



Stabilization of Local Governments

———— *Edited by* ————

Emilia Kandeve



Local Government
and Public Service
Reform Initiative

LOCAL GOVERNMENT AND PUBLIC SERVICE REFORM INITIATIVE
OPEN SOCIETY INSTITUTE

Address

Nádor utca 11.
H-1051 Budapest, Hungary

Mailing address

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

Telephone

(36-1) 327-3104

Fax

(36-1) 327-3105

E-mail

lgprog@osi.hu

Web Site

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

ISBN: 963 7316 72 8 ö
963 7316 74 4

The collection of country information was completed in December 2000.

Copy Editor: Christine Zapotocky

© OSI/LGI, 2001
All rights reserved.

Copies of the book can be ordered by e-mail or post of OSI.
Printed in Budapest, Hungary, May 2001.
Design & Layout by Createch Ltd.

Local Government and Public Service Reform Initiative

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

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

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

Apart from its own projects, LGI works closely with a number of other international organizations (Council of Europe, Department for International Development, USAID, UNDP and the World Bank) and co-funds larger regional initiatives aimed at the support of reforms on the subnational level. Local Government Information Network (LOGIN) and Fiscal Decentralization Initiatives (FDI) are two main examples of this cooperation.

For additional information or specific publications, please contact:

LOCAL GOVERNMENT AND PUBLIC SERVICE REFORM INITIATIVE

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

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

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

Contents

List of Tables and Figures	7
Foreword	15
1. Introduction to Comparative Local Government in Central and Eastern Europe: A Balkan Perspective	19
<i>Emilia Kandeva</i>	
2. Local Government in Albania	41
<i>Artan Hoxha</i>	
3. Local Government in Bosnia and Herzegovina	89
<i>Charles Jokay</i>	
4. Local Government in Bulgaria	141
<i>Emilia Drumeva</i>	
5. Local Government in Croatia	179
<i>Stjepan Ivanišević, Ivan Koprić, Jasna Omejec, Jure Šimović</i>	
6. Local Government in the Macedonia	241
<i>Ilja Todorovski</i>	
7. Local Government in Moldova	289
<i>Liubomir Chiriac, Igor Munteanu, Victor Popa, Victor Mocanu</i>	
8. Local Government in Romania	351
<i>Pena Coman, Eugen Crai, Monica Radulescu, Gabriella Stanciulescu</i>	
9. Local Government in Yugoslavia	417
<i>Zeljko Sevic</i>	
Contributors	471

List of Tables and Figures

Tables

CHAPTER 2

Table 2.1:	Results of Local and District Council and Executive Elections by Political Parties in Albania, 1996	52
Table 2.2:	Size of Local Government Administration in Albania	57
Table 2.3:	Local Responsibilities for Infrastructure and Public Services in Albania	59
Table 2.4:	Local Government Expenditures as a Proportion of General Government Expenditures in Albania	64
Table 2.5:	Local Government Expenditures as a Proportion of GDP in Albania	65
Table 2.6:	Revenue Structure by Type of Local Government in Albania	66
Table 2.7:	Local Taxes in Albania	68
Table 2.8:	Local Tariffs in Albania	69
Table 2.9:	Distribution of Local Government Expenditures in Albania	71
Table 2.10:	Proportion of Total Expenditures by Type of Service in Albania ...	72
Table 2.11:	Distribution of Expenditures by Type of Local Government in Albania	72
Table 2.12:	Action Plan For Decentralization in Albania	75
Table 2A.1:	Number of Settlements by Population Size Categories in Albania	81
Table 2A.2:	Number of Municipalities by Population Size Categories in Albania	81
Table 2A.3:	Number of Local Governments at Different Levels in Albania	82
Table 2A.4:	Administrative Division of Albania	82
Table 2A.5:	Specific Functions of Local Government Units in Albania	86

