Civil Service Reform

As already emphasized, the decentralization process is the other key pillar of public administration reform in Central Europe. Their mutual sequencing presents the challenge in timing of civil service reform.

If decentralization takes place before civil service reform (as it did in Hungary), the number of relevant stakeholders will increase so significantly that any agreement on comprehensive civil service reform will become extremely difficult. One option is to separate civil service legislation for central and local government. Another issue is that, with their very limited administrative capacity, local authorities might not be interested and/or equipped for the implementation of civil service reform, particularly training and internal regulations.

Simultaneous decentralization and civil service reform strain the capacity of public administration to its utmost (Slovakia being the most relevant example). The strain shows not only in terms of policy capacity for reform preparation or in overload issues during implementation, but also in unexpected consequences of mutual interplay of the two reforms. Both decentralization and civil service reforms are, by their very nature, iterative processes requiring frequent adjustments, particularly early on. If started simultaneously, both original designs and subsequent adjustments are likely to have unexpected effects on the other reform, even if conscious efforts were taken to think the issues through.

Decentralization after civil service reform probably presents the least problems unless it creates problems for restructuring of public administration because of tenure and other considerations. Such sequencing is difficult to find though primarily because most transition countries can sooner find a political will to decentralize than to comprehensively reform their civil service.

The second key issue in sequencing of the civil service reform understands the political economy of reform in balancing contemporaneous benefits and costs. Even though it might sometimes be awkward for other reasons, it is essential that costs and benefits for actors in the process (politicians and parties, civil servants, media and public) are part of the same package and, if possible, their implementation is simultaneous. The tumultuous nature of transition required frequent changes and turnaround both in terms of policy and public finance, thus reducing credibility of future commitments.

Another factor to take into account in sequencing components of the civil service reform, is the fact that a new legal framework for civil service is usually both a focal point and a necessary precondition for further action. Much of the action therefore has to be structured around it (see also part A. for discussion).

This section has so far dealt mainly with various components of a comprehensive civil service reform. However, civil service reform can also be structured as a series of sectoral civil service reforms, which happened, to some extent, in nearly all the countries mentioned, usually with special laws and systems of civil service for policemen or tax and customs officials. Another option is to create a core civil service with different rules and regulations and then gradually expands it.

While the latter can be recommended under certain circumstances, the former should be avoided. It is not a good way to pilot civil service reform, because such sectoral reforms usually mirror sectoral interests and political power in winning special privileges. Resulting patchwork of civil service systems is then impossible to change or integrate into a single framework, inducing permanent tensions between sectors as well as privilege-creep and hampering mobility within the civil service as a whole. On the other hand, a core civil service at all levels and organizations make it possible to ‘allow a space for the gradual dissemination of principles for a modernized civil service.’ [Sootla (2002). p. 40]

A key issue in the implementation of civil service reforms is transition mechanisms for existing public administration employees. From the management point of view, two lessons should be noted. First of all, reformers should insist on more-than-automatic transition mechanism, even if the new system does not guarantee tenure. Such transition is a politically and managerially and opportune time for weeding out the weakest links in the civil service. It should not be confused though with a possibility to radically improve the quality of the civil service. Unless recruitment, evaluation and salary systems change radically at the same time, transition is an opportunity for marginal, not wholesale improvement. Another lesson is that transition should be accomplished within one electoral cycle if possible. Otherwise, political considerations and intrigue enter the picture, greatly complicating any transition mechanism.

A specific issue in management of the reform is the organization of training. The principal choices are between creation/preservation of special institutions directly reporting to a
ministry or the government or involvement in building/ 
enhancing capacity in universities. This is not an issue of 
sequencing as such, but there is an element of timing 
involved. Institutions directly subordinated to a ministry 
can be usually set up faster and, when existing, can be made 
responsive to governmental needs more easily by command-
and-control systems. However, as time goes on, they very 
often raise issues of quality and mobility. On the other 
investment into creation, extension or improvement of 
capacity in a regular university system takes longer and 
usually requires more sophisticated managerial systems 
(in terms of getting universities to do what customers want 
through effective use of financial resources), but the integ-
ration in the regular system brings benefits over time. 
Nearly the same choices are faced in terms of centralization 
and decentralization of training.

Recommendation can involve use/creation of centralized/
ministry-controlled institutions in the beginning and 
gradual introduction of competition, decentralization and 
integration into the university system (e.g. by fusing the 
ministerial institution with a university) as the system 
evolves. However, if there is a well-developed university 
or even private capacity responsive to governmental needs, 
then the situation is quite different. Also, since in most 
countries civil service reform occurs quite late in transition, 
there is a likelihood that universities or the private sector 
will be developed enough to accommodate governmental 
needs (see particularly the Slovenia and the Czech ex-
periences, but also the Hungarian and the Slovak one).

The last issue worth mentioning in terms of civil service 
reform management is whether there should be a conscious 
“big bang” moment in the reform. A “big bang” moment 
can be defined as a focal point for civil servants, politicians 
and the public, which should mean a moment of signi-
ficant change in the behavior of the civil service. This 
concerns, of course, mainly management of expectations. 
On one hand, civil service reform is, by its very nature, a 
long-term incremental affair and if one raises expectations 
of sudden improvement, the inevitable disappointment 
can create a dangerous backlash and cynicism. On the 
other hand, the performance of civil service is, to a large 
extent, based on expectations of civil servants and the 
environment that surrounds them. It can be said that the 
civil service exists in the state of “multiple equilibrium”, 
where the same set of formal rules is compatible with several 
actual outcomes due to informal norms, which govern 
human behaviors. As such, an awareness of a real change 
of the ‘rules of the game’ can substantially strengthen 
effectiveness of any civil service reform. Therefore, such 
instruments should be used even with the risk of backlash, 
but on a well-thought, limited and persuasive basis (e.g. 
a new civil service act together with a new civil service 
authority chairman can be used as a powerful signal for 
change in recruitment and evaluation procedures, but a 
new law should not be used as a promissory note to the 
public for a swift improvement in quality every-day local 
administration).

Is There an End to Civil Service Reform?

The obvious answer is that there is no end to civil service 
reform. As amply demonstrated in all OECD countries, 
the push for reform in public administration in general 
and in civil service in particular, is never-ending.

Nonetheless, in the case of transition countries, one can 
make a conceptual distinction between two phases of civil 
service reform.

The first one involves the creation of a new system of a 
civil service in all the aspects mentioned above. It can 
take anywhere from four to eight years if one includes 
preparation of legislation, but excludes political discussion 
before the start of serious work on reform. As already 
stressed, this is always an iterative process. The phase can 
be said to be over when the new system is up and running 
in the following sense:

• all crucial legal components are in place, including 
secondary legislation and internal regulations;
• all employees passed through the system of transition;
• all new institutional underpinnings for the career pro-
gress of civil servants are in place and functioning;
• training institutions and systems are functioning.

When all of this is fulfilled, the second phase of consolida-
tion can begin. Even if there was an underlying philosophy 
for the whole reform, it can never be entirely translated 
to real life. It is likely that at least some components of 
the reform were put in place by different institutions with 
insufficient communication or shared vision. Numerous 
pressures from interest groups and budget realities also 
intervene. Therefore, the final architecture of the system 
is probably not only far from the original vision, it can 
also have serious internal inconsistencies or omissions. 
While the former is not a problem per se, the latter deserves 
much more attention. It can therefore be recommended, 
when all the components are in place, to undertake a 
review of the civil service system to uncover these inco-
sistencies and remedy at least the most important ones.
On the other hand, one could argue that the whole linear view could be misleading. [John (2000)] Public policy in any given area does not progress through such neat stages and civil service reform can be seen as a continuous stream of changes, which add or subtract to the overall architecture, and where a one-time review is nothing more than a singular and ultimately ineffective tool. While the continuity argument is undoubtedly true, there is still reason to believe that such an analytical framework as well as tools such as the review can serve a useful practical purpose. However, it needs to take into account the ecology of the civil service and work with it rather than against it.
REFERENCES


Additionally, the following sources were used for information:

• 1999 SIGMA Civil Service and State Administration Country Reports on: Czech Republic, Hungary, Slovakia and Slovenia;
• laws or draft laws of civil/state/public service acts from Czech Republic, Hungary, Poland, Slovakia and Slovenia
NOTES

1 This paper is based on the actual situation in Hungary, Poland, Slovenia and Slovakia, including the Slovak Acts on Civil Service and Public Service, which are fully operational only since April 1, 2002. In the Czech Republic, it also takes into account the civil service act currently being debated by the Lower House of the Parliament, assuming that it is going to be approved based roughly on the same principles as the Government draft submitted to the Parliament. In Slovenia, a new law on public servants is being debated, but there is an existing legislation from 1990 that was amended several times.

2 This analysis is based on the situation in the Czech Republic, but is generally applicable to nearly all transition countries. The only difference is that some countries such as Hungary abandoned these games faster or allowed parts of their society to opt out of it already during 1980s.

3 In the Polish case supplemented by a rare exception—1982 law on state servants.

4 A complete separation was attempted in Slovakia in 2000 and 2001 by drafting a civil service act that was completely autonomous from a labor code drafted simultaneously. This approach was abandoned only at the insistence of Sigma experts.

5 with names such as office of civil/state service or a directorate-general for civil service.

6 This concerns primarily the “civilian” part of interior ministries. The law enforcement element, where it exists, was usually subject to radical changes.

7 Agency, as used here, means an institution whose sole responsibility is the management of civil service and its reform. Such an agency can range from a bureau defined in law, but existing within a larger ministry (Czech Republic), to an independent organization with quasiministerial position, i.e. not only policy execution, but also policy responsibility (Slovak Republic). The key point is its legally defined focus on civil service.

8 the term decentralization is not used in this context with regard to creation of self-governing municipalities, which were created in Central European countries shortly after 1989, but with regard to creation of self-governing regions and transfer of substantial powers to the regions.
Methods and Techniques of Managing Decentralization Reforms in the CEE Countries: The Polish Experience
Methods and Techniques of Managing Decentralization Reforms in CEE Countries: The Polish Experience

Prof. Michał Kulesza

TRANSFORMATION IN POLAND AFTER 1989

Since 1989 reforms in Poland have moved in three main directions. First of all they included political changes to create the foundations of a democratic system including individual rights, civil liberties and political liberties. Secondly, they included reforms of the economic system aimed at restoring market economy based on private ownership. Thirdly, they included reforms of the system of government, especially decentralization.

Since 1989 Poland has had a circle of people who were for decentralization (they began working on a new system of government in 1980). They understand very well the interplay of complex factors and relations between the administrative system and the general rules of functioning of the economic and political systems. If the economic and political systems change, also the administrative system should follow the changes.

The communist system in Poland was modeled on the Soviet system. As such it was coherent, but it was based on assumptions, which were strange not only to Polish tradition and mentality but also to the basic rules of a democratic state. The preamble of Poland’s Constitution of 1952 r. (amended in 1976) contained a statement that the main role of the state was the implementation of ‘the great socialist ideas.’ What was also decreed in the Constitution was the friendship with the Soviet Union. Formally, the supreme power in Poland was in the hands of ‘the working people of towns and villages’ through parliament and people’s councils (rada narodowa). The leading force, which would set directions, was to be the working class and its political party. But in reality Communist party committees and party leaders governed outside the country from the state authorities. The slogan: ‘the Party leads, the Government governs’ reflected very precisely the existing relations at the time. The real government was the Political Bureau of the Central Committee of the Polish United Workers’ Party (the communist party) whereas the Council of Ministers was an executive body, which was in fact an ‘administrative board’ of the country. Thus, the communist party made decisions whereas the state apparatus was an executive body. Society was to head in the direction set by the official ideology. The will of the people was not important as those who ruled Poland unofficially assumed (and they were right) that the nation was and would remain against the existing political system. What resulted from the official ideology were the rules, which defined the scope of the activity of the state, its institutional structure and the way it functioned. This resulted in the need to create a centralized state, which controlled all the social and economic life of the country, and interfered with private life of its citizens. Of great importance were the adoption of the rule of ‘democratic centralism’ and the rule of the unitary state power as the foundations of the political system [Regulski p. 19].

According to the rule of democratic centralism all governing bodies, both political (the party) and the state were elective (whatever it meant that time), but at the same time those lower in the hierarchy were answerable to those higher in the hierarchy. It meant in practice that the central bodies decided about everything and any form of civic control over their activities was only formal. Under such circumstances any election was a farce. At the same time the authorities rejected the rule of the separation of powers proposed by Montesquieu and replaced it with the rule of the unitary character of state power. Any form of decentralization, which provided for expressing independent views, not to mention their implementation, was seen as a threat to the state authority. That is why the whole state apparatus focussed on passing orders and checking if they were carried out.

The main idea of the system was to make people dependent, particularly on their place of work in order to make them fully depend on the system and eliminate the possibility
of any independent behavior. That is why—paradoxically—the 'workers' councils' played an important role in state owned enterprises and became the forerunners of democratization in management as early as in the 1970s. On the other hand, there were no real forms in which people would be organized in the areas where they lived. The ruling party was afraid of spontaneous and uncontrolled local initiatives. The managing of public issues was based on centralist rules whereas the organizational structure of the existing administration was based on the domination of ministerial and departmental structures (vertical) over the territorial ones.

Both forms according to which society was organized i.e. according to place of work or the place of living are antagonistic (competitive) to a big extent. If one of them is strengthened the other is weakened. Totalitarian systems prefer the former whereas democracies the latter [Regulski p. 20]. The transformation, which has been going on in Poland for the last 11 years, involved first of all a change of the rules according to which social life was organized. However, the changes encounter many difficulties and require time necessary to raise social awareness. It was also necessary to overcome the forces, which would lose as a result of the change, and they include the central administration. 'Territorialisation of power' is a condition for creating the civic state through strengthening the territorial systems (on various levels) and through weakening the direct role of central administration with its structures and ministerial bodies in direct managing public issues.

The public administration has always been an important force of development and it influenced the direction and the pace of change. But it can be either a creative and constructive force or a destructive one, hampering development and obstructing any transformation. This is not only a theoretical thesis. Its practical side can be observed in Poland were the development of civic society and democratic behavior, and the increase in the economic activity of individuals would have been impossible without the far-reaching administrative reform. Without the reform it also would have been impossible to improve public safety, introduce changes in the system of education and in public health care etc. The dependence between the shape of public administration and the effectiveness of all units and sections of public services is obvious.

That is why the issue of restructuring the system of government including the reform of public administration encompassing far-reaching decentralization constituted one of the most important challenges for Poland’s political elite after 1989.

DECENTRALIZATION AND PUBLIC ADMINISTRATION REFORM AS A REINVENTING FACTOR FOR THE POLITICAL SYSTEM IN POLAND

As I have said before, the main structure and rules of functioning of public administration in Poland were formed between 1944 and 1989 when it existed under totally different political principles and circumstances. It served then a different political system, a different philosophy of law, a different ownership structure, and a different system of managing the economy and different goals of internal and foreign policy.

The administrative system in People’s Poland, as in other countries of the Eastern Block, was centralized and based on the domination of ministerial and departmental structures. This made it impossible to pursue a rational social and economic policy on national, regional and local levels. It also made it impossible to prioritize, choose and achieve public goals.

What the new system also inherited from the old one was a very damaging mixture of politics with purely administrative functions, which blurred the division between political responsibility and administrative competencies. As it was mentioned before, the country was governed by the Political Bureau of the Central Committee of the communist party together with the whole party apparatus, whereas the Council of Ministers became a purely executive body as the highest segment of state administration. Also, the government and administration were not separated institutionally from the management of state property. As a result, pathological phenomena appeared where the two areas met but also because of the lack of managerial skills, and bureaucratic and ineffective forms of managing public property and the economy. In 1975 Poviats and Voivodships (medium and higher tiers of administrative division of the country) were liquidated, replaced by new, small Voivodships, which led to the strengthening of centralist management of the party, administration and the economy. The old vision of the state is difficult to eradicate as it is deeply rooted in many politicians but it is not limited only to the former communists. As a result, even today the government and its ministers are ready ‘to fix things’ rather than prepare a national strategy and policy and make sure that it is implemented in a coherent manner both on the national and international levels.

It must be said here that the first timid attempts to increase independence of people’s councils in Poland were made
in the 1980s. However, it brought more anarchy into the existing system, which was still centralized and managed by ministries or departments. To sum up this short diagnosis it must be said that Polish administration of the late 1980s was largely ineffective and was only one step from being uncontrollable as a whole, facing chaos and inertia. This brought about serious and real threats to Poland and that was why administrative reforms became a necessity immediately after Poland got its independence in 1989.

In order to restore local identity after 1989 (Gmina and Poviat) and to create mechanisms for regional development (Voivodship) it was necessary to reverse the old system, which meant that the new system had to be based on the rule of subsidiary, decentralization and a democratic mandate of any authority. The first rift in the system of ministerial (sector) management became the Gmina in 1990 but the Gminas had only 15 percent of the public budget at its disposal. Another step was made in 1998 when the mechanism of local self-government was supplemented with the restitution of the Poviats and foundations were created to manage regional development on the newly created Voivodship level. Local self-governments (Gmina and Poviat) as well as regional self-governments (Voivodship) based their activities on democratic elections and that is why they constitute a counterweight to state centralization. They have become a school and practice for new political elite, who after ten years is present in all political parties, parliament and the central government.

The territorial reform and decentralization of public management were also important from the point of view of how central government works. The decentralization (the transfer of responsibility and of much entitlement to local and regional self-governments) has freed the center of executive power from responsibilities and managing many other issues. It also made it possible to remodel the mechanisms according to which the central government and its administration (central and field) work.

I think that I am entitled to say that in 1989 Polish experts were well prepared for any work on the reform of the government in Poland. We chose a route, which was different from that of other post-communist countries. We decided that apart from the necessary reform of the central government the key to a far-reaching reform of the political system was the decentralization of public issues. It meant the decentralization started at the lowest segment of public administration and the radical strengthening of the position and role of Gmina.

We did not consider as correct the proposals put forward to Poland by many western experts (including i.a. those from OECD) that the transformation should begin with the reform of the central government and its administration. It was obvious that due to the collapse of the single-party system the restructuring of the center of government was necessary. But under such conditions the restructuring could not be radical and would only mean superficial adaptation to new conditions.

The main problem Poland faced (as indeed all post-communist countries did) was first of all hyper-centralization of the government and not only the inertia of the central administration. Any reform of the center in a highly centralized system would not bring any qualitative change; it could only... strengthen centralization making it more efficient with all its consequences. In such a centralized system of managing public affairs every single wrong decision is being carried out all over the country. A decentralized system defends itself from such dangers, serves democracy and proper management, and it is safer.

That is why we had to ‘discover’ our own way of changing the system through decentralization. The methodology of change proved to be right. Paradoxically, it turned out that after decentralization of public management, the reform of the center was not of such great importance and urgency as it had seemed as the scope of responsibility of the central government was reasonably diminished. At present the central government governs and not administers. Even though the proper functioning of the central government and its administration still constitute a big challenge (especially when it comes to efficient governing on the macro scale), but it is no longer a matter which directly influences public life in Poland and every day activities of public services and institutions. Now most of public services and administrations are linked to local and regional governments.

COURSE OF THE REFORMS

[Before 1989] The state works on decentralization have been going on since 1989 with different intensity. The subsequent governments have pursued a policy, which was not always characterized by continuity in all fields. The willingness to restructure the state and to make it rational, orderly and civic, and to make its administration effective could be seen between 1989 and 1993. However, the final decisions were taken only in 1998, which became a breakthrough in the system of government.
Experts began their work on the restructuring of the administrative system of Poland and so did political debates on the subject in the late 1970s. The debates were held as part of a seminar entitled Experience and Future (Prof. Jerzy Regulski and Prof. Andrzej Pickara), that was attended by researchers contesting the existing political situation. The work carried out since 1980 by research teams led by Jerzy Regulski and Michal Kulesza (Warsaw University) resulted in the creation in 1989 of a lengthy list of points that both sides of the talks of the Round Table disagreed with. The so-called Party-and-Government side did not agree to any changes in the way territorial authorities would be organized as proposed by the Opposition—‘Solidarity’ side. That proposals included consent to set up local self-governments and to guarantee in the constitution that local communities have the right to set up local self-governments. In order to be able to do it, local communities must become empowered with competence to govern as a public government and be allowed to enter into civil law transactions on their own behalf.

The basic postulate was the creation of independent units of territorial self-government. The units would have their own tasks and their own bodies. They would also have the right to hold property, enjoy financial independence and their legislature would be elected in a democratic process. State supervision would be limited only to the question of the legality of their actions, which would guarantee their independence.

At the Round Table nothing was decided but it was at that moment that the expert knowledge was turned into a political postulate.

[The restoration of territorial self-government at the Gmina (municipal) level—1990] After the elections of June 1989, at the initiative of the Senate of the Republic of Poland undertaken in July 1989, only several months into the Tadeusz Mazowiecki’s government, the territorial self-government was restored at the Gmina level.

Jerzy Regulski became a member of the Senate and chairman of the State Administration and Territorial self-government Commission in the Senate. It was Regulski who initiated the above-mentioned resolution of the Senate to restore self-government. He became the Under-secretary of State and a Plenipotentiary of Tadeusz Mazowiecki’s government for territorial self-government reform. In this position he managed the preparation of the reform and then supervised the implementation of the reform. After Regulski had become a government member, the Commission, under the special auspices of the Senate speaker Andrzej Stelmachowski, was chaired by Jerzy Stepieli who is now a judge of the Constitutional Tribunal. The Sejm commission was chaired by Prof. Walerian Pańko, who later became the President of the Supreme Chamber of Control. I had the honor to work on the territorial self-government draft bill. The draft was prepared in the autumn of 1989, under the auspices of the Honorary Legislative Council of the Solidarity Trade Union. Then the Commission prepared it and on January 19th, 1990 became the first bill submitted by the Senate of the Republic of Poland to the Sejm.

Within a few months the necessary drafts were prepared and voted into laws: first was the amendment of the Constitution, followed by the law of March 8th, 1990—the Territorial Self-government Act, the Election Law, and finally all other laws (at that time more than one hundred laws relating to different fields were amended). On May 27th, 1990 the first free municipal elections in Central and Eastern Europe were held. It was a reform of a fundamental importance and became the first successful step towards creating civic society.

The main political dilemma at the time was as follows: to hold free elections to the former people’s councils, which could be little adapted to the new needs and then work out new solutions; or to carry out a far-reaching reform of local self-governments and then hold elections to new institutions. It should be noted here that the mechanism of taking political decisions was very simple during the first few months. That was the political leadership of the Citizens’ Parliamentary Club who chose the latter variant with a reservation that the election must be held as soon as possible settled the dilemma. The pace of work both in the government and in the Sejm was so high that the opponents of the reform (and there were many of them both among politicians and members of state administration) did not have enough time to co-ordinate their efforts to effectively oppose it.

Another problem referred to the scope of the reform: how many levels of territorial government should become self-government. At the Round Table debate the communists proposed that the people’s councils of both levels should simply be ‘re-named’ as self-government and the problem would be solved. Not only was such a superficial reform rejected, for the reasons described above, but also the reform was limited to the Gmina level and other levels of self-government were left for later to be dealt with.
Firstly, because the administrative division of Poland on the Gmina level had and still has proper size: an average village Gmina in Poland has around seven thousand inhabitants which is very beneficial if the Gmina is to perform a big variety of important public tasks. Therefore, it was not necessary to introduce territorial changes at this level.

Secondly, after the reforms of the mid-1970s the administrative division of Poland became adapted to the needs of a centralized state (49 small Voivodships) and that was why a far-reaching territorial and organizational reform was required and in 1990 there was no time for that.

Thirdly, as it was assumed that Gmina was to become the basic territorial unit for public management in Poland it was unwise to introduce higher levels of self-government as they might have dominated the whole system. The main aim of the reform was to strengthen the Gmina, let it be accustomed with independence and the burden of responsibility, and to stimulate and integrate local communities.

The key role in implementing the Gmina reform was played by the field Delegates of the Government Plenipotentiary who were appointed for all 49 Voivodships as it was impossible to contact 2.5 thousand Gminas, give them advice, information or consultation from Warsaw. That was why it was necessary to create new channels for managing the Gmina reform, which would be separate from the existing territorial administration, which since 1990 remained in the hands of the old apparatus. Offices of Delegates became the first element of non-communist territorial administration in Poland. The representatives were chosen from among candidates presented by the local Citizens’ Committees. The selection criteria were clear and simple. The reform needed people with some knowledge of administrative matters who were involved in the reform process but who were not involved in local groups of interests, which might be dangerous and limit the freedom of their actions. The people who were chosen for the positions were independent, responsible, had negotiation skills and were able to convince others. Also people from the old administration became Delegates but they were in minority. Most of those chosen were members of the former opposition [Regulski p. 96].

The main task of the Delegates was to prepare the Gmina to set up self-government, and to choose its authorities, take over state property etc. They were also to instruct the new Gmina during the first phase of its independent operation and to stimulate the self-government movement. The small team performed a huge task. At that time there were neither Gmina statutes nor any regulations for the conduct of proceedings. The formers were to be discarded and the new had to be written from scratch. The scale of the challenges was enormous. It was necessary to carry out stocktaking of public property taken over by the Gmina, re-organize Gmina offices as well as public services and administrative institutions, sort out financial matters, and create new institutions. At the same time, Gminas at their own initiative began the process of freeing the economy by privatizing many enterprises, which they owned at this point, as well as selling, transferring or leasing land, buildings and office space. In this way the self-government reform began important changes in the economy and became one of the main driving forces of economic transformation in Poland.

As it can be seen above, the Office of the Government Plenipotentiary for the Territorial Self-government Reform played the key role in the preparation and introduction of the Gmina reform. The same system was used later on many times in Poland and it was not limited only to the administrative reform issues. It seems to be the best solution to manage deep systemic changes. On one hand those who act enjoy strong political support (they are subordinate directly to the Prime Minister) and on the other they focus their efforts on one particular task. Only two dozen people worked in the office but it co-operated on a long- or short time basis with a numerous teams and individual experts.

When Gminas became operational, the disagreement between the supporters of the reform and those against it (especially the government administration) began to grow. The core of the conflict was first and foremost the implementation of the Act defining new competencies and tasks of the Gmina. Many competencies, which earlier were in the hands of Gminas as part of the state administration, were kept in the hands of the state administration (Voivods and their district administration) after the reform. It was possible, however, to hand over those competencies to Gmina self-governments but the administrative lobby wanted to limit or even stall the whole process.

As a direct result of this conflict self-government activists made efforts to strengthen the position of the Gmina in the conflict with the administrative lobby, to effectively protect the interests of self-governments and provide mutual help to those who had to cope with similar difficulties. In July 1990 the chairmen of Voivodship Assemblies held a national convention and set up the National Assembly of the Territorial self-government as a representation of self-governments on the national level. In January 1991
the Association of Polish Cities was set up and it was modeled on a pre-war organization, which was the basic self-government organization. Following the move, smaller towns set up in April 1991 the Union of Polish Townships. In March 1992 the Union of Polish Metropolitan Towns was founded which became the club of Poland’s biggest cities and in May 1993 the Association of Village Gmina of the Republic of Poland was set up. The above organizations began close co-operation and quickly became an important force on the side of self-governments to influence decisions taken by the central government and parliament. In 1993 the Joint Commission of the Government and Territorial self-government was set up and it will be mentioned later on.

It is worth stressing that the Polish self-government reform aroused great interest abroad. Many governments and non-government organizations were ready to help. It would be difficult to mention here all parties involved in helping the reformers but some institutions and organizations must be mentioned. They included USAID and USIA and US non-government organizations, the British Know How Fund, the French Foundation France–Pologne, the German Adenauer Foundation. What is worth mentioning was the action Polish Wings ( Polskie Skrzydla) which made it possible for five hundred local activists to visit French Gminas before the municipal elections held in 1990. Without those initiatives the development of local democracy in Poland would have been much slower.

The Polish self-government reform of 1990 as well as the economic reforms of that period was much more appreciated in the democratic countries of Western Europe than in Poland. And it is not surprising as the countries appreciated the importance of self-government where local self-governments have become a stable element of public life and where the tradition of self-government is centuries old. [The first attempt to the Poviat (county) second local self-government level—1993]

The output of the subsequent government of the Republic of Poland, led by Jan Krzysztof Bielecki, (1991) includes numerous studies, expert opinions and projects prepared among others by two teams of experts. The first team worked on the concept of changes in the territorial structure of the state (led by J. Sulimierski). At that stage of the political debate in Poland one of the main issues put forward was political regionalisation, supported by Prime Minister Bielecki. The other team for the reform of state administration, led by Senator Jerzy Stepień, worked out the preliminary premises for the restructuring of central government and for introducing changes within territorial administration. It also prepared a civil service project and a project regarding the representation of the State Treasury. Under Prime Minister Jan Olszewski (1992) the work was continued by the Team for the Reorganization of Public Administration, also led by J. Stepień. The report prepared by the team entitled the preliminary premises for the restructuring of public administration [Wstępne zalożenia przebudowy administracji publicznej] that was approved by the government in May 1992. It was the first government, which referred to the administrative reform as a single entity. The report stressed that in order to restructure the state administration in a thorough and detailed way a special government agency (body) must be set up to co-ordinate work undertaken by different state organs. The subsequent government, led by Hanna Suchocka (1992–93) declared from the very start its political will to carry out reforms in the following areas:

1) The functioning of the central government, central administration and local government administration;
2) The territorial system—which was related to the expected new territorial division of Poland (Gmina, Poviat, big Voivodship) as well as to the continuation of the process of administrative and financial decentralization through the creation of Poviat self-governments;
3) The state civil service;
4) Streamlining the flow of information and the process of decision-making,
5) Effective use of public resources.

Hanna Suchocka’s government nominated a Plenipotentiary for the Public Administration Reform and I had the privilege to hold the position. The Office of the Plenipotentiary employed around 20 people.

The main tasks of the Plenipotentiary were first of all to build a team, to prepare a budget for the office, to create a strategy of the reform and to draw action plans. The main document prepared at the time was entitled The premises and directions of the reform of public administration of the Republic of Poland [Zalozenia i kierunki reformy administracji publicznej RP]. The document became a foundation for all works in that area carried out by the state in the subsequent periods.

Experts from outside the office, self-government workers and others carried out all work to design and draft particular legislative solutions. There were among others following work groups preparing the reform: two teams designing the new administrative division of Poland (upper tiers—
Numerous organizations supported our works, amongst coming from European Union (PHARE). Also another unit, which was responsible for managing resources in the Office of the Plenipotentiary there was a separate organizations and others.

Which were being prepared with the help of international organizations and universities, and the press, governmental bodies and government administration, self-organized local authorities. As a result of the work performed by the teams of experts, all projects of the territorial reform were created including bills (amendments of 150 Acts) as well as organizational projects, and a map of the new administrative division of Poland agreed with the majority of Gminas.

With the reference to the last issue, I asked all Gminas (2500) to declare what Poviat they wanted to belong to. The conditions were as follows: at least five Gminas in one Poviat; at least ten thousand inhabitants of a city that was the seat of Poviat authorities; and at least 50 thousand inhabitants of the Poviat. Such conditions matched social expectations as Poland had around three hundred local centers, which aspired to become a Poviat. The Poviat reform was to restore local ties as a basis of self-government on this level. The preparation and consultations regarding the map of Poviat aroused interest in the reform of all Gmina authorities and local political elite.

A very important element of work on the Poviat reform was the preparation and implementation of the Municipal Pilot Program of the Public Administration Reform (PAR). The program was prepared for Poland’s forty-four biggest cities (excluding Warsaw), that were to become independent cities excluded from Poviats as a result of the future Poviat reform. On the basis of an agreement with the government, the cities were given a proposal to take over the majority tasks, which were to be carried out by the Poviat. Such decentralization implemented according to agreed rules contributed to the identification of many aspects of functioning of local authorities. As a result, a special team was set up for monitoring the preparation and implementation of the Pilot Program [S. Najninger]. Apart from that, on a political level, the Convent of Presidents of Big Cities was founded from among those taking parts in the Program.

The Plenipotentiary began his co-operation with many government bodies and government administration, self-government organizations and universities, and the press, which provided extensive coverage of the work and bills which were being prepared with the help of international organizations and others.

In the Office of the Plenipotentiary there was a separate unit, which was responsible for managing resources coming from European Union (PHARE). Also another numerous organizations supported our works, amongst which USAID, Association of German Counties and Know How Fund have to be especially mentioned. All these supporting organizations and initiatives were very effective for medium and long-term projects. Majority of them was concluded with state administrations, variety of local governments and their organizations, delivering knowhow, experts, technical support and exchange of views and people. However their practical influence on preparation of the reform was rather small, as they were unable to react on our questions immediately, within the time given, perhaps with grateful exclusion of OECD and Royal Institute of Public Administration (RIPA). Especially a solid financial support of European Union (PHARE) was delivered always to late for a public administration reform needs, as their planning procedures require months of preparation, acceptation and implementation. The means concluded and urgently needed in 1993 came 1994–95 when another coalition was in power. Exactly the same situation occurred in 1998 when the aid came two years later and also was misused. I do not have enough knowledge to find out, where was the fault: in Brussels or perhaps in Warsaw.

Apart from the territorial reform managed by the Plenipotentiary, we prepared other bills regarding the center of government, under the leadership of Jan Maria Rokita, the Head of the Office of the Council of Ministers. Also numerous other drafts of the administrative reform were prepared, among others the law on public procurement [M. Lemke].

The person responsible for approving work on the reform on the political level (i.e. in government and parliament) was Minister J.M. Rokita who was the Head of the Office of the Council of Ministers. It was not an easy task as a part of the coalition government (and some parties, which formed the coalition) was not in favor of the reform.

Suchocka’s government stepped down in the autumn of 1993 leaving behind many documents and drafts, which became a foundation of further reforms. What remained was the Municipal Pilot Program, which in 1995 was turned into a Large Cities Act.

One of the permanent results was the setting up of the Joint Commission of the Government and Territorial Self-government in 1993. The members of the Commission on the self-government side were the representatives of five national self-government organizations. From the very beginning it was intended that the Commission would become a body, which not only issued opinions on govern-
ment’s decisions, but also made statements about the direction of the self-government policy pursued by the state. The setting up of the Commission by the Prime Minister and the supervision of its work guaranteed that any arrangements made by commission would be binding. However, the most important achievement of that period was the strengthening of public support for the reforms within the political parties, but first of all within the organizations of territorial self-government. At that time, in co-operation with the organizations of territorial government, a very strong movement was created to support the implementation of the Poviats and Voivodship reform.

After the parliamentary victory of the leftist Alliance of the Democratic Left [Sojusz Lewicy Demokratycznej] and the Polish Peasant Party [Polskie Stronnictwo Ludowe] in September 1993 the leader of the Polish Peasant Party, Waldemar Pawlak was to form a new government. It was a party opposing radical reforms and it aimed at defending the existing status quo, especially the interests of peasants and farmers. The party apparatus wanted to maintain the influence of the party without introducing any structural, democratic changes in the state. The strong leadership of the party negated the need to create Poviats.

It was obvious that this approach was on a collision course with the program of decentralization initiated by the previous government. As a result, Pawlak’s government refused to introduce any reforms and even made an unsuccessful attempts to block the Municipal Pilot Program. At that moment the media offered great consideration and expressed their support for the reform. The reformers managed to pass the Public Procurement Law prepared in 1993. Also they undertook attempts to reform the system of City government of Warsaw, which unfortunately was deformed during discussions in the Sejm.

The anti-reform stance of the government became clear during the election campaign preceding the second self-government election of 1994. The climax of the period of reforms was my resignation from the position of the Government Plenipotentiary for the Public Administration Reform in May 1994, which echoed throughout political circles.

Under Prime Minister Józef Oleksy (1995) the above Large Cities Act was passed. The bill included also future Poviats pilot program in the framework of the so-called Public Services City Zone, which particularly enjoyed the support of members of parliament and self-government activists from the Sadeczcyzna region. The bill was prepared outside parliament; it was however passed as during the presidential campaign, which was under way at the time, the leftist Alliance of the Democratic Left wanted to prove that they supported the idea of self-government. In the course of Polish self-government reforms the Large Cities Act was of great importance as it transferred to the authorities of big cities powers to perform numerous public tasks of local character (among others running hospitals, secondary schools, cultural institutions, public roads in cities and many others). It referred only to 40 cities but they were home to 25 per cent of the total population of Poland and to more than 30 per cent of public services institutions. In this way some important public services and institutions were at the disposal both of the self-governments and central government administrations. However, in the long run the situation of such dualism in management would not last. The pilot scheme became an important step to continue the reform in unfavorable circumstances. It made it possible to survive unfavorable times and gather experience on how those institutions functioned under the rule of self-governments. The tactics the reformers embarked on proved to be successful as in 1998 all those and other responsibilities as well as public institutions were handed over to Poviats all over Poland.

In 1996 work began on the reform of so-called ‘Economic center of the Government’. The Government Plenipotentiary, Secretary of State Marek Pol, managed it. As a result of the work, under Włodzimierz Cimoszewicz’s government (1996–97) the Civil Service Act was passed but it was in a much shorter version in comparison to the bills approved between 1992 and 1993. Apart from that a package of laws reforming the government was also approved. They included the law on the organization and functioning of the Council of Ministers and the scope of activity of ministers, and amendments to the Law on field organs of the general government administration (1996). Both laws were based on the bills prepared in 1993. Moreover, in 1997 a law was approved on the sectors of central government administration. Even though the law was of great importance it did not become effective until 1999.

As far as the territorial system and reform was concerned, the only result of the four years of work of the leftist government (apart from maintaining the Pilot Program) was the publication in 1996 of a report by the Office of the Council of Ministers entitled The Effective, Friendly and Safe State. It should be mentioned here that the self-government reform enjoyed strong support of the new Constitution of the Republic of Poland adopted in 1997. The supporters of self-government were well prepared and profession-
During that period with the exception of the Gmina reform the way it functioned did not undergo major changes as well as in the economy, the public administration and despite breakthrough changes in the political system as of operation of the administration were passed. However, to the administrative system, public tasks and mechanisms in the period between 1989 and 1997 many laws relating to the elections of 1997 by the Solidarity Election Action (AWS6) 1998 adopted by a new coalition formed after the autumn The above dilemma was settled soon, with the laws of 1998 adopted by a new coalition formed after the autumn elections of 1997 by the Solidarity Election Action (AWS6) and the Freedom Union (UW).

Before it happened the fight for the administrative reform and its shape had been going on for four years in the media, in the circles of opinion formers, and during the election campaign of 1997. What the circle of reformers (made up from experts, self-government activists, and members of centrist and rightist parties) managed to achieve was that decentralization reform became one of the main issues of the election campaign of 1997. As a result, each sizeable political party had to take a stand regarding decentralization and declare if they were for or against it [Sochacka Kraśko].

[The Poviat7 and Voivodship8 (region) reform; Poland’s new territorial structure and decentralization—1998]

In the period between 1989 and 1997 many laws relating to the administrative system, public tasks and mechanisms of operation of the administration were passed. However, despite breakthrough changes in the political system as well as in the economy, the public administration and the way it functioned did not undergo major changes during that period with the exception of the Gmina reform of 1990. As the Polish administrative system was still dominated by centralism (thought in its bureaucratic not political form) the achievements of the self-government reform of 1990 were thwarted. As a result, the stalling of the reform process between 1994 and 1997 brought about the re-emergence of centralist factors in the bureaucratic and anarchistic form. Again officials began to put into practice the local variant of the ‘share the loot’ approach understood as the right to take over positions, which became deeply rooted in the government administration. This also legitimized profits from political contacts, which led to the re-emergence of close relations between self-governments and government bureaucrats.

The main rules of the new administrative system of Poland, provided for in the Constitution of the Republic of Poland of 1997 and which finally became laws in 1998, had been negotiated by experts, politicians and self-government since 1989. It is impossible to mention here all people involved and the work carried out so far. That is why it is important to stress that the circle of people keen to restructure the administrative system of Poland for good has been widening since 1989 and enjoyed ever-growing understanding from different political groups.

When in the autumn of 1997 the coalition of post-Solidarity parties took over power in Poland, under Prime Minister Jerzy Buzek, they embarked on a mission to ‘improve the state’ and complete the process of transformation of the system of government.

The preparation and implementation of the reform was co-ordinated by three government centers. The work on the main concepts and the preparation of basic legislative measures were co-ordinated by Prof. Michal Kulesza who, in December 1997, became the Plenipotentiary of the Government for the Reform of the State System. Prof. Kulesza who held the same position in 1993 was the Secretary of State in the Chancellery of the Prime Minister. The work on financial issues was co-ordinated by Jerzy Miller, the Plenipotentiary of the Government for the Decentralization of Public Finances. Initially Mr. Miller was the Under-secretary of State but in May 1998 he became the Secretary of State at the Ministry of Finance. The work on the administrative division of the country was carried out by Jerzy Stepień the Under-secretary of State at the Ministry of Internal Affairs and Administration. Also the work to prepare the implementation of the reform was co-ordinated at the Ministry of Internal Affairs and Administration, initially by Under-secretary Jerzy Stepień and later on by the Under-secretary of State Dr Józef Plos-
konka. In May 1998 Dr Ploskonka was nominated secretary of the Inter-Ministerial Team for the Implementation of the Reform of Public Administration.

The organizational work aimed at preparing the practical introduction of new institutions was de-concentrated and was carried out on the Voivodship level. Sixteen Voivodship level teams for the Reform of the Voivodship System of Government were set up. The work was co-ordinated on the national level personally by Minister Ploskonka and through two-day meetings of the secretaries of Voivodship teams in which Minister Ploskonka took part and controlled. His work was supported and organized by the Department of Implementation and Monitoring of the Reform of Public Administration at the Ministry of Internal Affairs and Administration.

The work on the reform was continued later on after the new system had become operational. It was necessary to introduce new mechanisms. Of special importance were the government instruments of supporting regional development [G. Gesicka, later W. Tomaszewski]. The Sejm passed a law regarding the issue in May 2000.

It is worth mentioning that the Prime Mister set up the Advisory Council for the Reform of the System of Government (with Jerzy Regulski as its president). The Council was to issue opinions on the administrative reform and other social reforms, which were being introduced by Jerzy Buzek’s government. The pace of work on the administrative reform was so fast that the Council was not able to issue their opinions on time, which caused some problems. Members of the council also voiced their opinions and reservations regarding some aspects of social reforms (especially the reform of the health care system).

The implementation of decentralization reform in 1998 took place according to the political will of the ruling coalition of AWS and UW who wanted to restructure the administrative system of Poland. It was not a goal in itself but a prerequisite for increasing the effectiveness of public management and for constructing democratic mechanisms. It was also a step on the road to improve the condition of various sections of public life including the health care system and the system of education, but also to rationalize some areas which were partly or totally controlled by self-governments (e.g. managing public roads, order or safety). This complicated process of transforming the system of government in Poland has been a big challenge. The transformation was begun, as putting off the implementation of changes for later would bring about concrete civilization, economic and financial losses. As a result, instead of implementing the reform in reasonable stages (and the reform was not implemented between 1993 and 1997 by the previous government coalition), the whole reform as one packet had to be introduced at a time in 1998. With one move the reformers had to change the administrative division of the country, introduce self-government in Poviats and Voivodships, restructure central government administration, consolidate it and modify rules of responsibility as well as implement major social reforms.

With such a scale of change, problems and tensions were inevitable both on the political level and with public communication. This might have halted the reform, bring about the fall of the government and earlier parliamentary elections. A lot of tension was caused by the conflict regarding the number of Voivodships, which ended in the defeat of the government side. After a lot of consideration the government made public its version of the administrative division of Poland, which provided for the creation of 12 Voivodships. If a government accepts a certain version of something and on the next day the leader of the main party of the coalition undermines that version, it is a disaster both from the point of view of public relations and political marketing. And this is what happened. Therefore, it is not surprising that the opposition and the President of the Republic (also leftist) took advantage of the situation and a result the number of Voivodships was increased to sixteen [Emilewicz, Wolek pp. 108–109]. It is still considered a success on the part of the ruling coalition as the number might as well has risen to twenty-five.

Any work on reforms of the system of government should focus on three areas, which are not always taken into consideration, namely: the subject matter level, the political level and the executive level [Emilewicz, Wolek p. 76]. The same division applied to the Voivodship issue. As far as the subject matter was concerned, it was clear from the very start that the best solution would be 12 Voivodships. My office was on the executive side and I was to implement the change. But at the same time I was not any of the leaders of AWS so I could not summon the political leadership of the party to take final decisions. My duty was to produce proper legislative instruments of the policy of the ruling AWS-UW coalition and not the other way round. However, it turned out that the weakest link of our work was the political decision making process. It affected the administrative reform but also other areas of activity of the government and the coalition. From December 1997 until June 1998 I took part in many meetings of the leadership of the coalition. Such meetings
should be preceded by work carried out by cabinet staff and political advisors within the government and parties to prepare the leadership to take political decisions. That was not the case. The work on the subject matter was smooth and so was the executive side but the political level was often a compromise between different interests and 'fixing small things' rather than an area in which concrete decisions based on political choices were made. The biggest political controversy regarding the reform was the final number of Voivodships but the biggest battle was fought over the competencies (responsibilities) of new self-government units. The battle was decisive as far as the degree of decentralization of public power in Poland was concerned and also decided how much power would be given to the Poviat and Voivodship. The battle consisted of many skirmishes fought within the teams, ministries, in the government and in parliament.

The initial stage of the work on the Law defining new competencies consisted in preparing a list of necessary changes within particular sections of substantive law with the help of experts, self-government officials and representatives of particular ministries [Emilewicz, Wolek pp. 162–164]. I set up 14 teams of experts similarly to what was done in 1993. It should be stressed here that the participation of the self-government side in the work was exceptionally important. The self-government side did not have any inhibitions and took into consideration postulates of all kinds whereas the representatives of the government administration were not as willing to consider all options. On the contrary, they attempted to defend their interests (i.e. scope of activity, competencies, personal responsibilities and institutions).

After the above list had been drawn up, the bills were drafted to amend the existing laws as an indispensable part of the reform of the state system. In all, almost two hundred laws were to be amended. As the Legislative Department of the Prime Minister’s Chancellery had too much work to take over the task, all the bills were drafted by the above-mentioned teams of experts. Their work was co-ordinated by the Office of the Plenipotentiary (Włodzimierz Tomaszewski). Afterwards the Legislative Department issued opinions on our work before it was to be discussed by members of the cabinet.

Each amendment of the existing law was consulted many times with lawyers and experts on the subject matter in the ministries and in the self-government. When the amendment was ready a description of what was to be achieved was added to it as well as the justification and a figure to visualize the shift in competencies. All the documents were placed in a red folder, including materials from a particular field referring to each change. Such red folders, and there were two hundred of them, were sent subsequently to ministries for consultation.

The timing of inter-ministerial consultations was also tight as the ministries were given from 7 to 10 days to give their opinion. Once the ministries issued their opinions a new version was prepared. Then the drafts were put together as one legislative entity, which included changes in many laws. In this way subsequent parts of the Law defining new competencies were created. They could have been treated as separate legislative products. In all, five such separate parts were prepared, which were subsequently approved by the Council of Ministers and sent to parliament. In parliament they were combined together to become a law.

However, before the bill was finally discussed at the Council of Ministers meeting, it was once again sent over to ministries and it was here that the whole process became very dramatic as the final remarks were sent back in the last moment. It was often so late that it was difficult to analyze them. It often happened that our opinions on the proposals put forward by ministries were written down in the dead of night just before the meeting of the Council of Ministers.

As time was running out, preventive, blocking proposals put forward by ministries were often accepted by the Council of Ministers and therefore many of the approved measures were not going far enough. A good example is the issue of job centers, which were to be taken over by the self-government administration. However, the Ministry of Labor and Social Issues and the trades unions lobbying against the reform did not want to agree to that. The resistance was difficult to understand. I think it was generated by the Ministry of Labor as on one hand it claimed it was in favor of the reform but on the other it was used to operating within the existing system where huge sums of money remained in their hands and beyond citizens’ control. On the level of government the battle was lost, as what remained was the old model. However, a favorable change was achieved in the Sejm where members of parliament form the Special Commission, who were in favor of self-government reform, immediately identified the problem and the draft was changed. The self-government authorities took over job centers with a one-year delay and that law came into force in January 2000.
All drafts were also sent to self-government organizations, which supported the work. They were to express their opinion on the documents. The self-government representatives also lobbied members of parliament and senators to chose particular solutions. It became a counterbalance to the bureaucratic and trades union lobby.

The above-mentioned examples show clearly that the final measures were a compromise and often a damaging one. As a matter of fact the ministries viewed the reform through their own eyes. The fight was bitter and was led on many fronts at a time.

In particular a bitter cake was a financial aspect of the reform. Big problem from the very beginning was a lack of reliable statistics concerning new territorial entities. Because of that, transfer of financial means from the state administration to the new units (Poviats and Voivodships) was based—in general—on real expenditure reports (of 1997 and 1998) of every administration, institution, service etc. which were the subject of decentralization. Such a proceeding was very troublesome but it was only way to draw out new financial scheme form every Poviat and Voivodship—and to be sure that each unit will get enough money to continue activity of all administrations, institutions and services taken over to local (regional) responsibility. Of course new, temporary Law on self-government financial resources (for years 1999–2000) related and reversed those dispersed financial data to constitutional sources of self-government incomes: taxes, block grants (general subventions) and special transfers. However from the beginning of our work it was sure that decentralization reform ought to bring savings to the Ministry of Finance rather than any surplus to the newly created units. As a matter of fact, financial resources of Poviats and Voivodships are very weak and limited, in contradiction to their decentralized legal and political status and broad scope of responsibilities transferred to them. Many commentators’ say, describing the reform: Decentralization of troubles.

Also, one must notice that such a restricted financial position of newly created local and regional authorities has also very positive impact upon general budgetary situation, fully expected by the reformers. Exactly the same situation had place in 1990, when new Gmina was created. The centralized state had not got any measures to rationalize effectively organization, personnel, management forms and quality of services offered to the public. Decentralization reforms transferred all those institutions and services to the local (regional) political and quality control, allowing to prove effectiveness and usefulness of them. It created conditions to evaluate their necessity and real role played, level of public acceptance, cost-effectiveness relation etc. in regard to local (or regional) needs. The expectation, that decentralization reform would bring rationalization of expenditures in many areas of public services and improvement of their quality have been fully justified, both after 1990 and after 1998.

In Poland there was no serious discussion in 1998 about forthcoming recession and crisis of public finance. However, Polish Ministry of Finance is one of the most conservative apparatus, I have ever seen. It regards both civil servants and politicians serving at the position of a Minister of Finance and his deputies. From the very beginning (i.e. from 1990) all the decentralization reforms were made in Poland despite of opposition of leading circles of the Ministry and against them. They contested also 1998 reforms. The new Public Finance Act (1998) drafted in the Ministry of Finance brings only minimal, indispensable steps toward decentralization.

It was obvious that decentralization would not be done without relevant money transfer. Financial means transferred to the Poviats and Voivodships are (almost) enough for their current expenditures. But on the other hand there was a broad expectation that ‘relevant’ would mean a strong financial position, especially for Voivodship authorities responsible for regional development and policy. It did not happened yet. It is a matter of fact that financial reserves of local and regional authorities and their possible capital expenditures are practically very limited, in that respect Poviats and Voivodships are still very dependent upon central government.

Thus, a real decentralization reform of public finance in Poland has not been made yet. As a result it has created the main discrepancy of the system: management of the public finance system is still strongly centralized, au contrary to the decentralized organization of local and regional authorities, constitutional and statutory position of respective entities and broad scope of their responsibilities. As a current consequence, the Polish decentralization pushes fiscal stress to lower level of government. It is much more visible nowadays (at the end of 2001) when the economic recession and fiscal crisis are present in Poland, than three years ago when we hoped and supposed to implement next steps of financial decentralization soon.

The above issues and critical observations cannot conceal the conclusion that the administrative reform implemented in 1998–1999 has become a legal, political and social
fact in Poland. It was large and successful political project prepared and completed by post-Solidarity milieu and parliamentary coalition. Second stage of decentralization revitalized many local communities and activated new energy of numerous circles of citizens. Apart from approving many new laws almost two hundred existing laws were amended—some of them to a big extent. They referred to different areas of public administration. It was possible thanks to many people strongly engaged in the issue—experts, politicians, civil servants, self-government elite and others. Also—thanks to the expertise and materials gathered before (among others the draft of the Poviat and Voivodship map from 1993). The work on the territorial reform was taking place under the watchful (and unfriendly) eye of public TV cameras and the strong political opposition in the Sejm. However, all efforts both with preparing the legislation itself and the organizational ones were successful. In October 1998 elections were held to all levels of self-governments. New local and regional elite of various political options got their incredible and unique chance of self-governments. New local and regional elite of various political options got their incredible and unique chance to take over government and to influence local and regional developments. On January 1st, 1999 a new administrative division of Poland came into force, the territorial administration was consolidated, and the self-government authorities of all levels and the reformed central government administration began their work.


The creation of a new system of government required radical changes within the structure of Poland’s central and local administration. The preparation of the changes required legislative, human, and organizational work, and also included ownership issues. All preparations must have been terminated by the end of 1998 in such a way to enable the existing administrations and services to continue work as normal on December 31st, 1998, but at the same time to allow new administrations and services become operational on January 1st, 1999. As new units of territorial self-government were created, in charge of the implementation of reform was the state administration. As the organs of the Poviat and Voivodship self-governments came into being after the election of September 1998, they could co-operate with only to a limited extent.

First, it was necessary to create new institutions including new offices of general administration (consolidated) belonging both to self-government (Poviat office and Marshal’s (Regional) office) as well as to the field offices of central government (new Voivod offices).

Second, the new institutions were to be given the existing resources, both material and human, of the former field administration. What made the whole process complicated was the fact that new institutions were created in different territorial and administrative units and sometimes in different cities. This often required dividing or merging the existing units or resources. This also applied to special administrations also on the Poviat or Voivodship level, whose old structures did not match the new Poviat and Voivodship division.

Third, it was necessary to prepare a list of institutions of the state sector (education, health care, social help, culture, roads, police, fire administration etc.) which should be handed over to the territorial self-governments to allow them to perform their statutory tasks. It was also necessary to work out a special rule how the institutions would be taken over. A special database featuring all institutions to be handed over was created [Ploskonka pp. 14–15].

Another issue was the preparation of draft budgets for new units according to a timetable prepared by the government administration.

The implementation of the reform of public administration included:

- Legislative work—preparation of bills, which regulate the rules and procedures of implementing the reform, i.e. transition from the old to the new system and issuing secondary legislation. Regulation of the issues relating to the liquidation of some institutions and to the continuation of pending cases;
- Operational work—setting up structures responsible for implementing the reform, stock taking, and redesignating of the resources of the territorial administration and distributing information about the new structure of administration (training courses etc);
- Monitoring of preparations and the implementation process as well as undertaking action when necessary;
- Evaluating the effects of the reform and making corrections of a legislative nature;
- Informing the public about the reform.

The legislation also dealt with the functioning of the territorial administration during the period of transition. In May 1998 the Prime Minister set up the Inter-Ministerial Team for Implementing the Public Administration Reform. The main task of the team was to co-ordinate all activities aimed at implementing the reform performed by the government administration. The activities were both of a legislative nature (draft of the introductory regulations Act and executive acts for laws reforming the public
administration), as well as of an operational nature (coordinating activities within the central government and on the Voivodship level).

The Team was made up from representatives of particular ministries holding the positions of secretaries or under-secretaries of state. Janusz Tomaszewski the Deputy Prime Minister and Minister of Internal Affairs and Administration headed the team. Its secretary became the Under-secretary of State at the Ministry of Internal Affairs and Administration Józef Ploskonka, who was in charge of implementing the reform. To support the activities of the Team, the special Department for Implementing and Monitoring the Public Administration Reform was set up in the Ministry on July 15th, 1998.

The scope of organizational changes made it necessary to manage them in a deconcentrated way on the Voivodship level. In August 1998 in 16 future seats of Voivodships the Voivodship Teams for Implementing the Public Administration Reform were formed. In the beginning of November 1998 the President of the Council of Ministers nominated sixteen Government Delegates for the State System Reform in Voivodships. They were positioned as Under-secretaries of State at the Ministry of Internal Affairs and Administration and having power of authority they were in charge of implementing the reform in particular Voivodship [Ploskonka p. 17].

The Delegates acted until new State Voivodship governors (Voivods) were nominated. The Voivods nominated after January 1st, 1999 performed the function of Delegates until December 31st, 2000.

FACTORS OF THE SUCCESS

In order to implement a sizeable reform in a democratic country at least three basic elements are required, namely: political will, knowledge (expertise) and support of elite and media. Then qualified staff is needed, able to make use of new conditions. Apart from that any reformer needs some luck.

In case of the reforms of 1990 and of 1998 this recipe for success proved to be right. In both cases there was political will but the basic role was played by expertise and knowledge of experts as well as their involvement in the reforms, which went beyond the role of advisors. It can be said that in both cases the political will was a direct result of their active involvement.

The studies, which made it possible to prepare the first reform (1990), were begun in 1981 during the period of the Solidarity trades union. The work was continued during martial law [Regulski, Kulesza]. It constituted a basis for the participation of the Solidarity side in the talks of the Round Table and then a foundation of subsequent state works carried out in 1989 and 1990. In 1998 the reformers made use of the expertise from the operation of Gmina reform (1990) and from work on Poviats (which began in 1991 under the auspices of self-government organizations and was continued in 1992–1993 under Prime Minister Hanna Suchocka when bills and other drafts were drawn up). The work on the concept of the self-governing Voivodship began in 1991 and it was continued by the government in 1993 (three options) and later in the Institute of Public Affairs—non-governmental organization.

It is perhaps only Polish experience, but I am sure, that official structures of government are never enough prepared, keen and ready to work out such massive and comprehensive materials as needed for public administration reform. The more, I have an opinion that such a reform can be introduced successfully only at the beginning of the term of office of the government. Because of that, all the concept and materials have to be prepared and broadly discussed earlier, as a political and/or substantive project, before such a reformatory political grouping takes over the power as a result of the election. After election, even successful, there is never enough time to prepare all the concepts, discuss them, accept or rebuild and then draft all needed bills, organizational projects etc.

Question of time is crucial. If the reformers are not ready to present their concept and its particulars exactly when it is needed and possible (from the viewpoint of the political situation), then a proper time is probably over. In my opinion young democracies do not like big structural reforms, which hit economic and political interests of many parties and groupings by destroying their positions and mechanisms present in the functioning of the state, economy and politics. It is why all the public debates have to be done during electoral campaign and earlier. Afterwards comes the time for decisions and implementation, only.

In Poland the reformers were gathering more and more knowledge and the circle of those in favor of the reform was growing bigger and bigger. That was why when political will appeared, the reformers knew exactly what to do.

Such a sizeable venture as the reform of the system of government required decisive actions in the 'emperor style'
and not endless democratic debates. In 1998 the reformers had only six months (180 days) to implement the reform. The AWS, the main coalition partner, did not have enough political will and determination to continue the game longer than few months after taking over the power. It was clear from the very start that either the reformers would manage to prepare and pass all bills by the summer of 1998 or the reform would fail, as tension and media war were too much of a problem. The main factor to guarantee the success was to maintain the high pace of work.

As Poland did not have an emperor, the radical changes had to be implemented in a democratic way and that is why an emperor’s power had to be replaced with high pace of work as only speed could save us. That was why, my aim was to implement the reform even when quality would suffer. Thus all critics and remarks to what was not done in the right way or what could be done better are justified but with limited time on our hands it was impossible to oversee every aspect of the reform as we had only the above six months to implement it. The whole team of my Office of the Government Plenipotentiary for the Systemic Reform of the State was made up from 14 (to 20) officials including two directors and three secretaries. This was all I received from the Office of the Prime Minister in November 1997. But it would be even impossible to manage effectively a bigger team. One must consider that around us there were also numerous members of government and administration, many involved parliamentarians of the coalition and next hundreds of experts, politicians, civil servants etc., co-operating with the team in various ways. I think that when we take into consideration what was needed and what was feasible at the time given, the result of our work is quite satisfactory. In my opinion we managed to achieve even 80 per cent of the target, which is a lot. As for the rest, it must be done by self-governments in their constant struggle with state centralism, still vivid in Poland.

Despite many flaws for which Jerzy Buzek’s government is responsible and which adversely influenced the reform, it must be said that the coalition government of AWS and UW was the first political leadership of the country since 1989–1990 to take a conscious political decision and to implement a wide-ranging reform of the structures of the state and the public sector. Until that moment no government had attempted to do it.

The reform was implemented not because of a miracle but because an opportunity to do it appeared and the politicians and reformers seized it. Indeed the reformers were lucky. For a brief moment the curtain went up and the reformers found themselves in the right place at the right moment to play the reform on stage. Shortly afterwards the political curtain went down and today no reform of the system of government on such a scale would be possible.

It is also unlikely that conditions for carrying out such reform will exist in the future. It is because the period when state structures are relatively flexible to accept changes is short. In my opinion, the best moment to implement radical changes of such type lasts from two to three years after a political breakthrough. The second phases when radical changes are still possible but their cost from the political point of view is high are the next few years. This period would have ended in Poland well before 1998 if it had not been for the work of many people and groups after 1993 due to which centralized state structures were prone to change. Without such actions the reform would not have been feasible, as new party and state bureaucracy would have gathered strength and as the old structures would have supported them.

If it had been a military operation and not a political reform it would have been planned in one of the rooms of the military headquarters. Every detail would have been marked on the map and the whole military game would have been practiced well before sending real soldiers to war. To some extend it was possible to simulate the reform 1998 as well but no one did it. My mission and my position in the government were related to the subject matter and not to politics. Someone ‘higher’ should have taken care of the political aspect of the reform but in fact there was no one to do it. As a result everything that we attempted to do (and had to do) we did on the higher level of national politics and this resembled something of the cottage industry.

It must be stressed however, the credit for convincing decision-makers to implement a radical administrative reform should not go only to the experts. Both in AWS and UW there were strong and deeply involved groups of politicians who thought that the reform was of fundamental importance for Poland. And that was why the reform became an element of the manifestos of both parties. I also mentioned the fact that we enjoyed the support of large self-government circles. It must be said here that local elite of different political shades, though rather inactive, was looking forward to the reform which was seen as an opportunity to act on a bigger scale than just Gmina.
The position of the Government Plenipotentiary that I held at that time is a proper one from the operational and subject matter point of view to carry out operations on such a scale but it is weak from the political (structural) point of view. A lot depends on the involvement of the state leadership. Such a reform process cannot be managed half way i.e. the person in charge must be a minister with all ministerial powers (or a plenipotentiary of the government) and all people involved must know that the person enjoys full backing of the Prime Minster. It cannot be a weak administrative position. As such, it sends signals that it enjoys little support of the leadership. If the position is weak all the activities related to the reform are becoming chaotic and this is what happened in November and December of 1998. My real political role ended approximately six months after my nomination as the Plenipotentiary—in summer 1998. This gave me enough time to prepare bills but the practical implementation of the reform had to take place through different channels (see Chapter 4 above). In the course of time, the forces opposing decentralization were becoming stronger and stronger, especially the circles of civil servants in ministries and central administrations, but they were a bit late. It seems that at present the whole system is in a state of equilibrium, as there are no forces in Poland now that would question the new territorial system and the existing possibilities to play politics newly created by the reform in Poviats and Voivodships.

All reforms implemented in a democratic state must win the hearts of society at large. That is why reforms must be accompanied by educational and promotional activities, which will make it possible to win the trust of society and adapt the reform to the needs of the citizens. In case of the reform of the system of government, public support for decentralization seems to be a natural phenomenon as it answers the needs of the Poles and their country. That is why, the reform did not require any particular lobbying on the intellectual level. Moreover, the product we showed to the public in 1997–1998 did not have any competition from the subject matter sense as there was no other similar program and there was no criticism accompanied by sensible arguments. However there were numerous political vetoes, as the public administration reform is always a political issue.

It does not mean that the reform did not require political lobbying and support of various other groups. At the same time the reform also required a public relations and educational campaigns for broad circles of public. However, in 1998 this task (broad education) proved to be unfeasible due to a media war, which broke out when the reform was being implemented. Public television in Poland is in the hands of the leftist circles (SLD-PSL). Public television, which is the main medium for social education, became involved in the war with the coalition government of the center right. It is a key to understand the area of public relation and communication during the crucial period for the reform, which lasted from January until March 1998. Obviously the reformers carried out educational and promotional programs, which were quite effective (e.g. more than one million leaflets as well as programs in cable and private TV stations), but the proper social climate for any events in Poland is created by public television. As the public television refused to take part in the educational campaign and was involved in criticizing the reform (and the central government), any further questions regarding the choice of tools to promote the reform are pointless. Apart from TV commercials that the government could not afford, the government and reformers did not have any comparable means to present the reform to the general public.

FINAL REMARKS

This text was not presented to describe all aspects of the Polish reform in detail. Its main aim was to show different aspects of the process of implementing important and far-reaching reforms, as in the case of decentralization in Poland.

Reform of that scale leads to transformation of general system of the state. That was the case with Polish reforms after Communism. Apart from such large transformation reforms, governments often implement other reforms and changes. In particular there are reforms of the managerial character, which deal with the implementation of new and more effective methods of public management, and not with the transformation of the general system of the state. Moreover, the organizational side and functioning of public administration are constantly modernized. Such constant modernization of administration is every day duty and business of any government. Each of the types of reform needs relevant means of operation.

Sometimes those three levels of public administration reforms are confused. It leads to many misunderstandings and to the possible failure of great state reforms or to the reforms being implemented only superficially.
Decentralization in Poland is an example of a successful effort of the state. It was a common effort made by the political elite and experts. In my opinion the reform will facilitate the functioning of Polish democracy and economy, and will support European integration processes. The effect of the reform would be a civic state, which acts on various levels of public management, which is open to change, to co-operation and competition.
ANNEX

Resolution No. 101/97 of the Council of Ministers Concerning the Principles for the Preparation and Implementation of the Public Administration Reform [Preamble]:

“In order to efficiently implement systemic reforms of the State,
Considering that this task, of major significance for a propitious future of Poland and common good, should become a field of concerted co-operation of all political forces that cherish those values,
Basing, in accordance with the Constitution, the draft of the new organization of authorities of the Republic of Poland on the principle of subsidiary, according to which Gmina and Poviat communities, that is local self-governments should be directly responsible for matters of local interest and common needs of inhabitants,
Whereas the strong Government and its representatives in Voivodships—voivods should be responsible for matters of national interest, which include primarily sovereignty and integrity of the State, collective security—internal and external, concern for the observance of the law, as well as ensuring conditions for civilization and economic development,
Recognizing, that Voivodship self-governments should be involved in State work concerning favorable economic development,
And the number of Voivodships, as well as their individual economic, intellectual, cultural and organizational potential should make them capable of undertaking public tasks on the regional scale,
Also recognizing that the optimum time for carrying out elections to the decision-making bodies of Poviat and Voivodship self-government is the year 1998

The Council of Ministers resolves as follows:

SUBSTANTIATION of the Resolution No. 101/97 of the Council of Ministers concerning the Principles for the preparation and implementation of the Public Administration Reform:

The action program of the Government, defined in Prime Minister’s expose, provides for an expeditious implementation of systemic reforms. It is a broad notion, involving —most generally—the need to build new foundations of public life, in a large scope. It should take into account not only reorganization of the administrative system of the state, but also reconstruction of the value of state work in civil service, as well as simple consolidation and rationality in managing public funds. The latter requires a transparent system of responsibility for public affair, with amendments of the regulations relating to public procurement. Transparency of public affairs embraces not only the issue of the distribution of competencies and reorganization of administration, but also matters of putting public property in order, as well as an appropriate new arrangement of the system of public finance.

Those are necessary pre-conditions without the meeting of which it will not be possible to speed up economic development or carry out major social reforms. Amongst them there are the health insurance reform, the social security reform, the educational system reform, the reconstruction of the sense of collective and individual security of citizens, etc.

The administrative-territorial reform has two major objectives of a direct nature.

First, it is aimed at strengthening the government, by implementing the principle of separation of the political functions (governing) from the executive functions in the field of public administration. Thanks to administrative deconcentration and decentralization of public tasks the government will become an authority adopting principal decisions relating to the strategy of the development of the state, its security and public order instead of managing singular affairs.

The above function of the government will be realized not only at the central level, but also at the regional level, through the institution of the strong, government-appointed Voivod. As an administrative authority of general responsibility Voivod will have at his disposal instruments for securing the interest of state and observance of law in Voivodships in the form of consolidated government administration. Consolidation of government administration at the Voivodship level will bring about tangible financial economies. In turn, decentralization of the government
function with respect to social and economic policies will provide conditions for better planning the strategy of the economic development of the regions.

Another direct objective of the reform is to reinforce social integration through reconstruction of local communities and giving them competencies within the area of satisfying community needs at the local level. Therefore, one of the priorities of the Poviat reform is to strengthen identification with the local community, and through this also with the national community, as well as to intensify citizens’ participation in public life at the local level ("feel at home"). Implementation of public tasks of a local character (so far performed by government administration at the Voivodship and district level) by self-governing Poviats and organizational consolidation of administration also on that territorial scale will also contribute to better management of public funds under direct control of representatives of local communities.

Such a sequence of implementing the reforms is also prompted by the following factors:

• The need to eliminate the competence and organizational disorder in the State by clear distribution of responsibilities between local, regional and central segments of public authorities. This end will also be served by a radical reduction of the number of special administrations (their organizational consolidation, though with necessary competence autonomy);

• The need to make a distinct separation between politics and administration, and both areas from the economy;

• Making the system of public finance efficient and transparent by subjecting it to civil control in all segments of public authority within the framework of decentralized functions of the State;

• Creating organizational premises for reducing corruption and nepotism in the administration and for reconstructing the ethics of the civil service, improving operating efficiency of the administration and turning it into an institution serving the citizens;

• Creating professional and politically neutral staff ensuring efficient performance of public tasks by the administration. In this respect it is necessary to build up new legal grounds for the civil service;

• Ensuring collective and individual security for the citizens, and creating appropriate conditions for crisis management.

The reforms have to be carried out in such a way so as to avoid disorder caused by reorganization and destabilization of public functions. Therefore, it is assumed that the reforms have to be carried out all at once and as soon as possible so that the state system in the new form starts functions as of the beginning of 1999. The combined implementation of the Poviat and Voivodship reforms (and in consequence also holding Voivodship elections in 1998) is justified by the fact that about 100 proposed Poviats infract upon the borders of present Voivodships. The earlier (in 1998) implementation of the Poviat reform while postponing the Voivodship reform to a later date would anyway force out some in 1999 corrections of boundaries of all 49 present Voivodships. Whereas the disorder relating to reorganization and the competence confusion would last adequately longer since the setting up of large Voivodships at a different date and the separate introduction of Voivodship self-governments would require—every time anew—extensive amendments of about 100 organizational and competence statutes.

This resolution, defining the scope of tasks that need to be executed in the forthcoming future by the members of the government and the administrative offices they are in charge of, at the same time sets the deadlines for their execution.

In order to keep those deadlines it is also necessary to resolve that the first Poviat budgets will be set by Regional clearinghouses and then if necessary corrected by Poviat councils following their constitution.

It is also necessary to accelerate work within the government, which is to ensure simplification of the procedure of considering proposals by the Council of Ministers—after they are properly prepared by the Government Plenipotentiary for the Systemic Reform of the State and upon Prime Minister’s approval.

In the period of preparing and implementing the reform it is necessary to stabilize the existing administrative divisions: both at the basic Gmina level, as well as special divisions.

The reforms of administration (and also that of courts system) are also necessary within a broader context of Poland’s accession to the European Union. Administrative reform is one of the principal roads to ensuring for Poland a partner’s share in the operation of European structures and in relations with other member countries.

The proposed resolution provides for the preparation of the implementation of the reforms as soon as possible, which meets halfway the expectations of the citizens and
political elite, including the parties that form the government, without destabilizing the performance of public functions by the self-government and government bodies. It is to be hoped that the political forces that are now in the opposition also share the same expectations. The reforms in the proposed form do not require any amendments to be made in the Constitution.”
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NOTES

1 Michal Kulesza is a professor at Warsaw University, Faculty of Law and Administration—Head of the Public Administration Dept. Author of some 150 scientific publications in the area of public administration and administrative law. Took part in the 1989 Round Table debates as member of the local government workgroup (on behalf of ‘Solidarity’). One of the main authors of the 1990 Polish Gmina reform and legislation. In 1992–1993, as the Government Plenipotentiary for the Public Administration Reform and Under-secretary of State in the Hanna Suchocka government prepared the powiat (county) reform, that time not introduced because of political reasons. From November 1997 to March 1999 was Secretary of State in the Jerzy Buzek government and as the Government Plenipotentiary for the Systemic Reform of the State was in charge of preparing the 1998 administrative reform (Powiat & Wojewódzrwo), in particular its legislative groundwork.

2 Round Table (Okragly Stól)—talks held by the representatives of the Opposition, most of whom were linked to the ‘Solidarity’ Trade Union, outlawed after the introduction of martial law in Poland, and by the representatives of the State and Party authorities (the Polish United Workers’ Party). The talks were held in Warsaw from February 6th until April 5th, 1989. The negotiators were to work out rules for the democratisation of the social system in Poland and for introducing economic reforms that would be acceptable for both sides. According to the Round Table agreements, it was decided that the reform of the political and economic systems would be carried out in steps and it would be based among others on political pluralism, freedom of speech, independence of judiciary, strong territorial self-government, democratic elections to all elective bodies of state, freedom of ownership and development of market economy and competition. The agreements provided for pluralism of trade unions i.e. freedom to establish and be a member of trade unions and it was also decided to allow to legalise the ‘Solidarity’ Trade Union.

As far as the supreme state authority was concerned it was decided to set up the Senate as a second chamber of parliament and the office of the President of Poland. It was also decided that the Senate election would be free whereas the Sejm election would be based on a political contract among parties, i.e. Party-and-Government side would get 65 per cent of the seats whereas the Opposition—‘Solidarity’ side would get 35 per cent of the seats. The Round Table agreements formed a foundation for implementing significant political changes in Poland.

The first election held according to the above agreement took place on June 4th, 1989. As a result of the vote the Solidarity side won all 35 per cent of seats in the Sejm and 99 out of 100 seats in the Senate. This made it possible to create a strong Opposition grouping in the Sejm known as the Citizens’ Parliamentary Club and then, after forming an unexpected coalition with two parties (former political supporters of Communists—SD and ZSL), to create Eastern Europe’s first non-communist government led by Tadeusz Mazowiecki.

Then a number of important decisions were taken regarding Poland’s economy, including freedom of ownership, introduction of a free market economy and competition, liquidation of central planning and a unified fiscal policy regarding companies.

3 Gmina—the basic level of public administration introduced in 1990. The most important collective needs of a local community are met here. There are ca 2,500 Gminas in Poland, amongst them rural and urban (towns) of various size. Voits (wojt), urban Gminas and Gminas head rural Gminas with townships—by mayors (burmistrz), and larger towns—by presidents (prezydent). The average rural Gmina is of ca 7 thousand inhabitants (there are only 28 Gminas with population lower than 2,500 each).

4 Voivodship Assemblies (1990–1998) were made up from all Gminas located within one Voivodship and represented the interests of Gminas toward state administration.

5 The Alliance of the Democratic Left (SLD), a leftist political coalition and an election committee created in 1991. Since 1999 it has been recreated as a political party. SLD has their roots in the former communist system. It is made up from dozens of political parties, trades unions and social organisations including first of all the Social Democrats of the Republic of Poland (SdRP). SdRP is the successor of the communist Polish United Worker’s Party. In the 1993 parliamentary elections SLD won 20 per cent of the seats. Between 1993 and 1997 SLD formed a government coalition with PSL. Also since the autumn of 2001, with 40 per cent of the seats in Parliament SLD has been a member of the ruling coalition with PSL.
The Solidarity Election Action (AWS), a centre-right political alliance formed in 1996. It was composed from the Solidarity trades union and more than 40 political parties and organisations. It represented three ideological options: liberals, Christian-democrats and nationalists. During the elections in 1997 AWS won 33.8 per cent of the seats and with UW (13.4 per cent) and formed a centrist right government whose Prime Minister was Jerzy Buzek (AWS) and Deputy Prime Minister was L. Balcerowicz (UW).

Poviat (Powiat)—the county level of public administration designed to maintain efficiently many of the everyday local services and institutions of public life. Unlike the Gmina, which is responsible for local tasks defined by law but also for all matters that have not been explicitly assigned to other levels of government (General Clause), the poviat will implement only those tasks that have been clearly defined for it in the law. There are 315 poviatas headed by self-government officials (starosta) appointed by democratically elected poviat councils. There are approximately 85 thousand inhabitants and 8 Gminas in average (statistical) Poviat. Also 65 largest urban Gminas (towns) have been endowed with poviat status.

Voivodship (Województwo)—the largest administrative unit in the sub-national organization of the state. There are sixteen Voivodships (regions) in Poland. Voivodship can be also understood as the regional self-government (where Sejmik is the governing body and Marshal [Marszałek] is the Chief executive) and as the area of activity of the central government appointee—Voivod [Wojewoda].
Structural and Organizational Reform: The Experience of Latvia

Svetlana Proskurovska
Structural and Organizational Reform: The Experience of Latvia

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INTRODUCTION

This paper emphasizes establishment of the civil service and the structural and organizational reform of public administration in Latvia during 1993–2001. The content of the paper is based on a six-year personal experience of the author in designing, managing and implementing reforms in Latvia. The views and opinions expressed in this paper reflect the views of the author, occasionally supported by the opinions of international experts familiar with the process of public administration reforms in Latvia.

During 1995-2001, due to the Government course on integration into the European Union, Latvian administration has been increasingly subjected to the influence of the Western European countries and particularly EU member states and the European Commission. This influence stems from the obligation of Latvia as an EU candidate state to implement internal reforms and ensure compatibility of Latvia with the Copenhagen (1993) political, economic and administrative accession criteria. Implementation of the administrative criteria requires that Latvia develop a sustainable and reliable administration capable of implementing the European Treaties, EU policies and the acquis communautaire in Latvia to the same standards as in any EU Member State.

Administrative capacity, both sectoral and horizontal, has become an enormous challenge for Latvia. Therefore, implementation of the internal administrative reforms takes place in close cooperation with and assistance from the European Commission, Member States, and SIGMA/OECD. Moreover, the reform process is closely scrutinized and evaluated by the Commission in the annual Regular Reports on the progress achieved in preparation for accession. Such Regular Reports serve as a guiding document regarding the priorities of internal reforms and areas, which are considerably lagging behind the expectations of the EU Commission and EU member states. The Regular Reports act as monitoring tool to measure the progress and identify problems as well as set a benchmarking mechanism for comparison among the candidate states.

Although there is no acquis in the area of public administration and National Government retains its sovereignty in establishing the structures of public administration and regulating the civil service as well as deciding on the model of decentralization of the state, there is a convergence in the systems of public administration in Europe caused by the obligation to ensure effective implementation of the acquis, integration of EU members within the four freedoms of movement,1 rulings of the European Court of Justice supplementing the European law. All this provides for a more close integration of national public administrations based on recognized common administrative principles. Since 1997 Rotterdam conference on Governance and European Integration, experts of public administration have started to refer to the European Administrative Space, which characterizes an administrative system capable of the implementation of the EU legislation and meeting such criteria as democracy, predictability, reliability, adherence to the rule of law, proportionality, transparency, effectiveness and efficiency.

Reform of public administration in Latvia is driven by the internal challenges: need to improve coherence of policy making and policy implementation, need to ensure effective management of public finance, need to improve responsiveness and quality of public services, need to improve ethical standards and combat corruption, need to facilitate economic growth and welfare of society. At the same time, public administration reform is driven by the integration process, which requires strengthening of politically neutral civil service system, implementation of rules on administrative procedures, improvement of policy coordination, ensuring sound management of public finances within a medium term framework, developing
internal and external financial control, implementing transparent public procurement rules. While implementing public administration reform, Latvia uses EU-stated requirements for the administrative capacity as a benchmark and ensures that the reforms are in compliance with the European administrative principles.

It is important to note though that the application of the good governance principles is not an easy task in a country, which is in the process of building of administrative culture based on democratic values. Reforms require a considerable degree of learning on the part of administration and legislature. The EU legal acts usually state the desired outcome but do not offer the countries any specific guidance on how the effective implementation of the letter and spirit of law can be achieved. It is presumed that the national administrations should establish the implementing structures that fit the tradition, political and administrative culture and effectiveness and efficiency criteria in their own countries, thus showing respect to the fact of sovereignty of the national administration. Designing the structures to implement the acquis is often linked to the establishment of specific procedures, embedded in western administrative culture. Therefore, the transfer of know how from the EU member states serves as a key element of success of public administration reform.

In this paper the author attempts to review the structural and organizational reform, which enabled to transform Latvian public sector from a single producer of goods and services for the citizens, the sector which implemented the policies decided outside Latvia (in Moscow), into the public sector, which promotes development of the private initiative and the sector which implements nationally adopted policies in the interests of the Latvian society. The author also pays attention to the success and failure in designing and implementing of the reforms, which may serve as a good lessons to those who follow the same route of transformation from a centralized authoritarian society to a market based democracy.

The paper describes the experiences of Latvia in reforming administration and also suggests (in Chapter 5) the common approach to designing and managing the reforms of administration, which may be useful for the countries at earlier stages in the reform process.

### STRUCTURAL AND CIVIL SERVICE REFORM IN LATVIA IN 1993–1997

#### First Program of Reform of Public Administration in Latvia

Preparation of reform of public administration started in 1993, when Latvia took a decision to de-politicize the state administration and establish professional civil service. The Program of Latvian Public Administration Reform (adopted by the Cabinet of Ministers on 28 March 1995) [1] stated that Latvian State and public administration were in transition from totalitarian regime to a democratic state based on the rule of law. The Program envisaged establishment of an administration that is derived from the structure of the state stipulated in the Constitution (SATVERSME) and which should perform entrusted public functions with integrity, effectiveness and justice towards the citizens.

The Program proclaimed the following strategic directions of the reform:

- reform in relations between the society and the state;
- reform of public administration functions;
- reform of the structure of public administration;
- reform in basic operational principles of public administration;
- reform of main instruments of public administration:
  - public finance management;
  - personnel management;
  - preparation and implementation of normative acts.

The Program was to be implemented with the use of the following means: legal acts, systems analysis, management of change, financial resources, training of personnel, informing of the society and public servants.

The principles of structural reform of public administration were stated in the Program. The following provisions were made for the public administration. The Cabinet of Ministers exercises the political leadership of public administration and adopts secondary legislation aimed at implementation of the laws passed by the Parliament. Ministers are members of the Cabinet and political leaders of respective ministries. A ministry is the highest organization in the institutional hierarchy responsible for policy making for the sector, budget allocation within a sector, organization of implementation of the public policies through management of the subordinated institutional system. The institu-
Implementation of the structural and organizational reform started with clarifying the roles and functions of institutions of public administration even before the official approval of the Program of Latvian Public Administration Reform. Notwithstanding the fact that the Program stated that entrepreneurial activities are not an objective and part of public administration, the use of entrepreneurial legislation was made to establish state non-profit companies under management of ministries to administer state programs and deliver public services. As it will be discussed further, not all the measures had been well substantiated by a comprehensive analysis of the impact, because the lack of the experience in building new public administration, weak theoretical knowledge of the basics of democratic governance, economic and fiscal pressures produced a mix of circumstances, in which experimenting was an alternative option to inaction.

The Program addresses civil service reform as an essential element of transformation of the state to a democratic rule of law. The objective of the civil service reform is to establish politically neutral, professional, accountable and regulated by the law administration, whose decisions can be reviewed and challenged through certain stated procedures. The basic principles for civil service included:

• principle of trust—the state entrusts civil servants with the rights to exercise public authority with a framework of law and with a reasonable discretion;
• general applicability—a civil servant should be able to perform his/her duties within a wider context of public administration and can be transferred of seconded to another post in the administration;
• principle of career—the state ensures an opportunity for a civil servant to develop a career through a progress within the civil service ranks, linked to the professional growth and continuous learning; the state undertakes an obligation not to dismiss a civil servants unless he has committed an offence as stated in the law;
• principle of state care and social protection of civil servants—the state provides certain social guarantees to the civil servant in return for his loyalty and dedication to the state interests;
• Principle of ethics—avoidance of the conflict of interest to ensure that civil servants performs his duties in the interests of the state and the society and his performance is not interferes by any personal interest and wish to attain private gains through compromising his/her position.

To ensure the establishment of legal framework for the civil service, a set of laws was to be passed and implemented: The Civil Service Law, Law on Disciplinary Procedures, Law on Administrative Procedures, Law on Conflict of Interest, The Law on Access and Protection of Information together with the Cabinet regulations on civil service. For the implementation of the Civil Service Law, coordination and development of career based civil service system the Government established a central coordinating institution—Civil Service Administration. The change from the old soviet type administration working under strict control of the Communist party to the professional civil service required new types of knowledge, skills and attitudes. To enable the public servants acquire such skills, a government-funded training institution for in-service training—Latvian School of Public Administration was established simultaneously with the Civil Service Administration, in December 1993.

The School has developed into a sustainable and developing training institution, which follows the reform, needs and develops and delivers training programs to civil servants within broad range of reform agenda. Till present, the School resisted suggestions to change a status from public institution financed by the Government to a more relaxed agency status for the reason of serving primarily as a reform tool for the public administration which should facilitate the growth of professionalism in public administration without focus on entrepreneurial activities aimed at earning revenues through delivery of training for a fee.

The Program made a very general provision for management of public administration reform by stating that the Cabinet of Ministers ensures the implementation of public administration reform with all the available means and tools. Later in the paper we will see how such an uncertain provision influenced the pace of the reform and attitudes of politicians, administration and the society towards reform initiatives.
Early Transformation of Public Administration

After the 1993 elections of the 5th Saeima, the Cabinet of Ministers established a Ministry of State Reforms (with a limited two-year mandate) to develop policy on public administration and civil service reform and to coordinate its implementation. Other sectors of economy and social sphere were entrusted to twelve ministries: Ministry of Finance, Ministry of Justice, Ministry of Foreign Affairs, Ministry of Economy, Ministry of Agriculture, Ministry of Transport and Communications, Ministry of Welfare, Ministry of Education and Science, Ministry of Culture, Ministry of Interior, Ministry of Defense and Ministry of Environmental Protection and Regional Development.

The State Chancellery acts as a central administrative institution and ensures necessary professional support for work of the Cabinet of Ministers and the Prime Minister. One of the critical roles that the State Chancellery plays is to ensure the quality of the normative acts submitted for adoption by the Cabinet. The policy advice function at the State Chancellery has been underdeveloped till the beginning of 2000.

In order to ensure the most comprehensive review of the legal drafts and National Programs before adopting by the Cabinet Members, the Cabinet of Ministers established a Committee, which is a discussion forum for Members of Cabinet and civil servants from all ministries and central institutions. This forum assists government in coordination of various sector policies and prepares the ministers for voting on policy decisions of the Cabinet of Ministers. For a government lead by a coalition, this is an important instrument to express political and professional concerns and influence the contents of the final draft submitted to the Cabinet meeting for approval.

The structure of ministries reflects the functional approach to the setting up of administrative system. The ministries in Latvia are comparatively small to those in countries of the continental Europe (France, Germany) and are comparable in size to the Scandinavian ministries. This reflects the trend of de-concentrating and decentralizing the functions of the state to avoid the concentration of power at the center and to establish public administration bodies under supervision and subordination to the ministry for carrying out specific functions which fall within the remit of the ministerial mandate. These functions are related to implementation of policies and to exercising control and monitoring over the implementation of law.

The legal status of the supervised and subordinated bodies is different. The basic principle employed in establishing the status of the public administration institution refers to the desired degree of political influence on performance of a certain function of public administration. If the function requires a direct access to the political decision-making and is closely involved with policy implementation, coordination of activities of public bodies with in the institutional system of a ministry, the institution is placed under the direct subordination of the ministry. This means that the minister or other authorized top civil servant (State Secretary of Director of Department) has a legal right to give direct orders regarding the operation of the subordinated institution as well as has a right to review any administrative decision and revoke or suspend it through exercising a superior hierarchical authority.

On the contrary, the institutions that should operate under the provisions of the law and perform functions that should be protected from any political influence (interference) of the minister are placed under supervision of the ministry. Such supervised institutions perform regulatory and control functions under the provisions of the law. The ministerial authority is limited to (1) proposing the director (head) for nomination by the Cabinet of Ministers, (2) proposing the budget for approval of the Cabinet within a framework of the government budget, (3) exercising a legal oversight over operation of the institution with the right to suspend or revoke the decision contradictory to the law. All Latvian inspectorates are placed under the supervised status, which ensures their autonomy and responsibility for carrying the functions stipulated, by the law.

Establishment of Civil Service. Training

Civil service system was introduced in Latvia in 1994, upon adoption by the Parliament the Law on State Civil Service (21.04.1994). The law provided for establishment of a career civil service in central administration and after the transitional period in the local governments. The law emphasized separation between the political and administrative roles in public administration. The selection of civil servants was based on a principle of open competition and meritocracy. The selection criteria accentuated the professional qualifications, education, loyalty to the legally established government and absence of a record of service within intelligence organizations of other countries and banned organizations in Latvia after proclaiming of independence.
To perform a transition from the existing in 1994 administration to the new system defined by the Civil Service Law, all persons employed in administration had to pass a qualifying test and undergo the check of compliance with the obligatory requirements stated for civil service candidates. During 1994–1996 all the employees serving in ministries and subordinated and supervised public bodies underwent the documentation and qualification tests. Those who passed those tests were nominated to a civil servant position as a candidate to the civil service status.

To establish a unified civil service, a common general system of civil service positions was established by the Cabinet regulations with a remuneration system linked to the position. However, the civil service grades and ranks have not been introduced, thus preventing from development of careers based on rank progression. Instead, the carriers developed in relation to the positions. Carrier development was a matter for individual or organization concern, with much lesser role for the Civil Service Administration, which failed to ensure rotation and secondments system facilitating the allocation of civil servants with the proper skills across the civil service in the interest of the state.

The rationale for the civil servant candidate status was connected with the fact that it was not possible for the people in civil service positions to meet all the high professional standards that should determine a civil servant. Therefore, training was considered a priority measure to allow the civil service candidates to develop their management, policy development, legal drafting, administrative procedure and other relevant skills. Training also was meant to serve as a tool of changing attitudes of employees.

A comprehensive compulsory training program was developed by the School of Public Administration and delivered during the 1994–1998 to all civil service candidates. The basic training curriculum included tailor-made courses aimed at development of practical skills and imparting the most essential knowledge in modern theory of management, office and documentation management, basics of market economy, administrative law, psychology and ethics, budget management, communication and IT skills, rules on public procurement, etc. The School also provides language training for those who work with the EU institutions and documentation.

The approach to training of top civil service managers (State Secretaries and Heads of civil service institutions) and the rest civil servants was different. The 240 top civil servants were trained separately from the rest of the civil service through specially designed courses and delivered by the external experts on public administration. The major introductory training coincided with the PHARE Public Administration Reform Program (1994–1996), which devoted special attention to assisting in training capacity building. To train the medium and lower level of civil servant candidates (~12000 candidates), the School implemented the train-the-trainer program and trained Latvian teaching staff, developed a uniform set of training materials and organized training in the compulsory curriculum within 23 regional training centers.

Training served as a common basis for all civil servants, which helped to forge common views, skills and attitudes within civil service. With years, the training curriculum of the School expanded to include emerging priorities of public administration reform. This was possible due to the fact that the School worked for the needs of raising the professional qualifications of civil servants. The new courses included wide range of areas: project management, strategic management, foreign languages, personnel management, internal control, European Institutions and policies, management of the EU policies, presentation skills, psychology, conflict resolution, public procurement, etc.

The priorities in training program include such topics as EU institutions and policies; administrative procedures (this course is aimed at improving knowledge and understanding of the basic principles and procedures of civil servant work), ethics, strategic planning, project management, client-oriented service, personnel appraisal, etc.

Presently implemented training program for inspectorates supports a program of institutional development of inspectorates aimed at improving the regulatory environment in Latvia, reducing administrative barriers to investors and improving client orientation of the public administration. The program contains a set of courses that support development of strategic thinking and client orientation of inspectorates, attempts to develop client orientation culture, facilitates establishment of better communication links between the inspectorates, trains in developing clear and transparent procedures and internal control systems, and focuses on development of interpersonal skills of inspectors while dealing with difficult clients.

Training is an essential instrument of building administrative capacities. However, one should not rely on training only, because in isolation from the policy and legal framework as well as accountability and monitoring
mechanisms the skills may not be demanded by the Heads of institutions and the civil servants will fall back on their traditional behaviors thus leaving the things unchanged. Therefore, there should be sustained pressure from the central coordinating institution to implement reforms as well as the system of incentives linking the reform efforts with the benefits for the institution and individual.

Commercialization of the Public Sector. State Non-Profit Companies

Even in the market society, the state remains responsible for delivery of public services related to education, health-care, culture, public transportation, etc. These functions are delivered by public bodies placed under the supervision of respective ministries or by bodies established by local municipalities. Other publicly established and states financed institutions deliver professional services either to the public or to the state and enables the public administration to perform their objectives. In Latvia such institutions are under the management of the ministry, which exercises policy guidance, manages these institutions according to the Cabinet regulations, oversees allocation and usage of the state budget resources and ensures that these bodies implement public policies properly and attain established goals. Examples of such bodies are State information network agency, State health insurance agency, State assets agency, Highway agency, etc.

During 1996–1997, under the influence of the market trends in Latvia, severe fiscal constraints within the state budget, as well as inspired by the process of commercialization of public services in OECD countries, Latvia started to establish public bodies with a commercial type of organization—non profit state stockholding companies. The Ministry assumed the role of the shareholder on behalf of the state and organized the management of such state companies through the nominated proxies, who represented the interests of the owner. The management elements for such public bodies of a commercial type have been quite heavy: the State proxies (the highest management authority), reporting to the Ministry (sometimes the Minister exercised a role of a proxy), Management Councils with an intermediate management authority and Management Board headed by the Director, which exercised operative management of the company while not going beyond the framework set up by the two higher authorities.

Such state companies were either financed from the state budget or allowed to earn their own revenues through the fees for services or tax levies. In case, the financial management and accountability was the exact replica of those in business enterprises. State non-profit shareholding companies used accrual accounting allowing accounting for the value of assets, while the sworn auditors reviewed the annual reports. Such companies also were registered in the State Registrar as any other commercial body, operating on the territory of the Republic of Latvia.

The personnel issues of such state companies were not bound by the civil service rules and the remuneration was set according to the private sector benchmarks. Often revenues of such companies have been quite impressive and allowed for a much faster investment growth and development than otherwise it would have been possible to do from the state budget appropriations. The central Treasury Control over the financial management of such public commercial bodies has been significantly weakened. In fact, many such ‘agencies’ have been outside of the state budget and it resulted in a situation when more than a half of the public expenditure was taken outside of the Parliamentary allocating and controlling authority. Proliferation of the extra-budgetary funds (special budgets made with the earmarked revenues) used to finance the operations of state non-profit companies significantly reduced the state control over fiscal macro-economic situation and facilitated disproportion's in financing levels within public sector.

The evaluation of the impact of the commercialization started with the involvement of the World Bank experts during 1999. As a result the recommendations for clarifying the status of the state non-profit companies were formulated and further incorporated into a draft law on Public Agencies. Chapter two of this paper deals with the problems identified in the new semi-commercial state structures and recommendations for improving of transparency, accountability and management systems of autonomous agencies.

Administrative Territorial Reform

The administrative territorial reform started in early 1990. Instead of the old Soviet type municipalities that acted as a part of a unitary state hierarchically linked to the center, locally elected self-governments were established with their own administration taking full care of the local matters. The Law on Local Self-Governments stipulated the division of responsibilities between the state and self-governments regarding implementation of the state functions. Local self-governments assumed a managerial respons-
ibility for implementation of such functions as general secondary education, primary health care and social care, etc. The law provides for the state funding of these public functions. At the same time, local self-governments assumed full responsibility for organization and management of local matters: local infrastructure, housing, utilities, local transportation, pre-school care, etc.

While the law grants certain authority to local governments in performing public functions, it should be realized that managerial, personnel and financial capacity limit the ability for implementation of these decentralized functions. For a country with a total population of slightly below 2.5 million inhabitants, the number of first level municipalities around 500 is too big. This means that the small municipalities are not able to properly organize all the necessary services and ensure the necessary standard of service due to the inadequate budget size, and limited property tax level.

This in turn leads to undesirable economic and social consequences. The young people strive to leave the remote municipalities in search for a better education and challenging employment in the capital city and other big cities, leaving behind the elderly and the ones who are trying to put up with the possibilities to earn by farming or employment in the local public service sector. Lack of investments, due to the shortage of capital, conserve the unfavorable economic and social conditions and retard the development of the private sector in the underdeveloped infrastructure. With years social and economic disparities among municipalities become sharper.

In 1998 the Parliament passed a Law on Administrative Territorial Reform (ATR), providing for amalgamations of small municipalities into bigger and economically sustainable local governments. The Law provides for voluntary amalgamations till end December 2003, after which the process of merging municipalities will be the centralized and accomplished by the central government. As a first step to ATR, the law provides for investigation of all Latvian territory and collecting the data on economic, social, ethnical, cultural, geo-physical preconditions and incentives for amalgamations and planning of new administrative territories. By the end of the year 2000 all Latvian municipalities have been investigated and Minister for Public Administration Reform submitted to the Cabinet a project of future administrative territorial division of Latvia into 102 self administering territories—novads—future first level municipalities. The criteria for setting such municipalities are:

- minimum number of inhabitants—5,000;
- the territory has a development center with the population between 2,000–25,000 inhabitants;
- the administrative center is approachable by the existing transport network;
- the center is within 30-km reach form the boundaries of the municipality.

Latvian government set up an amalgamation support fund within the state budget, which could help new municipalities to establish the new structures. However in 2000 and 2001 only a small share of this fund was used, because the amalgamation process is slow. Apart from purely objective difficulties of amalgamation, internal open and latent resistance from the local politicians serves as an important impeding factor for the administrative territorial reform. Lack of clear and persuasive information to the local citizens leaves them indifferent and skeptical to the Administrative Territorial reform.

Therefore, the efficiency, access and quality of the public services remain a serious problem for the citizens. It is not feasible to introduce civil service either in local municipalities, which are, still non-reformed and oppose to most of the changes initiated from the center. Without a proper information, incentive system and facilitation from the center, ATR will likely to remain a problem for the years to come. At the same time, conservation of the small municipalities presents an efficiency problem and a barrier to the influx of investments and EU money for economic and social cohesion.