CHAPTER 3

Table 3.1:	Canton and Municipal Revenue Splitting of Shared Taxes in the Federation of Bosnia and Herzegovina, 1997	116
Table 3.2:	Consolidated Budget Revenues of the Federation of Bosnia and Herzegovina, Cantons and Municipalities by Type of Sources, 1998.....	117
Table 3.3:	Sources of Republika Srpska Municipal Revenues Based upon a Sample of Five Indicative Settlements	118
Table 3.4:	Public Expenditures in Bosnia and Herzegovina by Function, 1996–97	119
Table 3.5:	Public Expenditures in Cantons of the Federation of Bosnia and Herzegovina, 1997–98	121
Table 3.6:	Public Expenditures of Municipalities of the Federation of Bosnia and Herzegovina, 1997–98	122
Table 3.7:	Municipal Expenditures in Republika Srpska Based upon Sample of Five Indicative Settlements	123
Table 3A.1:	Specific Functions of Local Government Units in Bosnia and Herzegovina	138

CHAPTER 4

Table 4.1:	Revenues by Different Types of Local Government in Bulgaria ..	165
Table 4.2:	Distribution of Local Government Expenditure in Bulgaria	167
Table 4.3:	Local Government Expenditure Assignment by Sector in Bulgaria	167
Table 4A.1:	Number of Settlements by Population Size Categories in Bulgaria, 31 December 1997	172
Table 4A.2:	Number of Municipalities by Population Size Categories in Bulgaria, 31 December 1997	172
Table 4A.3:	Specific Functions of Local Government Units in Bulgaria	175

CHAPTER 5

Table 5.1:	Communes in Croatia	185
Table 5.2:	Cities in Croatia	186

Table 5.3:	County Assembly Elections in Croatia, 13 April 1997: General Data	193
Table 5.4:	Overall Results of County Assembly Elections in Croatia, 13 April 1997	194
Table 5.5:	Municipal Council Elections in Croatia, 13 April 1997: General Data	195
Table 5.6:	Results of Municipal Council Elections in Croatia, 13 April 1997: Party and Coalition Representation	196
Table 5.7:	Expenditures of Local Self-government Units as a Proportion of GDP in Croatia	209
Table 5.8:	Structure of Central and Local Budget Expenditures in Croatia ...	209
Table 5.9:	Division of Budget Expenditures of Local Self-government Units (counties, cities, communes) in Croatia According to Type of Expenditure	210
Table 5.10:	Structure of Budget Expenditures of Local Self-government Units in Croatia According to Functional Classification	211
Table 5.11:	Structure of Budget Expenditures of Counties in Croatia According to the Type of Expenditure	211
Table 5.12:	Structure of Budget Expenditures of Municipalities in Croatia According to Type of Expenditure	212
Table 5.13:	Structure of Budget Revenues of Local Self-government Units in Croatia According to Main Types of Revenue	213
Table 5.14:	Structure of Budget Revenues of Counties in Croatia According to Main Types of Revenue	213
Table 5.15:	Structure of Budget Revenues of Municipalities in Croatia According to Main Types of Revenue	214
Table 5.16:	Structure of Tax Revenues of Local Self-government and Administration Units in Croatia	217
Table 5.17:	Structure of Tax Revenues in the Budgets of Counties in Croatia	218
Table 5.18:	Structure of Tax Revenues in the Budgets of Municipalities and Cities in Croatia	219
Table 5A.1:	Number of Settlements by Population Size Categories in Croatia, 1991	234

Table 5A.2: Number of Local Governments in Croatia, December 1998	234
Table 5A.3: Municipalities by Population Size Categories in Croatia, December 1998	235
Table 5A.4: Counties by Population Size Categories in Croatia, December 1998	235
Table 5A.5: Specific Functions of Local Government Units in Croatia	238