From the structural point of view, decentralization of the central government is not possible if at the receiving end we have administratively, economically and financially weak municipalities. Such decentralization can reduce the economic efficiency of delivery of public services and cause decline in the quality of delivery. Today’s sharp contrast in a standard of life in the Capital City and remote municipalities is striking. It is reflected in accessibility to public services, employment, level of income, demographic situation, business activities, transport and mobility.

Economic and social development of Latvia depends on the success of the Administrative Territorial Reform. The Economic Development Report prepared by the Ministry of Economy of Latvia [2] states that for the reduction of social and economic disproportion’s, (among other things) should be achieved through ‘encouraging a balanced regional development and employment by promoting SME, improving infrastructure, strengthening of municipalities both financially and legally...’ (p. 130).

Fragmentation versus Centralization

Establishment and strengthening of the line ministries, permanency of the State Secretary of a ministry granted by the Civil Service law, respect for hierarchy, frequent changes of the coalition governments, weak role of the Prime Minister granted by the Constitution, weak coordinating center at the State Chancellery and the lack of the strong central body coordinating public administration reform—all these factors have contributed to development of strong and influential line ministries, which present a problem for horizontal coordination in public administration.

Authority to prepare sector policies, to form sector institutional system performing public functions, to prepare and distribute state budget for the ministerial system, decentralized authority to hire and fire civil servants makes ministries quite powerful. The political factor also acts as a reinforcement for the fragmentation, since each of the political parties represented in the government claims the political responsibility for a particular sector of public life: economy, welfare, education, environment, transport, etc. This means that apart from the collegial Cabinet decision-making on policy and legal issues, the party represented by the minister has influence on the ministry.

The coordination system, established to ensure the coherence of policies and legal drafts, have been designed as a special procedure on preparation the documents for adoption by the Cabinet of Ministers (Cabinet Regulation #160). This Regulation provides for coordination among the ministries of any policy or legal issue to be submitted to the Cabinet. Although this coordination instrument is perceived quite efficient in balancing ministerial proposals and improving of the quality of the documents that reach the Cabinet level, the problem with the shared interest of the government is still open, since reviewing the contents of a particular draft from sector perspectives does not ensure the observance of government priorities and identification of conflicts with the already adopted policies. Till recently, the State Chancellery performed only legal quality checks of the submitted documents without analysis of policy implications.

Since September 2000, Latvian government establishes a central strategic planning and policy coordination capacity in the State Chancellery—Department of Policy Coordination. This unit has three main functions: (1) preparation of medium- to long-term Government plan concerning the future policy and legislative agenda; (2) coordination of ministries in their preparation of draft policies in accord with the medium term policy framework and to ensuring the coherence of the new policies with the already adopted ones; and (3) undertaking the development of policies on the emerging issues, which do not fall under the responsibility of any ministry.

OECD research on policy coordination also pays attention to the capacity to evaluate the policies during their implementation and formulate the necessary amendments, as well as to carrying out a comprehensive impact analysis. There is awareness in Latvian administration that impact analysis of economic, social, financial, political and legal consequences is a real need. Therefore, the Regulation of the Cabinet procedure #160 was amended formulating the requirement for a comprehensive impact analysis to be done and submitted to the Cabinet together with the policy draft or legal draft. The State Chancellery is responsible for reviewing the Annotations to the submissions and checking whether the submitting institution did a quality impact analysis. However, the legal need for evaluation during the implementation of policies is not a legal requirement, which diminishes the role of mid-evaluation.

Implementation of policies and legal acts is linked to the operation of public institutions and consequently to their budgets. The allocation of budget resources in Latvia is a combination of a top down and bottom up approaches. Initially, early in the budget cycle, the Ministry of Finance performs macroeconomic forecasting for the coming year and submits to the Cabinet for approval the ceilings for each spending ministry or central body. During this process, the government makes an attempt to link the emerging policy priorities (like integration to the EU, accession to NATO, etc.) to the spending limits. However, this process is quite strenuous and politically highly charged, therefore the result of the process is more or less incremental budget within the same broad targets as for the previous year. The competition for state funds among the ministries is based on rational, emotional and political arguments and never ends in a complete satisfaction by all.

The link between the government agenda, ministries’ agenda and the budget is not quite obvious. Often, declarations of government priorities do not reflect the budget allocation, but the need to keep the budget deficit under
a stringent control results in under-financing of important areas. The World Bank in its review (1996) of public administra-
tion in Latvia insisted, that government allocates and reallocate capacity should be tied with the government priorities. One of the suggestions how to cope with the multiple priorities and reduce their number to realistically implementable was to review what and how the government institutions do. As a result of such reviews activities that do not contribute to the mission and main objectives of a ministry should be reduced, dropped or shifted to the private sector. Another reserve for savings could be better allocation of functions and responsibilities across the government, carefully avoiding unnecessary duplications and overlapping responsibilities. Latvian administration has carried out a limited number of such reviews.9 The ministry of Agriculture as a result of this review introduced structural changes and allocated staff and finances to the new priority areas without increasing the total budget lid.

Unified or Decentralized Civil Service

Latvian civil service was designed as a unified civil service with the central management and coordination. The law on Civil Service of 1994 has been implemented with the exception of some provisions during 1994–1996. Importantly, that the basis for professional, merit-based, separated from political influence and interference civil service exists and not challenged. Civil servants establish and develop their careers in public administration. According to the SIGMA opinion [3], Latvia had number of problems in implementation of the Civil Service law:

- the scope of the civil servants defined in the law (1994) was too wide and did not match the existing financial capacity;
- the labor regulation was used as a substitute for the civil service by many institutions to avoid financial constraints under which civil service was operating;
- the inadequate pay structure which resulted in introduction of non-transparent pay arrangements with management contracts;
- the lack of motivation and perspectives for career development among the candidate civil servants; and
- The weak role-played by Civil Service Administration (CSA) in managing civil service.

The recommendations provided by the SIGMA experts suggested restricting the applicability of the law to the core public administration; developing a scale of ranks for job positions; establishing new pay structure based on legally defined pay concepts ensuring transparency and predictability to the system. Additional general recommendation was to establish strong political back up for the CSA, so that it can fulfil its function as a horizontal instrument for managing the civil service and ascertain a uniform legal treatment of every civil servant across the system. The link between CSA and the School was perceived important in designing and implementing training pro-grams for putting forward credible and sustainable reform policies.

Based on SIGMA recommendations, the Cabinet of Ministers set up a working group that drafted a new Civil Service Law. It defined the scope of civil service in relation to the core functions of public administration, providing more coherent arrangements for mobility of civil servants, setting the norm for performance evaluation of civil servants as a precondition for the career development. The law was adopted by the Parliament in 2000 and entered into force on 1 January 2001.

During the last stages of the preparation of the law the issue of senior civil service has become quite acute. First, in his report to the Prime Minister Sir Robin Mountfield identified the need for strong central coordination through the State Secretaries. The State Secretaries have responsibility for their performance to the minister and a collective responsibility to the Cabinet of Ministers as a whole for their progress on implementation of the Government program. Sir Robin suggests that the Chancellery needs to be the center of strong co-ordination through the State Secretaries.

Establishment of senior civil service puts a new strong responsibility on the Chancellery: to co-ordinate public administration and to develop corporate or collective culture among the State Secretaries and other top officials that goes beyond their loyalty to their own Ministry. State Chancellery needs to develop a collective emphasis on medium-term policy planning and collective lead on Public Administration Reform matters.

It is believed that establishment of coordination mechanisms among the State Secretaries will help to overcome the fragmentation and excessive decentralization trends in Latvian public administration and improve government capacity to develop and implement sustainable, well coordinated and coherent policies. The culture that should develop in time through implementing of the new coordination mechanisms will help to ensure that the ministries are driven by the common purpose of the state rather than by their narrow sector priorities. This will result in strengthening the efficiency and effectiveness of public administ-
ration, better budget preparation and better position of Latvia vis-à-vis the European Union.

As for the civil service management, there is still need for the central coordinating institution like the Civil Service Administration, which should be responsible for the developing of procedures and regulations, exercising the monitoring of the implementation of the law in public administration, serving as an institution for disciplinary reviews and appeals, maintaining the statistics and facilitating the mobility of civil servants. Civil Service Administration also should serve as a center of expertise and advice on personnel management issues and a champion of the best practice in civil service management issues.

To answer the question of whether to have a centralized or decentralized civil service the answer is that there should be a good balance between the two. The issues to be centralized are: setting the procedures, establishing regulations, coordinating the work through strategic plans, managing the reform process, monitoring of compliance with the law and established procedures, facilitating of the mobility of civil servants, designing and delivering training programs. The responsibility for the public institutions will be associated with the selecting and recruiting, developing of civil servants, planning careers and keeping the carrier tracks, evaluating performance, applying disciplinary procedures, designing job descriptions, promoting ethical behavior and administering rewards and sanctions.

Transparency, Accountability and Steering of Public Bodies

Transparency of public administration has a legal basis in the Law on Access and Openness of Information. The information that is not classified as restricted or confidential is accessible by public and private entities. However, the desired state of transparency will be achieved when institutions design and implement public information programs. The evidence of increasing transparency is the growing use of Internet sites to inform on the institutional missions, basic functions and strategies. All ministries have their web home pages with the links to the subordinated institutions. Institutions serving public (in health, social sphere, and transport) also provide interactive opportunities for the public. The Cabinet plans to adopt a Regulation on the structure and access to the ministerial web sites.

To improve accountability of public institutions, in 1998 Cabinet of Ministers adopted an Instruction requiring all public institutions to prepare their Public Annual Reports on the performance during the year. The instruction lays out the basic items of the contents and set out the dissemination procedure. Latvian administration bodies have been preparing their Annual reports since 1999. Similar practice was implemented earlier for the state non-profit companies, which produced verified by the certified auditor’s Annual reports on performance and financial management results. The improvements are planned in the quality of Annual reports through linking the performance results to the budget allocations, reporting on the cost-efficiency of performance, reporting on performance within the government priority objectives, reporting on the outputs and outcomes rather than reporting on the process and functions.

Transparency and accountability of public service bodies increase significantly if institutions develop special information for customers. Road Traffic Safety Directorate provides the best example in Latvian public sector on how client oriented service is established and customers can assess the performance and influence it through using the client rights provided by the Clients’ Charter. The Standards of service are set up for all services provided by the Directorate. If any of the standards is not observed (especially the standards on service time), the customer may be relieved from paying for the service.

The assessment of reporting arrangements in public bodies was performed during the World Bank survey of the state non-profit companies in November 1999. The Survey revealed that not all state companies had adequate financial reporting documentation. Moreover, often Ministry was not controlling the financial statements and monitoring performance of the agency. This meant that while establishing public companies at the arm length from the center, and creating a cumbersome management system with Proxies, Councils and Management Boards, the Ministry itself was isolated from the managing the agency and supervising performance. A break in the accountability system was quite dangerous if senior public officials delegated the management and control responsibilities too far and reduced their own involvement in management of public bodies. This means that the implementation of public policies, use of public finance, observance of the law was effectively taken away from the administrative and political control of the government.

Such conclusions called for re-thinking of the status of semi-autonomous public agencies and applicability of the private sector company model for such bodies. It was
concluded that there is a different philosophy behind the management, accountability and control of public bodies and that of private companies. Therefore, Public Agencies Law was passed in March 2001 to provide a proper legal basis for establishment, management, operation, accountability and control of public agencies. The basic concept of Public Agency allows for separation of the roles of the ministry and agency. The ministry approves the operational framework of and agency, which includes operational strategy, business plans and budgets (as well as levels of charges for public services, if agency is allowed to collect fees for its services). Preparation of such a framework is a common responsibility of an agency and the ministry, which results in signing of a performance agreement between the minister and the executive director. The performance agreement specifies the expected outcomes and outputs, resources to be used, incentives and sanction related to performance and targets against which the performance will be evaluated.

The agency is given the necessary managerial flexibility in organizing its operations and is bound only by the law and the targets set out in the performance agreement. Steering and rowing is separated for the purpose of achieving greater economic efficiency and quality of service delivery. The law provides also for eliminating of a multiplier management structure, which proved to be inefficient. Instead the head of the agency is directly responsible to the minister, who in turn appoints a liaison person in a ministry. The liaison person as part of his/her regular duties should monitor the implementation of the business plan, state of financial management and should timely inform the minister if his involvement is required. At the end of the fiscal year the liaison persons analyze the Annual report and advise the minister on the evaluation of implementation of the annual performance agreement.

According to the transitional provisions of the Public Agency Law, the structural reorganization will concern some 170-state non-profit stockholding companies within the period lasting till the beginning of 2003. The functions of these bodies will be analyzed and one of the following decision taken and implemented:

- creating a public agency;
- privatizing the whole ‘business’;
- returning the function to the core public administration;
- transforming into a trading company (for profit).

The implementation of Public Agencies Law will ensure better transparency and accountability in the administration. The role of Ministry Vīzija Vērt the agency will be made quite clear and a link between the political accountability and service delivery will be established. Currently, the implementing regulations are in the process of adoption by government, concerning the criteria for establishing the agencies, the process of transformation of non-profit stock companies to the agency status, the template for the performance agreement, the regulation on annual reports of the public agencies, the pay system in agencies and the methodology for setting the user charges for the public services.

New Public Administration Reform Program

The first Program of Public Administration Reform of 1995 concentrated on structures, functions, principles and civil service. For a considerable period of time the public administration reform agenda did not go beyond the formal building blocks of administration: institutions, personnel, procedures and reform management. The difficulties to implement such a narrow reform agenda answering the question of how to establish administration without paying attention to what is the substance of work of administration have been evident in the long run. It is not enough to create abstract schemes and to subject the administration to perfect models. It is essential to achieve a fit between the real administrative structures and personnel policies to the tasks of administration, namely, policy development, policy implementation, improving performance and quality of public service delivery, improving the efficiency of the public sector, introducing the innovations in public service and establishing ethical and accountable environment.

The World Bank influenced the administrative reform policy agenda by agreeing with the Government on measures to be implemented under the Programmatic Structural Adjustment Loan (PSAL). Apart from traditional reform measures, like improving structures and strengthening civil service, the World Bank supports such reforms as ensuring transparency and access to information, strengthening the judiciary, prevention of corruption, improving management of public service, establishing medium term public expenditure framework, improving of state regulatory functions, improving the business environment and reducing the administrative barriers to investments.

The Program of agreed measures with the World Bank creates a new aspect of the reforms of public sector, which goes beyond the traditional package of public administration. As a result of the measures in the agreed program, Latvian administration is expected to streamline the structures of public administration by clarifying the mission
and strategic objectives of ministries, to improve the framework for the budget management and link the government allocate capacity to the strategic planning. The program also aims at improving the performance of regulatory bodies by clarifying their missions, improving strategic planning capacity, ensuring the stability and clearness of the inspecting procedures, ensuring effective appeal mechanisms, enhancing the client orientation of the regulatory bodies and providing the information on the performance.

In August 2000, a World Bank consultant Mr. Denis Ives conducted an analysis of public administration reform in Latvia and suggested the following framework for a balanced approach to public sector reform, including:

1. Overall strategy, objectives and expectations;
2. Institutional and structural reform (including devolution and decentralization);
3. Financial management and budget management reform;
4. People management reform (including employment rules, staff quality and capacity building, particularly for senior executives);
5. Performance management (including result-based management);
6. IT initiatives and improvement programs;
7. Service delivery improvements initiatives;
8. Accountability, ethics and anti-corruption.

To add to this list, the reform agenda should not overlook the issue of reform management and evaluation. This means that effective implementation of the reforms depends on the created steering and co-ordinating capacity. This conclusion matches the recommendations by Sir Robin Mountfield, who emphasized in his report the strategic role of the center of government for policy co-ordination, top civil service management, link between the government priorities and public budget management.

The influence of the European Commission on the course of public administration reforms reflects:

• the assumptions of the Commission about the characteristics of reliable and predictable public administration;
• the concern for the transparency and credibility of financial management and financial control procedures, explained by the requirements to ensure transparent and effective use of the Phare and pre-structural assistance;
• the structure of the European Commission, which determines sometimes uncoordinated demands made on various aspects of public administration;
• the EU legislation.

Latvian task is to prepare a comprehensive reform program, which takes account of the existing problems, partially recognized and illuminated by the World Bank, and demands exerted by the EU. After the first Program of reforms in 1995, in 1998 the Cabinet passed the second framework document—Strategy 2000. This document provided for reforms in policy co-ordination, budget management, civil service development and training, implementation of administrative territorial reform and improving accountability and appeal mechanisms. Unfortunately, lack of political interest to public administration reforms, inadequate allocation of financial resources to implementation of reforms significantly delayed and weakened the implementation. As a result, the Strategy 2000 was only partially implemented.

With the date of accession approaching, the EU attention to the administrative capacity is growing, which requires especially co-ordinated and result-based implementation of reforms. To ensure effective implementation of reforms the Government requires establishing the framework for medium term reform agenda. During the first part of 2001 a cross-ministerial working group, established by a Decree of the Prime Minister, had developed Strategy of Public Administration Reform for the Years 2001–2006, which was adopted by the Cabinet of Ministers on 10 July 2001.

The Strategy states five comprehensive goals:

• improving policy development and policy coordination process;
• introducing medium term expenditure management linked to policy priority targets;
• improving administrative process and enhancing the role of society in public administration;
• improving the quality of public services; and
• strengthening civil service and human resource management in public administration.

Some of the expected outcomes of the Strategy of public administration reform will be:

• improved government capacity to adopt strategic objectives, making framework for coherent and coordinated public policies;
• improved implementation of government policies through central strategic planning system and coordination;
• implemented program budget planning and management linked to the politically accepted outcomes and specified performance targets;
• improved accountability of public bodies for the delivery of planned performance targets;
• improved administrative process and better respect of the rule of law in daily work of public administration;
• improved responsiveness and quality of public services;
• better skilled, professional, ethical and accountable personnel, who develop careers in civil service and ensure good performance of public service.

Recent developments related to the Strategy include the development of action plan for implementation of the strategy with indication of timing, resources and responsible institutions. The process of development of the action plan is coordinate by the Secretariat of Public Administration Reform. The Cabinet of Ministers established the Coordinating Council of Public Administration Reform, which should coordinate implementation of the Strategy. The coordinated action on implementation of the Strategy has already started.

MODELS OF MANAGEMENT OF PUBLIC SECTOR REFORMS

Ministry of State Reforms

In 1993 the first government established by the democratically elected Parliament in the independent Latvia set up under a sunset law13 the Ministry of State Reforms. The mandate of the ministry was to develop state policy of the public administration reform, to prepare a Program of reforms and draft the basic legislation regulating civil service, institutions of public administration, and to coordinate Civil Service Administration and Latvian School of Public Administration (LSPA) in their policy implementing functions. On 25 June 1995 the Ministry of State Reforms was liquidated. The CSA and LSPA were subordinated to the State Chancellery, which established a department of state reform.

Left without the political leadership, the reforms quickly came to a halt. This was a period when Latvia received a shock of the bank crisis (1995), involving huge losses to the public bodies and private persons. The crisis caused the fall in GDP and economic performance, public administration reform was deemed as a luxury, which could be postponed or sacrificed for a while. The budget of LSPA was cut three times during the two years 1996–1997. Ministries quickly learned that they should experiment in reforms by themselves since there was no central coordinating institution that cared about the state of play. Department of State Reforms in State Chancellery did not have any concrete agenda. This was the time when even European Commission turned their back on Latvia and refused to finance the planned Public Administration Reform project.

In retrospect, the majority of civil servants and politicians agreed that it was a mistake to abolish the ministry, which started reforms in a confident and effective way. After the dissolution of the ministry, the momentum was lost and commitment to continuation reforms considerably weakened. During the period in 1996, when some core administration services, like State Revenue Service, left the civil service and returned to the labor relations for the employees. At the same time a belief in efficiency of the private sector and fiscal constraints pushed for establishing of the state non-profit companies outside the state budget and with inadequate controls and accountability.

Changes in Reform Management Model during 1995–2000

After dissolution of the Ministry of State Reform in 1995, the model for central management of the reform changed several times. Civil Service Administration and School of Public Administration also changed their subordination depending on which body was in charge of policy and coordination of public administration reform. Below a short review of the changes in PAR management structures are described and assessed.

June 1995–November 1996. Immediately after the Ministry was liquidated, the Department of State Reforms was established at the State Chancellery. CSA and LSPA were subordinated to the State Chancellery and continued to operate within their mandate, though without having a political support from any of the ministers. This model seemed well from the point of view that central position close to the Cabinet and the Prime Minister was ensured. However, in reality the Prime Minister was too busy with the business of running the state and could not devote serious and adequate attention to the political leadership of the public administration reform. One might just speculate whether in a country with a stable political and economic regime with the term of government office equal to that of the Parliament such arrangement could be feasible. Probably, yes provided, that the Department of State Reform is professional and dedicated, the rest of public administration recognizes the authority of such a Department, and there is a respected leader who communicates the strategies and drives the reform forward.
In practice the pre-conditions for successful implementation of reform have not been established. Gradually, the reform initiatives have drowned under the pressures of the economic and financial crisis following the collapse of one of the biggest Latvian commercial banks. The reform leadership could have been saved had the Head of the State Chancellery been more committed to the reform process and had more political backing. However, politicians were not ready to support the reforms, since other more pressing issues dominated and there was a belief that the reforms are more or less completed with the establishment of civil service and clarifying the roles and status of ministries. Their belief also was reflected in budgetary cuts for civil service training followed in 1996-1997.

November 1996–March 1997. The Cabinet recognized the need for a minister politically responsible for public sector reforms. The awareness was also pushed forward by the need to nominate a political counterpart for negotiations of conditions in the public sector reform under the World Bank Structural Adjustment Loan. The choice of the responsible minister was dictated by the two arguments: not to create a new ministerial post and personal qualities of the minister who could be unselfish enough to undertake a leadership of the reform that by that time became politically quite unpopular. State minister of Labor at the Ministry of Welfare was nominated as responsible for the public sector reform. He was indeed a strong personality who undertook his responsibility with rigor. The Department of State Reform was transferred to the Ministry of Welfare under responsibility of the State minister of Labor. LSPA and CSA have been subordinated to the State Minister of Labor. However, major reshuffle of the Cabinet in February 1997 resulted in cutting the State ministers posts all across the Government and the positive changes initiated by the State Minister remained half designed and not implemented.

May 1997–April 1998. Undertaken commitments with the World Bank required continuity in reform management. On April 1, 1997 Deputy Prime minister was placed in charge of the reform. He needed administrative body to design policies and co-ordinate implementation of public administration reform. The Department of State Reform in the Ministry of Welfare was liquidated but a new body—Bureau of Public Administration Reform was established on 1 July 1997. LSPA and CSA have been re-subordinated to the Deputy Prime minister. The Head of the Bureau had the status equal to that of the State Secretary, which enabled the Bureau to be represented in the same way as all other ministries in the government co-ordination structures. The Bureau started its difficult path of gaining competencies and recognition from administration, which was tired of all the manipulations of the government with the reform management.

A political status of Deputy Prime minister—in the center of government and close to the Prime Minister was an excellent pre-condition to get through the reform initiatives. Indeed, in spite of a lack of experience of the Bureau, the reform was again activated and a number of important political and legal documents have been prepared and adopted by the Cabinet within only several months. Political Council of Public Administration Reform was established for co-ordination and raising political awareness purposes. Regular monthly meetings of the Council served as a launching pad for many new reform initiatives, which were critically assessed by ministers and later supported by them in the Cabinet. During this period amendments to the Civil Service law have been prepared. A government reform strategy—Strategy 2000—was adopted. A review of state functions across the government has been carried out and recommendations for the government on elimination of the overlaps presented.

However, the political environment changed with the change of the Prime Minister in August 1997, and the Deputy Prime Minister was no longer well accepted by the Prime Minister. The climax of differences in views between the parties represented by Prime Minister and Deputy Prime Minister resulted in resignation of the Deputy Prime Minister and his party left the Government coalition. The Bureau of Public Administration Reform was left without firm connection to the Cabinet and policy process. Only two months later the Prime Minister assumed a responsibility for PAR, however his commitment was overshadowed by the approaching parliamentary elections, therefore his support to the draft laws on Framework of Public Administration and on Public Agencies was rather cautious. General lack of political interest for public administration reform was even deeper during the pre-election rush.

November 1998–May 1999. Arrival of a new government with centrist Prime Minister produced new hopes for activation of public administration reform. The Prime Minister did not hurry to assume the leadership of the reform, but tried to find a reasonable solution with nominating a responsible minister. The opportunity was created in May 1999 by introducing four new members of Cabinet, one of which was a Minister of Special Assignment on Public Administration and Local Government Reform. However,
after only 6 weeks the Cabinet fell. The fears were that
the new Cabinet might not retain the post of the Minister
in charge of the administrative reforms. Evidently, the
EU loud voices about weak administrative capacity and
the need to perform reforms of public administration before
the accession served as an argument in favor of the assigning
the responsibility for the public administration reform to
a Member of the Cabinet, Minister of Special Assignment
on Public Administration and Local Government Reform.

July 1999–January 2000. Since July 1999, the following
structure of the reform management was created. The
Minister had a Secretariat to ensure him political advice
and administrative support. Subordinated to the Minister
were Bureau of Public Administration Reform, Civil Service
Administration, Latvian School of Public Administration
and Local Government Administration. The Minister
started to develop strategies for central government and
local government reform. A number of important laws and
concept issues on public administration passed the Cabinet.
Again the reforms have been recognized as a priority.

This was the time when the demands for the reform results
started to appear not only from the international organiza-
tions, but also from the Government. The Government
started to feel internal problems that required action: nega-
tive impact of the non-profit organizations on consolidates
budget management; lack of transparency and account-
ability; fragmentation of the government causing dissipa-
tion of resources and additional expenditures; over-
burdened state budget and inefficient public sector. The
Prime Minister’s support for the reform was in place,
however, the Minister and his institutions had to count
with and overcome the resistance from the line ministries
to the proposed changes. During this period the Minister
decided to rationalize the institutional structure under his
responsibility and a decision was passed to merge the Sec-
retariat with the Bureau of Public Administration starting
with 1 January 2000.

January 2000–present. The Reform Secretariat assumed
a place in the same category as ministries, becoming one of
central institutions, but still having the ‘line’ position. It
means that the reform agenda comes not from the center
of government, but from a line institution, which is weaker
than line ministries. The weakness is in the fact that the
object and subject of public administration reform is the
same and it is outside the direct control and management
of the Minister: it is the public administration itself. The
authority of Minister of Special Assignment on Public
Administration Reform is limited to proposing issues to
the Cabinet for approval and to implementing the Cabinet
decisions. Any proposal before adopting needs to be agreed
among all the ministries and central bodies, which
complicates and delays the process of reforms.

Another weakness of the system that existed till November
2001 was that there was no co-ordination body established
to discuss, debate and forge commitments to the reform.
Inadequate informing of ministries resulted in their avoid-
ance of implementing changes. Ministries are working
under an immense pressure created by the need to transpose
and implement EU legislation in their particular sectors.
This is a challenge, which requires considerable financial,
people and institutional resources. The co-ordinating
Council should help to bridge the positions of line
ministries and Reform Secretariat, thus facilitating broader
support for adoption and implementation of reforms.

According to the advice given by Sir Robin Mounfield,
the reform should be steered from the center of government;
therefore, Sir Robin’s model includes State Chancellery
into the managing scheme for public sector reforms. The
arguments are strong: the center exercises policy co-ordi-
nation, links policy priorities to the budget process and
ensures that the public administration structures and pro-
cedures conform to the tasks. However rational this advice
may seem, the ambition of the Reform Minister is to
strengthen his position by transforming the Reform Sec-
retariat into a Ministry, possibly adding the responsibility
for steering of the regional development reform. Whatever
the intentions are, the decision on the structural changes
yet is a privilege of a coalition government.

Optimal Reform Management Model

Lessons learned about the public administration reform
management:

• A political consensus about the importance of the
reform is key.
• Political leadership is essential to get the reform ini-
tiative through the Cabinet in order to ensure imple-
mentation.
• Apart from strong political leadership (preferably as
close to the Prime Minister as possible) there needs
to be an administrative unit staffed with the professio-
nals, capable of developing policy, legal drafting,
communicating and consulting the administration.
• A co-ordinating forum at the high political and civil
service level is essential to raise awareness, recognize
the needs and build commitments.
Public administration reform management placed in a line position bears the risk of marginalizing its influence and reducing recognition of importance of the reform initiated outside the Government center. Reforms require a clear strategy, which is generally agreed on and accepted by the Cabinet. All major reform initiatives need receive Cabinet approval to be effective. Reform cannot rely on adopting declarations, but also needs developing and implementing procedures, everyday monitoring and counseling. Evaluations of reform achievements need to be organized on a regular, annual or semi-annual basis. Strong and targeted communication policy should be implemented to rally the widest possible understanding and support for the reforms.

**FUNCTIONAL REVIEWS**

Functional reviews developed into a tool of evaluating the functioning sectors of public administration and proposing the rationalization of the functions and improving the effectiveness of allocation of public resources to attaining strategic objectives of the sector. Below is a description of the functional reviews implemented since 1999 in Latvian administration?

**Objectives of Functional Reviews**

Review of functions of public bodies (ministries and institutions under ministerial subordination, supervision and management) were designed to review how well the structures match the missions, strategic objectives, and functions assigned to various public bodies. The functional review aims to look for possible overlap and duplications of functions, lack of co-ordination among the public bodies and for a possibility to hive off the functions that could be better performed by the private sector.

Latvian administration has experience only of the vertical functional review in Agriculture, Economy and Justice. However other governments—Slovakia, Lithuania, Republic of Macedonia have undertaken also wider horizontal reviews assessing the effectiveness and efficiency of the allocation of competencies and responsibilities across the public administration and rationality of structures established to fulfil government functions.

The functional reviews start with the clarifying of the roles, missions and objectives of the administrative bodies in a wider context of the government work. Then analyzing the legal documents and interviewing the heads of these structural units review team collects information on the functions performed by all structural units. Then information is being analyzed against the framework of the missions and strategic goals, using a methodology developed by the UK experts. The recommendations based on the analysis are then presented to the management and possibilities for feasible changes are discussed. The finalized report to the ministry contains the analysis of the functions performed and structures, and presents final recommendations for restructuring.

If as a results of restructuring some functions are devolved and units closed, the financial and human resources liberated in this process are not taken away from the Ministry but are reallocated to the structures whose role is growing and is considered as government priority. Thus rationalization helps to reallocate more efficiently the existing resources and strengthen the administrative capacity of a ministry. Positive results have been attained in the implementation of recommendations in the Ministry of Agriculture. This ministry strengthened its policy development functions, established internal audit functions, rationalized the regional de-concentrated structures of agricultural departments, and created from anew a Rural Development Support Agency by shifting the staff positions from low priority tasks to this new priority.

**Management of Functional Reviews**

In Latvian case, for the vertical functional review agreement with the ministry in question was reached before the functional review was planned and initiated. This agreement was critical to ensure that the ministry is positive and is involved in the review at various stages: formulation of the scope of review, developing the mission statement, analysis of stakeholders and formulating strategic objectives. Then real involvement was needed during collection of information, discussion of the finding and formulation the recommendations. It should be remembered that the key success factor is the sense of ownership by the ministry of the review and its results. Lack of the ownership creates an undesired alienated position on the part of the ministry, which tries to shift a responsibility for action (inaction) as well as to put the blame for failures on the external consultants. Therefore, high degree of ministry’s participation is a pre-requisite for the successful analysis and feasibility of the recommendations.

The functional reviews of ministries in Latvia were commissioned and co-ordinated by Bureau of Public Administr-
ration Reform. A team of external management consultants and local management consultants were commissioned to conduct the functional review. The Bureau ensured that all stages of the planned review are performed according to the terms of reference. The Bureau also undertook a role of the trouble-shooter and facilitator when needed.

The ministry established a monitoring group, which was closely involved in all stages of the review, especially at those critical stages that required ministerial decision-making on the mission, strategy, and evaluation of alternative options for restructuring. External consultants were responsible for the design of methodology and leading of the process of analysis. The local consultants did interviews and performed analysis under the guidance from the external consultants. It proved to be highly important and successful to include a sector specialist from another (EU member or EU candidate) country into the functional review team. Such expert in Agriculture or in Justice helped ministry to define their role and place within the administration more precisely and in accord to the EU practice and tradition.

It may be a subjective view, but it is felt that the impartial co-ordination of the functional review by an outside body (The Bureau) has advantages to the ministerial management of its functional review. The arguments for that are the following. Ministry has or may have some acute concerns that can overshadow the objective approach and may be biased towards some decisions on restructuring which are not well rooted in analysis of mission and functions. Also the ministries benefit from the fact that uninterested outsiders, who do not sacrifice their objectivity to some inherent interests, perform the mapping of functions and structures.

Lessons Learned

The horizontal functional reviews have their limitations of effectiveness, especially if not sanctioned by the Cabinet of Ministers. As proved in the case of Ministry of Justice, simultaneous analysis of public expenditure management in the ministry can also lead to more accurate picture of the ministry and the way it uses money for performing functions and allocation of resources. Both reviews done in parallel lay the foundation not only for structural changes and adjustments, but also towards strategic planning and linking the planned outputs with the resources allocated. It facilitates also result-based management approach, which helps improve effectiveness and efficiency.

Another limitation is connected with the fact that every ministry is linked in many ways to the rest of public administration. Many functions one ministry is responsible for are close to the functions done by the other ministry. For the Ministry of Economy, such functions are in the area of foreign trade, macroeconomic analysis, employment policy, public investment program and regional development program. For the Ministry of Agriculture many functions are linked to regional development policy, economic development policy, food control functions. Such interdependence and overlap of responsibilities require cross-ministerial review, which can be easily blocked by a Minister, who wishes to retain his responsibility for important public functions and expresses his explicit disagreement with the intentions of experts to extend the analysis beyond the ministerial boundaries.

The latter problem could be overcome with a clear authority to perform horizontal functional analysis given by the Cabinet or the Prime Minister. The fact that Latvia has a coalition government accentuates the problem and therefore careful considerations should be made before attempting the review across the government, which may possibly provoke a government crisis.

Coalition government is seen as a problem to initiating and implementing of many decisions, which change the scope of responsibility of a ministry. Therefore, again the conclusions of Sir Robin come to mind that the reform is not a luxury depending on coming and going governments. To ensure sustainability for the course of the reforms, political consensus on the reform issues should be achieved and central government co-ordinating and steering role should be developed. Strong ministries will tend to oppose reforms, if there are no mechanisms how to achieve consensus and in view of the frequently changing governments, the strength and capacity of civil servants cannot be overestimated. To raise this strategic capacity, a unified civil service culture around the common interests of state should be created and effective co-ordination linking government priorities; budget process and implementation of policies and reform initiatives should be put in place.

PROPOSED STRUCTURES FOR MANAGING AND SEQUENCING OF PUBLIC ADMINISTRATION REFORMS

Drawing from international experience and critically assessing Latvian process of public administration reform some common features can be distinguished and suggested
for the governments that find themselves in the early stages of public administration reform. Below the basic elements of the reform will be listed and commented.

The successful reforms should start with critical assessment of the existing situation and formulation of the general but fairly clear future vision. Understanding of the destination of the reforms should be shared by the key people in government both politicians and administrators. Since the reform is a lengthy and complex process of change in basic government structures, processes it requires a sustained commitment from the top decision-makers to design support and implement necessary changes.

Support of political leadership should be shaped around the values that are important for the whole society. This follows from the logics that politicians are elected officials who should represent interests of society and serve these interests. Therefore, definition of the reform vision should not be purely academic or technocratic, but meaningful for the society. That is the simple and effective way to enlist support from the public, which will help to sustain the commitment of politicians and help in voicing the appreciation or critique of the measures implemented. Since the reforms take time and the fruits of the reform cannot be immediately seen and felt it is important to define the desired outcomes of the reform and not to lose sight of them.

A typical mistake of many reformers is that the reform is communicated to the public as a technical exercise that has its impact on the bureaucracy and the structure of the government machinery. To ensure the support needed, the reformers should be extremely careful in spelling out the expected results for the society and honestly indicating the resources needed and time, when the first positive changes are felt. It is useful to be open and frank with the public stating what it takes to achieve the results. Usually the communication strategy is not the key objective of the reform teams, because they are concerned with designing the new legislation, procedures, and institutions. Overlooking the planned information and communication strategy may fire back at the later implementation stages when the political fatigue of reforms sets in and the political interests are swept away by other pressing economic issues.

In order to give the reforms needed visibility and ensure the permanent presence of the reform issues on the government agenda, it is extremely important to have a ministerial post in the government associated with public administration reform. Various experiences are found in European countries depending of the historic traditions:

a) Prime Minister or Deputy Prime Minister is leading public administration reform process;
b) Minister of Finance is in charge of public administration reform;
c) Minister of Interior, often combining this responsibility for the management of regions and regional policy;
d) Minister of Public Administration Reform (with or without a portfolio).

Whatever the arrangements are chosen, it is important to ensure that the responsible minister has full support for his agenda from the Prime Minister and the whole Cabinet (Council) of Ministers.

It is a shared view among many OECD experts on public administration that the experts, not so much politicians, drive the public administration reform. This should be understood from the point of view that the public administration reform follows a number of principles and processes commonly developed by various countries, which gives little scope for independent political decision-making. Therefore, the reform process depends on the competence in the governance issues of the permanent professional administrative body reporting to the Minister responsible for reforms. The competencies of such a body should include: preparing the issue papers for the political decision making on vision, goals and strategies of reform; designing the procedures and new legislation; formulating of the training needs; coordinating of implementation of the accepted reform measures and reporting to the government through the responsible minister of the process of implementation of the reform. This body will take the whole volume of responsibility for managing the change process. Therefore, such administrative body should be seen as a legitimate part of the government system, staffed with the professionals in governance, civil service reform, law, public management and personnel management.

When enabling structures are established, next step is to develop and politically agree at the government level on the strategy of reforms for at least first 5 years, preferably within a framework of the long-term goals. The strategy should be based on assessment of the existing problems and strengths, should look at the ways how to attained the stated vision and long (medium) term strategic goals within specified directions of the reform, and should state the expected outcomes of the reform for the society. Latvian tasks force for formulating the Strategy of Public Administration Reform for the Years 2001–2006 found the SWOT analysis approach useful for identifying the gaps and measures to achieve the desired outcomes. The strategy is
The general logic of reforms should follow the phased approach. The initial stage should be labeled as getting the basics right. The second stage could be labeled as developing systems for effective and efficient policy and resources management. The third stage, which can be overlapped with the second stage, should be about ensuring citizen participation in public governance. The rate of reforms will be a function of such variables as political support and leadership, allocation of necessary resources to the reform process, efficient management of reform and participation of all administration, availability of relevant outside assistance and capacity for learning from other experience and own mistakes. Realistically, the three stages outlined above can take a decade of sustained development. Even if designing reform measures can be speeded up by use of external international advice, time is needed for a wider community to understand and develop supporting attitude to the goals and objectives, for learning new practices and transforming of organizational changes into institutionalized norms.

Experts also emphasize that two things are important to keep the morale up: ensure early successes in the process and widely publicize the achievements so that people strengthened their belief in own capability to make changes happen.

Getting the basics right. For a proper democratic system of governance it is important to achieve proper separation of the representative political power from the permanent, professional, politically neutral, impartial, ethical and acting under the rule of law administration. Countries emerging from the command economies as a first step of democratic governance establish civil service system. Together with this step institutional system of public administration is established under the political leadership of the government with the proper legally determined mandate for policy development within sectors, government regulation, resource management and public service delivery. Both systems should be set in law and institutions responsible for monitoring implementation of these laws should be established.

While forming the institutional system, proper consideration should be given to decentralization issues: determining and divesting the competencies to the regional and local authorities based on the principle of subsidiary (balancing the efficiency and closeness to the citizen/customer). Government should be attentive to the issues of ensuring the effective and uniform implementation of law at all levels of government. Therefore, the delegation of functions and responsibilities to local authorities should be accompanied with the proper accountability and control systems over guaranteeing the citizens rights and equal access to the mandated statutory services irrespective of the level of the
state administration. Within the state administration the measures of separation of policy making from its delivery should be envisaged to ensure more efficient operation and avoiding the conflict of interest at the organizational level.

Simultaneously, government strives to support the development of the private sector, the cornerstone of the national economy. Within this objective, government gradually withdraws from productive and commercial sectors, privatizing state enterprises and changing its role to enabler and regulator. The process of privatization should be treated with maximum openness and transparency. It is beneficial to involve the NGO sector in monitoring how the legislation is observed during the transfer of government assets into the private hands. This is an area most sensitive to corruption and abuse of official power. Managing privatization process well means winning the public support for the government action as such.

The basic rules and procedures for operation of public administration system should be legally established and enforced. The most critical issues to pay attention to are: prevention of corruption and conflict of interest, ensuring access to information and establishing the administrative procedures. To establish the rational and transparent use of public funds, Ministry of Finance should work out the procedures for preparation and management of state budget. At the same time financial controls should be set up both internally, within the administration, and externally through the independent from government and reporting to the Parliament National Audit Office.

The law on administrative procedures is seen as a key law for the democratic governance based on the rule of law. It establishes the principles and rules for the operation of administration and ensures the observance of the citizens’ rights in dealings with the administration. The law sets standards for making administrative decisions and rules for appeal and revoking of such decisions. Administration should also establish the internal ex post legal control mechanisms to guarantee the observance of legality of administrative acts.

Among the possible threats at the stage of establishing the basics of administration, is the insufficient attention to the creating of mechanisms of vertical and horizontal coordination of administration. In Latvia a vertical approach to establishing administration at the earlier stages caused problems later in ensuring the uniformity of civil service and ensuring efficient policy coordination among the different sectors based on wider government objectives. Therefore, it is advisable to plan and design vertical and horizontal coordination and control mechanisms, which will finally result in a more organic and efficient organization built and operating around the all-government strategies and programs.

Developing systems for effective and efficient policy and resources management. Following the establishment of basics, the government should look at the efficiency of its operation related to the effective use of public resources in attaining the government goals. The effectiveness issue relates to how government sets up its medium term goals and priorities, how administration gets involved in implementation of the all-government agenda with in their area of competence and how government ensures the coherence between the identification and prioritization of the policy issues and attaining the desired outputs. In a vertically built administration there is a tension between the whole government agenda and self-advanced agenda of the sector ministries. It requires a strong central government capacity to decide on the policy priorities and ensure that the public resources (money, personnel, and equipment) are allocated according to the government set of planned outcomes.

The efficient use of public resources depends on the ability to state government policy outcomes and allocates the resources according to the priorities within a centralized approach. Another facet of efficiency relates to operational efficiency of public administrative bodies, linked to their management and internal control processes. Efficient use of resources means ability to clearly state operation goals within the organizational mandate that can be expressed as a set measurable outcomes and corresponding set of achievable operational outputs. The operational programs should link the outputs with the resources needed to achieve these outcomes. Efficient resource management is achieved through turning attention from the budgeting for the functions and activities to the budgeting for results. In order for this approach to work effectively, a system of information should be in place as well as accountability for results should be established. Often-traditional administrative rules (based on the accountability for adherence to the proper procedures) fail to work in the output based management environment. Therefore, the reformers must think of establishing and implementing incentives to attain high performance and achieve planned outputs. One way to harness commitment of management to the stated outcomes (outputs) is through the use of the performance contract. It should be mentioned that the separation of the policy delivery from policy making, establishing principal—agent relations based on a non-enforceable contract (which in fact is a hierarchical contract between
the responsible minister as a purchaser of services and the head of agency), should be introduced cautiously so as to avoid the abuse of the delegated authority to the agency and prevent the capture of provider which may be in conflict to the overall government goals.

Introduction of performance management help improve efficiency of administration on condition that the ministries do not lose the capacity to establish clear operational and accountability framework (to steer the process and evaluate the results). Ministries also should not withdraw from responsibility of their supervised autonomous agencies, because it lies in the heart of the democratic governance.

To be successful in improving efficiency of public administration, administrative reforms should go hand in hand with the financial management reforms, which include at least: strengthening of the central coordinating role in public expenditure management of the Ministry of Finance, enforcing of the fiscal discipline, introduction of the medium term expenditure planning, output based resource planning, accrual accounting, clear accountability rules, capacity to monitor and assess the results. All these measures depend on the extensive learning and coordinated implementation.

Important organizational management changes should include: strengthening managerial capacity of planning strategies and outputs, people management strengthening, establishing the internal control systems (rules and procedures to follow), information management systems, client service orientation, etc.

Ensuring citizen participation in public governance. As already mentioned before public participation is important in ensuring constant support to reforms. Developed civil society with the strong non-government sector may play an important role in preparation of political decisions on important issues. NGO can represent interests of the various groups of society and they can get actively involved into activities that improve social welfare of the society. In terms of divesting the government functions to lower layers of governance, NGO can be important partner of the government in such public areas as environmental protection, social assistance, promotion of culture and education, even regulation.

Civil society helps to organize people of common interest and provides the government with a partner to discuss issues and seek involvement. Government should establish a strategy of supporting and involving of the non-government organization into public governance process.

Reform is an evolving process that builds on the already achieved and is cross-fertilized by the innovations all round the world. Therefore the reformers should be alert to the work of international organizations, like OECD/PUMA, UNDP, World Bank, etc. to be able to use the best practices and apply them to the local culture, tradition and economic conditions.

CONCLUSIONS

Since proclaiming independence in May 1990, while still being formally one of the Soviet Republics, Republic of Latvia has dramatically changed. It has undoubtedly broke with its past and established the basics of the democratic state with market economy. Public administration manages the life of the society and is improving its effectiveness and efficiency in spite of the problems and lack of consensus. Political culture is still forming and the results of this process are painfully impacting on the development. The strength of Latvia probably is explained by the dedication of its civil servants that are loyal to the democracy and to the government priority to integrate Latvia into European Union and NATO.

Latvia receives assistance in its reforms from the EU, member states, SIGMA/OECD, World Bank and is learning the lessons of democratic governance. The process of change is slow, it requires shift in mentality, acquisition of new skills, adoption of new doctrines. In a word, the changes require a massive training. Latvia has experimented with its structures and personnel relations and now can draw lessons from own experience. The model of public administration for Latvia is that of Western democracies. However, we also recognized the fact that uncritical adoption of ready-made models created in other countries for other purposes in different environment is a useless game. As all public administrations are uniquely different due to national cultural and historical differences, it is not possible to copy models. At the same time, one should learn to apply principles of good governance and create models that fit these principles.

The principles are based on democratic values and there is a strong convergence among the modern democratic states on the principles. Co-operation with EU member states requires us to adjust our structures and procedures to the European Administrative Space. Benchmarking, training of skills, evaluating ones own progress and failures we can improve public administration that serves the interests of the society and ensures country’s competitiveness in the global competition.
BIBLIOGRAPHY

1. Program of Latvian Public Administration Reform, Cabinet of Ministers, 28.03.1995.
NOTES

2. Latvian Parliament.
3. Central administration established 23 inspectorates for enforcement of the law in various sectors. The examples of inspectorates are: State Labour Inspectorate, State Environmental Inspectorate, State Sanitary Inspectorate, State Education Inspectorate, State Fire and Rescue Inspectorate, etc.
4. The Civil Service System has not been implemented in the Local Governments up to date due to the inability to overcome a resistance from the separate municipalities and Union of Local Governments.
5. Establishment of executive agencies in Sweden, Denmark, Next Step agencies in the UK and departmental agencies in New Zealand based on a split between the purchaser and provider and separating the role of principal (minister) and the agent (semi-autonomous public institution, which organises the internal management according to the modern management theory developed by the private sector.
6. To provide financial incentive for amalgamation, government allocates a lump sum up to 5% of the annual budget of the new municipality.
7. The previous last governments were in office for 7.5 and 9.5 months respectively. The changes in government have been provoked by disagreement among the coalition partners regarding economic issues and linked with the privatisation process. The process of privatisation of big enterprises: Latvenergo, Riga Shipyards, Ventspils Oil have been significantly slowed down owing to the conflicting party interests.
8. Latvian Prime minister is responsible for coordination of Cabinet of Ministers work. The law does not give the Prime Minister any specific higher legal authority. The coalition government only emphasises the situation when the Prime Ministers needs to maintain a fine balance of political interests, which prevents him from acting with authority.
10. Sir Robin Mountfield is the former Permanent Secretary of the UK Cabinet Office, invited by EC Delegation in Riga to evaluate the progress of public administration reform in Latvia in February 2000.
11. State Secretary is the senior civil servant in a ministry, who reports to the minister, holds the highest rank in civil service.
12. Mr. Denis Ives is a former Public Service Commissioner of Australian public service.
13. The Ministry of State Reforms was established for two years to develop reform programme and prepare basic legislation.
14. The State minister is a member of the Cabinet with limited voting rights. State minister of Labour reports to the Minister of Welfare.
Methods and Techniques of Managing Decentralization Reforms in Hungary

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PREFACE

Hungary is one of the candidate countries for the accession to the EU, and since 1996 member country of the OECD, therefore the Country Study wants to reflect to the comparing experiences in CEE candidate and OECD member countries. Reflecting to the requirements of the EU for the accession and recommendations of the OECD for the development of the public sector administrative capacity the Country Study shows the new challenges arising from the decentralization matching the principles of ‘good governance,’ ‘efficiency and effectiveness,’ ‘policy coherency.’

In the case of Hungary could be analyzed how the European and a worldwide international relationship would be ‘driving force’ for the domestic public management reform. Hence the Country Study, as a pattern of ‘new approach’ on the decentralization, could share information and experience about the ‘regional policy,’ which try to integrate the several policies on the national level and to identify the right measures of public management reform, especially in the decentralization process, comparing the ‘European Regional Policy’ and bench-marking the OECD ‘best practices.’

The Country Study could give an answer for the relevant question whether the shifting of the political structure and regulatory system from a state-led growth to a market-led growth supports or hinders the process of decentralization. Regarding to the economic autonomy of local self-governments could be very important to emphasize the opportunities and threats of local self-governments to access the global and local capital and credit markets, including the right measures and level of effective and efficient decentralization process (reflecting to the new-type regional policy objectives).

Regarding to the primary target group of this project the Country Study try to conclude the consequences of the last ten years reform process in Hungary and to give some recommendation for the policy makers in Croatia to pave the way to administration and government reforms.

COMPONENTS AND PROCEDURES OF DECENTRALIZATION

Typical Reform Trajectories

The reform of public administration could not be analyzed without considering systemic transformation as a whole political, legal and social-economical structure. Decentralization is an essential part of the transformation of the political systems. In the last transition period the shifting of the former ‘soviet-system’ to a ‘local self-government-system,’ as well as a condition of market-oriented economic development, was a basic element of political democratization and pluralism in Hungary. The local reform was an important part of the general systematic transformation of political structure; hence most of the necessary elements of change have been realized since the late 1980s.

Regarding the systematic transformation and the three functions of local governments, the reform process of the Hungarian system of decentralization has been continuous in the 1990s and has occurred in two main stages. At the first stage, the reform mainly was focusing on the democratic and autonomic functions of local government, when the ‘changes of former status quo’ emerged as the basic goal and value. At the second phase of the decentralization process, the main objective is to ensure the capability of local governments, when the ‘stabilization of local government’ is the basic value.

At the first stage of ‘transition period’ the regulatory and institutional reform were the critical elements of the public administration reform. Between 1989 and 1995, Hungary put in place most elements of the legal and institutional framework for a market economy and a democratic local governance. The transition was as well as deregulatory and re-regulatory task, and a conceptual as well as technical transformation of the whole system of public administration. Since 1989, successive governments eliminated large swathes of laws and other regulations that changed the former
centrally planned economy and state administered local affairs in accordance with the principles of centralization and hierarchy through a system of councils (‘system of soviets’) on the local level. At the same time, the Parliament passed the main legislation creating a constitutional and legal basis for the market-led growth and local democracy. Together, structural and governance reforms and macro-economic stabilization have generated significant economic (and social) benefits.

The new legislation has been consisted of:
- constitutional changes (crucial modification of the previous one);
- acts on local self-governments (including municipality and county level) focusing on the new structure and operational rules;
- acts on free local elections, defining the different electoral system and process at several level of local governments;
- acts on civil servants and public employees;
- acts on the scope and duties (mandatory and voluntary tasks) of public administration at each level;
- acts on property transportation from the state to the local governments;
- financial regulation of local governments;
- legal supervision and parallel the juridical protection of decision-making of local governments;
- special status and rights of the capital city.

A new system of local democracy was established based upon two pillars: the principles of Hungarian traditions displayed in the former century before the communist regime and the European Charter of Local Self-governments of the Council of Europe. The Constitution and the Act on Local Self-governments recognized those rights of local communities, including the smallest of settlements (more than 54% of them less of 1000 habitants), to self-government in managing local affairs. (Hence the number of local units increased from 1500 to 3,149, all of which elected their own representatives in the local legislative body and executive organs (mayors).

The principles and basic rights of local government are stipulated by the Constitution. Eligible voters of communities, cities, the capital and its districts, counties have the right to local self-government, which means the autonomous and democratic management of and decision making on local public affairs in the interest of an elected body of representatives and by local referendum. The rights and duties of local authorities are determined by parliamentary acts (certain required 2/3 majority in the Parliament to pass or amendment) and are afforded legal protection by the court system and the Constitutional Court too.

The general territorial division of Hungary is fixed by the Constitution. It is partitioned into counties (at regional level) and (at local level) cities, villages as communities and the capital, which is distributed into districts; administratively, local self-governments are constituted in each of these units. Local state administrative units as well as other organs of the state, such as the court system, are organized on the basis of such territorial division depending on the characteristics of their particular tasks. Since 1990, Hungarian public administration consists on two main frameworks: bureaucratic and democratic institutions. The first includes central government bodies and their organs at local and territorial level (de-concentrated institutions) that are subordinate to the state administration. The second type of structure is the system of local self-governments (decentralized institutions), based on principles of autonomy and subsidiary. ‘The functions of public administration are shared by these two frameworks, creating competition for the fulfillment of functions at the local level by their respective organs. This is the essence of the conflict of interest between local self-governments and territorial organs of the state administration.’

Local Self-governments system in Hungary exists at two tiers: local and regional level. There are no hierarchical relations between the two types of local self-governments, as declares by the Constitution, the fundamental rights of all local entities are equal. The difference between the two lies in the administrative tasks delegated to each. Municipalities have had broad responsibilities in service provision. They provide local public services to their settlements, counties have a subsidiary role in that they provide public services which settlements are not capable of performing, as well as that have regional character. Local self-government tasks are differentiated as mandatory and voluntary based. Obligatory functions and responsibilities of local self-governments could be determined by Parliament, simultaneously ensuring the financial means necessary for the fulfillment of such tasks and decision power. However the local self-governments can undertake any local public issue not prohibited by law that does not endanger the fulfillment of obligatory functions and local service delivery.

Legislation on civil service is also a key element for the transformation of public administration. Law was passed in 1992, establishing a civil service system based on professional criteria that broke the former style of politics.
also ensured a clear division of functions and roles of politicians and administrators to guarantee the political neutrality of staff and at the same time to defend professionals from political pressures and influences. Apart from civil servants, the responsibilities of public employees (administrators in the several institutions owned by the local governments as like as schools, hospitals, social houses) also have been determined. The regulation guaranteed security to them and clarified their accountability in order to ensure the effectiveness of local service delivery.

The timing of financial regulation was crucial to the extent of transformation. Later than the structural and institutional regulation, under the process of public administration and financial reform the local self-governments have got the most of local properties and other financial sources that guaranteed the real power of local self-governments for economic autonomy and liability coupled with their opportunities for the independent decision making above their own sources.

By the end of 1996 the regulatory and institutional reform process have been guaranteed the Political, legal-administrative and economic autonomy of local self-governments in Hungary, created new legal and constitutional basis for implementation and protection of fundamental rights of local self-governments. The principle of ‘checks and balances’ could be recognized in that reform process and because of existing of fundamental rights and institutions of local self-governments created constitutionally have been effected for a long time. These elements were very important to the preservation of the democratic political institutional changes achieved by the public administrative reform at the first stage of ‘transition period’.

In the course of the systemic change Hungary faced a historic challenges to establish a new type of local and central public administration and to form a government based on the results of democratic elections. On the whole, the new central and local government system adequately promoted the rapid establishment of the foundations for the independent democratic legal state and market economy. However, experience with the half-decade operation of the government, central and local public administration revealed a number of deficiencies, both old and new, which must be solved in the short or long term. Therefore since 1996, in the second stage of public administration reform, Hungary has been addressing longer-term difficult issues, such as policy implementation, as well as problems arising from the transition itself, such as too rapid decentralization in the early days of reform process. By the end of 1999, the transitional challenges of building up basic legal and policy frameworks consistent with market democracy had been largely met. After ten years of determined reform, Hungary has entered the mainstream of OECD countries with respect to the challenges it faces in establishing quality public administrative regimes supporting good governance and long-term economic growth.8

As one of the major deficiencies of the first stage of public administrative reform, the basic framework for the new system has in many respects been designed inaccurately or controversially due to the absence of experience and the shortage of time available for preparation. The full range of central and local government responsibilities were not reviewed within the new framework. The competence and operation of the government in coordinating and orchestrating the line-segmented public administration and in preparing and implementing the decisions of Parliament, which controls central and local public administration, is inadequate. The simplification and efficiency increase of administration has not been given enough attention; struggle against bureaucratic procedures was not in the foreground. Controlling functions have been weakened to a disapproval extent. The quality of administrative work has not improved; in fact, it has declined in a number of areas, partly because qualified professionals have left public administration in large numbers, while little attention has been paid to the training and continuous retraining of the remaining civil servants and new recruits. In order to eliminate these deficiencies and to prepare for the new challenges of the next millennium, in 1996 the government has designed a comprehensive, long-term reform program setting long-term objectives and within those, short term goals.

The long-term reform tasks, organized into 21 major topics, extend beyond a single central or local government term, but they make changes predictable in the perspective if the various political powers reach a consensus. In accordance with the objectives of the current comprehensive reform, the public administration bodies, streamlined and rationalized in a differentiated manner, must be strengthened, their effectiveness and the quality of their professional work must be improved so that they can effectively perform their public duties in the social and economic spheres. Considerations of effectiveness require that public administration does not act wantonly but produce the expected result with the least expenditure possible. Public administration in itself cannot be improved on the central or local level; therefore the comprehensive reform of public administration was closely interrelated with the transfor-
mation of the systemic environment of central and local governments. The private sector must be more closely involved in the performance of public responsibilities; closer cooperation must be established between the public and private sectors. Successful techniques employed by the private sector have been used in administration as appropriate.

In the first phase of the reform, the ongoing streamlining and differentiated scaling down of public administration must be completed, in line with the changing public responsibilities. Differentiated scaling down means a general tendency to reduce the responsibilities, organization and work force of public administration, while not precluding the necessary growth in justified cases and areas. The processes of organizational integration and coordination have been expanded. Legitimate government and public administration roles have been strengthened, controlling in particular. Better organized training of civil servants and their regular preparation for crisis management and European integration have been commenced. In this second stage of the public administrative reform administrative mechanisms and procedures needed to be developed of public administration, to strengthen the ability of public administration bodies to adapt to continuous change and to reduce bureaucracy in public administration. Therefore we could recognize that since 1999, government has been concerning on the terms of references of further development of public administration, especially the ‘fine-tuning’ of public management in all level of administration.

In this second stage of public administrative reform process the regulation on the local government affairs has been dealing with the upgrading of local self-government system and territorial public administrative structure. The new regulation consisted of:

- financial activity regulation (audit);
- acts on debt and bankruptcy of local self-governments;
- amendments of system of state subsidies;
- act on the association and cooperation of local self-governments;
- act on supervision of local self-government decision-making;
- amendments of acts on civil servants and other public employees;
- act on regional development and land use planning.

In the second stage of public administrative reform followed up the former tendencies using the principle of decentralization avoiding artificial fusion of municipalities, the maintenance of a settlement oriented self-governing system (that is adjusted to the natural boundaries of viable settlements) have been ensured. Independent local self-governments, however, implemented a justified part of their local public service and administration tasks was a more effective professional and cost efficient way via the growing number of their associations.

Management of the Reform Process

The Country Study wants to draw the different role of policy makers in the reform process, to identify which kind of regulation and techniques would assure the consistency of public management reform.

Adjustment to Political Changes, Election Cycles

Elections by elections the Hungarian Central Governments’ several methods were able to ensure the coherent policy making process in the programming and implementing decade of the reform process between 1990–2001. These were building the relationship between the Parliament (Political Parties) and the Central Government (Public Administration) at national level, including the tools of horizontal coordination, furthermore the methods of vertical coordination between the Central Government and Local Self-governments (regarding to the role of National Associations of Local Self-governments)

In the case of horizontal coordination between legislative and executive power on public administrative reform or development, the Governmental Policy Program has a key role accepted by the Parliament together election of the Prime Minister. The Parliamentary control mechanism on the podium of assembly or several committees could involve the MBPS to take care with the public administrative development program implementation.

Regarding to the horizontal coordination between line ministries in the central level and their territorial organs in local or regional level, the Minister of PMO’s has a main task and responsibility to ensure the policy coherence at managerial level too. Facing those implementing challenges, the government has recognized that mechanisms to promote reform inside the administration are needed to maintain policy coherence and keep reform on schedule. In 1998, the new structure of PMO’s wants to compare this requirement, because the Referatura System and the certain Coordination Meeting of Permanent State Secretaries was created for these purposes. The Referatura, modeled on a German example, is composed of experts who shadow each ministry.
This arrangement seems to function more as an information source than an independent oversight of proposals. It enhances the coordination of policy implementation and does challenge the ministries when they violate quality standards or goals of governmental political program. The Referatura system helps the Forum of Permanent State Secretaries and accounts to the Parliamentary State Secretariat, which is in charge of the strategic and policy aspects of development of public administration. These administrative instruments, as well as the monthly meeting of head of the territorial organs of ministries led by the Governmental Official (ordering by PMO’s Parliamentary State Secretariats), ensure the effective and efficient policy implementation and compliance.

The policy implementation mainly belongs to the several entities that to plan and organize their activities to achieve the goals given by the TOR of Public Administrative Development Program, and every public administration body should make an own yearly program and action plan, which fulfill their tasks in that field and controlled and coordinated by the PMO.

In the case of vertical coordination in the PMO has been existing a Local Self-government Forum, where the all National Association of Local Self-governments and the representatives of chief executives meet each others and the experts of line ministries to discuss about the preparation and implementation of Governmental Program on public administrative development. Many of National Association have made a written agreement with the PMO to contribute in the compliance of the parliamentary or governmental regulation.

Reflecting to the new role of PMO in the cabinet and the portfolios of minister a relatively new Unit for a Public Administration and Regional Policy was established instead of the former Governmental Commissioner, led by a Parliamentary State Secretary (included 28 civil servants in the staff), to ensure the policy coherence in that field. This Unit responsible for the programming and monitoring of the TOR of Government on public management reform program and administrative development plan.

According to the continuous public administrative reform process, the newest further development public administration program was compiled on the basis of three sources:

- Specific points of Government Resolution No. 1052/1999. (V. 21.) Korm. whose implementation has still not been completed and which contain tasks that are still considered necessary,
- The experiences of implementation of the task plan formulated in the above government resolution, with special regard to the reports of the ministries, which were prepared and submitted at the end of 1999 and at the end of 2000,
- The general and specific ideas and proposals of the ministries, which were collected together in two steps—in the summer of 2000 and at the end of 2000.

The structure of the new task plan is different from the previous one. While the previous plan mainly grouped the tasks according to the various levels of public administration, the plan of the new government resolution places the specific tasks in chapters relating to legislation on public administration and to institutional development, and presents in a separate chapter the strategic objectives and regulatory guidelines of public administration whose implementation has already begun but whose full completion cannot be expected in the near future.

The goal of the new two-year task plan is:

- on the basis of the experiences of the process of public administration modernization that has run over various government terms, and the priorities formulated in the government program;
- Further, with regard to the proposals of Agenda 2000 concerning the conditions and tasks of accession to the EU and the conclusions of the Country Report of the European Commission of November 2000, to determine the main courses of development and place the tasks of development of the various branches in a uniform framework.

The fulfillment of objectives concerning the continued development of public administration, as well as the definition of new goals and courses of development, may contribute significantly to the harmonization and approximation of state and self-government administration, and may serve the expectations and general societal interests that are linked to the world’s developed systems of public administration, to the realization of a public service of a higher standard and of service-type, and to the proper use of the opportunities granted by information technology.

**Domestic and International Professional Capacity to Prepare Reforms**

The Hungarian Study shows the internal and external driving forces of public management reform, especially in the decentralization process. Internally it’s very important how
the Central Government have been using the *principle of partnership* in the programming and complying of public sector reform initiatives, including the contribution with the representatives of local self-governments, NGO's, and universities or research institutions. Externally it would be very interesting whether the *international relationship* how could help the domestic reform policy implementation, as in the Hungarian Case the *multinational agreement* with the European Union, or OECD, as like as the *bilateral contribution of several international institution* (e.g. World Bank SNDP or British Know How Fund Program between 1998–2001).10

The tasks listed in the two-year governmental task plan for the continued development of public administration affect primarily and directly the public administration sphere. Implementation of these tasks will promote the operation of central, regional, and local state administration, improve the efficiency of the tasks of regional development, and above all the development of the public administration information flow; the acceleration of the EU accession process; the development of a staff of civil servants who work more effectively and are paid on the basis of performance; the closing of loopholes in current regulations.

Still, the level of development of public administration, the organization of community services, and the level of a citizen-friendly administration, influence significantly *the opinions of citizens and organizations about the government.*

Attending to the *domestic driving forces,* besides the vertical coordination forum mentioned above, there are many formal contribution with the several Egos (as Rural Parliament, Forum of Roma Minorities and Civil Association of Women, Assembly of Intelligent Municipalities and Regions etc.) and universities or scientific research institute to evaluate the implementation of public administrative program and to prepare the next one.11

The objectives of the plan of governmental tasks are in harmony with *international practice* and with the requirements and points to be applied in the process of accession to the EU; indeed, they are aimed at establishing the conditions for an acceleration of the process of accession. And while there is no EU directive for public administration in general, it should be pointed out that the country reports on countries seeking accession to the Union regularly evaluate the level of development of public administration of a given state.12 From the perspective of Hungary’s accession to the EU, a basic task stemming from the Copen-

hagen Criteria is, in addition to appropriate legal regulation, the application of law, a condition of which is the guaranteeing of the quality operation of the public administration organizations in line with capacities. Recently, this aspect has received greater emphasis in the annual evaluation reports of the EU, given also the Community’s own experiences. In many sub-areas of legal regulation, the acquis communautaire states at sub-sectional depth the expectations on the institutional structure. The National Program for the Application of Community Achievements expands upon these tasks of institutional development in detail, and in this sense it is the guiding principle for the task plan concerning public administration development for the next period.

Regarding to the other external driving force, since 1996 the *OECD membership* is a very important element of international contributions. Especially the OECD PUMA activity give Hungary an opportunity to use the ‘best practice’in the decentralization and modernization of public administration correlation with the requirements of regulatory reform leded by OECD.13 In the both two years TOR explained that Hungary wants to use the recommendations of OECD and follow up the regulatory and public management development program looking at the international experiences. In that field Hungary has a relevant connection with the non-member countries which are involved to join the ‘modernization and decentralization movements’ of CEE countries, hence the Hungarian experiences could use for the know how transfer from the OECD via ‘outreach policy.’

In the row of ‘external driving forces’ for the public administration program, as well as for the further decentralization, could be mentioned the *contribution with The World Bank.* The PMO has a letter of intent assigned by The World Bank to support the implementation of governmental public administrative development program to finance the research in that themes and to give technical assistance to achieve the written aims in the TOR of Governments. It is very fruitful to assess the contribution of The World Bank experts and institutions to help the local self-government to access the regional and global capital and credit market and to strength they’re financial capacities and creditworthiness.

There were coordinated *activities of Canadian Urban Institute* with Hungarian local self-governments to help them to build their capacity in the fiscal issues. The CIDA program has been used as a driving force supported the Government Public Management and Fiscal Reform Programs
and helped the preparation of local taxation reform regulation. This program will be following in the Visegrad Region, where Hungary could use the experiences of other CEE countries to implement a ‘new type of decentralization’ (‘a common regional policy’), concerning on the challenges of accession to the EU.

Hungary has many bilateral contribution with other Central Governments of member countries in the EU, as like as United Kingdom, France, Italy, relating to the public administration reform, especially to the decentralization. All governmental activities were concentrated the regionalism an decentralization, however in the British Know How Program and The French Regional Program both central administration have involved the Association of Local Governments to take part in that programs. These external sources could be used as a good experiences for the partnership and common sense of the ‘Common European Administrative Space,’ where the decentralization is a very important value.

Economic Conditions

The Country Study could give a certain answer for the relevant question whether the shifting of the political structure and regulatory system from a state-led growth to a market-led growth support or hinder the process of decentralization. In the transition period the value of decentralization accompanied market liberalization supported the consistent regulatory and governance reform process over several years. Regarding to the economic autonomy of local self-governments could be very important to emphasize the opportunities and threats of local self-governments to access the global and local capital and credit markets, including the right measures and level of effective and efficient decentralization process (reflecting to the new-type regional policy objectives).

The public administration development objectives are integrally linked to many other priorities of the Government’s program, that is to the establishment and strengthening of an efficient state that serves the needs of citizens, of a system of regional development to equal out chances, of a staff of civil servants who are respected and fair, and to the support of citizens’ initiatives. However, when the macroeconomic performance through 1993 was poor, resulting in high social costs, led to political and social pressures to slow the pace of reform. At the same time, implementation of policies actually adopted was often partial or incomplete because of weakness in administrative capacity at national and municipal levels, unresolved political conflicts about policy goals, and competing institutional interests within the government. The failure of deficits to respond to recovery in 1994/95 signaled the need for correction of macroeconomic imbalances. In response, the government adopted a macroeconomic stabilization program complemented by renewed commitment to vigorous structural reforms, especially accelerated privatization. In that program the stabilization and privatization combined with the devolution more tasks and responsibilities to the local level, mainly in the social and communal sector.

The further decentralization of responsibility to local government have been resulted a relative success in the solving problem because of the higher social capital in municipal than in central level—it was supported the decentralization process. However it created real and potential problems of regulatory duplication, overlapping and inefficiencies because of the no precise definitions of the mandatory functions and content of level of the services to be provided by municipalities, or the lack of separation of ownership and regulatory functions of municipalities. Therefore in these stage of reform process, the regulation was focused on the standardization of local services, and the fine-tuning of control and accountability mechanism over local governments, including the financial audit, limitation of debt measure and bankruptcy of local governments—it was evaluated as a ‘re-centralization’ of responsibility of the local government. Nevertheless these events did not mean the stopping of systematic decentralization, mostly remaining the basic principles of local government, but shifting the public administration reform from the political aspects to the technical approach, where not the political autonomy and democratization are the question, however the capability, effectiveness, transparency and accountability of local governments what the regulators were looking for.

Acceptance of the proposal does not result in additional budgetary expenditure, because the implementation of the task plan must be provided for primarily out of the budgets of the ministries (a sum determined with due consideration of these tasks). The chapters in question do not receive a source for additional spending, but this must be established by reviewing and prioritizing present tasks.

The effects of the financial and human resources spent on the continued development of public administration may be felt only on the macro level and in the long term. But with this aim in mind, the new public administration task
plan contains many efficiency improvement tasks. In the medium term, the objectives listed here shall promote the development of a system of institutions that are smaller, have fewer of the tasks of the state, and are capable of providing more efficiently, and thus facilitate the targeted reduction of state budgetary expenditure and the extent of redistribution by the state. Such means could be the review of the support institutions of the ministries, cost/benefit analysis, performance evaluation, and an increase in the role of central public administration, a full review of tasks and competencies from top to bottom of the system of public administration, a strengthening of the control of the implementation of the tasks of state administration (supervisory control, system of financial auditing), and the strengthening of the role of district administration.

Administrative Capacity to Manage the Reform

The Country Study wants to draw the role and function of the several central bodies near the Central Government (as the Government’s Commissioner in the former time and nowadays the Unit for Public Management and Regional Policy in the Prime Minister’s Office) to ensure a high-level managerial capacity for the public administration reform. The two Case Study on the TOR of Public Administration Development Program between 1999–2000, and 2001–2002 cover the new approach of capacity building which is able to ensure the capacity for the compliance of reform program at national and regional/local level too.

Since 1989 till 1995, the decentralization process was turbulent and not always coherent, because of mainly the lack of central or governmental coordination of regulatory and administrative reform. The characteristic domestic driving force was inside the government the Ministry of Interior, but it was not enough to achieve a coordinated and coherent activity on behalf of the line ministries and Ministry of Finance.

At the second stage of public administration transition process, the Central Government amalgamated his administrative capacity near the Prime Minister. Since 1996, a Governmental Commissioner was responsible for the coordination of public administration reform inside the central government, but this institution could achieve some consistency of several policies in the preparation of the public administrative reform program, but could not afford to him to coordinate the compliance and implementation of the governmental program, mainly because of the lack of political support by the head of PMO, who was a senior civil servant.

Since 1998, the new Cabinet have strengthen the role of PMO (headed by minister, who is deputy of Prime Minister in the Cabinet), and hence have built a stronger administrative capacity in the PMO to access a better cohesion between the several policies. Therefore inside the PMO a new Parliamentary Secretariat is responsible for the coordination and coherent implementation of the public management governmental development program, to achieve a higher efficiency and effectiveness in the compliance of public management reform and regional policy. Beside the new structure of central government the new Unit has a responsibility (given by a Governmental Resolution) to coordinate the other ministries activities in this program and to order the County Governmental Officials’ activities on the coordination of this program in the territorial level. These tools ensured more capabilities in the PMO to implement efficiently the public administration and regional policy programs of Government.

The coherent and efficient policy implementation needed the capacity building of civil servants at all level of public administration. With regard to the further training and management training of civil servants, hence the Government Resolution determined various tasks. In its report, the Ministry of the Interior stated the following: on the basis of the government program, and with a view to applying the aspects of Union integration and to developing public service quality. Furthermore other training of civil servants and public administration management training has been adopted, as has also the government medium-term plan for the period 1999–2002 and concerning the further training of civil servants and public administration management training. As a result of the above developments, after ten years of absence, finally a worthy and organized system of further training is operating in public administration. In the long term, the legal regulations and other norms adopted by the Government—in addition to ensuring the requirements of quality assurance and tender—shall enable the efficient integration of higher educational and academic workshops, as well as trained market actors, into the operation of a system coordinated by the state.

The aim of the medium-term government further education plan is that the Government should determine the general principles and objectives of further training for the planned term and the government requirements relating to management training. Moreover it should state the main
directions of further training nationally, further education affecting all branches and the civil servants of self-governments, the main tasks of management training, and other tasks closely linked to further training which improve the operation and efficiency of the system and the standards of further training.

The strategic goal of the further training of Hungary’s civil servants and public administration management training is—building upon the continuous demand for self-education and the requirements of the profession, paying attention to the obligations of employers, and using central budgetary and other financial resources—that the nation should be served by trained public administration staff who are capable of administering the affairs of citizens and other tasks of public administration at the level of the administrative systems of OECD and EU member states, efficiently, successfully, professionally, and ethically. The Ministry of the Interior has assisted continuously in the compilation of the annual public administration further training plans for the years 1999 and 2000, which the ministries also satisfied. Within the framework of the public service career program, a budgetary allocation has been made for the further training of civil servants and management training, and this allocation shall increase significantly in the 2000-2001 budgetary year.

On the basis of Government Decree No. 199/1998. (XII. 4.) Korm. On the further training of civil servants and public administration management training, the Public Administration College of Further Training has been established as a consultative and professional organ of the Minister of the Interior for further training and management training. The College comprises experts delegated by the ministries, the county (and capital city) offices of public administration, and both the self-government side and the interest representation side of the Civil Servants’ Conciliation Forum. One of the tasks of the College is to decide—using experts—on the acceptance of further training programs that are submitted in response to its calls for tender. By the end of 2002, the College had accepted 237 further training programs, whose major data may be viewed on the website of the Ministry of the Interior. The other major task of the College is to submit proposals to the Minister of the Interior concerning the division of the target allocation for further training adopted in the budgetary legislation, which in 2000 amounted to HUF 200 million.

Out of the target allocation for further training, a significant amount of support could be given to programs that fitted in with the general guidelines formulated as a priority in the four year further education plan and incorporated into the plans by organs required to prepare annual reports (e.g. preparation for access to the Union, ECDL training, foreign language learning). In programs supported by the further training target allocation, the only instructors permitted are those who met the conditions of the board of directors of the National Public Administration Examination Committee.

The Educational and Methodological Directorate of the Hungarian Public Administration Institute, which functions as a center of methodology for the system of public administration further training, received funds from the above indicated target allocations, which it used to finance the publication of much methodological material and other further training auxiliary material, which assists the functioning of the further training system.

In its report, the Hungarian Public Administration Institute indicated that 3700 civil servants had taken part in its EU training program by the end of 2000. The program was supported by PHARE between January and December 2000 in Hungary on the basis of an international tender. The Union program was organized by the Union’s institute in Maastricht, the European Institute of Public Administration, and it was participated in by German and Finnish organizations, too. At the request of the Union, the Hungarian Public Administration Institute undertook the professional supervision of the program in Hungary. The success of the program is indicated by the fact that the EU is to recommend the modules applied in Hungary to other candidate countries. The participation ratio in the modules was over 80% and a similar proportion of participants considered the training sessions to have been worthwhile.

720 people took part in the training sessions on central public administration in the course of 180 days of instruction; 3014 civil servants received training in the local or regional administration sessions in the course of 519 days of instruction. Regional training sessions were carried out in regional centers, covering all the counties.

The report emphasized that, uniquely in the Central European region, every Hungarian civil servant entering the system of public administration must demonstrate knowledge of the European Union when taking the basic examination. About 12,000 senior civil servants working in management positions at local and central organs took overall successful professional examinations, an obligatory part of which is knowledge of the European Union. Hungarian public administration personnel and their managers thus finished
their basic training in European affairs by taking examinations in front of independent examination boards. No other candidate country can demonstrate such an achievement. Finally, the report also indicated that training courses for specific sectors had begun, and that the special EU training course for senior managers was continuing under the direction of the Prime Minister's Office.

Finally, the Government Resolution prescribed the elaboration of a code of ethics for civil servants as well as factors of evaluation pertaining to the work of civil servants. The tasks have been implemented; the regulations will find a place in the legal system with their integration into a comprehensive amendment to the law on the legal status of civil servants.

AREAS OF REFORM POLICIES

Regarding to the main objectives of this project lead by OSI/LGI the Country Study wants to draw an example of decentralization under the umbrella of regional policy between 1996–2001. It could be used by the other CEE countries as an experience to achieve a more effective and competitive decentralized system implementing the principles of European Regional Policy (subsidiary, decentralization, partnership, solidarity, coordination and policy integration) as like as the challenges of modernization of public administration by the principle of ‘good governance.’

The issue has two fundamental dimensions: one of these is the type (self-government and/or public administration) and size (county and/or regional) of the middle level in modern Hungary in view of the terms of EU accession; the other is the social-political backing of modernization plans, in particular the geographical bases of the local and parliamentary election systems.

In the European Union regional level units have a dual function: to help alleviate regional level differences, the development of backwards regions and improvement of their competitive position, and to mediate between central and local (i.e., municipal) public administration tasks, organize regional services and reduce differences between local geographical units.

The reduction of local differences is set out as an objective in the Treaty of Rome of 1987; these fundamental principles were reiterated in the European Union Treaty concluded in Maastricht in 1991, setting forth recommendations for the organization of a new regional fund for the development of transport infrastructure promoting the cohesion of the EU and for addressing environmental problems. In line with this, the EU has designed a uniform regional statistical classification system, which is the most appropriate tool for the assessment of the regional problems and regional economic capacities of the EC. The system designed by EUROSTAT sets up three regional (NUTS 1–3) and two local (NUTS 4–5) levels; thought there is no direct legal basis for this, the EU Council Regulation No. 1260/1999. EC on the responsibilities of Structural Funds employs these for the identification of target areas, and these also provide the basis for regional socio-economic analyses and statistical data collection and analyses. (Pursuant to the EC Council regulation, the NUTS 2 level is used for the assessment of the socio-economic position and development of the EU regions.)

In Hungary Act No. XXI of 1996 on regional development and county planning and the Parliamentary Resolution No. 35/1998. (III.20.) OGY set up the planning-statistical units corresponding to the NUTS system, which was approved by EUROSTAT based on the report of the Central Statistical Office (CSO). Accordingly, on the local level there are 3131 municipalities (NUTS 5) and 150 micro-regions (NUTS 4), and on the regional level there are the 19 counties and the capital (NUTS 3), as well as the 7 planning-statistical regions (NUTS 2) and the 1 national level (NUTS 1).

Thus the county and the region are regional planning-statistical units in Hungary, and they will also become fundraising categories as targets for subsidies after the EU accession (and to some extent even before accession through the PHARE and ISPA programs). (It should be noted that regional grants, which represented approximately 73% of structural funds in 1999, take into consideration the NUTS 2 level areas, while in the case of special regions such as industrial restructuring regions and rural regions, both geographical units (NUTS 2 and 3) can be considered for targets up to approximately 8% of the funds.) In its country program for 1999 the PHARE supported regional development and regional programs in 4 (NUTS 2 level) pilot regions, and this can be continued. In other words, the EU has already accepted regions as fund raising categories, just as in 1995 programs, where it supported the development of Borsod-Abaúj-Zemplén county as an industrial restructuring area (NUTS 3 level).

As a result, in future it is justified to prioritize the regional (NUTS 2) level as the fundamental unit of the middle level planning/statistical system, while also retaining the county (NUTS 3) level as a statistical/planning unit. Furthermore, the design and implementation of the micro-
However, the issue is still whether the planning/statistical system has, or should have, an equivalent in public administration and/or the self-government system?

In the current Hungarian constitutional system only the municipal (NUTS 5) and the county (NUTS 3) levels are self-governmental/governmental and public administration units. (In this sense counties have justification in requiring participation in the Assembly of European Regions (AER) based on their regional status; incidentally, each Hungarian county is a member there.) We should notice that even in the EU governmental/public administration units have not been formed on each planning/statistical (NUTS) level. (However, it is also true that in the case of Portugal and Greece, notable for us because acquiring a large amount of subsidies, have public administration units as well on each level, while the NUTS 3 level has public administration units with elected self-governments in each country, with the exception of Belgium.)

However, the NUTS 2 level macro-regions are not only fundraising categories but often also the fields of implementation of the state responsibilities in local economic development, innovation, employment policy, infrastructure development and environmental protection and tools for improving regional competitiveness. This does not necessarily require the transformation of planning/statistical regions into self-government/public administration type regions (examples for this include Germany and the United Kingdom), but this is a desirable step (as it will be done in Sweden last autumn in a pilot project covering one region for the election of the assemblies of three counties at the local elections, then gradually targeting the other geographical units as well.) Because of this, Hungary will not necessarily have to establish self-government type assemblies in the regions to be set up either, but this can be one objective in the process of constitutional amendment, and the present regional development institutional system may provide the regional basis for programming and the allocation of government funds (or potentially international funds). Regions, however, must certainly be established as public administration units. The establishment of the monitoring system also demanded by the EU as well as the decentralization and reasonable administrative organization of state tasks necessitates this. (Public administration tasks may be reviewed, under the auspices of modern public administration, with an eye to reallocating some of the ministerial tasks currently executed on the county level (the tasks that are suitable for this) to the county self-governments, and organizing the rest on the regional level. In accordance with the contents of the Government Decree No. 193/1998. (XI.11.), these could be coordinated on the regional level by the public administration offices operating under the supervision of the Prime Minister’s Office; the tasks of these offices already include regional coordination of issues crossing the boundaries of counties or the capital. In other words, for the regional establishment of the geographical competence of de-concentrated public administration bodies and the organization of administrative regions, Government level regulation in the form of Government decrees is adequate; Parliament need not be involved.)

 Accordingly, until the formation of self-governed regions defined in the Constitution, which presumes a greater degree of political and social consensus, the county may retain its self-government function; some tasks may even be delegated to it from the governmental de-concentrated bodies, while it can also perform its function of regional equalization and regional self-governance, in a reasonable division of labor with the administrative and regional development region.

However, for the self-government function the county would need own resources (such as local taxes it can dispose of), as well as the identification of mandatory regional self-government tasks, accompanied by normative state subsidies. (This could be prepared in the framework of the so-called public administration and public finance reform, started but not yet completed with the coordination of the PMO in conjunction with the further development of the tasks and financing of the public sector; the decision of the Government would be adequate for this, and the alliances of municipalities as well as international agencies as sponsors could also be involved, such as the World Bank, USAID, Know How Fund.)

In regional policy an appropriate division of labor can be designed between the county and the region, which can be the basis for the government’s subsidy policy as well. In the long term the county could perform the function of equalization between settlements and micro-regions (this is what the regional equalization funds and the targeted decentralized fund are assigned to; the county regional development council disposes over this, which is chaired by the chair of the county assembly, but its members also include the representatives of cities with county rights and the self-governments of micro-regions), and of supporting local small
and medium sized enterprises and the promotion of local economic development and employment (this is what the county regional development fund is designed for, which is also under the control of the regional development councils.)

The state functions of larger-scale economic development subsidies, major employment, economic development, infrastructure or environmental protection projects as well as interregional relations could be delegated to the regional level, this can be accompanied, through the regional development institutional system (in which the counties participate, together with government agencies and economic chambers on the basis of partnership), by some of the state subsidies to be decentralized as well as international funds (naturally, to this end in the 7 planning-statistical regions approved in the National Regional Development Conception regional development councils and their work organizations must be established mandatory, and on the basis of government offices a regional monitoring system must be implemented to assess and control their activities and the use of the funds made available to them.)

In the context of the functional links of the county, micro-regions, in addition to the regional level, warrant special attention. Micro-regions on the one hand may offer excellent terrain for the differentiated use of regional policy instruments (88 of the 150 statistical-planning micro-regions are targets for regional policy one way or the other, in accordance with EU standards), and for performing the county equalization functions, the reasonable (concentrated and coordinated) allocation of state subsidies, and they can also be the arena of provision of local government tasks in associations and the more rational, effective and cheaper provision of district-type public services and local public administration tasks (this corresponds, in one of its elements, to the modern version of the "town-county" concept, which can be embraced on the political plane.)

In this context a reasonable division of functions and tasks can be designed between regional units; the financing, state subsidy system and public administration structure can be adjusted to this under the control of the Government.

Modern public administration increasingly needs more rational financing of micro-regional (city center) administration alongside (or potentially gradually instead of) the county, and of the performance of municipal tasks in associations, government incentives to this, as well as the formation of administrative regions (and then gradually self-government type regions), which requires a political basis on the local level and in Parliament as well. For this, it may be desirable to review the elements of the election system in future.

LESSONS AND RECOMMENDATIONS

Regarding to the Hungarian Case Study try to conclude the consequences of the last ten years reform process and to give some recommendation for the policy makers in Croatia to pave the way to administration and government reforms.

The last ten years period history of decentralization of former state-owned political, economical and administrative power has been joining the democratization of the political structure and civil society in Hungary. There were many problems arising from the transition itself, including the too rapid decentralization, like the lack of the knowledge and skills for the new managerial requirements and the weakness of civil society to use a 'civic culture,' as like as the disparities of local governments and the gap between their responsibilities and capabilities.

The Central Government try to response to this problems using the 'regional policy issue' as a pattern both of the further decentralization and devolution of power from the central level and the instead of the amalgamation of local governments using legal and financial incentives to involve the local governments for the associations to deliver services in a better quality and to develop their settlements together.

In the last ten years the consistency of public management reform process has been assured by the clarifying the different role of policy makers in the reform process and using efficient regulation and managerial techniques. In the case of Hungary it would be a good lessons to understand better how should reach that the 'decentralization value' would be the guarantee of the consistent reform process over several years and how could achieve the consistency of governance reform accompanying the market liberalization (however the macro-economic structural changes couldn’t support always the coherent decentralization reform process.)
ANNEX

1057/2001. (VI. 21.) Government Resolution

On the Plan of Governmental Tasks Concerning the Continued Development of the Public Administration System in 2001 and 2002

I. The Review of the Tasks and Spheres of Competence of the System of Public Administration and Their Regulatory Guidelines

In the Field of the System of Central Public Administration

a) The review of the tasks and spheres of competence performed by the ministries should be continued. With regard to the tasks of the ministries that remain necessary, the objective is that only those tasks concerning branch strategy, regulation, analysis, and control should remain at ministerial level. Among the tasks of operation, tasks concerning public administration services and information, as well as individual powers of authority, should be entrusted to central offices with autonomous competence and separate from the organization of ministries, regional government offices, regional or local state administration organs directed by ministries, organs and chambers of self-government public administration, and organizations in the civilian domain. In all cases, the ‘detachment’ of tasks of ministries should be accompanied by reductions in staff numbers and financial allocations, or the transfer of the task to an organization fulfilling an individual sphere of legal competence and authority.

Responsible:
• for points a–b): ministers concerned
• for coordination: Minister Heading the Prime Minister’s Office

Deadline:
• for points a–b): on-going

c) The examination and reform of the organs of central public administration that are not functioning in the form of ministries must be continued.

Responsible:

Deadline:

In the Field of Local and Regional State Administration

a) The examination of the tasks and spheres of competence of the regional and local (settlement-level) organs of state administration, and of their organization and operation, must be continued. In the course of the examination, it should be reviewed:
• where the intervention of the state is unnecessary or where the intervention of the state can be provided for through other, non-public means of administration,
• where the state administration status of these may be abolished,
• in the case of state administration tasks that remain necessary, an attempt should be made to place these tasks at a level nearest to customers—transferring them to regional or local organs of state administration or to the clerks of local self-governments.

Responsible: ministers concerned
• for coordination: Minister Heading the Prime Minister’s Office

Deadline: on-going
b) The taking into consideration of organs fulfilling tasks of local (settlement-level and regional) public administration should be realized and these organs should be officially recorded.

**Responsible:** ministers concerned

- with respect to the the district notaries and self-govern-ment associations
- for coordination and records: Minister Heading the Prime Minister’s Office in cooperation with the county and Budapest offices of administration

**Deadline:** 31 December 2001

c) Based on the official records, there should be a review of the legal status, organizational structure, and functions of local organs fulfilling state administration tasks and spheres of competence.

In the course of the review, an attempt should be made to ensure that

- matters of state administration determined in Act IV of 1957 on the general regulations of state administration procedure should be performed only by organs of public administration falling under the provisions of Act XXIII of 1992 on the legal status of civil servants,
- non-public administration organs should be able to administer the affairs of state administration only exceptionally and where justified for reasons of expediency or expertise,
- During the review, organs of public administration that do not perform matters of state administration according to Procedure of State Administration (Áe.) but do fall under the authority of the law on civil servants should be removed from falling under the law on civil servants and, where their maintenance is necessary, should be given a different legal status that is appropriate to their range of tasks,
- Where ministries manage several organs of local state administration, the possibility of their merger or the joint provision of the tasks provided should be examined.

**Responsible:** ministers concerned

- for coordination: Minister Heading the Prime Minister’s Office

**Deadline:** on-going

d) The examination of the possibility of placing (territorial) regional state administration on regional bases should be continued. In the course of this examination, the aim should be to ensure that:

- After the clerks of local self-governments based on districts, which are the authorities of first instance, organs of state administration organized regionally and at a higher level than the counties should be the authorities of second instance,
- In the case of organs that do not possess authorities of first instance at local level, an attempt should be made to bring the legal spheres of competence at first instance to a level that is closer to customers (the clerks of self-governments in district centers), while organs of second instance should be established at regional level on the basis of the former county organs,
- In the case of organs that are currently functioning at regional level (or which have territorial competence stretching beyond the county framework) an attempt should be made to harmonize territorial competence in line with the framework of the seven regions for planning, statistics, and regional development,
- Of the county (capital city) offices of public administration, a priority task of the heads of these offices in the seven regions for planning, statistics, and regional development should be to coordinate the work of devolved organs functioning at regional level and their control according to the provisions of a separate law.

**Responsible:** ministers concerned

- for coordination: Minister Heading the Prime Minister’s Office

**Deadline:** on-going

e) New tasks of regional state administration should primarily be entrusted to existing regional organs of state administration, or, where these are lacking, to the administrative offices functioning as government offices. The addressee of the branch state administration tasks and spheres of competence placed with the offices of public administration should be:

- in affairs that rarely arise or represent a small administrative turnover, the head of the office of public administration,
- in affairs with a high administrative turnover or requiring special professional expertise, the internal units with there own tasks and spheres of competence of the offices of public administration.
With Regard to the Local Self-governments

The review of the tasks and spheres of competence of the local self-governments should be continued. In the course of the review, an attempt should be made to ensure that:

- in accordance with the provisions of the self-government law, self-governments of localities with larger populations and capacities should receive a greater number of compulsory tasks while the smaller ones should be relieved of compulsory tasks that exceed their capacities,
- a review is made of the professional regulations and system of conditions of the provision of compulsory tasks by self-governments,
- concerning re-regulation, a proposal should be made concerning the level of self-government at which the tasks reviewed should be carried out from the perspective of effectiveness and efficiency,
- Where justified, a proposal should be made concerning the provision of tasks within associations and the incentives for the development of such associations.

Responsible: ministers concerned
Deadline: on-going

II. Other Tasks

a) The competence and efficiency of the provision of tasks of public administration by the public corporations should be examined.

Responsible: Government Control Office
Deadline: 31 March 2002

Tasks Concerning the Institutional Development of the System of Public Administration

- Tasks Concerning Organizational Modernization

II/1.

The possibility and expediency of establishing a monitoring system serving to monitor the comprehensive governmental tasks, coordination, and communication concerning the Roma problem and to be operated with the involvement of a wide range of those affected should be examined.

Responsible: Minister of Justice
Deadline: 31 October 2001

II/2.

With regard to the integration of tasks concerning foreign trade into the Ministry of Foreign Affairs, proposals concerning the development of a system of foreign representations that is more integrated than the present one, should be elaborated within the framework of the continued modernization of the institutional system concerning foreign markets.

Responsible: Minister of Foreign Affairs
Deadline: 31 December 2001

II/3.

The development of a new organizational structure for the treasury system should be continued.

Responsible: according to Government Resolution No. 2064/2000. (III. 29.) Korm.

II/4.

By providing continuous methodological assistance, the modernization of the regulations concerning the organization and operation of the ministries and organs of central public administration should be continued, ensuring the application of uniform and general governmental regulatory reform guidelines.

Responsible: according to Point 3 of Government Resolution No. 2396/1997. (XII. 8.) Korm.
Deadline: according to Point 3 of Government Resolution No. 2396/1997. (XII. 8.) Korm.

II/5.

With regard to the tasks concerning the introduction of a public service career structure, the review of the organizational purview of the law on the legal status of civil servants should be continued, and, subsequently, a program of proposals should be prepared concerning the reform of organs that are to be removed from the purview of the law as a result of the review.

Responsible: Minister of the Interior
Deadline: in cooperation with the ministers concerned

• for the review: 30 September 2001
• for the preparation of proposals: 31 December 2001
II/6.

With regard to EU accession, the real powers of decision of the regional development councils should be expanded in the field of state subsidies for development, initially by transferring a certain proportion of the target allocations for regional development into regional spheres of competence.

Responsible: Minister of Agriculture and Regional Development
Deadline: in accordance with the Budget for 2001–2002

II/7.

A proposal should be prepared concerning the development of the legislation records of the Ministry of Justice, as the official keeper of records of Hungarian legislation, with a view to the management of European Union legislation and legal information.

Responsible: Minister of Justice
Deadline: 31 March 2002

II/8.

The ministries should provide for the compilation and continuous up-dating of a list of those organs operating under their own management or supervision as well as of their own tasks and spheres of competence, and for the regular publication of the above in electronic form or on paper.

Responsible: ministers concerned
• for coordination: Minister Heading the Prime Minister’s Office

Deadline:
• compilation of the lists: 31 December 2001
• other: on-going

II/9.

The ministries should prepare action programs for the development of their contacts with the civil sector. Within this framework, they should provide for the involvement of professional and interest representations organs as well as research establishments with a view to substantiating professionally the tasks outlined in the present Government Resolution and their implementation.

Responsible: ministers concerned
• for coordination: Minister Heading the Prime Minister’s Office

Deadline:
• on-going

• Tasks Concerning Human Resources

II/10.

Tasks related to the introduction of a public service career structure:

a) The heads of the ministries and organs of central public administration should elaborate annual priorities comprising the basis of the performance requirements to be applied within a system of personal performance evaluation.

Responsible: ministers concerned and the heads of the organs of central public administration
Deadline: annually
• first deadline: 1 October 2001

b) For the fulfillment of tasks concerning the personal performance evaluation, methodological assistance should be provided for the (coordinated) harmonized determining of the annual priorities for each sector.

Responsible: Minister of Justice
Deadline: 1 September 2001, and then 1 June 2002

c) Within the framework of the financial management system applying to the budgetary organs, the introduction of a more flexible system of staff and salary management should be established and proposals should be prepared concerning the possible directions of regulatory reform.

Responsible: Minister Heading the Prime Minister’s Office, with regard to the central budgetary organs within the cognizance of the Government
Minister of Finance
Minister of the Interior

Deadline: 31 March 2002

d) The medium term program for 2001 and 2002 concerning European Union public administration training should be elaborated.

Responsible: Minister of the Interior
Minister Heading the Prime Minister’s Office

Deadline: 31 December 2001

e) An advanced training strategy for senior civil servants should be elaborated, as well as a specific advanced training program necessary for implementation.

Responsible: Minister Heading the Prime Minister’s Office
Minister of the Interior
Ministers concerned

Deadline: 31 December 2001
II/11. By virtue of Point 2.2 of the agreement between the Government and the cooperation Forum of the Trade Unions, a report on the situation of employees in the public sector should be prepared. Within this framework, an evaluation of the level of training necessary for EU accession should be made.

**Responsible:** Minister Heading the Prime Minister’s Office through the Hungarian Public Administration Institute

**Deadline:** on-going

• Other Tasks Concerning an Improvement in the Operating Efficiency of the System of Public Administration

II/12.

Methodological assistance should be provided for the sake of the continued development of cost-benefit analysis and organizational performance evaluation and their wider application.

Within this framework:

- the methodological coordination of activities begun by the ministries and their organs of central public administration should be ensured,
- the methods of cost-benefit analysis applicable to decision-making in non-economic areas should be elaborated,
- the possibilities of employing modern methods of administration should be examined, methodological instructions should be prepared on the basis of the findings and results,
- the legal foundation determining which organs and institutions are required to perform cost-benefit analyses and under what conditions and circumstances they are to do so, as well as the instances in which a given organ may determine this issue for itself, should be elaborated,
- the current opportunities for applying cost-benefit analysis must be examined, as well as the factors preventing this, in addition to the current state of information, human resources, and access to an appropriate data base,
- An examination should determine which areas need to be developed in order to eradicate the factors preventing progress that were outlined in the previous point (as well as financial and other consequences),
- A schedule for the realization of developments mentioned in the previous point should be elaborated.