CHAPTER 6

Table 6.1: Number of Local Council Members According to Size of Municipality in Macedonia	253
Table 6.2: Voter Response in Local Council Elections in Macedonia, 1996	254
Table 6.3: Results of Local Council Elections by Political Party in Macedonia, 1996	255
Table 6.4: Voter Response in Mayoral Elections in Macedonia, 1996	255
Table 6.5: Mayors of Municipalities by Party or Coalition Affiliation in Macedonia, 1996	256
Table 6.6: Structure of Local Government Revenue in Macedonia	268
Table 6.7: Distribution of Local Government Expenditures in Macedonia	269
Table 6.8: Structure of Local Government Expenditures in Macedonia	270
Table 6.9: Local Council Election Turnout in Macedonia, 2000	275
Table 6.10: Local Council Election Results by Party in Macedonia, 2000	275
Table 6.11: Mayoral Election Turnout by Party in Macedonia, 2000	276
Table 6.12: Mayoral Election Results by Party in Macedonia, 2000	276
Table 6A.1: Number of Settlements by Population Size Categories in Macedonia	280
Table 6A.2: Number of Municipalities by Population Size Categories in Macedonia	281
Table 6A.3: Specific Functions of Local Government Tiers in Macedonia	285

CHAPTER 7

Table 7.1: Results of Local Elections in Moldova, 16 April 1995	305
Table 7.2: Results of Local Elections in Moldova, 23 May 1999	306

Table 7.3:	Number of Local Councilors by Size of Unit in Moldova	309
Table 7.4:	Number of Judet Councilors by Size of Unit in Moldova	309
Table 7.5:	Number of Local Government Personnel in Moldova, 1999	317
Table 7.6:	Deconcentrated Public Services of National Agencies in Moldova	324
Table 7.7:	Structure of Local Government Revenues in Moldova, 1995–98	328
Table 7.8:	Summary of External Assistance Disbursements by Donors	329
Table 7.9:	Distribution of Local Government Expenditures in Moldova, 1995–99	330
Table 7.10:	Distribution of Local Government Expenditures in Moldova by Sector, 1995–98	331
Table 7.11:	Local Government Expenditure Assignment in Moldova, 1995–98	331
Table 7.12:	Local Government Expenditures to GDP in Moldova	332
Table 7.13:	Share of Local Government Expenditures to State Budget Expenditures in Moldova	332
Table 7A.1:	Number of Settlements by Population Size Categories in Moldova	343
Table 7A.2:	Number of Municipalities by Population Size Categories in Moldova	343
Table 7A.3:	Number of Local Governments by Level in Moldova	344
Table 7A.4:	Structure of Judets in Moldova	344
Table 7A.5:	Specific Functions of Local Government Units in Moldova	347

CHAPTER 8

Table 8.1:	Results of Mayoral Elections in Romania by Party and Coalition, 1996	363
Table 8.2:	Results of Elections for County Council Presidents in Romania by Party and Coalition, 1996	364
Table 8.3:	Results of Mayoral Elections in Bucharest, 1998	365
Table 8.4:	Functions of Levels of Government in Romania	378

Table 8.5:	NGO Involvement by Sector in Romania	382
Table 8.6:	Structure of Revenues by Type of Local Government in Romania, 1998 and 1999	386
Table 8.7:	Income Tax Collection and Transfer to Local Governments in Romania, 1994–99	387
Table 8.8:	Structure of Expenditures by Type of Local Government in Romania, 1998 and 1999	389
Table 8.9:	Macroeconomic Indicators for Local Governments in Romania, 1994–99	390
Table 8A.1:	Settlements by Population Size in Romania	406
Table 8A.2:	Municipalities and Towns by Population Size in Romania	406
Table 8A.3:	Communes by Population Size in Romania	407
Table 8A.4:	Average Population of Municipal Governments in Romania	407
Table 8A.5:	Number of Local Governments in Romania	407
Table 8A.6:	Local Governments by Type and Population Size in Romania	408
Table 8A.7:	Specific Functions of Local Government Units in Romania	413

CHAPTER 9

Table 9.1:	Local Election Results in the Federal Republic of Yugoslavia	433
Table 9.2:	Structure of Municipal Public Revenues in the Republic of Serbia	451
Table 9.3:	Structure of Municipal Public Expenditures in the Republic of Serbia	452
Table 9A.1:	Number of Settlements by Population Size Categories in the Federal Republic of Yugoslavia	461
Table 9A.2:	Number of Municipalities by Population Size Categories in the Federal Republic of Yugoslavia	461
Table 9A.3:	Number of Local Governments at Different Levels in the Federal Republic of Yugoslavia	462
Table 9A.4:	Specific Functions of Local Government Units in the Federal Republic of Yugoslavia	467