**Responsible:** Minister Heading the Prime Minister’s Office through the Hungarian Public Administration Institute

**Deadline:** 31 March 2002

II/13.

A survey of the application of procedural stamp duties and administrative charges payable for official procedures should be performed, and their use and efficiency determined.

**Responsible:** Minister of Finance Cooperating with the ministers concerned

**Deadline:** 31 March 2002

II/14.

Employing a cost-benefit analysis, the use of amounts flowing in on the basis of the law on support for professional training should be examined.

**Responsible:** Minister of Education

**Deadline:** 31 March 2002

II/15.

Concerning the development of information technology:

a) A comprehensive information technology development program for the system of public administration should be drawn up. Within this framework, special attention should be paid to the early introduction of electronic government and to spatial aspects of information.

**Responsible:** Government Commissioner for Information Technology

**Deadline:** 31 December 2001

b) Within the framework of the information technology development program, an exact schedule should be elaborated for the establishment of the data-wealth records of public administration, which was ordered in Government Resolution No. 1113/2000. (XII. 27.) Korm.

**Responsible:** Government Commissioner for Information Technology

**Deadline:** 31 December 2001

c) Methodological assistance should be provided in order to increase the role of information technology within the system of public administration: introduction and development of electronic group work, the establishment of “paper-free” offices, electronic task management, management of separate data, electronic scheduling,
deadline reminders, increased knowledge of information technology among clerks.  
**Responsible:** Government  
Commissioner for Information Technology  
**Deadline:** on-going

d) The implementation of the documentation project begun by the Prime Minister’s Office in 1999 should be continued. Based on the newly developed Government Documentation System, uniform standards of documentation should be elaborated.  
**Responsible:** Government  
Commissioner for Information Technology  
**Deadline:**  
• for project completion: 30 September 2001  
• for the elaboration of standards: 31 March 2002

e) An examination should be made concerning which information technology and data protection systems are available within the whole of the national budget, and how these may be used to gain access to data and to establish an extensive data base, a base forming the basis of, and necessary for, cost-benefit analysis; and the first steps towards the elaboration of a data base should be taken.  
**Responsible:** Government  
Commissioner for Information Technology  
**Deadline:** on-going

II/16.  
An examination should be made of the possibility of establishing computer records and checking systems between the organizations of public administration, and of the possibility of establishing a uniform national system for the distribution of grants and assistance, with a view to strengthening controls on the use of European Union financial resources.  
**Responsible:**  
• for the technical establishment of grant records and control systems: Government  
Commissioner for Information Technology  
• for the tasks concerning the content and operation of the system: Minister of Finance  
**Deadline:** 31 December 2001

II/17.  
With a view to establishing a system of public administration that meets the requirements of disabled people, the ministries should examine and make proposals concerning:  
• An increase in the number of disabled experts employed in public administration  
The possibility of establishing an administration that is free of obstacles from an architectural and communicational perspective.  
**Responsible:** ministers concerned  
**Deadline:** on-going

II/18.  
Methodological assistance should be provided for the support of the wider application within public administration of modern quality assurance systems, and a national program for the introduction of quality assurance systems into organs of state administration should be elaborated. Within this framework:  
• A survey should be performed of the initiatives of organs of state administration and self-government in this area,  
• With a view to the introduction of a uniform system of quality assurance and development, which may be applied throughout the system of public administration, a domestic adaptation of the system applied in the European Union (the Common Assessment Framework) should be elaborated, and its implementation should be commenced according to a schedule established in the national program.  
**Responsible:**  
Minister Heading the Prime Minister’s Office  
Through the Hungarian Public Administration Institute  
• for measuring the initiatives of the municipalities: Minister of the Interior  
**Deadline:** on-going

III. Legislative Tasks Affecting the Development of the System of Public Administration

III/1.  
With regard to the review of the law on the general regulations of state administration procedure, and the renewed regulation of this subject area:
a) The draft of a new uniform law on public administration procedure should be elaborated. This should include a definition of the legal term of organ of public administration and its types.

   **Responsible:**
   - Minister of the Interior
   - Minister of Justice
   - Minister Heading the Prime Minister’s Office

   **Deadline:**
   - the bill should be submitted to the Government by March 31, 2002

b) In connection with the elaboration of the new law on public administration procedure, the detailed regulations concerning the new system of supervision for the organs of state administration should be drawn up.

   **Responsible:**
   - Minister of the Interior

   **Deadline:**
   - in line with the above deadline

c) Following the adoption of the new law on public administration procedure, the ministries should provide for the amendment of the legal regulations affected by the reform of the general procedure. With a view to a rapid settlement, the ministries should begin a review of the special procedural regulations within their own sectors once the regulatory strategy/draft of the new law has been adopted.

   **Responsible:**
   - ministers concerned

   **Deadline:**
   - on-going

III/2.

With regard to regulatory reform:

a) The amendment to the law on legislation, which is necessary owing to Hungary’s accession to the European Union, should be elaborated.

   **Responsible:**
   - according to Government Resolution No. 2319/2000. (XII. 21.) Korm.

   **Deadline:**
   - for the submission of the regulatory strategy to the Government: according to Government Resolution No. 2319/2000. (XII. 21.) Korm.
   - for the submission of the draft bill to the Government: 28 February 2002

b) An action plan should be drawn up processing the recommendations made by the OECD concerning regulatory reform in its country report on Hungary, as well as the annual reports of the European Commission. An inter-departmental committee should be established for this purpose.

   **Responsible:**
   - Minister Heading the Prime Minister’s Office
   - Minister of Justice
   - Heads of ministries affected

   **Deadline:**
   - 1 July 2001

c) The main regulations of the organizational and procedural rules relating to the continuous deregulatory examination of laws should be elaborated.

   **Responsible:**
   - Ministry of Justice

   **Deadline:**
   - 31 December 2001

d) The methodology of examining the preliminary and subsequent effects of laws and their drafts should be prepared, and methodological assistance should be provided with a view to supporting its introduction and propagation.

   **Responsible:**
   - Minister of Justice

   **Deadline:**
   - on-going
   - elaboration of the methodology: 31 March 2002

e) The Minister of Justice should prepare a report annually on the results of technical and essential, and continuous and specific instances of deregulation.

   **Responsible:**
   - Minister of Justice

   **Deadline:**
   - first deadline: 31 December 2001

III/3.

Concerning the constitutional amendment that is mentioned in Point 2/a. of Government Resolution No. 2319/2000. (XII. 21.) Korm. And is necessary owing to the accession of Hungary to the European Union, the following should be elaborated:

a) Legislation concerning the signing of international treaties;

   **Responsible:**
   - for point a): Minister of Justice
   - for point b): Minister of Foreign Affairs

   **Deadline:**
   - submission of the regulatory strategies to the Government: 31 August 2001
   - submission of draft legislation to the Government: 28 February 2002
III/4.

With regard to the regulatory guidelines of chapter I of the Government Resolution, the regulatory strategy for a comprehensive amendment to the law on local self-governments should be prepared. Within this framework, special attention should be paid to the following issues:

- The scope, system, and legal and professional conditions of tasks of state administration fulfilled at the local self-governments,
- Possibilities of establishing systems of administration for areas surrounding cities (small regions),
- Modernization of the system of administration of the capital city and the surrounding area,
- Possible solutions for a reform of the level of regional self-government, and its effect on the electoral system,
- Reform of the system of financing,
- Extension of the legal monitoring system of self-governments.

In areas of special attention, various strategies and regulatory plans of equal professional value should be elaborated, analyzing the advantages and disadvantages of the various solutions.

Responsible: Minister of the Interior
Minister of Justice
Minister Heading the Prime Minister’s Office
Minister of Finance

• with regard to reform of the system of financing: Minister of Finance

Deadline: 31 December 2001

III/5.

Regulations should be drafted concerning the preliminary control of the use and auditing of local self-government assistance stemming from the central budget and from other sub-systems of the state budget.

Responsible: Minister of Finance

Deadline: 31 August 2001

III/6.

With regard to the tasks concerning the introduction of a public service career structure:

a) A proposal should be made concerning the drafting of detailed regulations relating to the priority senior civil servants and the central civil servants.

Responsible: Minister Heading the Prime Minister’s Office
Minister of the Interior

Deadline: 1 July 2001

b) The draft of a government decree containing detailed regulations on the introduction of a wealth declaration and control system should be elaborated.

Responsible: Minister of the Interior

Deadline: 1 July 2001

c) After the amendment to the law on the legal status of civil servants, any necessary amendments to the executive decrees of the law must be prepared, with respect to qualifications, public service records, the public service legal status of civil servants employed permanently abroad, the placing of staff in reserve, and regulations concerning the temporary posting abroad of civil servants.

Responsible: Minister of the Interior
Minister of Foreign Affairs

Deadline: 31 December 2001

d) In connection with the comprehensive review of the law on the legal status of civil servants, the government decrees on professional examinations in the public administration sphere and on the further training of civil servants and public administration management training should be amended.

Responsible: Minister of the Interior
Minister Heading the Prime Minister’s Office

Deadline: 31 December 2001

c) Ministry agreements concerning the ministries’ civil servants employed permanently abroad should be elaborated and the deregulation of related current internal provisions should be implemented.

Responsible: Minister of Foreign Affairs in agreement with the ministers concerned

Deadline: 31 December 2001

III/7.

With a view to the uniform and district-centered provision of the tasks of state administration:

a) The harmonization of the territorial competence of the four types of local administrative districts should be concluded.

Responsible: according to Government Resolution No. 2341/2000. (XII. 27.) Korm.


• for coordination: Minister Heading the Prime Minister’s Office

b) A proposal should be made concerning the transfer to district level of other tasks of state
administration provided at local or regional level and an examination should be made of the possibility of harmonizing the territorial competence of organs providing public administration tasks and functioning at district level. On the basis of the result of the examination, a strategy should be elaborated concerning the general administrative category of the small region of public administration, and, within this framework, the main provisions concerning its tasks, organization, management, territories of territorial competence, and financing should be elaborated.

**Responsible:** ministers concerned

**Deadline:** on-going

### III/8.

With regard to regional development:

**a)** The detailed regulations relating to the operation of the county area development councils, territorial development councils, and regional development councils as well as their legal supervision should be elaborated.

**Responsible:** according to Government Resolution No. 2313/2000. (XII. 20.) Korm.

**Deadline:** according to Government Resolution No. 2313/2000. (XII. 20.) Korm.

**b)** A proposal should be drafted concerning the elaboration of uniform organizational and operational regulations and procedural rules for the monitoring committees.

**Responsible:** according to Government Resolution No. 2134/1999. (VI. 11.) Korm.

**Deadline:** according to Government Resolution No. 2134/1999. (VI. 11.) Korm.

### IV Final Provisions

**IV/1.**

The ministries should report annually on the implementation of their tasks outlined in the development plan, and should send their reports to the Minister Heading the Prime Minister’s Office.

**Responsible:** ministers concerned

**Deadline:** 31 December 2001 and 31 December 2002

This Resolution shall enter into force on the day of its publication, at which time the following shall be repealed simultaneously:

- Government Resolution No. 1052/1999. (V. 21.) Korm. containing the plan of governmental tasks concerning the continued development of the public administration system in 1999–2000,
- Government Resolution No. 1027/1996. (IV. 3.) Korm. on the completion of the first stage of the reform of organs of territorial state administration and tasks to be carried out in the future,
- Government Resolution No. 1106/1995. (XI. 9.) Korm. on the continued development of the coordination of information technology in the system of central public administration,
- Government Resolution No. 1033/1995. (IV. 28.) Korm. on the creation of harmony between the tasks and staff numbers of the various ministries and organs of national authority and of their organs of regional state administration, and on their possibilities of expenditure and staff reductions,
- Government Resolution No. 2128/1997. (V. 22.) Korm. on the abrogation of various laws and other tasks connected with deregulation,
- Government Resolution No. 2171/1996. (VII. 10.) Korm. on the implementation of the reform of organs of regional state administration, and the planned relationship between the offices of public administration and other organs of regional state administration in the future,
- Government Resolution No. 2316/1995. (X. 18.) Korm. on the tasks connected with the abrogation of various laws,
- Government Resolution No. 2118/1995. (IV. 27.) Korm. on the various tasks of the continued development of public administration records,
- Points 2-10 of Government Resolution No. 1004/1995. (I. 20.) Korm. on the review of laws according to the requirements of deregulation,
- Points 3.1.3, 3.1.4. And 3.6.3. Of Government Resolution No. 1023/1995. (III. 22.) Korm. on the corrective measures of 1995 serving economic stabilization,
- Tasks relating to Chapter IX of Annex No. 2 of Government Resolution No. 1062/1996. (VI. 4.) Korm. on preparations for budgetary reform,
the work program arising out of the document entitled “Hároméves megállapodás a közalkalmazotti szférában” [‘Three-year agreement in the public employee sector’],

NOTES


9 In every ministry there are divided the role of two secretariats: a Permanent State Secretariats for administrative function, leaded by the highest ranking senior civil servant, who is considered politically neutral; and for the political function, a Parliamentary State Secretariat, which has a political leader (mostly one of the MPs), who represents the minister in Parliament and other interministerial committees, and is the political counselor or deputy of the minister in the ministries. Hungary Country Profile. SIGMA, 1999. p. 10.

10 The Hungarian Study used the main studies in that field which are the following: Hungary-Subnational Modernization, Policy Note (An Integrated Effort for Modernizing the Subnational Government System in Hungary), World Bank- PMO’s of Hungary Common Published Study, (Public Administration Development Studies Series 1st Column, Budapest. 1999, or Davey, K.–Horváth, M., T.–Péteri, G.: Local Autonomy and Responsibility (Development of government actions in a plural public service system) British Know How Fund-PMO’s of Hungary Common Published Study,(Public Administration Studies Series 2nd Column), Budapest, 2000.


12 The European Commission, in its annual country report for 2000, the latter institution offered a favourable judgement of the development of public administration, according to which “Hungary is achieving stable development in every area in the establishment of the administrative capacity with a view to the application of the Community Achievements. In the continued implementation of the 1999 development programme, further progress may be seen in the modernisation of the system of public administration.”

13 The last OECD Report on Regulatory Reform evaluated the whole transition process, included the decentralization too, and stated the followings: “after ten years of determined reform... Hungary has entered the mainstream of OECD countries with respect to the challenges it faces in establishing quality regulatory regimes supporting good government and long-term economic growth.”

14 The British Know How program helped, besides other issues, the training of senior civil servants and preparing the new amendment of act on Civil Servants to match the new regulation the British practice. For instance the PMO
has supported the regional contribution of French INFH and Association of Hungarian Municipalities to train the local leaders and experts for the regional and rural programming.

15 OECD, 2000, p. 11.

16 OECD, 2000, p. 22.


18 The medium-term program was adopted in Government Decree No. 1035/1999. (IV.21.).


Decentralization of Public Administration in the Republic of Croatia — Reform Process Management

Teodor Antić
Decentralization of Public Administration in the Republic of Croatia—Reform Process Management

Teodor Antić

INTRODUCTION

After the multi-party elections in 1990, the enactment of the Constitution of the Republic of Croatia on 22 December 1990 and the announcement of independence on 25 June 1991, Croatian administration was for the first time fully defined through the regulations of the Croatian Parliament.

In addition to the general problems facing all administrative systems, the Croatian administration was, while in the process of its shaping, confronted with special circumstances related to its historic development: the dissolution of the Socialist Federative Republic of Yugoslavia and the struggle for the independence of the Croatian state, the transition from a one-party to a multi-party political system, the transition from an economy based on social ownership, to a market economy with a mostly private ownership structure, and finally war that brought part of the territory under military occupation and destruction of great magnitude. These circumstances indicated the need for the shaping and strengthening of all parts of the administrative system appropriate for an independent state.

As a consequence of that situation, the system of state administration leaned towards unity and centralization, even after the mentioned extraordinary circumstances had ceased to exist, while the interests emerging from regional and local differences were neglected, thus developing the swift expansion and extraordinary concentration of the Croatian state administration.

In these circumstances, a system of local self-government was enacted in 1992 through the Act on Local self-government and Administration, after which in 1993 the first local elections in accordance with the new system were held.

However, taking into account all of the above, this local self-government system was fundamentally shaped to provide for, and secure, a centralized management of public affairs.

Soon after the cessation of war activities and the re-integration of the occupied territories of the Republic of Croatia within its legal system, a need developed for a major reform of the system of state administration and local self-govern-ment:

1) firstly, in the direction of the opening up, differentiation and strengthening of the operational independence of administration, the de-concentration of power, and the decentralization of the political and administrative system,

2) Secondly, in the direction of strengthening local and regional self-government, so that it can gradually take over responsibilities from central state authority, and at the same time act as a counter-balance to this authority.

The target of the whole reform is to allow for the narrowing of the gap between citizens and the decision-making process and for their greater participation in this process, for a better identification of the problems, for the better meeting of needs and for citizens to assume greater responsibility in the management of public affairs, resulting in a lessening of the concentration of the political power of central state authority.

Starting Position and Guidelines for Decentralization. Although the need for decentralization was considered from the very beginning of the shaping of public administration in the Republic of Croatia, and although some steps were made in that direction early on, a more serious decision about reform was taken only in 2000, and the first moves were conducted in 2001.

The situation at the beginning of 2000 is as follows:

1. Central state administration is defined by the Act on the State Administration System, the Act on the Government of the Republic of Croatia, the Act on the System and Competence of the Ministries and State Administrative Organizations, the Act on State Officials and Employees and on the Salaries of the
Bearers of Juridical Authority, and by a string of other special laws and secondary legislation that defined specific areas of activities of state administrative bodies.2

The state administration system includes administrative bodies and organizations which the Government of the Republic of Croatia, as the highest state political-administrative body, directly guides and connects. These bodies are also directly, or through the Government of the Republic of Croatia, connected to the highest bearers of political authority in the state—the Parliament and the President of the Republic.

The bodies of the state administration are ministries (17), state administrative organizations (10), County Offices (9–11 in each county) and the City Office of the City of Zagreb.

State administration affairs include the direct application of laws (the resolution of administrative cases, managing inquest registers, issuing various certificates, and conducting other administrative and professional affairs), enacting regulations for the implementation of laws, conducting administrative supervision and other administrative and professional affairs.

From the point of view of administrative fields (portfolios), state administration affairs could be classified as:

a) traditional state-authority portfolios: defense, internal affairs, foreign affairs, justice and finance,
b) economic portfolios: the economy, agriculture and forestry, development, immigration and reconstruction, and tourism,
c) technical services: maritime affairs, transport and communications, and science and technology,
d) communal services: environmental planning, construction and housing,
e) social services: culture, education and sport, labor and social welfare, and health,
f) Special portfolios: care of the veterans of the Croatian War for Independence.

2. The local self-government system comprises 421 municipalities, 122 towns, 20 counties (which are at the same time local administration units) and the City of Zagreb (a special and unified territorial unit with the status of a county).

Local self-government is defined by the Act on Local self-government and Administration, the Act on the Territories of Counties, Towns and Municipalities in the Republic of Croatia, the Act on Financing the Units of Local self-government and Administration, and the Act on the Definition of Affairs within self-government Competence of the Units of Local self-government and Administration.3

Local self-government affairs include environment planning and the arrangement of settlements, communal activities, environmental protection, pre-school education, culture, sport and social welfare.

The competence of a county involves mostly the affairs of harmonizing the interests and positions of municipalities and towns within its territory, as well as equal development for both.

For seven years (from 1993 to 2000), competence for fire departments and cable registries has belonged to the local self-government scope of affairs after having been transferred from the state administration. However, this transfer was not accompanied by an appropriate increase of revenue with which local self-government units could finance these affairs.

The general assessment of public administration in the Republic of Croatia at the beginning of 2000 is as follows:

• The state administration system focuses on unity and tends towards centralization, neglecting interests stemming from regional and local differences. This results in its rapid expansion and extreme concentration. It is a heavily centralized, huge apparatus that cannot be flexible and has great difficulties in adapting to the new roles and tasks set before it;
• The uneconomical and large number of local self-government units and employees working in different administrative bodies has an impact on the level of public expenditure, while the centralization of many administrative tasks limits the efficiency of local self-government bodies. At the same time, the existing system of financing local self-government units hampers the development of an efficient communal infrastructure and is not able to meet the basic needs of citizens in terms of health care, social welfare, employment, education, culture and protection of the environment.

Consequently, it is clear that the state administration, in executing its competencies, needs to transform gradually as far as it can into an instrument for resolving the current problems of society. It should also take over the administration of the public sector rather than become a traditional
state administration. Its role should be to identify situations that cause problems in society, to develop programs for the resolution of these problems, and to implement these programs with the best possible cost-benefit ratio.

Therefore, it is becoming necessary to start as soon as possible the process of delegating administrative duties and transferring relevant administrative organizations and employees from state administration to the wider subsystems of the so-called public sector, which would decrease the influence of state authority centers on organizations. At the same time, within these organizations, the role of hierarchical structures would be decreased, since the focus of integration would be transferred to work methods. In parallel to this, part of the administrative duties should be obviously transferred to local self-government bodies, as these bodies are the closest to citizens.

REFORM GUIDELINES, ACTIVITIES, RESULTS

Guidelines and Initial Activities

The Government of the Republic of Croatia, formed after the parliamentary elections of 3 January 2000, through its action program (hereinafter: Government Program) and within the sphere of its internal policy during the period of its mandate, announced the reform of public administration aimed at decentralization.

The Government Program, among other issues, includes:
• halting the expansion of state administration, avoiding the establishment of new administrative organizations and the employment of new officials and employees,
• horizontal decentralization, delegating certain state administration affairs to autonomous organizations outside the state administration system,
• a critical analysis and assessment of the cost-effectiveness and efficiency of the state administration apparatus, implementing a program to reduce expenditures and increase savings,
• initiating a process leading to the broad decentralization and strengthening of the role of local and regional self-government, defining the competence’s of local self-government through a general clause, introducing the principle of subsidiary, increasing the fiscal capacity of local and regional units,
• A gradual transformation of the territorial system, the establishment of a smaller number of regional units, the coalescence of local self-government units aimed at increasing their capacity and raising the level of cost-effectiveness of local structures.

In July 2000 the Government of the Republic of Croatia established the Office for the Development Strategy of the Republic of Croatia, as its expert service with the duty to co-ordinate work on preparing, developing and implementing the strategic guidelines of the Government Program, to prepare strategic development documents, and to provide the preconditions for the development and implementation of the Project on the Development Strategy ‘Croatia in the 21st Century’. The Project on the Development Strategy ‘Croatia in the 21st Century’ (hereinafter: the Strategy Project) comprises 19 different areas related to economic and social life. An expert team was established for every area with the task to draw up a document on the strategy of development for that particular area (‘a separate file’), as part of the total strategy of the development of the country. The Strategy Project has its Central Council that is presided over by the Deputy Prime Minister of the Republic of Croatia as co-ordinator of the development of the strategy, while its members are leaders of individual specific areas.

After the expert team has prepared the text of a proposal of a separate file for a particular area, the text is published on the Internet where it can be accessed by interested institutions and all citizens.

Various forms of public debate on the text of a separate file are held (presentations, forums, round-tables) where ministries competent for the area in question and interested persons can participate.

It was envisaged that, once the final texts of all the separate files were completed according to the mentioned procedure, the Government would accept them all as a single document on the total development strategy of the Republic of Croatia, and would send the document to the Croatian Parliament for adoption by the end of 2001. However, since the separate files for some areas have not yet been completed, the Government has decided to receive each of the separate files individually as they are completed and send them in that order to Parliament for adoption.

The texts of some separate files dealing with certain areas contain an orientation towards the decentralization and ‘de-statization’ of certain tasks that are currently carried out within the scope of state administration. Such an
orientation is particularly dealt with in the separate files dealing with public administration, social welfare, education, and health.

In November 2000 the Government of the Republic of Croatia and the Open Society Institute—Croatia (hereinafter the OSI) concluded an Agreement on Co-operation, part of which deals with the decentralization of public administration.

On the basis of this Agreement, a contract on the implementation of the project ‘Decentralization of Public Administration’ (hereinafter: CLC Project) was concluded between the OSI and the Croatian Law Center (hereinafter: CLC).

The CLC Project deals with issues that regard the formulation of the aims of the decentralization of public administration and with the specific actions necessary for opening up a dialogue with local self-government and the citizens as end-users of the public administration reform.

The CLC Project covers several specific areas:
• the electoral system for local elections,
• the territorial organization of local and regional self-government,
• the legal status and competence’s of local self-government,
• the status of local officials,
• the decentralization of primary and secondary education,
• the decentralization of health care,
• the decentralization of social services,
• decentralization in the field of culture and
• the financing of local and regional self-government.

A special expert team was created for each area. The expert teams are made up of lawyers, political scientists, economists, and experts in public finances, sociologists, historians, geographers, statisticians and experts in relevant areas of public services. The work of the expert teams is coordinated and directed by the Expert Council. About fifty experts are involved in the work, while representatives of government and non-government institutions, and representatives of local and regional self-government are involved in the implementation of the project.

For the purpose of implementing the project, a special office was established within the CLC with three full-time employees who are directly responsible to the CLC management. The Supervisory Board of the Project, whose members are representatives of the OSI, the Government of the Republic of Croatia, and the CLC supervise the implementation of the CLC Project.

For each individual area, the project includes: an analysis of the situation and an identification of problems, a preparation of proposals for an appropriate policy and alternative models, a legitimization of the proposals (through different discussions with various bodies), the adoption of the proposals and their application, and an evaluation of the results and success ratio.

In addition to this, starting from the beginning of 2000, a number of other partial programs have been introduced, consisting of individual areas where the decentralization process should be conducted. These programs are carried out by different domestic and foreign entities, receiving various levels of support and co-operation from state bodies, or are performed completely independently.

These projects are as follows:
1) Project on the Reform of Social Security—Ministry of Labor and Social Welfare of the Republic of Croatia, the World Bank and the DFID (UK),
2) Fiscal Decentralization Project—Ministry of Finance of the Republic of Croatia, US AID and Barents Group LLC (USA),
3) Project of Technical Assistance in Formulating Frameworks for the Conceptualization of the Regional Policy of the Republic of Croatia (within the OBNOVA Program)—Ministry of Public Works, Reconstruction and Building of the Republic of Croatia and the European Union,
4) Public Expenditures Analysis—Ministry of Finance of the Republic of Croatia and the World Bank,
5) Local Financing and Local Budgets in the Republic of Croatia—the Institute for Public Finances (Croatia)
6) Project on the Reform of Local self-government and Administration—the Urban Institute (USA).

Conducted Activities and Accomplished Results

Projects

In the autumn of 2000, activities aimed at decentralization became more intensive. Some of the mentioned projects began to be implemented, and at the same time, some central state administration bodies directed their activities
towards the same goal. Since the first results of these activities were accomplished in 2001, it can be concluded that the process of decentralization has started.

In implementing the Strategy Project, the Office for the Development Strategy of the Republic of Croatia appointed leaders for separate areas, who then formed their expert teams and started working on their separate files. By the end of November 2001 half of the separate files were completed.

Out of these, the preliminary procedure has been completed for two of the separate files. This means that the Government of the Republic of Croatia has accepted the text of the relevant proposal following a public debate and a debate by expert bodies and forums, and sent it to the Croatian Parliament for adoption. Six of the separate files are currently in the process of being accepted by the Government of the Republic of Croatia and its working bodies. The remaining files are currently in the process of being drawn up, or expert institutions and the respective ministries are discussing the proposals. At the same time the CLC Project commenced.

The execution of the program started with forums under the title "Reform of Local self-government in the Republic of Croatia" held in co-operation with the Union of Towns and Municipalities of the Republic of Croatia in Našice, Varaždin, Karlovac, Crikvenica, Biograd and Makarska. A total of 414 representatives of local self-government units (mayors, municipality mayors, employees of local self-government units) from 283 towns and municipalities participated in the forums. The forums sought to present the Project to the representatives of local self-government, but also to collect information about local problems and needs, as well as views and suggestions regarding local self-government reform. The results of this survey and the conclusions from the forums which reflected the positions and thoughts of the representatives of local self-government units and which were debated at separate workshops are being used in the continuing work on the Project.

The expert groups involved in local elections and in the legal status and competencies of local self-government were drawn into the work of the Ministry of Justice, Administration and Local self-government in the process of preparing the Bill on Local and Regional self-government and the Bill on the Election of Members of Representative Bodies of Local and Regional self-government Units. The relevant expert group prepared a draft model on the status of local government employees, which was debated by a wide circle of experts and interested bodies (the Trade Union of State and Local Officials and Employees of the Republic of Croatia, the Union of Towns and Municipalities of the Republic of Croatia, etc.). On the basis of the model and in co-operation with the Ministry of Justice, Administration and Local self-government a draft Bill on Local Officials and Employees was prepared. Currently, discussions are being held on the Bill with the representatives of local and regional self-government. Up to now, five debates have been held (Osijek, Sisak, Čakovec, Opatija, Zadar) while an additional one is planned (Dubrovnik).

By the autumn of 2001 fundamental discussions were conducted for the preparation of the draft model of the territorial organization of local and regional self-government, the legal status and competence’s of local and regional self-government, decentralization of primary and secondary education, decentralization of social services and financing of local and regional self-government. All experts engaged in the Project, representatives of the respective ministries and representatives of the Government of the Republic of Croatia were present at the discussions. A discussion including a wider expert circle was held in the area related to local elections.

In June 2001, the expert group for the decentralization of social services held a public forum named ‘Decentralization of Social Policy and A New Role for Local Authorities.’

By the end of November 2001 draft models on the decentralization of primary and secondary education, of health, and of culture were prepared. The rest of the mentioned projects are in different phases of execution.

In most of these programs, in addition to civil servants from the respective ministries, the execution is conducted by domestic and foreign assistants—experts who periodically provide reports on their work and results to the appropriate bodies for the supervision of projects (Supervisory Board, Co-ordination Group, Steering Group). For the Government of the Republic of Croatia, respective ministries supervise the execution of each of these projects.

**Regulatory Framework**

In 2001 the decentralization process was also undertaken in the normative sphere.

The amendments to the Constitution of the Republic of Croatia from November 2000 created the preconditions to expand the competence of local self-government on the
one hand, and introduced the concept of regional self-
government on the other hand.\footnote{10}

At the beginning of March 2001 the Government of the
Republic of Croatia decided on a ‘package’ of proposed
bills, a starting point for the process of the decentralization
of certain competencies of the state administration, which
it was proposed would be transferred to the units of local
self-government (municipalities and towns) and the units
of regional self-government (counties). By the summer
of 2001, the Croatian Parliament had enacted this ‘package.’

The new Act on Local and Regional self-government
(hereinafter: the Act)\footnote{11} on the one hand brings the changes
necessary for decentralization (provisions on competence),
and on the other hand provides for straightforward
decentralization (provisions on organizational structure).

It is defined that towns and municipalities, within their self-
government competence, deal with affairs of local signifi-
cance that directly satisfy the needs of citizens, and for which
the Constitution or the law confer no competence to state
bodies. This wording is very similar to a general clause and
it is equivalent to the principle of subsidiary. The affairs
that fall within the mandatory competence relate to:

- arrangement of settlements and residential affairs,
- environmental and urban planning,
- communal activities,
- child care,
- social protection,
- primary health protection,
- pre-school and primary education,
- culture, physical culture, and sports,
- consumer protection,
- environmental protection and enhancement,
- Protection against fire and civil protection.

The affairs of regional significance are dealt with by the
counties, within their self-government competence, and
in particular relate to:

- education,
- health,
- environmental and urban planning,
- economic development,
- transport and the transport infrastructure,
- planning and development of a network of education,
  health, social and cultural institutions.

However, under certain conditions, the units of local self-
government may deal with the affairs, over which the
county, in whose territory they are situated, has compe-
tence, if the unit is able to secure sufficient funds for that
purpose.

Regarding organizational structure, the Act provides for
no restraints in relation to the internal organization of
the local units; the units can freely decide whether they
will constitute a special executive body (certain categories
of units only), or whether a number of units will have
joint administrative bodies.

The Croatian Parliament also enacted amendments to
the laws that regulate areas of primary and secondary educa-
tion, health insurance and social protection. These amend-
ments partially decentralize the administration and the
financing of certain institutions in the mentioned areas.

The Law on the Amendments of the Law on Primary
Education and the Law on the Amendments of the Law
on Secondary Education transferred the right of establishing
primary and secondary schools and halls of residence to
the units of local and regional self-government. The men-
tioned laws also regulate the issue of managing schools;
and they delimit the obligations to pay for the expenditures
of schools and halls of residence.

The Law Amending the Law on Health Insurance partly
transferred to the county obligations to secure the function-
ing of certain health institutions.

The Law Amending the Law on Social Protection partly
transferred to the counties activities in the area of social
protection; it regulated the issue of managing social protec-
tion centers; it delimited the obligations to pay for expen-
ditures, and it transferred to the counties the right of estab-
lishment of some residences of social protection.

The above-mentioned laws are being implemented as of
1 July 2001.\footnote{12}

At the same time the Law Amending the Law on Financ-
ing the Units of Local self-government and Administra-
tion\footnote{13} was enacted. This Law regulates the financing of
the decentralized affairs.

On the basis of this Law, the Government of the Republic
of Croatia adopted the Regulation on Calculating
Clearing Assistance for the Decentralized Functions of
the Local and Regional Units for the period from 1 July
to 31 December 2001, which provides for a detailed
procedure of calculating the amount of support for the
these affairs.

In the area of culture, a number of laws implementing decentralization in respect of founders’ rights were adopted. Approval by the minister of culture is no longer required in matters concerning the appointment and dismissal of directors of museums, libraries, public theatres and other public institutions in the area of culture.15

In addition to this, decentralization of the decision-making process and of financing in the area of culture was implemented by the adoption of the Law on Cultural Councils.16

Cultural councils for specific areas of culture were established by this Law, through which employees in the area of culture and artists could influence decisions relevant for culture and art (proposals related to the aims of cultural policy and measures to achieve the aims; co-decisions in defining cultural policy; the provision of expert proposals and opinions; opinions on annual programs for public needs in culture).

Current Situation

When considering the current situation in the areas where the process of decentralization has started, it is more appropriate to speak about the consequences and effects than about the results, and there are two reasons for this:

1) The process is still in its early stages, and the results in terms of the realization of the proposed goals are not yet available;
2) The adopted regulations, through which the process of decentralization has come to life, are not the outcome of the above-mentioned projects; the drafting of the regulations, as well as their adoption, was not linked to the implementation of the projects.

To summarize, the current situation is as follows:

1) Central state administration is defined by the Act on the State Administration System, the Act on the Government of the Republic of Croatia, the Act on the System and Competence of the Ministries and State Administrative Organizations, the Act on State Officials and Employees, and by a string of special laws and secondary legislation that define specific areas of activities of state administrative bodies.17

The bodies of the state administration are: ministries (19, two more than at the beginning of 2000), state administrative organizations (8, two less than at the beginning of 2000), County Offices (one office in each county), and City Offices of the City of Zagreb.

2) The system of local self-government in the wider sense of the word includes 424 municipalities (three more than at the beginning of 2000), 122 towns, 20 counties (as units of regional self-government), and the City of Zagreb (which has the status of county).18

Local self-government is defined by the Act on Local and Regional self-government, the Act on the Territory of Counties, Towns and Municipalities in the Republic of Croatia, the Act on the Elections of Members of Representative Bodies of the Units of Local and Regional self-government, the Act on Financing the Units of Local and Regional self-government, and the Act on the City of Zagreb.19

3. In May 2001 local elections pursuant to the new electoral law took place. Out of 546 local self-government units; representative bodies in 541 units were constituted, as well as in each county and in the City of Zagreb. Executive and administrative bodies were constituted and their functioning was brought into line with the provisions of the new law on local self-government. In 5 units the elections were repeated and the process of constituting the representative bodies is still under-way.

4. On 1 July 2001 laws decentralizing certain activities in the areas of social security, primary and secondary education and health came into force. At the same time, funds were transferred from the state budget for decentralized activities to the units entrusted with decentralized activities.

5) In the area of social security, some counties have not yet started with the partial financing of the expenditures of social security centers.
Management councils have not yet been established in a certain number of social security centers.

The right of establishing homes for older and disabled persons will be transferred to the counties on 1 January 2002.

The funds for heating costs have not yet been secured by a certain number of counties.

The regulation providing for registries of social rights users has not yet been adopted by a certain number of counties.

6) In the area of education, the right of establishing primary and secondary schools, and pupils' halls of residence has not yet been taken over by the majority of units.

School councils have been successfully established in a large number of schools.

7) In the area of health, funds for the investment maintenance of health institutions, which are set up by the county, have been determined in accordance with the proposals of each individual county.

PROBLEMS IN THE IMPLEMENTATION OF DECENTRALIZATION

The decentralization measures that have been carried out so far, contrary to some catastrophic warnings, have not led to larger functional impediments in terms of the affairs that have been partially decentralized.

However, some of the adopted measures are encountering in their implementation huge problems and uncertainties for which there is no solution at the moment. At the same time, the decentralization process is advancing at a slow and inefficient pace.

Putting it mildly, the first phase of decentralization can be considered, with regard to the results achieved so far, as being partially successful.

The reason for this lies in a string of objective but also subjective factors, for which both the state as well as local bodies can be blamed.

Limiting Factors in Relation to the State

A number of entities are included in the decentralization process in terms of the state administration: the Government of the Republic of Croatia (as a political body), individual ministers (as heads of the ministries), ministries (as bodies of the state administration), civil servants from individual ministries (as individuals), and each one of them has a different role.

However, in the implementation of the process, each of the entities is surrounded by a large number of objective and subjective circumstances, which are slowing down, limiting and making more difficult the course of events and progress towards the desired results.

1) The Government of the Republic of Croatia rightly started the whole process off by adopting its Program that put the principle of decentralization in the center of its future work in a number of areas. In the Program itself, as well as in its subsequent conduct, the Government of the Republic of Croatia has constantly stressed its unquestionable political will for the decentralization.

However, no implementing documents were adopted in the meantime to define clear goals, provide for elaborated methods and practical tasks, appoint bearers and set deadlines and criteria to assess the results, i.e. the goals of the decentralization process.

Decentralization is not a goal itself; it is merely a means to achieve the goal. Therefore, the absence of any document or documents (in relation to specific portfolios) of a general nature leads to an unclear situation and provokes doubts in relation to practical questions as regards the implementation of decentralization: where, when, how and why?

Indeed, everyone is involved in the implementation of decentralization, but no entity is fully entrusted with this task.

2) As a consequence of what has been mentioned above, decentralization, on all levels of the decision-making process, is often considered as one of many regular, ordinary activities, and it is dealt with in this manner. It is not rare that the tasks in relation to the decentralization process are ‘dealt with’ as a matter of technicality, and not as something that has strategic importance. Even more frequently, tasks relating to
decentralization are put aside because of the everyday problems that have to be solved. Since decentralization is considered as a long-term activity, it is thought that it can always wait another day.

3) The pressure to fulfill public expectations in a short period of time resulted in the fact that the decentralization process started before any development strategy could be adopted, and before the decentralization projects previously begun could have brought any results. The first phase of decentralization was prepared in a very short period of time. This did not allow for a complete analysis of the current situation at that time, and what was lacking in particular were alternative solutions with outcome simulations and impact projections; the main method selected was the method of trial and error.

4) Decentralization demands specific research and managerial knowledge, and skills to manage the process, and a large number of officials have no training in this area. The majority has been trained to perform routine tasks, and they are not prepared for such a typical work. For this reason the assistance and advice of foreign experts is frequently used. However, from time to time, problems arise in the co-operation between government officials and foreign experts; language is perhaps the most banal problem, but nonetheless it is often the most important.

5) Since a relatively small number of domestic administrative staff has specialized knowledge and skills (ranging from the knowledge of language to the ability to manage certain processes), these individuals are heavily burdened. In addition to their regular working duties, they are involved in a constantly rising number of projects, seminars, working groups, co-ordination bodies and similar types of structures. On the one hand, the advantage is that these persons greatly contribute to the functioning of the above-mentioned types of structures, since they have the opportunity to obtain a great amount of information by participating in them. On the other hand, the activities partly overlap, and since there is no co-ordination, time and energy are unduly spent.

In addition, such an engagement has its objective boundaries, which are frequently not taken into account, influencing the quality of work and the execution of the tasks.

6) Decentralization encounters opposition from some officials. The reasons vary: the mildest explanation is the fear of the new. Decentralization leads to new relationships, which change the conditions in which the work has been done for years and to which everyone has grown accustomed; for that reason, there is fear of the possible difficulties to be encountered in adapting to the new circumstances.

Another explanation might be that employees fear that their position and importance will be lost or reduced, and in the most extreme case, that they will lose their job. Some state officials will lose more, and some less, of the activities they have been performing so far because of the transfer of competence from state administration to local units. This will certainly affect their position and all that it entails.

Limiting Factors in Relation to Local Self-government

From the very beginning of the process of establishing local self-government in the Republic of Croatia, local units expressed their resentment to the highest-ranking state bodies that among other things their competence was too narrow and not sufficiently important. This was often picturesquely presented in the statement ‘the competence of local self-government is confined to cutting the grass.’

However, when the first phase of decentralization was about to start a large number of units were opposed to this process. This opposition continued even after the first measures of decentralization were implemented.

Some reasons for this opposition are of an objective, and some of a subjective, nature:

1) A large number of municipalities and towns in the Republic of Croatia cover a small area. On average, municipalities have a population of about 3,600 and a surface of 86 square kilometers, whereas towns have a population of about 2,000 and a surface of 167 square kilometers. According to European standards they would be put into the category of small local units.

A large number of local units simply have no capacity to perform the tasks that should be executed by the local self-government. And this relates not only to financial capacity, but also to staff capacity.
There has been some negative experience so far with the transfer of the affairs of state administration to local self-government, i.e. there has been no transfer of financial funds (e.g. fire departments, cable registries) and this has intensified the fear that it would not be possible for local self-government to carry out the tasks entrusted to it.

The situation in the areas where the transfer is to take place is sufficiently grave, and therefore there is additional fear that, besides executing the new tasks, the responsibility for the difficult situation would also be transferred in the process of decentralization, a situation for which the local units bear no responsibility.

In a large number of units, especially in smaller units, local officials lack sufficient knowledge, skills and experience for the taking over of new, extremely complex tasks. Most of them have been trained to perform routine tasks, and are consequently not prepared for the new tasks that involve high levels of responsibility.

Some of the high-ranking local officials have no wish to take on more responsibility. Decentralization would force them to manage resources differently and would oblige them to spend the means from the state budget in new priority areas, areas that rarely provoke public interest and are neutral in terms of popularity. Moreover, decentralization imposes on official’s direct responsibility with regard to citizens in the execution of certain activities, and the opportunity to shift responsibility to the state level would no longer exist.

RECOMMENDATIONS FOR THE FUTURE IMPLEMENTATION OF THE PROCESS

The decentralization process in the Republic of Croatia has recently started. In its beginnings, it has involved central state administration and local self-government (in its wider sense), although not to the extent that would allow us to say that the whole administrative system was being decentralized.

For the process of decentralization to run more efficiently and successfully, some recommendations for the future implementation may be obtained from the experiences gained in the preparation and implementation of the first phase of decentralization.

Some of those recommendations could be the following:

1) The individual ministries responsible for the areas where it is planned to carry out decentralization (whether it is intended to transfer tasks from the ministries to state administrative regional units or from the state administration to local self-government) should draft a document to define the basic elements of decentralization: its goals, methods and modalities of execution, concrete tasks with bearers and deadlines, as well as criteria for the assessment of results, i.e. of the achievement of the goals of decentralization. These documents should be proposed by responsible ministries and adopted by the Government of the Republic of Croatia and they should be an integral part of the development strategy of the Republic of Croatia.

2) A special co-ordinator should be entrusted with the task of supervising the decentralization process and co-ordinating the activities of relevant ministries. This person should have wide knowledge and experience and be actively involved in the implementation of decentralization in specific ministries, and at the same time this person should constantly unite and co-ordinate in operational matters the activities of various institutions, including all projects carried out either in co-operation with the bodies of state administration or independently.

In order to execute the above-mentioned tasks, no new organizational unit need be established, since the co-ordinator could be located in the Office for Strategy or alternatively be directly linked to the Deputy Prime Minister (who is in charge of decentralization).

3) The additional education of public officials should become a permanent activity as well as an obligation, both of state institutions (which must allow it) and of the officials themselves (who must undergo it as a precondition for the performance of certain tasks).

4) The implementation of each decentralization measure should be first well prepared in every available way: organizing seminars, preparing brochures, making available information and guidelines, etc. Several goals should be achieved by doing this: established solutions will be well fitted to practical needs, entities will be pre-trained to execute their tasks, political support for the adopted measures will be secured.
5) In order to improve the capacity of local structures to perform more and more tasks that are becoming increasingly complex, it is essential to intensify cooperation with non-governmental organizations capable of executing these, perhaps decisive, tasks.

These organizations could be entrusted with tasks of independent impact assessments of the implemented decentralization measures, in order to detect and remove difficulties and obstacles and possibly to make modifications in the implementation.

6) Particular attention should be devoted to areas that are not capable of executing their tasks (areas under special state protection, islands, etc.). Special measures should be proposed for the units in these areas, which would build their capacity to function independently and to implement to the largest extent possible the tasks within their competence. If the planned goals were not achieved within the proposed deadline, this would certainly show that organizational changes in the system would have to be made.

The above-mentioned recommendations are certainly not the only ones that could be given in order to secure the successful implementation of the decentralization process and to achieve the awaited results.

It is therefore essential to include in the process the largest number of entities possible (institutions and individuals), both from the administration (in the widest sense of the word) and from civil society, whose knowledge and experience would facilitate and accelerate this process.

The reform of any system in the direction of decentralization is politically always a highly sensitive process and is of a very complex nature. For this reason, the aptitude of institutions and individuals is of crucial importance.

The Croatian administration is capable of such a reform. However, in order to carry out this task successfully it has first to identify the limitations and obstacles that lie in wait, and find efficient ways to overcome them. This is the only way to bring to life any of the targets of decentralization.
NOTES

1 The Official Gazette, No. 90/92.


3 The Act on Local self-government and Administration, Official Gazette, No. 90/92, 94/93, 117/93, 5/97 (Decision of the Constitutional Court of the Republic of Croatia), 17/99 (Decision of the Constitutional Court of the Republic of Croatia), and 128/99; the Act on the Territories of Counties, Towns and Municipalities in the Republic of Croatia, Official Gazette, No. 10/97, 124/97, 50/98 (Decision of the Constitutional Court of the Republic of Croatia), 68/98, 22/99, 42/99 (Decision of the Constitutional Court of the Republic of Croatia), 117/99 and 128/99; the Act on the Financing of the Units of Local self-government and Administration, Official Gazette, No. 117/93 and 69/97 (Article 28 para. 3 of the Act on the Tax on Trade in real-estate); the Act on Definition of Affairs within self-government Competence of the Units of Local self-government and Administration, Official Gazette, No. 75/93, later repeatedly changed through special laws defining specific administrative competencies. Local self-government is also defined by some other laws, which are outside the scope of this paper.


5 The Regulation on the Office for the Development Strategy of the Republic of Croatia, the Official Gazette, No. 77/00.

6 All information on the Project and the integral texts of strategic documents for specific areas can be found at www.hrvatska21.hr

7 Issues of policy, and not of politics.

8 The Project can be found at www.mrss.hr (project/soc-zastita.htm).

9 The Project ‘Decentralisation of Public Administration:’ Work Report for the Period from 1 September 2000 to 31 August 2001, and data from the CLC.

10 Amendments to the Constitution of the Republic of Croatia, the Official Gazette, No. 113/00, Arts. 66–71.

11 The Official Gazette, No. 33/01.

12 Each one of the above-mentioned acts was published in the Official Gazette, No. 59/01.

13 The Official Gazette, No. 59/01.

14 The Regulation and the above-mentioned decisions were published in the Official Gazette, No. 75/01.

15 The Law Amending the Law on Libraries, the Official Gazette, No. 104/00; The Law Amending the Law on Theatres, the Official Gazette, No. 127/00; The Law on Managing Public Institutions in the Area of Culture, the Official Gazette, No. 96/01.

16 The Official Gazette, No. 53/01.

17 The Act on the System of State Administration, the Official Gazette, No. 75/93, 92/96 (Article 31 of the Act Amending the Act on the System and Competence of Ministries and State Administrative Organisations), 48/99, 15/00, 127/00 (valid interpretation) and 59/01; the Act on the Government of the Republic of Croatia, the Official Gazette, No. 101/98 and 15/00; the Act on the System and Competence of Ministries and State Administrative Organisations, the Official Gazette, No. 48/99, 15/00 and 20/00 (correction); the Act on State Officials and Employees, the Official Gazette, No. 27/01.

The Act on Local and Regional self-government, the Official Gazette, No. 33/01 and 60/01 (valid interpretation); Act on the Territory of Counties, Towns and Municipalities in the Republic of Croatia, no. 10/97, 124/97, 50/98 (Decision of the Constitutional Court of the Republic of Croatia), 68/98, 22/99, 42/99 (Decision of the Constitutional Court of the Republic of Croatia), 117/99, 128/99, 44/00, 129/00 and 92/01; the Act on the Elections of Members of Representative Bodies of the Units of Local and Regional self-government, the Official Gazette, No. 33/01; the Act on Financing the Units of Local and Regional self-government, the Official Gazette, No. 117/93, 69/97 (Article 28 para. 3 of the Law on the Trade in real-estate), 33/00, 73/00, 127/00 (Article 172, para. 11 of the General Tax Act) and 59/01; the Law on the City of Zagreb, the Official Gazette, No. 62/01.

Bulgaria: Decentralization and Modernization of the Public Administration

Julian Boev
Bulgaria: Decentralization and Modernization of the Public Administration

Julian Boev

‘Citizen participation is simultaneously a goal and an instrument of human development. It is a goal because it is a part of the fabric, which provides legitimacy to governance. Citizen participation guarantees that governance objectives and results are indeed the objectives and results of people. At the same time, citizen participation is a part of the good governance process because it makes governance more efficient, fair, transparent and legal. Last but not least, citizen participation is a basic human right. It enables people to command their own destiny and to contribute to the development of their community and society.’

Human Development Report—Bulgaria 2001, UN Development Program

INTRODUCTION

The purpose of this survey is to present the current Bulgarian experience in organizing the system of state governance in several basic aspects:

• The new role of the state—a conception for modernization of the country;
• A model of state governance and distribution of power between central and local authorities;
• The new model for organization of the administrative system;
• A system for managing the process of introduction of the new model of organization in the administrative system;
• Results from the process of transformation of the administrative system.

The time scope of this survey encompasses the last 5 years, since in this particular period the process of reconsidering the role of the state acquired a more systematic character and strategic purpose.

The ambition of the present analysis is to point out the strategic challenges, which the modernization of governance and the model of organizing of the administrative system have to meet, the impact of these processes on the decentralization and effective distribution of powers at the regional and local level, as well as the necessity for enlarging and activating the civil participation.

NEW VISION OF THE STATE

Historical Review

Bulgaria is the only country from the former socialist block, which adopted a new democratic Constitution as early as 1991.

With the adoption of the new Constitution in 1991 began the process of building the new state. Officially—in legislative and juridical terms—Bulgaria adopted the model of pluralistic democracy and market economy. At the same time the country had to face the true challenge of the implementing in practice the new model of state constitution.
and the transformation of the public relationships. The first democratic government of the Republic of Bulgaria set off a process of radical transformations in the structure of governance, in the economy and social relations, but this process was interrupted before it could produce the planned results.

The cabinets that governed the country between 1993 and 1996 did not perceive this challenge. Their activities largely multiplied governance practices, characteristic of the previous political system from the period before 1989.

The period of instability and attempts at restoring the previous public model that followed practically drove the development of the country to a close. What is more, the values and principles implied in the new Constitution were largely depreciated and the public confidence in the change was exhausted.

The attempts at reformation of the government and the administrative system were fragmentary, sporadic and lacking a general national vision for the new role of the state, which lead to a full crash in the economic, financial, and social spheres, a total pillage of the national wealth and dissipation of the human resource. The inability and the reluctance of the former government to take whatever measures to create a working system of the state bodies and introduce the market principles strained the social tension to the edge and eventually caused the fall of the socialist government.

'The inherited institutional and administrative structures were preserved unchanged. This caused havoc in the competencies and the responsibilities of the different structures and officials. The citizens still perceive the state as a patronizing institution, in contradiction with their new role of users of administrative services. The paradox is that, by virtue of its new nature, the new administration should be based on the role of the individual as a responsible taxpayer, willing to bear certain burdens, which is still not the reality yet... The obligations of the state are still perceived as something constant, taken for granted—an element inherited from the communist period. That was precisely the reason why the transition in Bulgaria was left behind compared with the rest of the Central European countries.

In 1997, after the decisive victory of the United Democratic Forces (52,5%) in the early parliamentary elections a new reformist government of Bulgaria was established. The government of the Union of Democratic Forces faced the huge challenge of recovering the stability in the country and giving an impetus to the process of structural economic reform and the building of an adequate institutional system in the country.

The new cabinet presented to the National Assembly an ambitious government program titled 'Bulgaria 2001.' This program responded to the social expectations with its all-embracing definition of the mission of the new democratic state, its role in regulating the public relationships and setting a model for efficient distribution of government powers between the central and the local authorities.

The main objective of this program was to build the Republic of Bulgaria in accordance with the European standards as a modern European state of sustained development, clear national identity and a modern state governance; supremacy of the law and the fundamental rights and freedoms of the citizens; efficient market economy, capable of meeting the challenges of the 21st century and a principally new social policy. The strategic objective of the internal and foreign policy of the Republic of Bulgaria was full membership in the European Union, and accession in the Euro-Atlantic structures.

At the same time the review of the condition of the administrative system concluded that the development of the administrative structures had stopped at the end of the 60s, i.e. at the level of the pre-industrial production relations. The processes of industrialization had no essential influence on the government structures, although there were numerous attempts at reforming the governmental structures even before 1989. However, they had scarcely produced any results; on the contrary, those frequent re-organizations have only increased the instability of the system of governance and reduced its ability to fulfill its purposes.

In this connection, in order to implement the government program, the task of paramount importance was formulated as overall transformation of the governance model of the country according to the principles of the new Bulgarian Constitution, the needs of the Bulgarian society, the modern democratic principles of state constitution and organization of the administrative system. The new role of the administration was defined as an active factor in carrying out the reform in the economy, the improvement of the state government and the harmonization of the Bulgarian legislation with that of the European Union. A clear expression of the priority character of the policy of modernizing the governance and the administration was the introduction of a separate minister directly responsible for this field of...
government policy in the Council of Ministers: a minister of public administration.

The fulfillment of this government program started with the adoption of a Strategy for establishment of a modern administrative system of the Republic of Bulgaria. The Strategy defines all the practical measures for transformation of the governance model and the overall scope of the process—all the spheres of state governance, at the central level—within the system of the legislative, the executive, and the juridical power, as well as at the local level—within the system of local self-government.

The Strategy enabled the overall, strategically oriented, and sustained process of changes. This process secured the implementation of the generally acknowledged democratic principles in forming and organizing the performance of the administration; overcoming any hierarchic discrepancies and the imperfections in the structures; the removal of duplicating units and the clear definition of functions; implementation of an effective system for recruitment of administration staff; elaboration of a system for evaluation and control over the activity of the administration, thus limiting the possibilities for corruption; introduction and use of modern information technologies in the management activities and the work of the administration. An important element of The Strategy for establishment of a modern administrative system was the realization of an administrative-territorial reform and the strengthening of the role and the authority of the regional governors as the basic governing institution at the regional level.

The Strategy enabled the establishment of an adequate institutional framework, harmonized with the European requirements that should stimulate the business climate for the local and foreign entrepreneurs and investors. The new administrative-territorial arrangement of the country and the strengthening of the role of the regional governors secured the possibility of accomplishing another key priority of the government policy by laying the foundation for the application of an effective regional policy through the national plans for regional and economical development, adopted by the government.

The realization of the strategy has provided a basis for development of the policy in the field of the regional development. This policy aims to achieve a stable and balanced regional development as a basis for effective decentralization and the creation of a modern local self-government system with clear distribution of functions and responsibilities between the central and local authorities.

The legislative basis for the launching of a differentiated and complex regional approach to the economic, social, environmental and public works policies has also been created. The adoption of the Regional Development Act provided the foundation for efficient regional policy. During the period of enacting the law the Regional Development Council was established at the Council of Ministers, accompanied by District councils for regional development in the 28 districts. One of the principal objectives of the law was to create the necessary prerequisites and conditions for active participation of the districts and municipalities in the regional development policies thus ensuring the basis for effective decentralization of more and more governance rights. And it is exactly in this direction that the mechanism for achieving unity of action between the state, the districts and municipalities was developed. This in turn outlined the essential requirements to the district authorities in their capacity of direct intermediaries between the state and the municipalities.

The regional development policy was worked out on the basis of the created legislative frame and as a result of a sound expertise and evaluation of the challenges. An expression of this policy is the National Plan for Regional Development (NPRD) for the period 2000–2006. The process of elaboration of the plan went from bottom to top. The district plans formed the basis for development of the National plan, which step on the municipal plans. It covers a period of seven years and is annually updated so that it reflects all changes in the existing circumstances and the availability of resources.

As a result of the successful fulfillment of The Strategy, the process of consolidating the democratic institutions in Bulgaria was completed. The basic institutions and structures of the modern democracy and market economy were set up. The strengthening of the state governance and the effective system for collaboration between the different levels of authority to apply a modern economic and regional policy was achieved.

The new Bulgarian government of prime minister Simeon Sax-Cobourg-Gotha has declared continuity as regards the further modernization of the governance and the administrative system of the Republic of Bulgaria, and has taken the commitment to update the strategy. The post of the minister of the public administration was preserved in the new cabinet, as an indication of the importance, attributed to the modernization of state government and the administration. At the same time at the very beginning of its mandate the new Bulgarian cabinet offered
some changes in the legislation, oriented at altering the model and scope of the civil service.13

Policy for the Establishment of a Modern Administrative System in the Republic of Bulgaria

Conditions and Necessity

Until 1997 Bulgaria lacked one of the main factors for stable democracy: broad public debate that analyses the various ideas, projects, concepts and programs for public prosperity. The various forms of mythologies of the public realities were coming to life and fading away, while most of them ignored, as a rule, the issues related to the means of exercising the state power and its public character.

The government placed in the focus of public concern the idea of “good governance” and gave a new dimension of the terms of “democracy” and “the widening of the public involvement in the policy-making process.” This perception has essentially outlined the core meaning of the public transformation and enlarged its scope by including in it not only the formal institutional mechanisms, but also the life in the public space. In this changed context the “good governance” received a rational, non-ideological meaning. At the same time the governance acquired a new legitimacy, reflecting the fundamental character of the political and public transition.

The government defined the process of transformation of the model of governance and of the administrative system as a process of establishment and not a reform, since it recognized that the reformation of the old system implies the danger of multiplying its defects. This new definition of the process, known in most of the countries as an administrative reform, outlines the depth and the content of the new vision of the role of the state and its institutions, and reflects the specific approach to achieve the desired results.

The European dimension of the process of introduction of modern governance and establishment of the new administrative system of the Republic of Bulgaria is based on the adoption of modern models for organization and functioning of the administration in accordance with the best practices in the countries of the European Union, and “the requirements for comparable results” from the activity of the administration in the fields that are subject to the Maastricht Treaty establishing the European Union. The basic criterion is the fulfillment of the requirements for real and comparable results from the activity of the administrative structures in their joint activities with the respective structures of the European Union member-states.

Within the context of these new political realities, the government made the public commitment to initiate purposeful and complex reforms for the purpose of creating the new legitimacy of the state institutions. The adopted Strategy for establishment of a modern administrative system is a complex document, outlining the modern vision of the role of the state, the distribution of government powers and the organization of the administrative system. The Strategy takes into consideration the modern tendencies for development and modernization of the administrative system through application of the latest achievements of the science of governance, combined with a large-scale application of modern information technologies in the government process and in the work of the administration.

Concept for the Distribution of Governmental Powers

The Strategy for establishment of a modern administrative system defined as a key element in the vision for distribution of government power the outsourcing of certain every day activities of the cabinet, thus creating the possibility to concentrate on strategic matters of state policy. The mechanisms of achieving this goal were determined to be an optimization of the administrative-territorial structuring of the country, de-concentration and decentralization of government powers.

The optimization of the administrative-territorial structuring of the country was connected, on the one hand, with the necessity to overcome the discrepancies in the administrative-territorial structure, inherited by the totalitarian state and, on the other, with the creation of real conditions for exercising an effective regional policy based on the public needs—a new way of government and public management, a “good state,” providing the necessary services and means of meeting the people’s needs—and full-value participation of the civil society in the democratic process.

The de-concentration was defined as a system of purposeful organizational activities for transferring certain decision-making powers to the lower levels of hierarchy within the framework of a single administrative structure. The ac-
complishment of the process of de-concentration, i.e. the real empowerment of the local branches of the different ministries while avoiding possible breach of the operative information flows requires the implementation of a common model of organization for the administrative structures. A good example of effective de-concentration is the new organization of the regional administrations, as well as the territorial services of some of the ministries—the Ministry of Health, the Ministry of Education and Science, etc.

The concept for decentralization is based not only on the traditional understanding of the process as a transfer of power and resources from the national to the local level—territorial decentralization, but also on the understanding of the necessity to decentralize certain state functions—functional decentralization—the establishment of specialized central autonomous administrative structures to perform supervisory, regulative or other similar functions, with juridical, functional, and financial autonomy, independent from the central state authorities.

The establishment of the regulatory framework of the territorial decentralization began with the adoption of the new Constitution, and the Local self-government and Local Administration Act (LSLAA). The development of the legal frame of the local self-government and the enlargement of its functions, including the regulation of the financial independence of the municipalities, were accepted as a good perspective for further development of the local self-government.

An example of territorial decentralization is the municipal administration, which has juridical autonomy, its own budget, administered independently, governance bodies elected by the people, no hierarchic dependence on the national government.

Examples of functional decentralization are the National Health Insurance Fund, the National Insurance Institute, and the National Radio and TV council, the State Commission for Energy Regulation, the State Commission on Stock exchange and marketplaces, etc. An essential element in the formulation of the concept for the functional decentralization was the definition of the non-political status of their chairs and the mandate character of this type of positions.

The government policy treats the effective distribution of power and the decentralization as a means of enlarging the basis for elaboration of an adequate public policy, of strengthening the administrative capacity to implement this policy and to build a common national mechanism for coordination of the common public policy implementation, while taking a maximum account of the public interests.

Last but not least it was envisaged to differentiate organizationally the activities on the formulation and elaboration of the policy from the activities on the implementation and the feedback from the impact of the policy implementation as a mandatory condition for de-politization of the civil servants. Within the main administrative structures in the system of the executive power, as defined in the Constitution—the ministries—the establishment of political cabinets was envisioned. The political cabinet was defined as an organizational unit, assisting the respective minister in carrying out the government policy in the sphere of his powers.

A Model for Organization of the Administrative System

A second important element of the Strategy for establishment of a modern administrative system was the formulation of a common model for the organization of the administrative system. In its essence the structure of this model determines the types of administrative structures depending on their functions and the general principles of organization of each administrative structure.

The analysis of the condition of the administrative system of the Republic of Bulgaria concluded that the organization of the administrative system does not respond to the requirements of the modern state governance and could not effectively assist the government in its efforts to establish financial stability, sustained economic growth and an irreversibility of the democratic process. A necessity to elaborate a unified regulatory arrangement for the organization and performance of the administrative structures in all the systems of the state power was established, as well as the implementation of general rules for their internal organization. The purpose of this process was to provide the overall improvement of the functioning of the administrative structures and the operative coordination between them, and to put an end to the practice of creating different administrative structures (below the rank of the ministries), with vague names and functions. The determined structure of the administrative system is based on a functional classification of the various administrative structures within the system of the executive power.
The Strategy defined the basic administrative structures, forming the administrative system, depending on their functions. Within the system of the executive power the administrative structures are as follows: The administration of the Council of Ministers—strategic center for formation and general coordination of the national policy; ministries—strategic units for elaboration, planning, methodological assistance and monitoring of the implementation of the sector policies; state agencies—auxiliary administrative structures for implementation of policies outside the competencies of the ministries; state commissions—specialized administrative structures for control over the implementation of certain sector policies; executive agencies—specialized administrative structures for the performance of administrative service.

In view of the internal organization of the administrative structures the functional approach was applied as well. Depending on the distribution of the functions in the administration, performed in assisting the execution of the competencies of the respective body of the state power, the internal administrative units were defined as general and specialized administration. Within the specialized administration units were defined those departments that assist and ensure the fulfillment of the specific competencies of the respective body of state power. The general administration includes the units, securing technically the activity of the respective body of state power, the activity of the specialized administration, as well as activities on the administrative service of the citizens and the juridical persons. Practically the organization of the general administration is typified and unified for all administrative structures and subject to identical rules. The adopted model provided organizational identity of the internal organization and the overcoming of hierarchic discrepancies, while at the same time it secured conditions for improving the communications between the separate administrative structures. The introduction of common rules for the internal organization of the administrative structures is a beneficiary prerequisite of a further implementation of measures for decentralization and de-concentration of the power, by preserving the operative links and by guaranteeing equal quality of the administrative services for the public.

The establishment of an effective administrative system was defined as a means of executing the government policy for the country’s accession into the European Union and of fulfilling the National strategy for accession of the Republic of Bulgaria into the European Union, and of the National Program for adoption of the achievements of the *acquis communautaire*. The fulfillment of the European Union membership criteria by the Republic of Bulgaria is an integrate part of the necessity for an effective administrative system, which not only carries out the national policy, but also provides constant cooperation with the European administration in the elaboration and application of the common policies of the Union as a full member of the European administrative space.

*Internally* the new organization of the administrative system aims to improve the work on the identification and analyzing of the strategic information, necessary for policy formulation; to ensure methodologically, and to increase the potential for policy-making; to improve the organization in taking political decisions; to improve the system of policy implementation, as well as the system of monitoring the effect of the policy implementation while guaranteeing the political neutrality of the civil servants.

**Unified Civil Service**

The third basic characteristics of the policy for modernization of the administrative system, was the introduction of a unified state service, through regulation of the status of the civil servants.

The process of establishment of a modern administrative system in the Republic of Bulgaria, as a natural element of the transition, following the example of the Western European countries, derived the necessity to adopt a legal framework for the civil service as a preliminary condition for the establishment of a professional civil service, based on personal merit and capable of serving the interests of society in a competent and effective way.

Historically, the development of irreplaceable administration, composed of officials, appointed in accordance with their qualification established general rules instead of political appointments or hereditary right, is a comparatively new phenomenon in Europe. The irreplaceable administration corresponds to the greatest extent to the requirement for establishing a highly qualified, professional and neutral civil service.

The model of a civil service, based on *professional and carrier development* has been adopted. This is the dominant system in the European Union member-states and combines several compulsory elements:

- Early long-term appointment, with the intention for professional and carrier development within the administrative system;
• Professional development under clear conditions, regulated by law;
• Step-by-step carrier or hierarchic promotion based on clearly stated and well-defined rules.

The choice of this model is functionally justified by the fact that such a system corresponds to the greatest extent to the specific nature of the civil service in its capacity of service for the society implying continuity and neutrality in its performance and, at the same time, providing a high level of professionalism and efficiency of the administrative work.

The Strategy pays special attention to the system of development of the human resources in the administration by stipulating the formulation and implementation of an overall, integrated policy for management and development of the human resources in the administration, a policy to provide both the development of the potential and the professionalism of the administrative staff, the improvement of the internal communications and building a new administrative culture and the fulfillment of the national priorities and the preparation of the Bulgarian administration for working in the enlarged European Union.

Other Elements of the Strategy

As a complex policy document the Strategy comprises of a number of other issues, connected with the improvement of the administrative work, such as a new system of servicing the natural and juridical persons, implementation of the European norms and rules for public procurement, regulation of the access of citizens to public information, personal data protection, as well as the large-scale introduction of information technologies in the government and in the performance of the administration.

The Strategy has also anti-corruption purposes, since the impact of taking the envisaged measures for strengthening the government and providing organizational stability of the administration are, in their essence, an effective confinement of corruption.

The Strategy for establishment of a modern administrative system of the Republic of Bulgaria laid down the basis for a systematic approach to the establishment of the new effective organization of the administrative system at the start of the 21st century and provided the conditions for the institutional building of the administrative system in accordance with the European principles and the requirements to build administrative capacity for effective state policy.

The process of establishment of the new administrative system has a complex character—on the one hand is the establishment of the necessary structures, rules and procedures for the implementation of the internal policy of the government and on the other, the achievement of the necessary conformity of the administration’s performance with the European Union membership criteria. The Strategy provides the necessary conditions for institutional capacity for effective planning, implementation and control over the regional policy, as well as a natural mechanism for operative coordination of the activity of the central and the decentralized administrative structures.

Several practical steps were envisioned for the fulfillment of this Strategy, including the complex application of legislative, organizational, and logistic measures, aiming to increase the potential and the efficiency of the government, as well as to make the process of integration of the Republic of Bulgaria in the European Union more dynamic through harmonization of the regulatory basis and building effectively operating administrative structures. The application of an overall approach for the realization of the Strategy for establishment of a modern administrative system of the Republic of Bulgaria guarantees the achievement of tangible results for the improvement of the state government, creation of favorable environment for the development of market relations, the acceleration of the democratic processes in the society and achieving conformity of the activity of the Bulgarian administration with those of the countries in the European Union.

REALIZATION OF THE POLICY FOR MODERNIZATION OF THE STATE MANAGEMENT AND THE ADMINISTRATION

General Framework of the Process

The Constitution of the Republic of Bulgaria defines the general model of state government and the distribution of the power between central and local authority.

According to the Constitution, the Republic of Bulgaria is a unitary state with local self-governance. Autonomous territorial formations are not allowed in it. The state power stems from the people and is carried out by the people
directly and through the bodies envisioned in the Constitution. The state power is divided into legislative, executive, and judicial.

The executive power in the Republic of Bulgaria is carried out by the Council of Ministers. The Council of Ministers is a central collective body with general competence that manages and carries out the domestic and the foreign policy, ensures the social order and the national security, and maintains the general management of the public administration and the armed forces of the country in accordance with the Constitution and the laws.

The territory of the Republic of Bulgaria is divided into municipalities and regions. Law can establish other administrative-territorial units and the related self-government bodies. The current legal regulation—the Administrative-territorial System of the Republic of Bulgaria Act (ASRBA)—defines the districts and the municipalities as constituent administrative-territorial formations.

The region is an administrative-territorial unit that carries out the regional policy, executes the state government locally, and ensures conformity between the national and local interests.

The government in the region is carried out by a regional governor, assisted by the regional administration. The regional governors are appointed by the Council of Ministers. The regional governors are representatives of the government, whose basic functions are to implement the state policy, to protect the national interests, the compliance with law and the social order, and to exert administrative control over the territory of the region.

The municipality is the basic administrative-territorial unit, where the local self-government is carried out. The realization of local governance is an element and a form of organization of the state power. The local self-government is a decentralized form of state authority and has independent competencies.

The municipalities have their territory, borders, population, name, and an administrative center, and include one or more neighboring settlements. The borders of the municipalities are determined with a plebiscite of the population.

Constituent administrative-territorial units in the municipalities are the mayoralties and the districts, established to fulfil the functions and competencies entrusted to them by law or with a decision of the Municipal Council.

The citizens participate in the governing of the municipalities through the local self-government bodies elected by them, as well as directly through plebiscite and the general assembly of the population. The borders of the municipalities are determined with a plebiscite. The municipalities are juridical bodies separate from the state.

A local self-government body in the municipality is the municipal council, elected by the population of the respective municipality for a four-year mandate, as defined by law.

An executive body in the municipality is the mayor, elected by the population, or by the municipal council, for a four-year mandate.

The municipalities have the right of property, which is used in the interest of the community. The municipalities have an independent budget.

The Constitution affirms the model of the modern democratic state and outlines the principle of decentralization, admitting the right of self-government to the basic administrative-territorial units and preserves its supremacy and its control over the defending of the common national interests.

The central executive power, the districts and municipalities are specifically organized government systems but the fact that they formulate, organize and develop the government processes at the national, district and municipal level makes their binding and cooperation indisputable and needed.

The development of the processes of decentralization and democratization of society is impossible unless partnership and unity of action and taking a full account of the national, district and municipal interests support it. Both the government and the municipal authorities have expressed their commitment to follow this line of action.

It was this that determined the scope and the Strategy of the new regulatory framework both on a central level, with regard to the central administrative structures, and on a local level, in the sphere of regional and municipal administrations.

The realization of the policy for modernization of the governance and of the administrative system started with the adoption of several acts—the Public Administration Act, the Civil Servant Act, the Administrative Services for Natural and Legal Persons Act, the Access to Public Information Act, etc.
Establishment of the New Model for Organization of the Administrative System

General Review of the Process

In accordance with the principles of the law-governed state the government adopted the approach of legislative arrangement of the new model for organization of the administrative system. The Public Administration Act was the first of a series of legal acts, aiming to implement the new organization of the administrative system and the internal organization of the administrative structures. The Public Administration Act is a unified regulatory base that sets the administrative system of the Republic of Bulgaria. For the first time the Bulgarian legal system defined the general system of the administration and its organization principles: lawfulness, transparency, accessibility, responsibility and coordination. The law regulates the organizational forms of the administrative structures (types of administrative structures in the system of the executive power), as well as the general principles of the internal organization of the administrative structures and the way they function. This ensures identity and organizational transparency of the administrative structures and forms a prerequisite for better horizontal and vertical communications between the authorities. The principle of regulating the internal arrangement of the administrative structures with the help of statutes to be approved by the Council of Ministers was introduced. These organization statutes determine the organization, the order of activities, the functions and staffing of the administrative units.

Alongside the organization of the administrative system the Act elaborates the constitutional regulation of the executive bodies, defining their basic competencies as provided in the Constitution—the Council of Ministers, the prime minister, deputy prime ministers, ministers, regional governors and municipal mayors—and defines their respective administrative structures—the Administration of the Council of Ministers, ministries, regional and municipal administrations. In application of the concept for distribution of power the Act established the order and conditions for creating additional administrative structures—state and executive agencies and administrations of state commissions. It also affirmed the status of their directors as organs of the executive power, respectively the chairs of state agencies, CEO of executive agencies and state commissions, as collective bodies.

An important aspect is the legal regulation of these additional administrative structures and the status of their directors. Organizationally they are subject to the general provisions for organizing the administrative structures. At the same time the status of their directors is dual—as directors of autonomous administrative structures they obtain the status of executive bodies—and, in order to ensure the independence and professional competence of the directors of these administrative structures, the mandate principle for taking the office was introduced, as well as the requirement for the candidates to be part of the permanent professional public service.

The adoption of this legal regulation, establishing a high level of political neutrality of the state and executive agency directors and members of state commissions, was evaluated as a serious step towards the decentralization in spheres of high social importance.

The Public Administration Act introduced a normative distinction between political and administrative functions through the organizational form of the “political cabinet.” The political cabinets are attached to the members of the Council of Ministers.27 The status of the officials in the political cabinet is clearly defined—they are not civil servants and they are subject to the regulations of the Labor Code,28 being in practice personally linked to the respective minister, deputy minister or the prime minister. The adopted model of differentiating between the political and the administrative function limits the scope of the political level and largely frees the administration from political influences.

When it assumed its duties, the present government revised the status of the directors of state and executive agencies and of the members of state commissions on the basis of the concept for the political character of these positions. As a result the National Assembly adopted amendments to the public Administration Act,29 which removed the mandate principle and the recruitment requirements and underlying their political character. These amendments regulated the possibility of dismissing the persons, occupying the aforesaid positions upon subjective assessment and without whatever professional grounds, connected with the fulfillment of their official obligations. During the first six months of its governance the new cabinet changed 81 organizational statutes—of all the ministries and central administrative structures—introducing new recruitment requirements for certain management positions.
Administrative-territorial Reform

An important element of the strategy was the planned optimization of the administrative and territorial division of the country providing conditions for enlarging the rights and obligations of the regional governors and improving the relations between the municipalities. The aim of the administrative territorial reform, carried out in 1998–1999, was to create a new district division of the country. The new 28 districts were created after the amendment to the administrative territorial System of the Republic of Bulgaria Act (ASRBA), and their boundaries and administrative centers were determined by the President in Decree No. 1 of 1999. With this document the administrative territorial reform was practically more or less concluded. It managed to provide better coordination of the government of the territory at the regional level. The newly created districts in their territorial range, competence and scope are able to practically solve the issues, raised by the Constitution and the legislation in the country and facilitate the faster transition of the country to a market economy and to overcoming the negative consequences of the transition period; and also equal treatment of all kinds of ownership, opening of the economy of the country towards Europe, and the synchronization of our regional policy with that of the EU.

The major characteristics and advantages of the executed reform are as follows:

- Shortening of the distance between the central executive power and the municipalities and their problems, and their better interaction;
- More efficient coordination between the state, its deconcentrated units on the territory of the country and the districts in the process of implementing the district and sector development policies;
- Strengthening the capacity, both vertically and horizontally, of partnership opportunities for determining the priorities and the common interests.

The steps undertaken after the implementation of the administratively territorial reform managed to strengthen the contacts between the government, the National Association of municipalities in the Republic of Bulgaria and the municipalities for resolution of certain problems, directly connected to the functioning and development of the local governance (primarily connected with the legislative provision, financial independence and the ownership). These initiatives, despite the fact that they were limited in their scope, actually constitute the right steps, which guarantee a possibility for integration of the efforts, directed at the joint response to the public needs.

At the same time, the need for implementing new forms and mechanisms for widening the interaction between the central and local authorities is becoming much clearer. They should be based on the principles of mutual trust, equal treatment, and partnership. The vision for predetermination of the unity of action between the state, the districts and municipalities is also taking grounds.

Despite the fact that a number of positive steps were taken in the process of implementing the administrative territorial reform and despite the positive attitude on the part of the local authorities and the citizens, the interaction and contacts between the two levels of power are not efficient enough.

Organizational, Functional and Staffing
Strengthening of the Local Self-government

The implementation of the Modern Administrative System Strategy provided the legislative and organizational link of the decentralization process in the overall transformation of the governance.

The organizational, functional and personnel strengthening of the local government was directly linked to the application of the new legislation concerning the organization of the administrative structures and the status of the civil servants.

The coherence of the processes opened the opportunity to coordinate the efforts for its execution, regardless of the existence of certain problems or the lack of understanding of their inter-relatedness. Special attention deserves the process of adoption of the common model for organization of the administrative system and its implementation at the municipal level—there were opinions of its inapplicability in the municipal administration, as well as a thesis about the specific nature and “independence” of the municipal administration. The Constitutional Court finally solved this issue30 by declaring: “The fact that the local self-government and the local administration are regulated by the separate chapter seven of the Constitution does not mean that they are excluded from the executive power in the meaning of Art. 8 of the Constitution.”

The development of the legislative framework of the local self-government is based on the implementation of the principles of the European Charter on Local Self-government.31 Through the adoption of the Public Administration Act and the Civil Servant Act, a new legislative framework...
for the organizational and functional restructuring and strengthening of the local administration was created. The practical implementation of the increased requirements to the competent knowledge and professional qualifications and the new structuring of the administration still face certain constraints. Much more essential is the constraints connected with the staffing strengthening of the municipal administrations and the attraction of young and highly professional employees. The implementation of the new status of the civil servant creates the necessary conditions for overcoming those constraints.

The system of shared competence between the state and the municipalities with a view to a number of significant sectors such as health care, social activities, infrastructure, finances, etc. was imperfect due to the lack of rules and regulations and the strong fiscal and functional centralization, which limited the municipalities’ independence. The period 1997–1998 marks the point when two basic laws were adopted—the Local Fees and Taxes Act32 and the Municipal Budgets Act,33 which had the purpose of creating optimal conditions for the functioning of the municipalities and for the assurance of their financial independence. Those legal acts regulated the sources for revenues, the property management and the expenditure opportunities. There were furthermore significant improvements in the relations with the Republican Budget and the system of targeted subsidizing of the municipalities. Thus in practice real conditions were created for effective participation of the municipalities in the process of realizing the regional policy. The municipalities have independence in outlining their objectives for development, their initiatives for achieving those objectives. The district development plan includes the priorities and projects from the municipal plans and formulates the common objectives for regional development.

At the same time the financial independence of the local self-government bodies is confined by the economic situation in the country.

Introduction of Uniform Civil Service

In the Bulgarian law the legislative arrangement of the statute of the civil servants is a traditional way to set the rules, obligations and responsibilities of the civil servants. Since 1951, when the previous Labor Code was adopted, in 1998 the civil servants were subject to the general arrangement of the labor legislation. Article 116 of the Constitution of the Republic of Bulgaria from 1991 introduced the requirement to legally regulate the status of the civil servants, the conditions for their appointment and dismissal, their membership in political parties and their right of strike. In order to fulfil this constitutional requirement, the Civil Servant Act separated the civil servants from the Labor Code regulations and set their legal status in accordance with the traditional principles, underlying the modern civil service in Bulgaria. The Civil Servant Act was harmonized with the legislative trends in the countries of the European Union. The act defines the term civil servant and outlines the scope of the civil service. The Civil Servant Act regulates a stable and professional system of civil service, based on the principles of legitimacy, loyalty, responsibility, stability, political neutrality and hierarchical subordination. The act introduced a new type of legal relations between the state and the civil servants—the official legal relations. This status is the ultimate legal basis and guarantees the carrier development.

The established rights of the civil servants aim to compensate the increased requirements to their performance and the limitations imposed on them.

The continuity of the state service is ensured by certain limitations for the civil servants concerning the right of strike they possessed until recently and some other civil rights. The civil servants have the right for membership in political parties with certain confinement of their participation in the political activities, in view of the requirements for loyalty to the nation and to the institution, in which the person works.

The stimuli and the sanctions as defined in the act clarify the honors and prizes that would encourage the good performance of the civil service, as well as the responsibility of the civil servants in cases of violation of their official obligations. The act also sets out the specific (besides the general regulations) disciplinary and material responsibility of the civil servants.

The act also regulates the control over the observation of the statute of the civil servant by envisioning the establishment of respective structures for its application—the State Administrative Commission.34

The independence of the civil service is based on the principle of payment by merits. The principle of payment by merits depends on the acknowledgement, directly and indirectly, of qualification and skills.
The independence of the civil servants is perceived as neutrality with regard not only to the ruling politicians, but also to private group interests. The political neutrality—in the absolute or relative sense—does not avoid the subordination of the administration during the performance of its duties to the governmental bodies, neither the possibility of the politically appointed persons to surround themselves with assistants whom they trust. On the other hand, it presumes separation of the political from the administrative levels and avoids political influence during the career management.

The general structure of the civil service comprises all officials, employed by the public authorities. The Civil Servant Act defines as civil servants those officials, whose duties are directly connected with the fulfillment of the competencies of the respective body of the state power, i.e. the act introduces dependency of the status of the civil servants on the occupied position. According to the provisions of the Civil Servant Act, ‘The civil servant performs the civil service upon appointment by a competent body of the state power.’

The Public Administration Act defines three categories of administrative posts:

• management posts;
• expert posts; and
• technical posts.

The posts of the civil servants and their distribution in groups and ranks are defined by the government in the Unified Classifier of the posts in the administration. The Classifier is a general model for distribution of the posts in the administration. The basic principle of the Classifier is to distinguish between a post and profession—the post in the administration is a legally defined position, connected with the fulfillment of specific activity and independent from the profession. In this connection as far as the administration is concerned posts, and not professions have been defined. The possibility is provided for, whenever needed, to add the name of the profession, necessary for its fulfillment, to the respective post.

In order to acquire a post in the administration, certain professional qualification is required, including the minimum level of education, general and specific length of service. The requirement that management posts could only be taken by civil servants was introduced.

The government adopted an approach for gradual implementation of the status of the civil servant, as initially the Unified Classifier of the posts in the administration only defines those posts that require higher education to be occupied employees with a civil servants status. The adoption of this approach is justified by the general economic situation in the country and the increase in the respective budget expenses for the overall introduction of the new status of the civil servant.

The general application of the legislation should also comprise officials with lower education, fulfilling expert functions, since their work has an influence on the general efficiency of the administration.

The basic rules, regulating these different groups of officials are identical, although there are certain differences in the conditions, connected with the recruitment, the career development, the remunerations and the respective rights and obligations. Certain categories of civil servants are subject to special legislation (the police, frontier guard and prison administration).

In May 2000 an Institute of Public Administration and European Integration (IPAEI) was established, and thus the practical implementation of an effective policy for professional and career development of the officials in the administration started.

A Code of Conduct for the civil servant was approved. It outlines the basic principles and rules for ethic conduct of the civil servants and their relationships with the citizens in fulfillment of their professional duties and also in their public and private life.

During the last few months the approach, adopted by the new government to limit the scope of the officials having the status of civil servants, lead to the dismissal of officials, appointed by the previous cabinet. Regardless of the five-year mandate, set out in the Public Administration Act, almost all chief secretaries of the ministries were dismissed. Although in several cases it could find justification, such an approach does not ensure the stability of the civil service envisioned by the law.

**Publicity of the Administration and its Activities**

The purpose of the Public information access act is to regulate the conditions and order of exercising the constitutional right of nationals to seek and obtain information about public life in the Republic of Bulgaria. The efficient
exercising of this right allows nationals to form their own opinion about the work of both Government authorities and other subjects whose activity is of public character.

Information access regulation is an element of the general organization of the information rights of nationals and provides the normative base for regulation of a number of relevant public relations—personal information protection, determination of the contents, scope, conditions and order for creation and work with protected information.

The Public information access act is a basic implementation mechanism, which ensures greater transparency in the governance and provides conditions for increase of civic participation in Government policy formation.

The main purpose of the act is to provide more information to citizens since only informed citizens can take an effective part in the public life of the country and this is a basic condition for strengthening the civic society.

The Public information access act will enable the realization of the basic principle of openness in administration activity regulated in the Public Administration act.

The legal grounds for the scope and the content of the act is contained in a number of regulatory documents which are basic for the Bulgarian legislation—on the one hand these are international documents, in which the Republic of Bulgaria is a party, and on the other hand this is the Constitution of the Republic of Bulgaria.

The problems of nationals’ information rights regulation are the subject of many documents of the Council of Europe—one of the oldest European structures, and the Committee of ministers of CoE member-countries, which at different times have taken up an attitude towards the realization of the communication rights of citizens.

The Committee of ministers of CoE member-countries recommends implementation in national legislation of the following basic principle:

“CoE member-countries must consider the possible legal measures for providing the public with access to pluralistic and diverse information about the mass media, containing different political and cultural views, while taking into account the importance of ensuring editorial independence of the mass media as well as the importance of the said measures when adopted voluntarily by the mass media themselves.”

The process of harmonization of Bulgarian legislation to EU legislation and practice is directly dependent on the implementation of the principles laid down in CoE recommendations, as CoE is the only institution where the Republic of Bulgaria is a full member.

In local aspect the basic principles of realization of nationals’ communication rights are regulated in the Constitution of the Republic of Bulgaria.

The act is based on the regulation in article 41 in the constitutional right of nationals to seek obtain and disseminate information. Paragraph 1 of the above article contains the legal grounds for development of the act, as it is precisely that text which gives universal regulation of the information rights of nationals. The implemented approach corresponds to the mentioned Recommendation No. R (81) 19 of the Committee of ministers of CoE member-countries for access to information held by public authorities. According to the said recommendation “no access to information may be denied on the grounds that the person requesting information does not have specific interest in the subject.”

The normative regulation of the order and conditions for realization of the rights under article 41, paragraph 1 of the Constitution evolves also from Ruling No. 7/1996 of the Constitution court under constitution case No. 1/1996 where the court rules that the rights under article 41 belong both to physical and juridical persons. The legislator must regulate the scope and forms of realization of this right, especially with regard to paragraph 1 of article 41 of the Constitution. The Constitution court introduces the notion “information of public significance.” The name and the basic notion of the act—public information, as well as the rights and obligations of the subjects covered by the act, are determined on the basis of this interpretation.

In the context of the above stated, the ever-increasing information exchange characterizing the globalization of modern society becomes especially topical. This, on its part, reformulates the stratification of modern society and the movement of information streams. The role of the state as a source of information is decreasing, and the role of other information sources is respectively increasing. These calls for regulation of certain access of nationals to the basic sources of publicly significant information in view of balancing interests and providing adequate conditions for formation of public opinion based on the actual dimensions of information. This has its philosophic sense with regard to the future and the development of democracy as a whole.
Basically, the texts of the act regulate the procedure for access to information of government authorities. The implementation of this procedure with regard to other subjects whose activity is of public character is further provided. This means particularly that there is regulation of the access to information about the activity of public legal subjects, which is deemed public by a law. The act applies also to access to public information about public services carried on by physical or juridical persons and financed through budget or off-budget funds, which is an essential element and provides transparency of public funds utilization. The act covers also the information providing transparency to the mass media, with determination of the scope of generally accessible information about the latter.

Prior to adoption, the Public information access act was submitted for wide public discussion, which continued for about two months. The views of other government authorities and non-government organizations were received during that period. As a result of the discussion, the principles of the act and the procedures provided for therein were approved. The final draft of the act includes most of the proposals made.

GOVERNANCE OF THE PROCESS OF MODERNIZATION OF THE ADMINISTRATION

General Governance of the Process

The Minister of public administration is responsible for the general governance of the implementation of the strategy for establishing a modern administrative system is a responsibility of In planning towards its realization the minister of public administration was aided by its political cabinet and by external consultants, including foreign experts working under the PHARE program. The main governance principles of this realization were provided for in the regulatory acts. At the same time mechanisms were provided for operative coordination and methodological support of the team in the separate administrative structures directly responsible for the application of the new regulatory documents.

The minister of public administration is the main body in the system of executive power in charge of the elaboration, implementation and horizontal coordination of the policy for modernization of the administration. In exercising his duties the minister of public administration presents a revised annual report on the state of the administration to the Council of Ministers.

The process of implementation of the Public Administration Act was planned in the act itself and it lasted for a year after its acceptance in 1998. In order to coordinate its implementation and to ensure an overall application of the principles implied in the Act, the government established a joint council for restructuring of the administrative units within the executive power system. The minister of public administration was appointed as head of the council for reformation of the administrative structures in the executive power. He was also in charge of the overall implementation of the Public Administration Act. Deputy ministers from all the ministries received chairs in the council. The council drafted a general methodology of restructuring the existing administrative structures to be used for the purposes of the practical restructuring: definition of the main functions of the ministries according to the new organizational model at the background of clear distinction of their functions and establishment of effective mechanism for coordination between the ministries.

Thanks to the work of the Council for restructuring of the administrative structures within the system of executive power the model of all administrative structures within the system was finally clearly established. Organization statutes for all the ministries were written and approved. Proposals were made to close administrative structures with duplicating or inadequate functions.

The Council for restructuring of the administrative system functioned until November 2000. After that the ‘Public Administration’ directorate at the Council of Ministers administration took its functions of operative monitoring on the implementation of the principles of the Public Administration Act.

The ‘Public Administration’ directorate ensures the coordination of the horizontal system for management and development of the administrative system and the human resource as a central coordinating unit with the following key functions:

- to analyze the organizational state of the administrations in the system of the executive power, the human resource and their qualification;
- to analyze the working methods and procedures in the administrations and elaborate projects for optimization and improvement programs;
methodological provision of the policy for human resource management in the system of the executive power.

An important element of the system for monitoring and managing of the process of modernization is the Internet-based Registry of the administrative structures, which provides continuous, up-to-date and technologically effective information. The Registry of the administrative structures is public and offers the constant possibility for the citizens to get acquainted with their respective issues of interest, connected with the structure and the functions of the administrative structures and their units.

The act sets out a system for periodical account on the activity of the executive administration, through reports of the respective directors of the administrative structures to the Council of Ministers.

According to the quoted amendments to the Public Administration Act, offered by the current cabinet, the role of the minister of public administration has been seriously diminished. His powers regarding the horizontal coordination on the implementation of the measures for modernization of the administrative activity were cancelled.

The overall management of the process of introducing a unified civil service is carried out separately by the respective managers of administrative structures. The main role of the methodological provision of the process of introducing the status of the civil servant is attributed to the State Administration Directorate at the Council of ministers administration as a central coordination unit. The State Administrative Commission is in charge of the supervision over the compliance with the civil servant status. The Commission has important powers related to the competitions for the posts in the civil service, which it exercises through its representatives in the evaluating committees, examination of objections from the rejected candidates and methodological instructions for the competitions. The State Administrative Commission maintains a Register of the Civil Servants, containing information on the professional and career development of everyone among them.

Aims of the review:
• Assessment of the existing condition and potential of the administrative system of the Republic of Bulgaria for implementation of the mission of the new democratic state and its role in the regulation of public relations.
• Determining the major strategic directions and scope of the process of institutional establishment of the Bulgarian administration.
• Development of a universal plan for implementation of the governmental policy with respect to administration, schedule of action, criteria for assessment of the efficacy of the process and assessment of the necessary resources.

The idea for the implementation of a review of all structures of the state powers was also founded on the necessity of the identification of the system as a whole and the communication among its elements. The formulation of a strategy for the implementation of the ambitious governmental policy of the establishment of a modern administrative system required numerous factors to be taken into account—the hierarchical place, functions and implications of each element in the existing system. This was necessary for the identification of the opportunities and dangers in the planning and carrying out of the concrete actions.
The general functional review of the administrative system of Bulgaria was carried out from July till October 1997 on the basis of specially developed methods of study of the organizational condition of the administrative bodies and the organization of their activity.

On the basis of the methods of the functional review, a detailed questionnaire was developed which was sent to and filled in by the specified administrative bodies. Major elements of the functional review:

- Assessment of the missions, functions and tasks of each administrative body and its units;
- Assessment of the correspondence between the mission and functions and the actual activities;
- Formulation of suggestions for reconstruction and planning of the activities.

As a result of the functional review a Strategy for establishing a modern administrative system of the Republic of Bulgaria was prepared. The Strategy defines in detail the major aims and actions for implementation of the governmental policy with respect to the administrative system of the country in three major directions:

- conditions, related to the overall system of the state organization;
- inner conditions in the system of the executive power;
- influence on the processes of expansion of the European Union, and NATO, and the new tendencies in the development of the international relations around the globe.

The accounting of these factors, in their mutual interrelation, in the implementation of the governmental strategy guarantees the achievement of a sole national vision regarding the directions of development and possibilities for achievement of actual success. The generalized result from the General functional analysis was presented with the help of a matrix of the status and possibilities for development of the administrative system.

As a result of the established good methodological and expert base for carrying out functional reviews in the period up to the middle of the 2001, several functional reviews were carried out:

- Review of the licensing, permit and registration regimes—November 1999–April 2000
- Functional review of the systems for collecting, processing, and storing of personal information—November 1999–December 2000
- Functional review of the administrative service to physical and juridical persons—June–December 2000

Along with the implementation of the functional reviews, the team of the minister of the public administration had also a long-term goal—to develop mechanisms and techniques for continuous monitoring of the process and to identify the indicators for its efficiency.

As it was mentioned above, the Register for the administrative structures was developed as a major practical tool for follow-up planning, for self-governance and for monitoring the results of the process for modernizing the administration. It contains detailed information for the structure, functions and the distribution of positions in each and every administrative structure. The creation of the Register for administrative structures was preceded by the development of an Internet-based software product—Configuration for organizational modeling of the administrative structures. The main aim of this application program product was to aid the executive power bodies in modeling the administrative structures so as to make them fulfil the requirements of the Administration act and the Single classificatory of the positions in the administration. At the same time, the Configuration for organizational modeling of the administrative structures was used to test the readiness of the separate administrative structures to work together in the new for them Internet environment. The assessment and the recommendations made in the process of using this product proved the need for a further use of similar tools. Subsequently, three public registers were developed—for the administrative structures; for the civil servants; and for public procurement.

Under the present conditions in Bulgaria the major factors for the relatively successful application of the method of functional review is to a large extent due to the active position of the government and the its actual willingness to fulfil the reforms. At the same time the effective accomplishment of functional reviews is directly dependent on the methodical and practical readiness of the project teams, pressed by the time and insufficient resources to manage to organize their work so that they can extract the optimally necessary and objective information about the process or the object under survey.

The Bulgarian experience in the planning of a system for functional reviews especially in the described approach to produce an Internet based information registers are a felicitous and up-to-date model of creating a permanent, actual and technologically effective informational medium for effective planning and monitoring of the implementation of the government policy. Naturally the type and organization of such kind of register should completely
comply with the specificity of the administrative practice and organizational culture.

**EVALUATION OF THE REALIZATION**

The new legislation practically resulted, towards the end of the term of Ivan Kostov’s cabinet, in the restructuring of the entire administrative system in the country.

All the regional administrations were restructured in compliance with the requirements of the Public Administration Act—Organizational Statute of the regional administrations.46 The municipal councils adopted new organizational statutes for their respective local administrations.

With the restructuring of the administrations the basic objective of the Public Administration Act was achieved: to establish a general organizational model for the structures of the executive power. The functions, tasks and responsibilities of the administrative units were clearly defined in their organization statutes. The capacity of the administration to cope with the issues, concerning the European Union, has increased. The uniform structure of the ministries, the agencies, the regional and the municipal administrations improved the coordination between them. The regulations of coordination of legislative projects, set by the Organizational Statute of the Council of Ministers and its administration, were systematically adopted. Each bill, decree and order, presented to the government, was obligatory accompanied by a financial argumentation. The new practice of releasing bills and other legislative projects in the Internet was introduced in order to involve the public in the discussion of their consideration. The possibility, provided for in the Public Administration Act, to carry out coordination and fulfillment of the joint policies by means of special structures—councils, which are a successful formula for better internal coordination and dialogue with the economic and social partners, receives a large-scale application.

The established model of the Bulgarian civil service should be considered as a complex result of the application of two basic legal acts—the Public Administration Act and the Civil Servant Act. The Public Administration Act introduced the new rules of organization for the execution of administrative activities, while the Civil Servant Act regulates the specific official status and the employment rules for the civil servants. In fact the two acts regulate the implementation of the civil service concept in the Republic of Bulgaria. Generally speaking, it can be characterized as ‘the civil service, based on professional and career development.’

The general structure of the civil service can be depicted in the form of concentric circles. All categories are led by common principles, based on the law but at the same time they possess specific characteristics, defined by their functions and status. Moving from the center to the periphery, the legal status of the civil servants is increasingly subject to the common labor legislation. Nevertheless, the boundaries between the various categories of administrative personnel remain vague and are often the result of subjective assessment or budget deficiencies, which do not facilitate the clear formulation of the tasks or, in a more general perspective, do not secure the effective performance of the regulating and planning role of the administration.

At the end of the term of office of Prime Minister Kostov’s cabinet the civil servant status was introduced in 77% of all structures in the central, regional and municipal administrations.