Figures

CHAPTER 2

- Figure 2.1: Relations between Centralization-Decentralization
and Responsibilities of Local Governance in Albania 47
- Figure 2A.1: Administrative Map of Albania 84

CHAPTER 3

- Figure 3A.1: Administrative Map of the Federation
of Bosnia and Herzegovina 136

CHAPTER 4

- Figure 4.1: Line of Command in Municipal Administrations in Bulgaria..... 160
- Figure 4A.1: Administrative Map of Bulgaria 173

CHAPTER 5

- Figure 5A.1: Administrative Map of Croatia 236

CHAPTER 6

- Figure 6.1: Local and State Administrations Located and Performing
Activities in Urban Municipalities in Macedonia 251
- Figure 6.2: Commissions of Urban Municipal Councils in Macedonia 258
- Figure 6.3: Administrative and Expert Bodies in Urban Municipalities
in Macedonia 264
- Figure 6A.1: Administrative Map of Macedonia 282

CHAPTER 7

- Figure 7.1: Structure of the Local Council in Moldova 310
- Figure 7.2: Structure of the Judet Council in Moldova 311
- Figure 7.3: Organizational Structure of Local Authorities in Moldova
with Populations of Less than 10,000 Inhabitants 318
- Figure 7.4: Organizational Structure of Judet Authorities in Moldova
with Populations of More than 40,000 Inhabitants 319
- Figure 7.5: Local Government Competences and Powers in Moldova..... 322

Figure 7.6: Structure of Decentralization and Deconcentration
of Public Services in Moldova 325

Figure 7A.1: Administrative Map of Moldova 345

CHAPTER 8

Figure 8.1: Typical Local Administration Structure in Romania 376

Figure 8A.1: Administrative Map of Romania 409

Figure 8A.2: Structure of the Romanian Government I 410

Figure 8A.3: Structure of the Romanian Government II 411

CHAPTER 9

Figure 9A.1: Administrative Map of the Federal Republic of Yugoslavia 463

Foreword

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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


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

Gábor Péteri

OSI Local Government and Public Service Reform Initiative

Budapest, October 2000

Chapter 1



Introduction to Comparative
Local Government
in Central and Eastern Europe:
A Balkan Perspective

by

Emilia Kandeва

Introduction to Comparative Local Government in Central and Eastern Europe: A Balkan Perspective

Contents

1. Overview	23
2. Systems of Local Self-governments	25
3. Local Politics, Decision Making	28
4. Relationship between State Administration and Local Government	30
5. Public Participation in Decision Making.....	32
6. Local Service Provision	34
7. Local Finance	36
8. Challenges of and Directions for Local Government Reform	38
Notes	40

Introduction to Comparative Local Government in Central and Eastern Europe: A Balkan Perspective

Emilia Kandeва

1. Overview

This second volume in a three-part series contains descriptive papers on the national local government systems of eight countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania and Yugoslavia. What is the reason for collecting them in a separate volume? What makes them related to each other and different from the other countries of Central and Eastern Europe (CEE)? Those included in this publication hardly can be defined solely as East European countries. The common element among them is not geographical position—or at least not *just* geographical position—even though they share common borders, but rather the consequences of living together in one particular geographical region. These countries, on one hand, belong to the former group of East European countries of the so-called “socialist camp.” Before World War II they were part of a region referred to as Central Europe and the Balkans. Afterwards, the region came to be known as Eastern Europe to distinguish it from Western Europe. With the end of communist regimes in this region, the term Central Europe quickly was revived, and the former East European bloc was divided traditionally into Central Europe (north of Hungary, inclusive) and the Balkans (south of Hungary). Most of the countries currently under review are Balkan countries, with peculiar characteristics associated with this name. Without particularly emphasizing cultural roots, religion is not treated as a unifying factor of the region here, even though a predominant part of the Balkan countries have an East Orthodox culture. Common elements, rather, can be viewed mainly in historical and economical perspectives, the most important common feature being that they are countries in transition, existing in close territorial proximity and experiencing similar obstacles.

The mass extinction of communist regimes in Eastern Europe in 1989 was a dramatic and promising event, the immediate effect of which was a direct challenge to political, ideological, economic, cultural and administrative patterns. Democracy was the model chosen for the greater part of the former “socialist” countries. In order to achieve it, these countries are making significant efforts to redesign the state completely. They have experienced institutional and organizational “rupture” in their state and local government systems. During the initial phase of transformation

the old socialist legal, social and economic orders irrevocably broke down and new structures were formed. The paradigm that dominated functional and organizational designs during the long period of the socialist totalitarian regime is now being replaced by a balance between central and territorial governments. The transition period includes characteristics such as the emergence of multiparty systems, regular elections on both national and local levels, attempts to recreate central and local governmental machinery and developments toward further democratization and market economy. The public sector, being both the object and subject of reform, is under tremendous pressure to adapt to the changing environment. As a generalized process at the international level, progress towards decentralization of state management of the CEE countries has many implications in terms of democratization, participation, efficiency and, not least, reinventing the role of local governments. Territorial and local governments could be of great help to central governments, as they are often in a position to use resources more effectively and to adjust public administration to address the real needs of citizens. By doing so, they could prove to be very capable in responding to the serious requirements of the on-going reforms.

Administrative reform and local government reform are closely connected. Reform packages in the field of local government, which include a number of administrative changes as well as new legislation, address all three of the purposes of administrative reform: democracy, efficiency and equity.

The intention behind this book is that those interested in public policy and public affairs can and should study “internationalized” local government. The underlying purpose of the volume is to provide:

- an overview of the local government systems of Central and East European countries of a certain region;
- comparative studies of the basic components of local government in the countries under review;
- the international context of citizens’ participation in local government;
- the international context of local public services;
- a comparative analysis of the problems, impact and “hot issues” of on-going reforms in local government.

The comparative study is descriptive on one hand—illustrating structures, approaches and practices from country to country—and analytical on the other—identifying key concepts and the underlying logic and dynamic of local government across the countries of the region. The book is intended to be a vehicle for politicians, administrators and experts to integrate comparative material on the major fields of local government, providing new perspectives on their own countries. The main value of comparative studies is neither a search for universal cultural-neutral recipes, nor a tool to copy others’ models, but rather a means to understand ourselves. This is the reason why the comparative study in this book consists of an objective review of each country through a discussion of the basic components of local government in a uniform structure; each country paper is organized in the same way to ensure easy access to comparative information.

The book serves as an updated second edition of *Local Government in CEE and CIS, 1994: An Anthology of Descriptive Papers*¹ and provides systematic information on local government organization and institutions in the countries of the region. It is designed to assist readers in getting acquainted with, understanding and comparing the context within which local governments are currently functioning and local government reforms are taking place. For this purpose, the general presentation in each country paper is objective, assertive and positive. For each, key issues of the existing local government organization are described. Of course, the author's point of view is very important, and thus is revealed in the focus and critical analysis of certain "hot" or selected topics (for example, the role of nongovernmental organizations, public perceptions, politicization of local government) and the questions under discussion. Each country report allows the author to express his or her individual assessment of particular elements and of the whole system of local government while following a common outline. As a result, without artificial unity on its variable subject, the edition provides empirically based analyses that view local governments in the context of their role in transitional societies and sets the background for determining their direction.

This introduction to comparative local government in a Balkan perspective attempts to link the analysis of each country's local government to cross-national generalizations. It does not seek to attain comprehensiveness for three principal reasons. First, by focusing on common features and processes rather than distinguishing variables, the adopted comparative approach facilitates the perception of the collection of descriptive papers as complete comparative research. Second, the selective approach to these topics directs the reader's attention to the most salient problems and trends of local government in the bigger picture of the future development of the countries analyzed in this volume. Third, the aim of the introduction is to supply the reader with comparative observations and conclusions and thus to sharpen interest in the country reports, leaving these papers to speak for themselves.