For the period April–December 2000 13,156 positions in 81 administrative structures of the central government administration were defined as civil service positions. The civil servant status in the Ministry of the interior was introduced following the respective amendments to the Ministry of the Interior Act in October 2000. At the end of 2001 the civil servant status was given to approximately 22,000-state employees.

The introduction of the civil servant status in the regional administrations began after the adoption of the Statutory Regulation of the regional administrations. The application of the Civil Servant Act in the municipal administrations is related to the adoption of statutory regulations of the respective municipal administrations, although slowly, is making progress. The civil servant status was introduced in all municipalities—some 3 to 500 positions have been allocated to the civil servants.

In general perspective, the modernization in the field of the regional and municipal administrations and the enhancement of their capacity to realize the policy for regional development is priority-set towards:

- increasing the absorbing capacity;
- providing the human resource equipped with the necessary skills for the respective public services;
- establishing good institutional organization for work with the EU funds;
• establishing effective mechanism for coordination between all stakeholders, and;
• exerting the necessary supervision.

The lack of trained and experienced human resource, the limited knowledge and skills are problems, inherent in administrative structures outside the central administration. This impedes the full realization of the government powers, which the central authority delegates and transfers to the decentralized bodies and their administrations.

As a whole, the process of organizational building of the administrative system, regardless of some digressions from the principles of this act, connected mostly with the practice of creating administrative structures with no ministerial rank and the insufficient understanding of the functional principles of organizing the internal units of the administrative structures, could be described as successful, especially in view of the exclusively short time of its continuation.

The last report on the administration for the year 2000 concludes that the new legislation, related to the constitution, organization and functioning of the administration is being applied ever more efficiently and the practices in the administrative performance and the succession of the actions are in the course of improvement. The regular report of the European Commission for the year 2001 makes similar conclusions.

Regardless of certain withdrawal from the establishment of the civil service in the last few months, the commitment to a further strengthening and modernization, declared by the present government, as well as the challenges before the implementation of the ambitious government program do not envisage radical reorganization of the administrative system and changes in the status of the public employees in the mid-term perspective. An argument in support of this statement is the Strategy for training of the administrative personnel, adopted early in February, with which the government has engaged with actual measures for the establishment of the civil servants status and the provision of their professional and carrier development.

At the same time, as the Strategy points out, ‘the modernization of the governance and the administrative system is not a single act but a continuous process, demanding expressed political will, maintenance of constant dynamics of its development and active civil participation.’ In this connection some of the activities of the new government, regardless of the declared continuity, instead of broadening and improving the process of modernization of the administration compromised the results that have already been achieved without offering alternative decisions and restore models, known from the past. Still, the promised updating of the strategy for modernization of the governance and the administration should give a clear idea of the overall vision of the government about the essence and ways of executing this process.

CONCLUSION

“... The main resource for strengthening the civil competence through motivated, competent and practical participation in the solution of immediate problems of the day.”

The Bulgarian experience in modernizing the governance and the administrative system is indicative, regardless of the relatively short period of implementation of this large-scale targeted process, of how between 1999 and 2001 practically the whole administrative system was transformed, the status of the civil servant was introduced and the foundations of the new democratic state were laid. At the same time the impact of applying the new legislation cannot be categorically assessed yet, since the results of in-depth reforms of this type become evident in not less than 3 or 4 years, irrespective of their dynamism.

The development and the expansion of the local self-government are a priority for the new government. The implementation of this policy has at least two interrelated directions—strengthening the administrative capacity of the municipal administrations and the introduction of a second level of local self-government.

The first issue stems from the lack of sufficient coordination between the municipal and the state authorities in the area of shared competencies, the lack of a system for preparation, qualification and methodological support of the local administration activities, the insufficient quality of the administrative service, which in its own turn leads to negative public attitude towards the local authorities, as well as the lack of tradition in the partnership on the part of the local authorities with the citizens, the private sector and non-government organizations for the implementation of efficient policy for development of the administrative territorial and territorial units.

The expected intensification of the public discussion on the introduction of a second level of local self-government should lead to the formation of consensus vision for the
development of the administrative territorial system in
the country and of the introduction of a second level of
local self-government. At the same time it should answer
the question on the place that this second level should
occupy given the fact that the current legislative frame-
work, regulating the administration of the territorial
management to a large extent shows a tendency for grouping
the settlements in the creation of the basic administrative
territorial units—the municipalities. The Republic of
Bulgaria has 262 municipalities with an average of 20
settlements and an average number of residents 30 000.
Such indicators are considerably higher compared with
the majority of the other European countries.

Here is the point where the major difference between the
concept of ‘municipality’ in a Bulgarian context and the
‘municipality’ understood as an autonomous territorial
formation consisting of a community of people who have
their particular interests,’ a populated center ‘which has
an organized engineering, public facilities and its own
administration’ should be outlined. The Bulgarian munici-
palities represent an aggregation of settlements, which
possess some of the characteristics of administrative
territorial regions within the meaning of the territory. In
this connection the Bulgarian local self-government, exe-
cuted by the municipalities, has to a large extent the cha-
racter of regional self-government or the so-called second
level of local self-government. At the same time the sepa-
rate settlements, i.e. the places that appear to be the natural
center for the development of a community and public
life,51 lack forms of local self-government.

A possible approach to the optimization of the self-govern-
ment system is the perception of the existing system of
local self-government as a second level, and thus the efforts
will be directed towards the creation of a basic level of
local self-government in the settlements (towns and villages),
i.e. closest to the people.

Such an approach will ensure the possibility for efficient
participation of the citizens in tackling issues of local sig-
ificance, and at the same time the process will not result in
the violation of the natural processes in the administrative
activities, since the present municipal councils will
gradually transfer their functions to the newly-created ones
and they will take the functions of a second level of local
self-government. This will lead to the actual creation of
conditions for the fostering of the local democracy. It is
however natural that the planning of this process will
envisage a sufficiently long period for the efficient
implementation of the two-level local self-government
system; 5 years for example, i.e. the cycle of a mandate.

The only way to achieve effectiveness of the process of
decentralization and increasing the local democracy is to
make the process an integrative part of the efforts for moder-
nization of the governance, perfecting the administrative
system and improving the administrative performance.
This process should not be considered “the necessary reorganization” but rather be based on specific political,
economic and social values for the public.

The good governance has occupied central position in
the public sphere. At the same time the lack of clear and
well-defined mechanisms of introducing it into all spheres
of governance (economy, public order, social security,
education, environment etc.) produced certain fragment-
ation and did not ensure the appropriate decisions in
every case in the government practices. Together with the
lack of a structured public debate on “the government
that the public wants,” one that would rationalize the
strategic ideas for the state government, this has pushed
those matters to a secondary position and eventually the
achievements of Kostov’s cabinet were diminished, at the
end of his four-year term of government, to mere success
in the foreign policy.

Thus, although the foundation was laid for understanding
of the new role of the state, the ‘good governance’ idea
failed to establish as a main criteria of the public evaluation
of the political forces in their activities.

‘... The results of the latest parliamentary elections speak
eloquently about the consequences of citizen passivity
between elections. What differentiates the votes cast for
NMS II are not authoritarian values, but the lack of citizen
practices, attitudes and knowledge ... The outcome of the
parliamentary elections reflects the isolation of many
people from governance in Bulgaria.

The enormous challenge in front of any new government
is to mobilize the participation of all citizens and to
transform them into co-authors and partners of the new
governance.”52
## ANNEX 1

### Matrix of Status

**Table 1**

**Type of the Organization**

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>“Reacting”</th>
<th>“Responsive”</th>
<th>“Active”</th>
<th>“Highly effective”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time orientation</td>
<td>in the past</td>
<td>at the present</td>
<td>in the future</td>
<td>in progressive motion</td>
</tr>
<tr>
<td>Degree of orientation</td>
<td>distraction</td>
<td>in productivity</td>
<td>in the result</td>
<td>in perfection</td>
</tr>
<tr>
<td>Planning</td>
<td>of excuses</td>
<td>of activities</td>
<td>of strategies</td>
<td>of development</td>
</tr>
<tr>
<td>Model of changed</td>
<td>through punishments</td>
<td>through adaptation</td>
<td>through planning</td>
<td>through programs development</td>
</tr>
<tr>
<td>Governance</td>
<td>finding out of the guilty</td>
<td>co-ordination</td>
<td>maintaining of order</td>
<td>“navigation”</td>
</tr>
<tr>
<td>Structure</td>
<td>fragmentary</td>
<td>hierarchical</td>
<td>matrix</td>
<td>network</td>
</tr>
<tr>
<td>Perspective</td>
<td>personal</td>
<td>group</td>
<td>of the organization</td>
<td>“corporate culture”</td>
</tr>
<tr>
<td>Motivation</td>
<td>parrying of blows</td>
<td>reward</td>
<td>co-operation</td>
<td>actuality</td>
</tr>
<tr>
<td>Development</td>
<td>scratching a living</td>
<td>unity</td>
<td>harmony</td>
<td>transformation</td>
</tr>
<tr>
<td>Communication</td>
<td>forced relations</td>
<td>establishment of feed-back relations</td>
<td>direct relations</td>
<td>constant exchange of information</td>
</tr>
<tr>
<td>Management</td>
<td>compulsory</td>
<td>training</td>
<td>determining the objectives</td>
<td>confiding</td>
</tr>
</tbody>
</table>
ANNEX 2

**Main Challenges with which the Process of Establishing of a Modern Administrative System of the Republic of Bulgaria Faces**

*Factors for Success*

When elaborating the strategy for establishing of a modern administrative system of the Republic of Bulgaria an analysis of the key factors for achieving the strategic objectives has been done. The main factor for success of the activities for the realization of the Government strategy is the planning and carrying out of an overall, strategic oriented, sustained process of changes. The management of this process should be directed towards achieving the desired results through ensuring favorable, prognosticated conditions for its flow. These conditions could be synthesized in three main groups:

1. **Conditions, Referred to the Whole System of the State Administration**
   - Stability of the political system—development and stabilizing of the consensus achieved on the overall development of the state and its concretization with regard to the state administration and civil servant’s status;
   - Codification of the legislation—elaboration of common rules for organizing the activity, in particular, those of the administrative structures aimed at improving their functioning;
   - Effective co-ordination and interaction among the bodies of the state power in elaborating and carrying out of the state policy.

2. **Internal Conditions within the System of the Executive Power**
   - Commitment of the governmental for the sustainability of the process while delimiting the activities on formulation and elaboration of the policy of activities on the realization of the feedback for the effect of the implementation of the policy as an obligatory condition for the de-politization of the civil servants;
   - Adequate usage of the available human resources in the planning and the realization of the activities while at the same time the necessary efforts are made for enhancing the professional qualification of the employees within the administration and stabilizing the internal relations within the system;
   - Stabilizing the coordination among the ministries in elaborating the governmental policy through stimulating the horizontal links within the administration;
   - Establishing a mechanism for administrative control and periodical assessment of the effectiveness of the work of the administration on the implementation of the legislation;
   - Attractiveness of the civil service by stabilizing the civil servant status and decreasing the conditions for corruption, by introducing the principles of competition in recruiting the civil servants, creating conditions for professional and career promotion and an adequate remuneration;
   - Active involvement in the process of the territorial bodies of the executive power and the bodies of the local self-government—increase the role and importance of the regional governors as a transmission of the state policy at a local level; filling with content the functions of the mayors of the municipalities for executing their juridical powers in carrying out the state policy;
   - Increasing the information provision of the process of elaborating of the policy; introducing up-to-date information technologies in the activity of the administration and in the administrative service of the citizens and legal persons;
   - Effectively using the external assistance, provided to the country by different donors and increasing the responsibility of the institutions, which receive the external assistance, for its effective and appropriate use;
9. Increasing the participation of citizens in the elaboration and co-ordination of the government policy;

10. Publicity and reporting, in the course of the process, before the society, as well as a purposeful information policy referred to the activity of the administration.

**Impact of the Processes for Extension of the European Union, NATO and the new Tendencies in the Worldwide Development of the Interstate Relations**

1. The Luxembourg decisions about an equal start in the process of accession of the countries of East and Central Europe to the European Union—the integration of the Republic of Bulgaria into this process responds to the strategic goals of the country. This possibility is a serious challenge for the Bulgarian country. The preparation and the carrying out of the negotiations for the accession of the Republic of Bulgaria into the European Union require an entire mobilization of the state structures and fortification of their potential for the elaboration and the implementation of the state policy. At the same time the accession of the Republic of Bulgaria into the European Union must be carried out in a close cooperation with the Member States of the European Union and as well as with the candidate Member States.

2. World-wide globalization of: the international economic exchange; the competition; the new transitional means of communication; the increasing mutual dependence between the nations and the cultures places new, every time more and more complex requirements before the processes of changes. The adequate response of these requirements places under doubt the effectiveness of the traditional structures and ways of acting of the state apparatus in managing the complexity, variety and the mutual dependencies of the modern society.

3. Transition to the information society—increasing the volume of the informational flows and the human knowledge requires effective national systems for an exchange of information, concerning the governing, which must be open, flexible and adaptive to the changes with the respective mutual interconnections. Taking into consideration these factors in the implementation of the government strategy, accepted in their mutual connection, guarantees the achievement of a unified national vision about the directions of development and the possibility of achieving real results.
NOTES


3 Human Development Report, UN Development Program, 1996.

4 May 1997–July 2001, Prime Minister Ivan Kostov, leader of the victorious coalition of the Union of Democratic Forces.

5 Decree No. 36 of Council of Ministers from February 1998.


7 Regional Development Act, publ. SG, No. 26, 1999

8 The Regional Development Council at the Council of Ministers discusses and develops the NPRD and also co-ordinates the activities of regional importance, essential for its implementation. It is within its competence to evaluate the infrastructure projects and, as a whole, this is the most important authority in charge of the formulation and monitoring of the regional development policy in the Republic of Bulgaria. The Regional Development Council under the Council of Ministers consists of 11 members. The Minister of regional development and public works presides the council and the minister of finance, the minister of the economy, the minister of transport, the minister of commerce and tourism, the minister of agriculture and forestry, the minister of the environment, the minister of labour and social policy, the minister of health, the minister of education and science are its standing members. Advisory vote at the meetings of The Regional Development Council at the Council of Ministers have the district governors and a representative of the National Association of Municipalities in the Republic of Bulgaria.

9 Decree No. 104 of the Council of Ministers from 1999, publ. SG, No. 53, 1999


11 Elected by the National Assembly, July 2001, after the regular parliamentary elections, June 2001, won (42%) by the newly formed National Movement Simeon II, a coalition between two political formations—the Movement for National revival “Oborishte”, and the Party of the Bulgarian Women.

12 Simeon Sax-Cobourg-Gota is the son of the last Bulgarian tsar Boris III (1918–1943).

13 The changes enacted are presented in the present survey further on.


15 Decision No. 125 of the Council of Ministers from March 1998.


17 The settlement is territorial unit, which is historically and functionally a differentiated territory, defined with the existence of constantly residing population, construction borders or land and construction borders and the necessary social and engineering infrastructure. The settlements have their territory, borders and name and are divided into towns and villages, where the towns should have a population of over 3 500 persons and the appropriate social and technical infrastructure.

18 Art. 136, par. 2 of the Constitution.

19 The mayoralty is a constituent administrative-territorial unit in the municipality, which has its territory, borders population, name and administrative centre and consists of one or more neighbouring settlements.
The district is a constituent administrative-territorial unit in the municipality, which has its own territory, borders, population, and name. Districts are obligatory established in the capital city (Sofia) and in the cities with population of over 300,000 persons (Plovdiv, and Varna). With a decision of the respective Municipal Council, districts can also be established in the cities with population of over 100,000 persons.

Art. 2, par. 2 of the Local self-government and Local Administration Act (LSGLAA)

The order of election of community mayors is defined by law— the Local Elections Act, publ. SG, No. 66, 1995, last amended—SG, No. 24, 2001.


Administrative Services to Physical and Legal Entities Act, publ., SG, No. 95, 1999.


Members of the Council of Ministers are the Prime minister, the vice prime ministers, and the ministers.


The bodies of executive power are defined in the Constitution of the Republic of Bulgaria, and the Public Administration Act.

Decree Nos. 4 and 35 of the Council of Ministers, 2000.

The lowest level of higher education, according to the High Education Act, publ., SG, No. 112, 1995, last amendments SG No. 22, 2001, is that of a “specialist.”

Decree No. 82 of the Council of Ministers, 2000.

Order Nos. –100 from December 29, 2000 of the minister of state administration.

The Universal Human Rights Declaration adopted by the UN General Assembly on 10 December 1948, article 19 in particular and the European convention on protection of human rights and basic freedoms.

Recommendations of the Committee of ministers of CE member-countries No. R (81) 19 on the access to information held by public authorities; No. R (94) 13 on ensuring transparency of the mass media; No. R (99) 1 on mass media pluralism incentive measures.

Decision No. 43 of the Council of Ministers, 1999.

Decision No. 826 of the Council of Ministers from 2000 to close the council.

See Annex 1 Main challenges, which faces the process of establishing of a modern administrative system of the Republic of Bulgaria—factors for success.

See Annex 2 Matrix of Status.

Decree No. 121 of the Council of Ministers, 2000.
“Last year (2000), progress in laying the legal framework for a modern, professional and independent public administration was reported. This has continued through the adoption of most necessary secondary legislation and progress in implementation of the legal framework, thus making further progress towards the short-term Accession Partnership priority of implementing the civil service law. The legal framework for the Bulgarian civil service is now largely satisfactory but a number of issues still requires attention. There is now a need to focus on its implementation to ensure establishment of a professional and impartial civil service.

Further steps have been taken towards the implementation of the Laws on State Administration and the Civil Service. Statutes setting out the structures for most ministries and executive bodies have been adopted by the Council of Ministers. Employees in the administration are gradually being covered by the new civil servant status. By September 2001, 17 300 people had civil servant status. This represents about 30% of those employed in state administrative structures (including national, regional and municipal administrations). These figures exclude the Interior Ministry where about 8% of staff (5119) have been demilitarised and have Civil Servant status. People with this status received significant salary increases of approximately 20%, which is intended to contribute towards recruitment and retention of high quality personnel. Civil service salary levels and pay components (e.g. allowances and bonuses) are regulated by law.”—2001 Regular report on Bulgaria’s progress towards accession.

The program of the government envisions the adoption of a new, updated strategy for modernisation of the state management and the administration to be a fact by the end of March 2002.

Designated as municipality, commune, municipal, Gemeinde, comune.

The conclusion comprises an actual practice in the country and is valid as far as the possibility, envisaged in the LSGLAA (Art. 37b), for selection of mayoral counsellors has not yet found its practical application.
Country Studies

Bulgaria

Croatia

Hungary

Latvia

Poland

Slovakia

PART II.

MASTERING DECENTRALIZATION AND PUBLIC ADMINISTRATION REFORMS IN CENTRAL AND EASTERN EUROPE
Methods and Techniques of Managing Decentralization Reforms in Bulgaria

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INTRODUCTION

The implemented up to now model of decentralization in Bulgaria has influenced the municipalities, primarily, since they are the only units in which local self governance had been realized. The decentralization of power at the level of municipalities and the establishment of a new administrative system in the country are done within the framework of two separate types of reform—the first is known as the administrative-territorial reform (local self-government reform) while the second is public administration reform. The public administration reform has its influence on certain components that characterize the decentralization, such as the nature of interaction between central and local authorities, the status of municipality servants, public service and others. This study emphasizes on the methods and techniques of managing local self-government reform and transfer of power to the municipalities.

Why does Bulgaria need decentralization? The transformation of the command-administrative methods and style of management and the establishment of new institutions that are much closer to the citizens and provide better public services was recognized as part of the democratization process, as one of the most important manifestations of the transition. The efforts and enthusiasm of the first two years were focused on it. As in the other Central and East European countries, the reforms had a strong symbolic meaning, as they were a way to legitimize the new power and demonstrate that things have moved on.

What was the result of the decentralization reform ten years after the beginning of this process? Most importantly, in Bulgaria now there is stable local self-government, built in full compliance with the European charter of local self-government. There is a comparatively comprehensive, stable and completed normative basis, settling all institutional, financial, legal and economic issues, related to municipalities. The country has balanced and optimum territorial division without big territorial disproportion. The Bulgarian municipalities are large in territory and population, which turns them and there associations (national and regional) into serious participants in the social-political and economic life of the country. The Ministry of Regional Development and Public Works, that is responsible at the central level for the coordination of a greater part of the municipalities is established as one of the key Ministries, headed by a Vice Prime Minister, which has now become a practice without being stipulated in written form. At present the greatest challenge to the finalization of decentralization in Bulgaria are fiscal decentralization and establishment of second level of self-government at regional level.

TYPICAL REFORM TRAJECTORIES

Review of the Past Decade of Decentralization

In 1987 the then ruling Bulgarian Communist Party in its attempts to find a solution and way out of the deepening political and economic crisis initiated, without any public debate, a change in the territorial division of the country. Nine regions replaced the existing, then 28 districts. Within the frame-work of this regime any attempt to reform the system was bound to failure. The undertaken measures were far from being fruitful because at a certain point in time they eroded the backbone of the regime and contradict to the democratic centralism.

The process of decentralization started back in 1991 with the adoption of the Constitution of the Republic of Bulgaria, The Local self-government and Local Administration Act as well as the Members of Parliament, Municipality Advisors and Mayors Election Act. These were important, for the establishment of the country as a legal, social and democratic state, normative documents provided the basic constitutional and legislative framework of the contemporary administrative-territorial division of the country and created conditions for the development of the local self-government.
In the period 1992–1993 the lack of expertise and information on planning and implementing the decentralization resulted in focusing the efforts on large scale and comprehensive research, studies and projects. The work was done by expert teams comprised of Members of Parliament, as well as experts and specialists from the administration of the Council of Ministers, the other Ministries and the local authorities.

During 1993 the KPMG Consultant Company made a report on decentralization. This report served as the basis for the preparation of a comprehensive and strategic document called ‘Key Points of the Territorial Reform in the Republic of Bulgaria’. The project was coordinated with all the interested parties and in 1995 was adopted by an expert council in the Ministry of Territorial Development and Construction as well as by the Inter-governmental Council on Regional Development and Local Self-government.

The ‘Key Points’ define the role of the reform in building the new political and economic system of the country, the goals, scope, principles, the concept and model of the reform as well as the timetable of the decentralization. These guidelines became the basis for the law package on decentralization developed by the Council of Ministers. Account is taken of the fact that the realization of the reform takes a longer period of time, which according to the experience and practice of leading European countries are 5–8 years long. The reform is treated as a complicated, continuous and multisided process of change and building of effective territorial, functional and institutional organization and structure of the local and regional authorities within the general system of management of the country. Although the project was not approved by the Government for various reasons, the reform continued to follow its logic.

The period from the end of 1992 to the end of 1994 was successfully identified by the political analysts as a ‘hold on’ and is still used today as a synonym for bad government, corruption, and the state refusing to realize its obligation to protect its citizens from criminal acts, etc. This was lost time for the reforms, a period during which no progress in the field of decentralization was made. The same is valid for the other reforms in the country. The reason for that was the political situation. The Government and therefore the parliamentary majority had a very strange structure.

This was a government of the minority elected with the mandate of a party having only 23 Members of Parliament out of 240 total. The Government was officially adhering to the program of the Union of Democratic Forces, which had to resign and was in opposition, but at the same time it relied on the Parliamentary and public support of the former Communist Party. In order to maintain the fragile majority the Government did not undertake any essential measures aimed at reforming the public and economic sector. The lack of a foreign factor, (Bulgaria had not yet applied for membership in the EU, and the Council of Europe had not yet started to actively work in the country), as well as the lack of think tanks and most importantly the lack of municipality associations protecting the rights of the local authorities, contributed sufficiently to that situation. The then existing associations of municipalities were established on a political basis each party united in associations the local authorities elected with their support. This situation started to change after 1995 when the National Association of Municipalities was established.

Aims of the Reform

The goals defined in ‘The Key Points’ include:

- Restructuring and development of the territorial, functional and institutional organization of local self-government and improving its cooperation with the system of state management;
- Establishment and development of democratic procedures and mechanisms in the organization and functioning of local self-government;
- Enhancing and widening the scope of the decentralization process;
- Integration and joining of the local and regional structures in the country to similar European structures;

Stages of the Reform

Two stages with firm goals, objectives and clear priorities were outlined in the draft of the program document:

   - the major goal was transition to reasonable decentralization in local self-government as well as stabilization of the municipal level of self-government. It comprised of preparation and approval of the basic normative documents, limiting the reform and conducting local elections; development of local self-government through enhanced participation of the population; designing the property and financial framework of the local self-government; normative background of the municipality property.
— the major goal was establishment of the local democracy; strengthening the fiscal and financial independence of the municipalities; introduction of the principles and mechanisms of the public administration reform in the field of local self-government. This stage included endorsement of the financial independence of the municipalities; beginning of the public administration and assessment of its impact on the administrative-territorial reform; improving the services and reform of the regional level of government.

Within the framework of this stage was envisaged to establish a rational organization of the deconcentrated state structures, to introduce improved model of state and local administration, as a result of the interrelated implementation of the principles and mechanisms of the administrative and administrative-territorial reform, to achieve synchronization with the structural reforms, regional development and realize other reforms of a mainly territorial character.

The length and scope of the different stages and sub-stages of the reform are fully dependent on the political will and the consensus achieved by all participants in the process. Because of that dependence there was an option to transfer, based on the political will, part of the goals of a given stage to another stage. Together with it the goals and measures could be updated based on the assessment of the course of the reform, the newly emerged circumstances, definition of new criteria or formation of new social attitude.

It so happened that in 1997 when the country was on the edge of hyperinflation an agreement was signed with the International Monetary Fund providing in this way a support for the balance of payments. Certain engagements were taken in the field of budget, finance, and privatization. The budget restrictions enhanced the tendency towards centralization and delayed the already planned introduction of self-government at the at the regional level. The fear how the redistribution of power will impact the budget could be seen in the whole decision-making process. The process of centralization is coming back as was the case with the three Central European countries Poland, The Czech Republic and Hungary [Kimball, 2001]. The tendency itself has different dimensions:

- The central government refuses to be engaged with clear division of power between the central and local authorities;
- Assigning tasks without providing funds for their realization;
- Establishing a balance between the authorities via different centralized measures such as preliminary authorization and preliminary supervision of decisions;
- In some cases the municipalities have the responsibilities to realize certain activities but are not authorized to allocate, plan and control the related with the implementation funds

**Decentralization and Public Administration Reform**

It didn’t seem to matter that from the very beginning, that the need to interrelate and incorporate the decentralization into the process of legislative changes in the government of the country was taken into account it was not done in practice. In any case if such a tendency could be observed it has to be made clear that the result was not planned beforehand. The relation and feedback of this reform with the other reforms, directly connected to the division of the territory and the regional development (the so called small scale) and to the account of all possible relations with the reforms resulting in change and improvement of the political and economic system of the country (the so called large scale) was not defined clearly enough. It should be reiterated that the problem of interrelation as acknowledged by direct participation in the process proved to be highly complicated and comprehensive. The lack of interrelation lead to a number of difficulties in the realization of the reform.

The public administration reform that started a little bit late sufficiently influenced the process of decentralization as a result of the need to re-assess part of its goals, priorities and mechanisms. The public administration reform clearly defined the need to re-assess the administrative capacity of the municipality administrations. As time went by and after the major package of measures of the public administration reform was adopted, the institutional imbalances and the contradiction between central and local authorities were not overcome. It was very difficult to make the mayor of the municipality and the municipal administration part of one joint model of administration. The mayors claimed that they were local administration of the local legislative authority, which is not part of the state administration. In other words the introduced relations of coordination, control and accountability between the central and municipal administration were disputed. The idea that the municipal administration should not be subordinate to the norms and rules valid for the state administration was strongly supported. A group of Members of Parliament,
supporters of the local self-government, put the issue before the Constitutional Court, which had its own position on the matter. Court decided that the mayors are part of an executive authority at local level. Thus in the course of the public administration reform a problem, that should have already been solved by the administrative-territorial reform, was raised and finally settled.

The preparation of the strategic document for the realization of the public administration reform started in 1995, in other words two years after the beginning of the territorial reform. In 1996 a paper 'The New Administration-Strategy of the Public administration reform in the Republic of Bulgaria' was written but was not adopted by the Government because of the governmental crisis that had ensued in the country. The Governmental strategy for contemporary public administration reform was adopted as late as 1998 while the reform was practically realized in 1999–2000 (although the two are separated by 5 to 6 years).

The experience from the combination of the two reforms showed that if the reform could be designed as the ideal option they should develop in parallel with the decentralization starting at least one year earlier. Apart from that their simultaneous realization is necessary so that the focus is kept on the local state administration or to put it in a different way to combine de-concentration with decentralization. The most suitable moment both from a psychological as well as a practical point of view to reform the de-concentrated spheres is when the local authorities are reformed. De-concentration and decentralization are terms not familiar to the population and the society does not differentiate between them. After all the citizens do not care about the quality of the services and the amount of taxes. There are a great number of problems, which escape the attention of the experts while conducting both the reforms of the administration as well as the decentralization.

In spite of the gathered experience so far, it seems to me that the civil servants in Bulgaria still do not have comprehensive and strategic understanding of the interrelated character of the relation between the reform of the state and the decentralization policy, as well as between these reforms of the social sector as a whole and the structural economic reform. In spite of the existing close connection between the two major processes of the reform—the public administration reform of the state and the decentralization, the activities related to those policies are not only implemented independently by the Minister of Public Administra-

**Legal and Constitutional Basis of the Local Self-government**

The Local Self-government derives its legislative background from the Constitution of the Republic of Bulgaria. In compliance with Article 2, paragraph 1 the Republic of Bulgaria shall be a united state with local self-government. No autonomous territorial formations shall exist. The basis of local self-government is provided by Chapter Seven 'Local self-government and local administration' and establishes the definitions of:

- The territorial division—The territory of the Republic of Bulgaria shall be divided into municipalities and regions. The territorial division and the prerogatives of the capital city and the other major cities shall be established by law;
- Municipalities as the basic administrative territorial unit at the level of which self-government shall be practiced;
- The rights of the Citizens to participate in the government of the municipality both through their elected bodies of local self-government and directly, through a referendum or a general meeting of the citizens;
- The functional and institutional structure and organization of the local self-government—municipal council and mayor;
- The right of the municipalities to form a national association and regional associations for protection of the common interests thereof and for promotion and development of local self-government;
- The role of the state in establishing conditions for the development of the regions and for the support to the local authorities through funding, credit and investment policy;
- The procedure of defining the borders of a municipality—shall be established following a referendum of the populace.
- Each municipality shall be a legal entity and shall have the right to own property and to have a self-contained
municipal budget, which it shall use to the interest of the territorial community;

- Regions as an administrative territorial unit entrusted with the conduct of a regional policy, the implementation of state government on a local level, and the ensuring of harmony of national and local interests. A regional governor aided by a regional administration shall govern each region. A regional governor shall be appointed by the Council of Ministers. The regional governor shall ensure the implementation of the state’s policy, the safeguarding of the national interests, law and public order, and shall exercise administrative control;

- The central government and their local representatives shall exercise control over the legality of the acts of the bodies of local government only when authorized to do so by law.

The Local Self-government and local administration Act, enacted in 1991 defines the operations, rights and authority of local self-governments and their relationship to the state. The areas of local self-government competence are defined and revised regularly through legislation that conforms to the European Charter of Local Self-government, which was ratified by Bulgaria in 1995.

After the beginning of the decentralization reform in 1995 and the public administration reform in 1997 the legislative basis of the local self-government was sufficiently enhanced and enriched. The basic changes in that field were done through three major steps:

- Regulating the manner and procedures for local elections. Local Elections Act (1995); establishing the administrative-territorial units and definition of the conditions, manner and procedures for administrative territorial changes Administrative-Territorial Division of the Republic of Bulgaria Act (1995), as well as defining the administrative division of the big towns. Territorial division of capital municipality and other major cities Act, (1995).

- Regulation of the specific relations resulting from the participation of the citizens in the political process on local level, Referendums Act (1996); the issues of acquiring, management and use of municipality property, Municipal Property Act (1996); precise formulation of the amount and type of local taxes and fees, local taxes and fees Act (1997) and regulation of the procedure and organization of the budget process in the municipalities, Municipality Budgets Act (1998).

- The initiation of the public administration reform in the country and the need to sufficiently improve the work of the central and local administration mainly in the part related to the development of the status of the municipal servants resulted in adopting the Public administration Act (1999), The Civil Servants Act (1999) and The Administrative services Act (1999). As that work was done changes were introduced to other laws, directly related to the improvement of the organization and functioning of the local self-government [See Annex, List of Acts].

Structure and Operation of Local Self-government

A municipality generally has at least six thousand inhabitants, although exceptions may be made due to geographic location or for national, historical or economic reasons. Bulgaria’s administrative structure is currently comprised of 263 municipalities. In 1999 28 regions (counties) replaced the then existing 9 regions. In 2000 6 macro-regions for planning were created.

The average number of inhabitants of a municipality—34,000 is rather high in comparison to a number of European countries. The same is valid for the average territory of the Bulgarian municipalities—it is 418 square kilometers. The average number of populated areas comprising one municipality is 20. The majority of the populated areas have the status of municipalities with a directly elected mayor. A representative body in the municipality is the municipal council, which is directly elected by the population with a 4-year tenure using the proportional system. The number of members of the municipal council is defined based on the total population and varies from 11 to 61 people. A municipality’s duties include local matters affecting its inhabitants, which the municipality independently may determine (See Table 1.).

The Local Self-government Act stipulates those municipal councils, local community councils or citizens’ assemblies must participate in decisions to change or create the territorial structure of a municipality. In accordance with the Law on Referendums, a municipality may be established following a local referendum that ascertains public opinion in the affected area. On the basis of initial research and the referendum, the Council of Ministers and President legally recognizes such new administrative units and approves the demarcation of their territories.
Adjustment to Political Changes, Election Cycles

Provided the reform is 7–8 years long achieving consensus on its basic points was a must for its success. The consensus though was not reached. The lack of continuity in Bulgaria is one the most serious problems of its development. There was partial continuity in the period 1990–1999 and it was only on the issues of European integration. Since the beginning of the negotiations for EU membership the area in which there is continuity broadened and in that aspect the accession process plays a stabilizing role in the political life of the country.

Table 1.
Functions of Local Self-governments

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<th>No.</th>
<th>Functions of Local Self-governments</th>
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<tr>
<td>1.</td>
<td>Municipal property, municipal-owned enterprises, municipal finances, taxes and fees, municipal administration;</td>
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<td>2.</td>
<td>Organization and development of the municipal territory and of the population centers therein;</td>
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<td>3.</td>
<td>Education: pre-school, elementary, primary and secondary education;</td>
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<td>4.</td>
<td>Health care: outpatient, policlinic and hospital care, preventive care, community care, and municipal sanitation and hygiene;</td>
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<td>5.</td>
<td>Culture: community centers, theaters, orchestras, libraries, museums and museum collections, amateur art activities, rituals, local traditions and customs;</td>
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<td>6.</td>
<td>Public works and utilities: water supply, sewerage, electricity supply, central heating, telephone line installation, streets and squares, parks, gardens, street lighting, landscaping, river-bed and gully correction, municipal waste management, public transit, public baths, laundries, hotels, garages, and cemeteries;</td>
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<tr>
<td>7.</td>
<td>Social assistance: social care and welfare benefits, provision of subsidized housing and other social work of municipal importance;</td>
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<td>8.</td>
<td>Environmental protection and rational use of natural resources of municipal importance;</td>
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<td>9.</td>
<td>Maintenance and conservation of historical, cultural and architectural landmarks of municipal importance;</td>
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<tr>
<td>10.</td>
<td>Development of sports, recreation and tourism of municipal importance.</td>
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</table>

Parliament is related to political decentralization as far as it approves the laws. Each Parliamentary majority does its best to start from scratch. A characteristic feature of our political life is that the newly elected always blame the previous government for all their problems and misfortunes. A tradition of writing a White book of the failures of each previous government by the newly elected is established, although, the mistakes are repeated over and over again.

An interesting change of roles is observed when a party is in opposition and when it is in power. Because of the clearly established bipolar political system from 1990 till 2001 in different coalition configurations the Bulgarian Socialist Party and the Union of Democratic Forces took turns to be in power. Both parties when in opposition supported the local authorities and communal positions, insisted on increasing subsidies and the percentage of municipalities budget from the consolidated state budget, worked actively...
for the adoption of laws, related to local self-government and are particularly in favor of the establishment of a second level of self-government. The decentralization is fashionable, as it is fashionable to talk about democracy. Even more than that—the decentralization became something, which in its populist characteristic can be only compared to the promises for pensions and salaries raise. These characteristics of our political life result in lack of any chance to reach strategic and long-term consensus on the goals scope and model of decentralization. No wonder when a new Government has a different idea of the depth, the level of decentralization and its timetable.

Anyway if we try to find any differences in the programs of the Bulgarian left party and the right party and we make a deeper analysis our observations will be as follows, the left party is to a greater extent supporting decentralization, insists on conducting decentralization at the lowest possible level, they spend the budget by re-allocating it to the less developed and distant regions; the right party is much more interested in the problems at the level of the region, the regional development issues and it strives to concentrate the resources and to fund the bigger projects in the already developed regions which have a greater development potential.

It seems that the local authorities are fed up with this game and a good example are the failed attempts to reach consensus on amendments in an article of the Constitution related to the right of the municipal councils to define the amount of taxes and fees. The article stipulates that the local authorities can not independently define the amount of local taxes and fees but can do so only within the limits of the minimum and maximum values as defined by a law. A 2/3 majority is necessary to amend the Constitution and as usual when one of the parties is for the other is against. Not a single party, when it was in opposition, gave a chance to that amendment.

There is for the first time hope for changes because of the current parliamentary majority, elected in June this year. It is comprised of representatives from two parties, that are totally different from the two main parties that have been ruling in the country so far—the National Movement Simeon the Second and the Movement for Rights and Freedom. The staff of the administration still to a great extent comprises of people appointed by the party, which was in power (The Union of Democratic Forces). The fourth big political power—the Bulgarian Socialist Party is represented by two Ministers (both of them are former mayors) and by the President of the country, elected in the most recent elections. The fact that three from four parliamentary represented parties are in power gives a great opportunity for decentralization. The measures taken so far indicate that the type of party system is important for the success of the decentralization.

The Governmental program approved in October 2001 has a special section ‘Stimulating the process of decentralization, local self-government and participation of the citizens.’ Attention should be paid on to priority given to the enhancement of the local democracy and the processes of decentralization of functions, competencies and finances from the state to the administrative territorial units. It is envisaged to:

• Conduct a broad public debate on the further development of the administrative-territorial structure of local authorities and establishing a second level of self-government in compliance with the requirements for our European integration;
• Discuss the distribution and differentiation of functions between the central and local authorities;
• Increase the independence of the local authorities through decentralization of the functions, allocation, planning and spending of resources;
• Improve the horizontal coordination between the National Assembly Committees, the Council of Ministers and the Ministries in order to regulate the process of decentralization of functions and resources provision;
• Regulate the processes for training and qualification of the personnel in the local authorities.

Domestic and International Professional Capacity to Prepare Reforms

USAID, FLGR, Associations of Municipalities

After the Constitution was adopted and the local self-government was established, public pressure was significantly reduced and it resulted in less activity in the realization of the decentralization. Since decentralization was not a governmental priority it was the passive participation of the whole process and gave in only in the instances when it was not able to counteract efficiently. The rhetorics of a restricted decentralization often hides the real intentions which in most cases are transferring responsibilities to the municipalities without providing funding in other words this is the tendency of delegating responsibilities but not authorities. It seems that the topic of decentralization is
not of great importance for the public opinion in Bulgaria. The public opinion does not consider the decentralization an integral part of the efforts aimed at better government. That is why external pressure and lobbying from the NGO sector became the main source and engine of reforms.

The National and Regional Assembly of Municipalities, the municipalities themselves and the NGOs and particularly the Foundation for Local Self-government Reform took an active role. On 11 December, when the fifth anniversary of the establishment of the National Association of Municipalities is celebrated, the Prime Minister and the Chairman of the National Association signed an agreement for cooperation between the Government and the municipalities. The main goal of the agreement is to realize the long delayed decentralization and financial independence of the municipalities. The agreement guarantees the joint development of normative act drafts and the participation of representatives of the Association in meetings of the Government when it discusses important issues related to the municipalities.

Of utmost importance for the reform is the fact that the Bulgarian mayors have a very strong lobby. What are the factors for that? First, the population directly elects the mayors and the majority element enhances their authority. The mayors of big municipalities like Sofia, Plovdiv, Varna, Burgas, Russe and others are the personalities with a high rating in the country and the respective regions. Second, the mayors, especially those of the big municipalities, operate with substantial resources with a lot of staff, since the Bulgarian municipalities are big in territories. Very often they take key positions in the government of the country. A fairly large group of former mayors and regional governors traditionally become Members of Parliament. In 1997 the mayor of the capital became Prime Minister and managed to successfully deal with the crisis in the country within the first few months of his tenure. The 1998 Government had a Vice Prime Minister Minister and Minister of Regional Development and Public works whom before being promoted was a municipality advisor. Four Ministers in the current Government are former mayors—one of them is a Vice Prime Minister and Minister of regional development and public works, second is Minister of Public Administration, the third is Minister of Agriculture—the most important sector in Bulgarian economy and the fourth is minister without portfolio. There is an increased interest and involvement of the mayors of the municipalities and the heads of the regions towards the need of decentralization. So the lobby of mayors is the link between the government, think tanks, associations of municipalities, the elected politicians, members of parliament and political parties.

Among the key players in Bulgaria the biggest professional capacity have the NGOs. Apart from the above-mentioned National Assembly of the Municipalities a well-laid network of regional associations of municipalities are built in the country, covering its territory on the geographical principle. To a great extent this is due to the financial and technical support provided by the US Agency for International Development and other donors. The National Assembly of the Municipalities was established with the active role of another powerful NGO—The Foundation for local self-government Reform. This organization also helped in the structuring of the professional organizations of those working for the municipal administrations—municipality secretaries, lawyers of municipalities, the PR officials, the finance experts in the public sector.

It will be very true if we say that in the course of the last 5 years almost everything that happened in the area of decentralization has the NGOs as a background. For example the development and approval of the Regional Development Act, the Municipal Budgets Act, the publication of the European Charter on local self-government.

The state uses their capabilities in different ways. An example is the provisions of some laws that envisage the participation of municipality representatives in different consultative councils, working groups, their active participation in the work of the National Assembly Committees, the coordination with them of different drafts of normative acts. The Government is less and less engaged in assigning the development of concepts and programs as it used to do at the beginning of the reform. This niche was successfully filled by the above mentioned NGOs. They take part in the whole legislative process: do research and initial analysis, organize campaigns on the need of a certain decision, participate in working groups for writing laws, take part in the work of the Parliamentary Committees, organize workshops and other activities in order to support the implementation of the new law.

KPMG

The Government, funded by the World Bank, engaged in March 1993 the Group for Economic Policy of KPMG Peat Marwick—Washington, DC to make an assessment of all the drafts and give recommendations on the development of the respective legislation by outlining and
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pointing out the possible way in that direction. The analysis and the recommendations were collected in a report ‘The decentralization and strengthening of local self-government in the Republic of Bulgaria’ that was presented in September 1993. This is the first sufficient analytical report outlining the directions of decentralization in the country. Furthermore it served as the background for the ‘Key Points of the Administrative Territorial Reform’ done in 1995. This report as well is circulated among a very limited number of people.

The report recommends that it is not feasible to establish a second level of self-government with fiscal autonomy or at least the two levels should not be established simultaneously since this requires huge efforts and will result in competition for political power between the levels of sub-national government. Recommendations were given on division of expenditure functions between the state and the municipalities, the municipalities funding, the necessary political reforms, the change of borders of the municipalities, the status of the capital Sofia, the association of the municipalities, the property of the municipalities. Yet another recommendation was not to establish regional self-government or at least to delay by something like 10 years. Different Bulgarian Governments highly selectively followed these recommendations. The held within the framework of the study activities—workshops, discussions, specific consultations provided for the establishment of favorable conditions and formation of political will and unanimous understanding of the need for and the direction of the reform. The study and the joint work with the team of experts were highly beneficial for the future work of the Bulgarian teams directly involved in the work on the reform.

International Monetary Fund

It might be pretty strange but since 1998 the IMF is a key participant in the process of defining the trajectory of the decentralization process.

UNDP

Upon the request of the Ministry of Territorial Development and Public Works in 1998 the UNDP supported a Consultancy Mission on Decentralization. It comprised of two parts: report summarizing the decentralization experience in Latin America, outlining positive conclusions for the situation in Bulgaria and a study visit to Bulgaria with the aim to prepare a final report, that sums up the impressions from the decentralization process in Bulgaria as well as making recommendations in relation to the decisions that have to be made.

The report does the most detailed analysis of the decentralization process in the country within the last three years. Regretfully this highly beneficial report was not officially published and is circulated among very few people working for the Ministry of Regional Development and Public Works.

The contribution of the UNDP is more than that. The problems of good government and decentralization in particular have always been the focus of the attention. In view of development of the democratic institutional infrastructure, the 1997 UN Development Program Report on Human Development recommends ‘ensuring guarantees for the efficient decentralization of the state administration.’ The annual 2000 UNDP Report was entirely devoted to regional and local development problems.

Council of Europe

After the Republic of Bulgaria became a member of the Council of Europe in 1992 the contacts and the expert, consultant, methodological and experimental assistance, directly related to the problems of decentralization, was sufficiently enhanced. The Bulgarian Government was engaged with the development of the basic program documents for decentralization expert teams in the different Ministries and research units were helped out in the development of the specific Bulgarian projects and papers through exchange of expertise, consultations, training and specialization as well as through attending international workshops.

Joining the European Charter on Local Self-government, although its clauses were earlier included in the different drafts of the reform, gave impetus to the decentralization. The Congress of Local and Regional authorities in Europe plays an important role for the decentralization. The Congress monitored the country. The visits of delegations from the Congress turned into a catalyst for the progress of the process. Most beneficial were the intensive contacts between the Congress and the Bulgarian Government in 1998–1999 when a working group from the Congress visited Bulgaria a few times and made a Report on the situation of local and regional self-government in the Republic of Bulgaria.
Bulgaria was invited to start accession negotiations at the Helsinki Summit in 1999. Soon after that the Parliamentary Assembly of the Council of Europe stopped the supervision on Bulgaria and made a number of recommendations. One of the recommendations was to introduce self-government at the level of the 28 regions.

Accession to the EU

The European Union has no specific requirements as far as decentralization is concerned and does not have a model for decentralization, common theoretical frame, nor optimal degree of decentralization to which a country should follow. Nevertheless the membership invitation totally changed the direction of the public debate—more attention is now paid to regional development, regionalization and regional self-government. This makes one think that such an attitude to decentralization provides arguments to the supporters of restricted decentralization by saying that a financial centralization is necessary in order to collect resources for co-funding of projects. Fortunately the membership invitation had a positive impact on decentralization as far as the method of work is concerned. The Bulgarian Governments learned how to develop management programs, strategies and program documents as well as how to implement them and report on the results achieved. The PHARE Program of the European Union funded a number of projects mainly related to the public administration reform.

Economic Conditions

Currency Board and Decentralization

Since 1998 Bulgaria is in a currency board. In summary this means high budget restrictions, restrictions for funding the deficit, the financial discipline and stability at macro level. For five years now the Bulgarian national currency—the Lev is in a 1:1 ratio with the German Mark. This is yet another good argument used by the enemies of the financial decentralization. In spite of our claims that Bulgaria is not in transition any more the chances of decentralization are not large as long as the greater part of the budget is used for covering the external debts.

For that reason Bulgaria is a classic example for the economization of the decentralization issue and rejection of decentralization because of economic reasons. Instead of decentralization for the sake of economic reasons the decentralization in Bulgaria had stopped due to economic reasons.

On the other hand the economic policy is under the supervision of the currency board is realized to a certain extend independently from the problem related to the reform and decentralization of the public administration. The Ministry of Economy is responsible for the economic policy, which in no way is engaged with the reforms in the public sector. Worse than that the understanding, that first of all an economic reform should be done and after achieving economic stability and development there will be resources and time to pay attention to the accommodation of the public sector to the needs of the process of development of democratization of the country, is getting more and more supporters. The major and prevailing engagement of the national authorities is the economic development. The decentralization in the beginning of the transition started mainly as a strive towards democratic values. That is why it can’t be treated as a solution of the crisis.

Up to now there is no political platform, which clearly supports the understanding that decentralization is much more cost effective than centralization. When there is deficit the state can easily argument the centralization of power by pointing out that it will much better manage the resources. Another reason for centralization could be protection of public interest in fighting corruption and criminality in general. In the last year or two the relation of decentralization with cost effectiveness became more important because of the work on improvement of the services for citizens. Efforts are also made to reduce the great number of permit and license regimes. It was found out that it is much more cost effective to give the municipalities more authority to organize the services instead of the citizens traveling to the capital for minor services and permits.

One of the most serious criticisms of the Bulgarian governments in the last 7–8 years made by the Council of Europe and the Bulgarian municipalities was related to constantly assigning new tasks without providing funds for their realization. This hides nothing less but the desire to avoid the problems via focusing the public discontent towards the municipalities and the other structures but not the central government. Frequently social welfare is not paid on time. The rage of the protesting people is addressed to the municipalities.