2. Systems of Local Self-governments

Local government in the sense of both local autonomy and territorial organization of the state has roots far back in history within a comprehensive or national context. For historical reasons, the municipality or commune as a basic self-government unit is the traditional feature of local government and places great emphasis on the political-administrative framework and consolidation of states. All countries of the current comparison have developed profound legal bases for local government, which enjoys constitutional status in all. These constitutions proclaim the autonomy of local self-governments and establish the system of state administrative territorial division. The constitutions set forth principles concerning the formation, structure and powers of major local government authorities and outline general frameworks for relations between the state and local governments. A set of laws regulate the functions of local government authorities and administration, procedures applied in their activities, relationships with the state and citizens and political, administrative and judicial control. Local government is regulated normatively by

three categories of law: (1) general administrative laws that regulate public administration—administrative procedure, administration, the government of the republic; (2) general local government laws—local self-government and local administration, communal activities, administrative-territorial organization, the territories of counties, cities and municipalities; and (3) specific laws that regulate a particular field or activity of public administration, especially concerning only local government, such as local tax, municipal property, et cetera.

Territorial structure is diverse from country to country. Most have a two-tiered local government system, with some exceptions concerning the capital or large cities (for example, Bulgaria, Croatia and Moldova). Some countries have only one level of local government—that of self-government (for example, Macedonia). Despite variables concerning the forms and practices of intergovernmental relations in the different countries, by focusing on the tiers of government one may distinguish three broadly defined types of local government systems, which differ in the degree of emphasis they place on local self-government.

The first group includes local government systems with more than one tier in which local self-government exists only at the municipal level. Local governments at the second level are administrative divisions of the state organized in order to enforce the law and exercise executive powers. The countries in this group are Bulgaria and Yugoslavia. Regions in Bulgaria and districts in Yugoslavia comprise the middle-tier level of government in which state authority is decentralized for the purpose of executing state power in legally defined areas and which pursues effective regional policy. The middle level includes administrative territorial units of the state entrusted to conduct regional policy, the exercising of state powers, the implementation of state policy on the local level and harmonization of national and local interest. As long as middle-tier governments of this type function as territorial branches of the central government administration, they have neither autonomy nor elected bodies. The regional governor is appointed by the central government, who ensures the implementation of state policy; protects national interests, law and public order; and exercises administrative control. The governor is aided by the regional administration. The line ministers sometimes have “vertical departments” within the framework of middle-tier administration. The governor coordinates the work of government agencies within the region and their interaction with local authorities. He or she is responsible for the protection of state property and state interests within the region and issues ordinances within the scope of powers conceded to him or her. Concerning intergovernmental relations within this group, there is a strict division between the powers, responsibilities and tasks of local self-government (municipal administration) and middle-tier authorities, which are defined by law. The governor exercises control over the legality of the acts and actions of bodies of local self-government and local administration and may cease execution of unlawful acts of municipal councils and refer them to the appropriate court. He or she also may rescind unlawful acts of municipal mayors and other local government bodies.

As a specific subgroup, one could delineate the local government system in Bosnia and Herzegovina, which contains two entities that are de facto government and administrative organs

with substantial power to pass legislation, impose taxes and otherwise govern. The two entities consist of the Federation of Bosnia and Herzegovina and Republika Srpska (with Serbian majority population). In addition to the federation-level government with its executive and legislative branches, the federation contains ten subnational units called cantons, consisting of those with mixed populations (Bosniac and Croatian, with very small Serbian minorities in some locations) as well as those that are predominantly Bosniac or Croatian. These cantons have their own legislatures, basic laws (constitutions), governors and ministries. In both entities settlements are organized into municipalities that could consist of several distinctive physical locations. The Republika Srpska has a centralized administrative structure and an entity-level Ministry of Local Government to regulate and conduct dialogue with its sixty-four municipalities, while the Federation does not have such a ministry. Financial and budgetary matters affecting municipalities in the Federation either are delegated to the cantons or are shared by several departments in the Federation's Ministry of Finance. Each of the ten cantons has—or should have passed by the end of 1999—a separate set of local government laws and is free to organize branches of the traditional ministries to handle local government issues or to create independent cantonal ministries. Besides a local government law and references to the constitution, the Federation itself does not have a body of legislation or much authority to govern subnational units. Instead, the cantons are given taxation and regulatory powers to organize the federation's seventy-three municipalities as they see fit. Thus, Bosnia and Herzegovina as of the Dayton Agreement has eleven systems of local government, ten of which, at least in the federation, show considerable variation in the redistribution of taxes, allocation of other resources, municipal tasks and provision of public services.

The second group has broader local autonomy and self-government: there is more than one level of local government with representative elected bodies. In this category, regardless of the number of tiers (two or three), self-government forms exist in all—or at least in two—of the levels of the system of local government. In addition to the municipal level, which traditionally practices self-government, the second level—counties and districts—also possesses elements of self-government and local autonomy. Such systems exist in Albania, Croatia, Moldova and Romania. Local governments of the second level have local elected bodies: district councils in Albania, district (*judet*) councils in Moldova, county assemblies in Croatia and county councils in Romania. The main function of second-level elected local authorities is coordination of activities among the municipalities or communes of the relevant area, defense of local interests and organization of public service delivery of importance to the greater region. They have significant roles in drafting and implementing regional development plans, deciding on local taxes or payments, et cetera. Each elected local government authority at the second level also serves as a mechanism of state government and commonly is granted central government functional competence. Here central-local relations involve the figure of prefect, despite the differences in the application of this mechanism. In Albania, the prefect heads a kind of third-tier local government—the prefecture—which includes two to four districts and correlates service activities of the state administration with local government divisions in the country. The prefect is a representative of the central government who performs harmonization and coordination functions concerning the activities of local elected authorities and territorial public administration.

Prefects in Romania function at the county level plus the Bucharest municipality; that is, they adhere to current levels of local government without creating a new tier. They are appointed by the central government, and their main functions (very similar to those of governors in the first group) are to protect national interest, law and public order; to supervise the legality of administrative acts issued by local public authorities; to manage territorial administrative units and to provide public services through them. Prefects in Moldova are empowered to supervise the fulfillment of decentralized services and the implementation of legislation without interfering with local governments in their operations. In Croatia, the representative of the state is the county governor who is elected but is subject to approval by the head of state. The governor exercises strict control over the local self-governments of the county in the name of the state. Other representations of the state in the middle tier of local government include council secretaries appointed by the government and the so-called “vertical directorates,” which act at the local level but function as deconcentrated bodies of the line ministries. The degree of vertical hierarchy varies from service to service. Concerning the central-local relationship, the main problem in this group is the clear determination of the scope of powers and responsibilities of elected local authorities and territorial representatives of the state where they function at the same level of local government.

The third group in its purest appearance includes local government systems in which each level possesses self-government authority; that is, the whole local government system is based on the principle of self-government. Among the countries discussed here, only Macedonia and one entity of Bosnia and Herzegovina—Republika Srpska—could belong to this group due to the fact that these local government systems include one level—the municipality.

As a general principle, the creation of new local governments is regulated by law. Constitutions or laws proclaim that the administrative-territorial division and establishment of local government units are based on local needs, common economic interests and historical tradition. The conditions governing the establishment and abolition of local government units and changes to the territorial boundaries of their jurisdiction are parliamentary matters. The founding and reform of municipalities may be carried out only after consultation with the local authorities concerned as well as, in most cases, with the local population through referendum. Regardless of the method applied, the rule everywhere is that the creation of new local governments and changes in the boundaries of existing local government entities cannot be accomplished without preliminary consent of the local community.

3. Local Politics, Decision Making

Municipalities (also called communes, cities or villages) are local self-government units. They differ from country to country by name (for example, in Romania only local self-governments in cities are called municipalities) and by recognition—or lack thereof—of two types of municipalities: urban local units and rural local units (for example, in Albania and Moldova, urban

local units are known as municipalities and cities, and rural local units as communes). Municipalities are based on economic and social integrity and a closely networked local population. They represent the common interests of citizens of the locality as well as the interests of the whole entity. Most municipalities exist at the basic level and have broad responsibilities and a wide range of tasks and activities that satisfy the needs of the local population.