The conclusion is that it is very difficult to decentralize in a currency board because of the fear that the transfer of
resources and competence to the echelons in the public sector of a lower level can have a negative impact on the management of the macro-economic variables and respectively the economic stability in the country. An illustration of this approach is the period 1998–2000 when the focus of the governmental policy was on the macro-economic stabilization without taking into account the need for development and looking for decisions which no matter how risky would contribute to the development.

The ruling party won the elections with a strong liberal platform in which the decentralization played an important role. The adopted elections leadership program is restrictive according to some assessments. The reason is that in order to guarantee macro economic stability, the Government, again signed an agreement with the IMF and accepted the conditions of the Fund. The program of the current Government, elected in July this year, comprises of the most radical outlines of measures for decentralization and despite the mentioned restrictions it is doing its best to implement them. The proposed draft budget for 2002 is the best in view of the municipality budgets since the beginning of the transition. The investment possibilities for the municipalities are enhanced, impetus is given to the realization of the envisaged incomes in the municipality budgets. A decision how to cover the existing deficit in the municipality budgets was found. The efforts of the local authorities and their associations, of FLGR and LGI to include in the Governmental agenda the issue of financial decentralization were at last successful so as of the current stage of the reform the efforts are directed at financial decentralization.

Finally, I share the concerns that without fiscal decentralization the level of decentralization will remain very low. The position of the municipalities on the goals of the reform in summary reads as follows: 'The realization of the idea for strong local authority should start and finish with financial decentralization.'

The mentioned report of KPMG is also of the opinion that the financial decentralization should be categorically used for the reduction of the state expenditures.

Decentralization and Privatization

An analogy between the two processes and the need for the privatization (reform and withdrawal of the state from the economy) to develop in parallel with decentralization (reform of the administration and withdrawal of the state from the public sector) is being done in Bulgaria. Decentralization is rather treated as a way to escape the problems via transferring them to other levels of responsibility. The analysis shows that privatization is undoubtedly of a higher priority. Up to now not a single government had supported decentralization while several governments had announced themselves as governments of the privatization. 'The big' privatization is out of the control of the executive power and is under the Privatization Agency whose work is supervised by the Parliament. While Parliament is constantly dealing with privatization—electing the Board of directors, approving the annual reports and the privatization program it had never had a particular attitude as far as decentralization goes. Apart from the Privatization Agency almost all Ministries have branches dealing with privatization. The comparison between the two processes shows that no attention is paid to decentralization.

Regionalization and Local Self-government

The current Government declared its intentions to introduce a second level of self-government. Regardless that the issue of establishing self governing sub units had been raised periodically, the second level of self-government in the regions became actual today, 11 years after the beginning of the transition.

Even if a second level of self-government is established its authorities will be highly restricted because of the small territory of the country, the Constitutional restriction on establishing autonomous territorial formations and the fear from federalization of the state via defining regions in which the minorities dominate the local and regional authorities.

Administrative Capacity to Manage the Reform

The decentralization issue is not taking an important place on the list of priorities. As a result there is no structural and united political and administrative position on the decentralization policy issue in the country. Furthermore all expert working on it do not believe that decentralization is a national interest. The technical team dealing with decentralization believes that the decentralization problem is rather political than technical in other words the problem is clearly defined at the technical level, but the politicians are not clear about it.
The most important unit, playing a key role in decentralization is the National Center for Territorial Development to the Ministry of Regional Development and Public Works. The Center was established back in 1960 as an institute that provides legislative, methodological, information, expert and constancy services in the area of regional development, territorial division and spatial planning. The Center developed the already mentioned draft decentralization strategy, called ‘Key Points’. Regrettfully the capacity of the center, the expertise and the highly qualified team were gradually lost for the purposes of the territorial reform. In 1999 the Center was transformed from a branch within the Ministry of Regional development and Public Works into a limited liability company, which to a certain extent restricted its access to the government processes After that a new body or unit dealing with the decentralization process was not identified since there was no program documents engaging the governments to continue the reform. The territorial decentralization remained a responsibility of the Ministry of Regional Development and Public Works, but the Ministry has no clearly identified team, responsible for the reform.

After the beginning of the public administration reform, the, Minister of Public Administration, in his capacity of a leader of the public administration reform, gradually undertook part of the reform functions related to the decentralization process, but this is only within the framework of the public administration reform.

From 1999 to mid 2001 the functions of a Minister of Public Administration were assigned to the Prime Minister, which time and again demonstrates the attention paid to the public administration reform in comparison to the territorial reform. Due to that all important activities in that area were implemented under the direct supervision of the Prime Minister including the new territorial division at the level of regions, introduced at the beginning of 1999 and the adoption of the Regional Development Act in the beginning of 1999. There was no special unit directly supporting the Prime Minister in this function. The existing Regional Coordination Directorate was supporting him without any special authorization to implement the reform.

The central and the local authorities are very well aware that the lack of a written document on the stages of the reform is not a big problem if there is a will for dialogue since the Government might have a strategy but if it does not want to implement it everything else is fruitless. From that aspect decentralization is treated as a continuous process but not a single act that has to be completed by a defined timetable. Thus the lack of a written strategy is becoming a powerful argument of the decentralization in Bulgaria since it provides opportunities to focus on what is important at any particular stage at the current important issues and not follow artificially outlined stages.

Things are totally different in the field of the public administration reform. It also started with preliminary analysis. A special declaration of the Government, addressed to the citizens, was adopted. Together with this the Government approved a Strategy for the establishment of a modern administrative system. Making the reform a priority resulted in the establishment of the first ever Ministry of Administration. A ‘State Administration’ Directorate to the Council of Ministers and Public Administration and European Integration Institute were also established. The reform is conducted continuously by all Governments and the public is very well aware of what has been achieved and what still has to be done. As far as the methods and techniques of the reform are concerned the public administration reform is much better organized.

Since decentralization is not a high priority, it is not treated as a unified process that needs to be developed continuously. Because of that there is no strategy for it, there are no structures, task forces or special commissioners for policy design and reform implementation. The stages are not clear, a review of the results achieved is not done. That is why an annual report of UNDP points out that some of the changes are done in compliance with the principles of countries in transition—the changes are done either spontaneously or on a case by case basis, acclimatizing to the realities after they occur.24

Among the civil servants related in different ways and at different levels to the problem of decentralization there is no real and deep enough understanding, that the country indeed needs a process of efficient decentralization—basically one of the most often sited reasons for the need of decentralization are the requirements of the European Union,25 but not the real need. Another problem is that the policy makers are conceptually perplexed regarding the processes dealing with decentralization and those dealing with de-concentration.

Policy Lessons

• The decentralization is part of the transition process;
• The decentralization is a comprehensive, radical pro-
cess related simultaneously to the structural economic reforms, the reform of the administration and the changes in the society and its interrelation with the state;

• A connection with the other reforms should be ensured;
• It is necessary to preliminary reach a national consensus on the need of such a process and on its basic characteristics;
• At the very beginning the best possible policy and model should be developed, plus a clear understanding among those defining the policy and the politicians themselves;
• A Strategy for the realization of this policy and this model should be developed with clear stages and activities that should be realized by each of them, as well as the time tables, the necessary mechanisms for coordination and the critical trajectory of the process;
• The model should be flexible recognizing from the very beginning that changes could be done at different stages;
• An inter-governmental committee, headed by a Minister should do the whole coordination at the highest possible level, which personally represents the Prime Minister.
ANNEX

Basic Laws on Local Government


5) Local taxes and fees Act, St. Gazette, No. 117/1997 and amendments.

6) Municipal property Act, St. Gazette, No. 44/1996 and amendments.


9) Spatial planning Act, St. Gazette, No. 1/2001 and amendments.


REFERENCES

NOTES

1. That is why I use the two terms as synonyms: decentralization reform, administrative-territorial reform and local self-government reform.


4. Today this Ministry is called Ministry of Regional Development and Public Works.

5. These were defined in this manner so that they include at least two tenures of the National Assembly.


9. The major political forces in the country are the Union of Democratic Forces (people’s party); the Bulgarian Socialist Party (socialist, social democratic party); the Movement for Rights and Freedom (liberal, minority party); National Movement Simeon the Second, which is a newly established political force that won the last Parliamentary elections.

10. He intends to form new political party, ‘mayors party.’

11. He is steel chairmen of the National Assembly of Municipalities.

12. He is former chairmen of the National Assembly of Municipalities.

13. All of them are members of Congress of Local and Regional Authorities of Council of Europe.

14. The right of the municipalities to have their national assembly and the goals on which they might be in dialogue with the Government are stipulated in a Law. This is stipulated by Art. 9 of the Local Self-government and Local Administration Act.

15. Ten regional associations of the municipalities and three assemblies of the municipalities, which are not based on a territorial principle, have been established. An example is the association of the municipalities with minorities, called ‘Tolerance.’

16. The program of the Bulgarian Government, approved October this year clearly states that a task of the Government is to regulate the relations with the National Assembly of the Municipalities in the Republic of Bulgaria, the Foundation for the Reform of Local Self-government, the Regional Associations of the municipalities and the professional unions of those working for the local self-government in view of their practical participation in the processes of local democracy development, which is an indication that they are reliable partners.

17. The mission was assigned to German Correa. The consultant has a very broad expertise—before mission he was on missions in the area of public sector reform in Honduras, Mongolia and Bolivia, Nicaragua, Egypt He is a former Minister of Transport and Telecommunications and Minister of Interior of Chile in 1990–1994.


19. Art.4, vii. ‘the 28 newly established regions should be given directly elected councils in accordance with the European Charter of Local Self-government.’


23. About 10% of municipal councils are dominated by minorities.


Public Administration Reform in the Slovak Republic
—Management of the Process

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INTRODUCTION

The public administration reform is a long-term, never ending process. It has been up and running since 1990 in the Slovak Republic, 2 years in the Czecholovak Federate Republic, and more than 10 years in the independent Slovak Republic. From the start, it was understood that it was going to be a complex task comprised of 4 reform processes:

- **Change of the territorial arrangement,**
- **Reform of the public administration institutions.**
  a) New arrangement of the state administration, including the reform of the central state administration bodies
  b) New arrangement of the self-government (creation of its second level and reform of the local self-government),
- **Decentralization of the powers and competencies, decentralization of the public finances and decentralization of the political power from state administration to self-government bodies,**
- **Modernization of the public administration (legislative framework and management, control, and education).**

The process of the reform started by electing the local self-government bodies (towns, villages), in 1990. Then, in the years between 1991 to 2001, there were changes provided within state administration only (disintegration followed by integration of the offices, cancellation of the county level and then its application at the circuit level and then once again its cancellation...), these changes cost several billions of Slovak crowns (the estimated cost was about 25 billion Slovak crowns). The year of 2001 created movement in the area of decentralization and creation of the second level of the self-government—a region.²

The study contains the process of the preparation and realization of the public administration reform since 1989, since the fall of communism, or from 1990, when the new legislation was approved, till today. The study of the development is divided into three units:

- The chronology of the development from 1990 to 2001.
- The summarization of the knowledge.

In the last twelve years, there have been 7 changes of government in Slovakia. Each of them had its own idea of public administration, its structure and system of work. Some of the ideas were compatible sometimes they were totally different. It is necessary, for better understanding, to include in this material some short outlines of the models of public administration, which were preferred at different times. The management techniques and methods of the decentralization reform are stressed in this study.


After the fall of communism, in 1989 the new government headed by Mr. Milan Čič was appointed. Vladimír Mečiar, later known as a triple Prime Minister, was appointed to the position of Minister of Interior in February 1990. The main task of this government was to lead the country to free elections, when after more than 40 years the parliament would be freely elected again. Some changes in the structure of public administration were planned at that time, mainly re-construction of the self-government, within the preparation of democratic changes. Based on the resolution of the government, the Minister of Interior was charged with the preparation of this task.

The free elections were held in June 1990; the new government was appointed. The government program, which was about the big changes towards democratic regime, contained also the changes in the structure of public administration, its democratic functioning and reconstructing...
of the self-government. There were no thoughts about creating the second level of self-government. These ideas arose for the first time in 1991.

The municipal law was adopted by the parliament in the autumn of 1990, which reconstructed the self-government in Slovakia and split the public administration to state administration and self-government. The system of national committees was abolished. The municipal law empowered the municipalities with some powers and competencies. In the spring of 1991, the law on municipal property was adopted, which transferred selected property of the state to the towns and villages that allowed the real functioning of the self-government.

There was also a new law adopted: law on organization of the ministries and other state central bodies (so called ‘large competency law’), which divided the powers and competencies among these bodies and set the basic mechanisms of their functioning and the relations among them. In accordance with this law, based on the government resolution, the whole process of the public administration reform management, organization and its decentralization was managed by the Ministry of Interior.

Some members of the government were replaced after Prime Minister Mečiar was dismissed from his position in March 1991. The government was then headed by Prime Minister Ján Čarnogurský. The concept of the reform of public administration was worked out by the Ministry of Interior and approved by the government. This concept contained the creation of the second level of the self-government and also the proposal of a new territorial arrangement of Slovakia to new units—so called ‘zupy.’ The material was submitted for discussion to the parliament. The next parliament elections were planned to take place in June 1992, the members of the parliament decided not to change the character and structure of the state. They left the final decision for the new parliament, which was created after the elections. This policy seemed to be a big mistake, because it allowed for the possibility of an autocratic regime in 1994 to 1998, but also the cardinal delay of public administration reform in comparing with other post-communist states.

In the period between 1992 to 1995, there were some attempts to continue the preparation of the reform, but without any real result. The following two reasons are important:

- An independent Slovak republic was created on 1 January 1993 by the constitutional law adopted by the Federal Assembly of the Czech and the Slovak Federative republic. The government and the parliament were focused mainly on creating the structures of a new state, and its central bodies,

- The destabilization of the political scene. In the spring of 1994, Prime Minister V. Mečiar was dismissed again, the new government was appointed for six months and new elections of the National Council of the Slovak Republic (parliament) were held in autumn 1994. The HZDS won the election again and Mečiar returned to the position of Prime Minister.4

The Ministry of Interior organized the work on the reform between 1992 to 1996, aided by the special commission, headed by the Deputy Prime Minister. This commission was cancelled and only the Ministry of Interior organized the works after the power changes, with the clear support of the majority in parliament, mainly after the 1994 elections.

The law on territorial and administrative arrangement of the Slovak Republic and the law on local state administration were approved in the first half of 1996. The president of the Slovak Republic sent back both these laws with comments for new discussion and approval, but they were approved again in an unchanged form. The ruling political parties were talking about public administration reform and decentralization, in fact there was only the state administration reform, because the new structure of the local state administration was established (district and county state administration bodies). They did not consider the transfer of competencies and powers to the self-government. Within the new territorial and administration arrangement, 121 circuits and circuit offices were cancelled. From 38 districts 79 new districts were created and also 8 new counties and county offices. At the same time, in spite of the attempt to integrate local state administration, 23 network of the specialized local state administration remained. The law led to the creation of the second level of self-government within the county areas, but decentralization of the competencies and finances remained unsolved. This ‘reform’ was approved in spite of serious reservations and disagreement not only from the experts, but also from the citizens of Slovakia. The realization of the reform stopped after this change of the state administration structure in that election period. The government prepared the draft law on the regional self-government, but it did not contain the real decentralization of the competencies and political powers. It was denied not only by the parliamentary opposition and representatives of the self-government (their resistance turned to open demonstrations), but also by the representatives of the Council of
Europe. After that, the coalition withdrew the proposal from the parliament. This step had also its political background. The coalition leaned more to the centralist model of the state and realization of the elections to the regional bodies before parliamentary elections was raising the risk of failure for ruling parties.

In political outlines to the coalition agreement and in the program of the next—Dzurinda’s coalition government, after the 1998 elections, a new obligation appeared—to continue and bring to an end the public administration reform. The government, due to its program would realize the decentralization and consider a need of the new territorial arrangement of the Slovak Republic. By the approving of the government program, members of parliament obliged the government to submit the conceptual document on the continuation of the reform measures, till the end of June 1999. First, the Ministry of Interior was given this task, but then the decision was changed and the position of government plenipotentiary was created to deal with the decentralization and public administration reform. The past experiences showed that if such a wide process, as public administration reform is managed only by one government resort, it does not bring the effective results.

The plenipotentiary (Viktor Nižňansky) was appointed for the purpose of reaching the cross-cutting approach and the preparation and organization of the reform process and including the non-government institutions to the process of preparing the reform. The main task of the plenipotentiary was to prepare and submit conceptual documents for necessary political decisions4 at the level of coalition political parties, government and parliament.

The plenipotentiary was given by the government the task to work out and submit The Strategy of Public Administration Reform. It was a complex framework document, which outlined the basic way and mechanism of the reform process. For the acquittal of this task, the plenipotentiary created a team of experts, self-government representatives and NGO representatives. Also foreign experts participated in the work within Phare support programs and other support programs. At this stage, coalition parties appointed their experts, who were informed about the whole process and they had to inform their political parties. The series of discussions about the possibilities of the reform within individual sectors5 was part of the preparation. This document was worked out and submitted to the coalition council and government in May 1999. The government approved it and related resolution in August 1999.

The basic contents are:

- Continuation and realization of ‘dual model’ of public administration,
- The framework list of the competencies, which will be decentralized from the state administration to the self-government,
- The time schedule of the preparation and realization of the reform,
- Organization of the next preparation.

In the government resolution to this document, the plenipotentiary was given the task to work out the Concept of Decentralization and Modernization of Public Administration, that described detailed individual reform processes, together with the tasks and time schedule their realization by individual ministries. During the preparation of the Concept, 24 meetings took place in the regions of Slovakia with the participation of the representatives of the local state administration, local self-government, NGO-s and the citizens. The range of decentralization of the competencies, they’re financing, inter-municipal cooperation and changes of the territorial arrangement were discussed. These seminars were organized to keep the public informed about the preparation of the public administration reform, approved by the government and supported by the Canadian government. Several expert teams existed during that period, supervised by the plenipotentiary and supported by the Phare program. They worked on the solution of the partial reforms. The Concept was worked out and submitted in January 2000. The first, coalition council dealt with it, and, in spite of the previous intentions, put this document to the process of inter-ministerial comment procedure and to discuss it in the government advisory bodies. It was done by the left-parties SDL (democratic left party) and SOP (party of citizen’s understanding).

This material was worked out and submitted to the government in January 2000. The government approved it in April 2000; in the government resolution to this document concrete tasks and concrete terms for their realization were given to the individual ministries. The government appointed the Deputy Prime Minister for Economic Affairs to be a coordinator of the works related to the public administration reform within the government. The mandate of the plenipotentiary was prolonged for the period of the next preparation and realization of the reform.6

The reform, as mentioned above, consisted of four components:

- New territorial arrangement of the Slovak Republic.
- Decentralization of the competence, finance and political power.
• The reform of the institutions (bodies) of the public administration—creation of the second level of the self-government, cancellation of the district offices and reorganization of the local state administration and reorganization of the central state administration bodies.

• Modernization—there were some principles of related concepts submitted in the Concept—education of the employees in public administration, informatics, management, but also the control in public administration (auditing). The Concept contained the reform principles of the central bodies and the central government with the aim first to realize a rationalization within the existing structure and then, in the second phase, the radical change of the structure of the central bodies will be realized. The project of ‘Audit of the central state administration bodies and their financing’ was based on this idea (‘audit’). Further, the relationships within public administration, mainly those related to labor law, were provided individually by the new acts on the state service and civil service. The project of the audit is still realized under the supervision of the Deputy Prime Minister for Economic Affairs Ivan Miklos. The government resolution was the result of the audit, it contains more than 50 individual tasks for various central state bodies, further, there are the recommendations for the cancellation or unification of some organizations, that are founded by central state bodies. There are proposals for privatization of operation of some of these organizations and proposals for a change in the way of financing such organizations and operations. There was a bigger problem in the preparation of new draft laws on state service and civil service. The preparation of these drafts was the task of the Ministry of Labor, Social Affairs and Family. This Ministry is due to a coalition agreement—in the hands of the post-communist SDL (democratic left party), the philosophy of these drafts was mainly about conserving the contemporary status, or to reach a status, when to make any personal changes would be very difficult, also dispensing with excess clerks. Also the possibilities for attracting young, well educated people to public administration were not included to these drafts, as well as the system of the ‘fast track’ for these people, ... These ministerial drafts were refused mainly by the Deputy Minister for Economic Affairs, who, together with his team elaborated the alternatives to the individual provisions of the draft laws. These basic discrepancies caused by that the preparation and approval of these acts in the government took too long and the process was too complicated. Finally, there was a compromise reached on the special meeting of the government in March 2001; both of the acts were approved and then also by the parliament, in the summer. The object of the act on state service is the regulation of the law relations by providing state service. There are the rights and obligations of the state and state servant related to the state service. The civil service, according to the law, is a performance of the work in the public interest, related to local self-government. Further, the law provides the civil service and the relations related to the labor law to those employees, which are different legal entities active in the area of public administration. The government individually discussed and approved the concept of education, the new informatics system started to be realized (mainly within state administration—Govnet system), the concept of the control (auditing) was elaborated, which still has not been discussed in the government, but some provisions were included to several laws.

The process was significantly reduced in its speed after the concept’s approval. Mainly the left part of the coalition started to put up barriers, in spite of their confirmation of the basic documents in the government. The SDL was changing their statements to the issues of the territorial arrangement, speed of the reform process, using its influence in the ministries, managed by the ministers nominated by SDL.

Due to ever increasing delays, the realization of the time schedule for individual tasks became more and more unrealistic. Finally, the discussion about the next continuation of the reform became the discussion about the new territorial arrangement of Slovakia, in spite of the complexity of the concept. The government approved two resolutions related to the proposed change and both confirmed this proposal. The coalition political parties did not reach the agreement, because the left parties were changing their opinions and the SMK (Hungarian coalition party) preferred their own idea of territorial arrangement, mainly in the second half of 2000. These caused disagreements, the concept was not submitted to the parliament and the political decisions were made by discussing and approving the new laws related to starting the public administration reform in 2001.

In the spring of 2001, the government approved several laws, which were submitted to the parliament for the next legislative procedure. The discussion about the new territorial arrangement became really acute. The new proposed model predicted the existence of three levels of public administration (municipality, region and state), providing
existing elected bodies on all three levels. The new 12-unit arrangement of Slovakia, the so-called ‘župy’ was recommended. This division respected historical and natural regions created over the centuries. The left part of the coalition (Democratic left party and the part of the Party of citizen understanding) changed its mind several times and finally joined the opposition in favor of preventing the 1996 model, which the SDL voted against at that time. The post communist joined the opposition at the voting in the parliament and outvoted the rest of coalition. After this voting in the parliament the plenipotentiary resigned from his position and the Deputy Prime Minister for Economic Affairs gave up his coordination role.

In September and October 2001, parliament approved laws related to decentralization, but their content does not always correspond with the Concept as initial material for the next reform process. After the discussion, which took several months, the Ministry of Interior was given the coordination role.

The bodies of the new regions will be created in the election in 1 December 2001. They will initiate their functions, at the start of 2002. The competencies and the property, necessary for their activities will be transferred in several stages between 2002 and 2004. The new system of financing of the self-government is anticipated in January 2002. The transferred tasks will be financed by the subsidies until that time.

THE DESCRIPTION OF THE PUBLIC ADMINISTRATION REFORM MANAGEMENT PROCESS

Period of 1990–1992

The first changes in the state took place before the first free elections. Based on the government resolution, the Ministry of Interior was given the task to consider and work out a new model and structure of the local public administration bodies, which will replace existing national committees. The national committees were the only bodies of public administration. The government decided to cancel the structure of national committees—local, district and county in the summer of 1990. This decision was based on analysis from the Ministry of Interior. The Ministry of Interior proposed to abolish the system of the national committees and divide the public administration to elected self-government and appointed state administration. There is a need to highlight one of the basic tools of managing the reform process, which was used later and still is.

The government, due to the Constitution, approves the decisions as a whole body. Only this body is entitled to give the tasks to ministries or other central state bodies and requires the fulfillment. This can only be done according to the approved law. The parliament approved the law on organization of the ministries and the other central state bodies (further ‘competency law’) in 1990. This law regulates the activities of the ministries and the other central state bodies as well as the relations among them. But according to this law, no one individual ministry can give the task to each other and require the fulfillment; the same about the Deputy Prime Minister. So the basic and the most used order is to approve the government resolution, where the tasks are already given to the ministries and also the term of the fulfillment (and sometimes the duty to report about it to the government).

Just because the Ministry of Interior is responsible for the internal state administration, due to the competency law (central state body in the area of internal administration), the government gave (and then was giving) the tasks related to the changes within the public administration just to this ministry. The ministry to that responsible only to the government.

In relation to the public administration reform, we do not consider this mechanism of managing as an efficient one. The public administration reform is too wide a process and the cross-cutting approach and coordination within the state administration, it is also necessary externally.

After the 1990 election, the government decided in its program to continue with the process of changes in the public administration, its decentralization and democratization. Three expert work groups were created, which had to consider the new territorial arrangement and the future optimal model of the public administration in Slovakia. The Ministry of Finance created the first one, the Ministry of Interior created the second one. The third one was created in the parliament by the resolution of the Slovak National Council.8

The government appointed at the same time the Commission of the Slovak government for solving the public administration and the territorial and administration arrangement. This commission reviewed all the three projects and chose the most suitable. It was the one worked out by the parlia-
mentary work group. Then the government appointed the new members of the commission to solve the problems of public administration, besides the members of the government the representatives of the self-governments and the experts from the NGO-s were included. Also the chairman of the representative association of the self-governments (ZMOS—The Association of the Towns and Villages) became a member. The Deputy Prime Minister was the head of the commission, the minister of interior was his deputy. The government resolution that created this commission gave to the commission concrete tasks and the time schedule for their fulfillment, to work out the laws and their submission to the parliament.

The new element appeared during this period in the area of managing the reform process: the creation the cross-cutting commissions, which had a more complex approach to the problem and such a commission could consider the problem from several points of view. This was not only about the primary relation between the government and the Ministry of Interior. The new commission could review several different alternatives, because the parliament was also included in the process through its expert group. At the time of giving the commission its tasks, the Deputy Prime Minister was responsible to the government, also the minister of interior who acted on his behalf. The basic relation and communication between the wide work body and the government was preserved. The next new element was enlisting the experts to the process. Who did not come from the government or the parliament? They could influence the process as members of the government commission, in which the representatives of the NGO-s and the self-government were involved.

The proposals, as the results of the work of the commission, were submitted to the parliament, which had to approve the laws necessary for starting the reform process. That political representation decided not to approve such principle decisions so close to the parliamentary elections (summer 1992); they left this decision to the parliament, which would come from the elections. The new government, after its formation revoked the time schedule of the works on the public administration reform. It stopped the process of the systematic changes, the government forbade the recruitment of new staff into the public administration, and ordered the lowering of budgets to the local state administration proportionally. This was done through the government resolution.

In that period, lots of foreign institutions helped us, also in the area of the public administration reform. The government created The Government Center for Coordination of the Programs of the Foreign Support in Public Administration for better order and to use these programs effectively. The Ministry of Interior was responsible for setting up the center, and the Ministry of International Relations co-operated with this center in its foreign activities. This was the first attempt to coordinate the foreign support for the purposes of its effectiveness. This center did not do any meaningful activities until after the 1992 elections and was later cancelled.

**Period of 1992—1998**

After the 1992 elections, the development focused on the separation of Czechoslovakia, so the problems of public administration reform were pushed back. Based on the constitutional law approved by the federal parliament, the Czech Republic and the Slovak republic became two independent states from January 1, 1993. Then the state and its representatives focused on building the structures of a new state, which were necessary to act, because the majority of the (mainly federal) bodies had its seats in Prague.

The government started to deal with the reform again in August 1993. The head of the government commission for solving the public administration and territorial arrangement had to work out and submit to the government the report on the progress of the work on the concept of the local public administration. The head of the commission was at the same time the Deputy Prime Minister; he was given by the government resolution the task to submit the proposal of the concept of the local and regional self-government. This concept was approved in October 1993 by the government; together with the time schedule for the preparation and the realization of the concept was approved. Within this government resolution the Deputy Prime Minister—the head of the commission and the other members of the government were given the concrete tasks to work out the draft laws, which would be submitted due to the time schedule to the government and parliament. It was quite complex document, which would bring, as a result, the creation of regional level of the self-government and start the process of the decentralization from the state administration bodies to the self-governments. The concept was submitted to the parliament, to make
At that time, the mechanism of the work of the government commission still functioned. There was a possibility to comment and change developing materials. Through this commission, the external experts could comment and influence the documents that were developed at that time. The next managing procedure was as follows: also the legislative intents, which would be submitted by the individual ministers to the government, were first submitted to the Deputy Prime Minister as head of the commission. This allowed the previously mentioned external experts to comment on the ‘pure government’ materials. It was at that time, substantial element in the process of management and coordination of the works necessary to start the public administration reform.

Also the new element appeared in the managing of the reform process. The Deputy Prime Minister was given the task to inform the government on the works related to decentralization every three months in the years between 1995 to 1996. The parliamentary elections were held in September 1994. The winner the HZDS formed a new government coalition together with SNS (Slovak national party) and the ZRS (Association of the workers of Slovakia) in December 1994. The personnel changes were held at all levels of the state administration. Only after this ‘cleaning process,’ did the government parties start to deal with the administration reform process.

In February 1995, the government abolished the Government commission for solving the public administration and territorial arrangement of the Slovak Republic. Several government resolutions of the previous governments were cancelled, those related to the public administration reform and the time schedule of the realization of individual tasks. Also the reports of the government commission, completed with its information (also the result of the cooperation with external experts) were cancelled. The Ministry of Interior was the only body coordinating the public administration reform works, responsible only to the government. The new element appeared in the managing process. The government created a new advisory body the Council of the government for the public administration. The representatives of the ministries were appointed as the members together with only one representative of the local self-government.

The new government renewed the activity of the government commission for public administration reform and re-appointed the Deputy Prime Minister as its head. The Deputy Prime Minister (head of the commission) was given the task of submitting to the government a complex concept of organization and working of the public administration and a proposal for the fulfillment of the remaining related tasks in May 1994.

The head of the commission submitted to the government the report on the state of the tasks related to public administration reform in June 1994. The ministries and the other central state bodies were given the duty to cooperate with the government commission. The materials, which had to be worked out, would be first submitted to the head of the commission. The mechanism of managing the reform process was renewed again, other state structures also cooperated on the work of the reform. The third sector experts actively took part in this work. The opinions (comments) of these experts made there way to the commission through its members, also materials submitted by its head to the government.
The Council of the government for public administration is the advisory body of the government. The members were appointed mainly from the representatives of the central state administration bodies. The head of the Council is the minister of interior. Its activity does not relate only to administration reform, but the public administration as a whole. This body does not approve the decisions it approves only the recommendations, which have only the advisory character. In comparison to the previous commission, the council does not work out its own documents, it only comments on worked out documents, which would be inserted for the meetings of the government. It is a harmless body, dealing with the technical details, not the conceptual aspect of the documents.

In October 1995, the government took into consideration the report of the minister of interior on the works on public administration reform and the statement of the Council of the government for public administration to the proposal of the works on the reform. The individual ministries and central state bodies were charged with working out a concrete analysis, which will review the brand new public administration model, which was not compatible with the previous works. After these analyses working out the ministry of Interior would elaborate the process of the works on the local public administration reform, completed with these analyses. The government resolution contained also the time schedule for the individual tasks.

In the area of the management, a substantive change appeared. The wider expert team did not elaborate on the future model of the public administration to submit to the government for approval. The government approved the model and then the ministries and central state bodies were given the concrete tasks for its realization. It was the movement from the mechanism of the expert discussions and consensus to directive mechanisms based on the previous political decision.

Based on the works realized in the autumn of 1995, the parliament approved two laws elaborated by the Ministry of Interior, which were discussed by the advisory body (Council of the government for public administration), in the first half of 1996. These 2 laws were:

- First, the law on territorial and administration arrangement of the Slovak Republic.
- Second, the law on the organization of the local state administration in the Slovak Republic. At the same time the laws presently in place were cancelled. The government introduced this innovation, as the decentralization of the public administration, in fact there was only partial de-concentration of the decision procedures from the central state bodies to the local state administration bodies. But no second level of the elected self-government was created and no strengthening of the local self-government was done. Related to the techniques of the reform management, nothing changed.

The Ministry of Interior also elaborated on the draft law on regional self-government. Strong resistance arose against its creation within the 8 states, not just from the experts, but also from among self-government representatives. The government was afraid of losing its position and support in the next election, this draft was withdrawn and was not submitted again until the end of the election period (autumn 1998). In the area of the public administration reform nothing relevant was done until the formation of Mikuláš Dzurinda’s government. There was nothing to manage, when no reform was realized.

Period of 1998–2001

One of the priorities of the new government was to continue the process of public administration reform, realize the real decentralization and consider the necessity of change of the territorial arrangement. The National Council of the Slovak Republic gave the task to the government—to submit to the parliament the strategy of the next preparation and realization of the reform. The Ministry of Interior was given this task first. But then, in February 1999, the government changed its previous decision and appointed the government plenipotentiary for public administration reform and approved his status. Due to his status, the Prime Minister controlled the activity of the plenipotentiary.

From the management’s point of view, the next new element appeared—the government plenipotentiary was appointed just for this purpose. With his appointment, the cross-cutting approach was reached, which is necessary for such a wide reform. The plenipotentiary was not em-
The plenipotentiary submitted the strategy of the next reform process in May 1999; the government approved the resolution to that in August 1999. In total there were 12 strategy discussions, which were held in Bratislava and organized by M.E.S.A. There were 32 discussions held across Slovakian regions, with representatives of the local state administration, local self-government and also the citizens.

The Concept also contained the concrete tasks, concrete procedures, which would be done, in cooperation with the plenipotentiary, and also the time schedule. The works were planned to continue to this time schedule. After long discussions within the inter-ministerial commenting procedure, the government approved this document in April 2000. The concrete tasks with the time schedule were given to individual ministries by the government resolution. In the summer of 2000, the plenipotentiary elaborated the initiative document, submitted by the Deputy Prime Minister to the government. The reason was the lack of respect for the government resolution related to the Concept of the decentralization. The ministries were given the tasks to elaborate the projects of the decentralization of the competencies to the self-government within individual resorts, due to the Concept and to the resort reforms (of education, health-care, social affairs etc). These projects were not efficiently elaborated on, they were (1) overdue and (2) not in line with the concept as it was stated in the government resolution. At that time (autumn 2000), the unwillingness of the state bodies to realize the reform and give up the competencies in favor of the self-government started to appear more and more often. The individual ministries started to fulfill their tasks related to the reform only ‘pro-forma.’

The aim of the initiative material was to create the conditions for quicker and more effective coordination of the reform process. Contents of the material came out from the government resolution related to the Concept of the decentralization. By this resolution, the Deputy Prime Minister was given the coordination role at the reform process. Due to the Concept, some of the institutions, providing the reform process were proposed:

- The coordination and expert unit within the Office of the Government;
- The coordination group;
- The deputy Prime Minister for Legislative;
- The council of the government for public administration;
- The central state administration bodies;
- Contact persons in the state administration bodies.

From the initial approval of the strategy every decision tended to weaken the cross-cutting approach. The position of the plenipotentiary was also reduced by the fact, that he was not given any concrete tasks, (he just participated on the tasks of the Deputy Prime Minister) and the position of the Deputy Prime Minister was not strengthened towards individual central state administration bodies. He could only coordinate their activities and use the government meetings to correct those proposals, which were submitted by individual ministries and were in contradiction to the Concept.

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• Propagation of the reform, information of the state and course of the reform.

The unit had two employees: project manager the head of the unit and the coordinator of the foreign support, mass-media policy.

The external experts cooperated with the unit in the area of the legislative agenda, economy, finance, regionalizing and mass media policy.

The sources of the financing of the unit:
• Two employees: salaries paid by the Office of the Government;
• External experts: from the support programs;
• Space and technical equipment: office of the Government.

Coordination group
had the following tasks:
• Discussing the materials submitted to the government;
• The recommendations and suggestions to the expert unit;
• Reviewing the political, economic and social suitability of the proposed solutions.

The members of the coordination group were:
• The chairman: Deputy Prime Minister for Economic Affairs Ivan Miklos

Deputy Prime Minister for Legislation
Due to government resolution coordinates the legislative works on the preparation of public administration reform with the works on the preparation of the amendment to the Constitution, election laws and the proposal of the constitutional act on the security, due to the Concept of the decentralization and modernization of the public administration.

Council of the government for public administration
The tasks due to its statute.

Central state administration bodies
Due to government resolution Nr. 230/2000 (related to the Concept):
• Implementation of the decentralization and modernization;
• Elaborating the projects of transferring the competencies due to the Concept and resort reforms;
• The preparation of the legislative intentions and laws;
• The preparation of the list of laws touched by the process of decentralization.

The contact persons (the office) on the central state administration bodies
Will provide: implementation of the reform of the relevant ministry, information about the impact of the proposed solutions of decentralization, contact and cooperation with the coordination and expert unit, with the representatives of the support programs.

This government resolution was cancelled in November 2001, when the ministry of Interior was given the coordination role again. The change of the organization and realization of the reform was caused by the voting of the parliament on the first two laws related to the public administration reform in July 2001. This voting was followed by the resignation of the plenipotentiary and the Deputy Prime Minister giving up the coordination role. During this period, the following documents were elaborated and approved by the government:
• The starting points of the public administration reform financing due to the Concept,
• The general outlook of the expenses related to the public administration reform,
• The list of articles of the Constitution and the laws touched by the process of the decentralization,
• The proposal for solving the status of the ombudsman,
• The alternative proposal for arrangement of the local state administration,
• The proposal for inter-municipal cooperation,
• The projects for transferring of competencies from state administration to the self-government,
• The project for finding solutions and time schedule for the realization of public administration.
During the preparation of the laws related to public administration reform, no special techniques of management or coordination were used. The relevant ministries worked out the documents, based on the government resolution. The Ministry of Interior elaborated the amendment to the municipal law, the Ministry of Finance elaborated the laws related to the property and financing.

There was also an important role for the foreign partners and donors within the process. There are several projects completed and other on-going projects aided by foreign support. The first group is connected to pre-accession support, related to the preparation of Slovakia for EU accession, and the second group of donors is concerned with supporting bilateral agreements. Their support is not only aimed at the central level, but also local public administration. This support is focused on the governmental (state) institutions and the first group supports independent NGO-s also.

Several projects have been financed within pre-accession support from the EU Phare fund. During the Mikuláš Dzurinda period of government there was: Assistance for the Office of the Government of the Slovak Republic, which contained specifications of the strategy of decentralization and modernization of public administration due to the strategy formulated by the government plenipotentiary for decentralization and modernization of public administration, elaboration and proposal of optimal structure of public administration, professional attitude of civil servants, improvement of services delivery; the other was a support project to the National program of decentralization and modernization of public administration in the Slovak Republic—implementation of the project Audit. The project contained the whole coordination of the audit implementation, monitoring of the audit process, general advisory to the ministries in the area of audit, preparation of the conceptual materials related to transparency of relations among central state bodies and subordinated organizations (annual reports, public bills, contracts, etc) the preparation of the conceptual materials to the transformation of such organizations (concept, law), draft to the law on public procurement, realization of the concept in the form of pilot projects and other works; the other larger project is the Twinning project, which is running right now, realized by the consortium of the states of Spain, Great Britain and France and it is focused on the support of the process of reform, legislative area, control (auditing) area, education in public administration, improvement of the management of services delivery.
The other projects, which have to be mentioned, are: project supported by the British Department for International Development (government agency), which is realized together with the British organization Public Administration International and is focused on various aspects of modernization in public administration, for example: fast tracks, public procurement, education, quality of the services, ... And there are also some other foreign donors, which have to be mentioned, too, because of their support the programs within public administration: USAID, UNDP, CIDA—Canadian Urban Institute, Dutch Royal Embassy, British know-how Fund, and many more.

In September 2001, the National Council of the Slovak Republic approved one of the most important decentralization laws, the law on the transfer of some competencies from the state bodies to municipalities and upper-tier territorial units, so called 'little competency law.' Its preparation was quite complicated and from the coordination point of view quite nonstandard. The relevant ministries were given the task to elaborate the proposals of the competency decentralization within their resorts. These proposals would be submitted to the Ministry of Interior; this ministry had to summarize these proposals and submit it to the government as one united law. The first proposals were really poor; the content of the competencies was not in line with the Concept. Then the Prime Minister himself took the initiative. The work group was duly appointed, it is made up of state secretaries from the relevant ministries concerned. This work group had to work out brand new proposal, which would correspond with the Concept as much as possible. The Prime Minister personally supervised the work of this group and the result of this work was submitted to the government after he had expressed his satisfaction. From the coordination and management technique's point of view, such a procedure is not unusual, but even non-standard (the Prime Minister can not supervise the preparation of every law).

After approving the organization law on the regional self-government, election law and 'little competency law', the new additional laws were approved by the parliament in October 2001: the law on regional property, the amendment to the law on municipal property, the amendment to the municipal law and the amendment to the law on budgetary rules.

The approval of these laws could be considered as a start of the public administration decentralization process. However, it does not mean, that the principles approved by the government within the strategy and Concept were involved. The laws (maybe except election laws) have several deficiencies, the competencies between the state administration and self-government is too divided, creating space for the state administration to intervene in the functioning of the self-government (breaking the principle of subsidiarity). Some of the problems are for example the new arrangement of the state administration on all levels is still not definitely decided (breaking of the principles of effectiveness, rationality and transparency). Also the fiscal decentralization was not realized, the funds for public administration would be divided still through the state budget. The state bodies, in several cases, restrict the self-government bodies in their ownership rights (based on the law, but non-constitutionally).

Related to the management of the reform process today, we cannot talk about the cross-cutting management and coordination of this process. The legislative proposals are being prepared separately by the relevant Related Ministry, approved by the government, and passed to the parliament where, within the coalition, some space for the possible changes will be agreed. It is the result of processing the quick and strength reform that had not been done, and have the political decision about the phased process of the decentralization. The process of decentralization will proceed over several years, phase by phase.

THE SUMMARY

The reasons for the proposed complex changes in public administration:

a) Request for more efficient public administration,
b) Necessity of the increase of the economy of state and its lower self-governed units,
c) Need for the reform of functioning of state administration,
d) Tendencies of the Slovak Republic to enter into united economic and safety area.

The analysis of the state of public administration showed its real deficiencies:

a) The model of public administration and centralist managing of the state remains unfinished,
b) Absence of quality control system in public administration,
c) Increase of ineffective costs in public administration caused by its structure,
d) Lack of diligence in the process of managing on all levels,
e) Ignoring generally accepted principles of financing of local self-government (the Slovak Republic did not...
ratify article No. 9 of the European Charter of local self-government),

f) Local self-government could not participate in regional development because of inefficient distribution of competencies,

g) There was no suitable educational system for the civil servants,

h) Existing territorial arrangement had a negative influence on social and territorial organization of the Slovak society,

i) Not only did citizens have little or no knowledge, but also representatives of public administration, its status and tasks in new conditions.

The real success of this government coalition is the moving up of the decentralization and public administration reform process. The government had achieved what no other government or parliament had done since 1990. The Slovak Republic will have elected self-government bodies on the second level, for the first time for several decades. At the same time, Slovakia progressed within the pre-accession process towards NATO and European Union.

But looking at the circumstances and expert potential, which this coalition disposed of, we have to state its failing in some intentions, some of them were only half-successful.

The aim of the coalition was to realize four reforms. The form and technique of the management would be modified to that. Mainly the cross-cutting approach would be strengthened and the agenda of the Prime Minister, or appointed Deputy Prime Minister (or alternatively, creating the minister ‘without chair’ responsible for the reforms and taking out the relevant competencies from the individual ministries at the same time). During the eleven-year reform preparation, almost all the governments begun this way, but after some time, the preparation was returned back to the Ministry of Interior.10

The necessary decisions, which were to be performed, had its political and expert-political character, but the political decisions must be done before the expert-political ones. The disagreements among the coalition parties in the political part of the reform (the agreement on the territorial re-arrangement, speed of the reform, election system) caused the prolonging of the preparation stage and complications in the effective management process. Later, when there was a danger of coalition splitting, the decisions were approved very quickly without any chance to influence their quality, it was impossible to manage it suitably. The original intention composed over 2 years, will take considerably longer, and if the next government does not take measures to speed up the process. The seed and timing of the reform steps are very important elements for the successful project.

In spite of the partial progress, there are several areas in public administration reform, which remained unfulfilled due to the concept and they are still waiting to be solved:

- Replace centralized, segmental, scattered and bureaucratic system by decentralized, territorially integrated system, set on political responsibility of elected representative system. To change the system, its character from centralized to decentralize.
- Spreading the decentralized competencies and elimination of divided competencies between state administration and self-government,
- Decentralization of the public finance by the strengthening of the original revenues of the self-government,
- New system of finance balancing,
- Continuing in the privatization of the property and activities,
- Reconstruction of the local state administration (cancellation of the district offices),
- Reconstruction of the central state administration bodies,
- Change of territorial arrangement,
- Local self-government reform,
- Creating changes in the election system for the National Council of the Slovak Republic.

The preparation and realization of the Public administration reform is insufficient, mainly in the decentralization process, which has its own political background. And the permanent dispute about the character of the state, between the followers of the HZDS (right) and party followers from the Slovak Democratic and Christian Union, Christian Democratic Movement, the Democratic Party, the Hungary Coalition Party and the flexible policy of the (left) parties, Democratic left party and party of Citizen Understanding expressed in the regular changes of the government and ruling groups. From this point of view, the first move of the decentralization process since 1990, as well as in the modernization of public administration (the change of the legal environment, the laws on state service and civil service, educational process, etc.), is the success in such a political surroundings.

Another issue, which arose, was the difficulty of realizing the reforms within a wider coalition that consists of the members from the whole political spectrum. Coalition
parties created a ‘coalition council,’ for considering staunch decisions. This body adopted political decisions before discussing important materials in government; every one in the party had a right of veto. This process led to many positive compromises, but on the other hand it caused delays regarding substantial changes and in many cases large deformations of original proposals. In the case of public administration reform, many issues, already approved by the government were reviewed again in the coalition council. It was also caused by the composition of the coalition council, where the ‘decisive voice’ belonged to the heads of political parties and heads of political clubs in the parliament. These people were not bound by the government resolutions. A very good example is a dispute about the change of the territorial arrangement. In spite of dual approval by the government, SDL, SOP, but for the some time also SMK (Hungary coalition party) were blocking the possibility of the change in the parliament. Following that, the special commission consisting of experts and politicians of the government coalition was created. This commission had to reach the compromise proposal of the changes, commission failed, because of lack of respect for the (SDL and SOP) the changes supported by SMK and vice-versa. Finally, the proposal was submitted to the government without agreement of the coalition council, supported by SDKÚ (Slovak Christian and Democratic Union), KDH (Christian Democratic Union) and SMK. These parties have a majority in the government, so the proposal was approved. As it turned out the situation in parliament changed, where coalition parties SDL and SOP joined the opposition and refused governmental proposals of laws. Finally, the parliament approved an opposition proposal, it means no change of the territorial arrangement. It shows that there is one coalition in the government and the other in the parliament. In spite of the fact, that this breaks the coalition agreement, the effort of Slovakia to join the EU and NATO holds this coalition together. The sensitivity of common progress of left and right parties is rising with the closing end of election period. The approving of unpopular measures shows that it is necessary to do it immediately after the election period. The meaning of such a step is much more important in the case of wide political coalition.

The case study on the process of the public administration reform can be used for the instruction mainly in the unitary states, with the coalition governments consisted of the right and left parties.
NOTES

1 There is so called “dual model” of public administration created in Slovakia since 1990, so there are independent bodies of the state administration and the self-government.

2 The second level of the self-government is called region in Slovakia. In fact, related to its powers, it has the character of the second level of the self-government, as for example powiat (Poland), department (France), province (Spain), but it is not like a länder (Germany, Austria), region (France, Italy), województwo (Poland).

3 Also in this time the political mistake was made, related to possible change of the character of state. After the fall of Meciar’s government, the new one declared the election to be held in six months from the beginning of its functioning without any reason. It was made on the impulse of Democratic left party (SDL), which believed in its election success. The return of the previous power was allowed.

4 As the political decisions we can consider the change of the territorial arrangement and the fastness of the reform steps.

5 Under the supervision of M.E.S.A. 10 (NGO), 12 conferences took place in Bratislava, with the participation of (approximately) 600 state administration representatives (ministers, state secretaries...), representatives of the parliament, self-government, NGO-s and foreign experts. The results of these discussions were transferred to the draft of the strategy and later the concept.

6 The Prime Minister coordinated the work of the government plenipotentiary at the preparation of the Strategy; in the government resolution approved with the Concept, the Deputy Prime Minister for Economic Affairs became a coordinator since that time. Several models of the decentralization management were considered during preparation of the Concept, but the composition of the coalition and coalition agreement did not allow the plenipotentiary to have a stronger position.

7 The reasons for resigning were as follows: it was impossible to cooperate with non-solid coalition, leaving the principles approved by the government in the concept and change the government draft laws by the parliament in all reform proposals (territorial arrangement, the scope of decentralization, new structure of the local state administration...).

8 Slovak National Council existed within Czechoslovakia, since January 1, 1993 it is National Council of Slovak Republic.

9 The detailed related concepts (of education in public administration, of informatics, of the control (auditing), of the financing), as well as the draft laws would have to be worked out by the individual central state bodies, following the approved Concept.

10 The reasons: inability realize the reform right after the forming of the new government with the necessity of building the wide coalitions with different ideas, differently oriented political parties of the coalition preferred their own policy through their ministries, devaluing the meaning of the decentralization and public administration reform.