Territorial self-government below the municipal level has a rather limited presence in all the countries discussed with the exception of Yugoslavia. In accordance with Yugoslavian (in particular, Serbian) law, municipalities may decide to organize “local communities” within their territories. Local communities can be founded in both urban and rural areas. They are local self-organizations of citizens, the purpose of which is the expression and satisfaction of common local interests that are defined by the local population. Local communities are legal entities with the rights and duties of incorporation and are headed by councils directly elected by the populace.

Political criticism against local communities argues that they can lead to “civil disobedience.” Forms of territorial self-government below the municipal level in other countries include city quarters (regions) and constituent mayoralties. Some have elected representative bodies, such as the territorial committees of Croatia. Albania is introducing an interesting form of self-government below the municipal level in the village, the *kryeplaku* (the most senior person). The *kryeplaku* is an elected local authority whose mandatory responsibility is the implementation of the decisions of the commune. He or she represents the village and expresses the interests of its inhabitants but generally does not have legal competency and works on a volunteer basis.

The local self-government systems in all the countries presented possess the following common characteristics:

- election of local representatives by popular vote and appointment of local officials and other staff by local authorities without the interference of central authorities;
- a broad range of competencies, including those concerning local taxes and economic and social development;
- considerable autonomy of local government units, including financial autonomy;
- a local council as a representative body that is the main authority in the local government and that embodies the principle of local autonomy;
- a chief executive authority—the mayor—elected by the population or by the local council, who exercises general competency; exceptionally, executive functions are shared with an executive committee and its head;
- an extensive system of administrative and executive organs, each in charge of a separate competency and structured, as a principle, in accordance with the central government division of executive functions;
- a single-tiered local self-government system (sometimes doubled with self-government forms on the middle level);
- large municipalities with administrative substructures, often combined with submunicipal, partial self-government.

Under the constitutions of these countries, municipalities have general competence for matters of particular local interest. Only where the law provides concurrent or exclusive powers to another authority in municipal matters are municipal powers removed or shared with other authorities. Regulations divide responsibilities among the different bodies within local authorities, although the municipal council or assembly has ultimate responsibility for the most important matters. The elected representative body of local self-government—the municipal council or assembly—is the only authority at the local level that may adopt normative acts of local significance.

The position of cities is related mainly to three features of local government: territorial organization, the distinction between rural and urban local units (where it exists) and status as self-government units. Large cities have special status. The legislation of some countries allows such status only in one feature or a limited number of aspects, such as a different administrative substructure or recognition of double status—both as a municipality and as a middle-tier administrative unit. Legislation in other countries, such as Croatia, provides for the formation of cities as local self-government units that are established on the basis of three criteria: administration—city status is given to all county seats, regardless of their size; a defined number of inhabitants; and special significance (historical, economic, geographical, et cetera). Capitals have unique status in all countries. As a principle, they are awarded double status as cities (local self-government units) and as districts or regions (middle-tier local government units). The metropolis and metropolitan areas have no explicit independent regulation concerning local government, but they have the same status and organization as that of large cities.

4. Relationship between State Administration and Local Government

The relationship between the central and local levels is a basic factor and an indicator of the extent of democratization and modernization of a country's government. A somewhat strained relationship between local authorities and the central state is apparent in most of the countries compared. The positive side of this observation is that such strain is considered temporary and provokes ideas and particular steps from both sides to develop creative and useful relations in the process of pursuing the welfare of the country and its population.

The variety of local traditions and state constitutional provisions leads to two main types of relations between the central and local levels with regard to the method of determining the scope of self-government powers: (1) relations based on the general clause and (2) relations based on enumeration. According to the general clause, the local self-government possesses all functions that are not excluded expressly by law; that is, it encompasses all functions that are not prohibited explicitly or are not entrusted to central and other authorities. In this first type of central-local relations, constitutions and laws proclaim only the general areas and directions of activity of self-government. The second type of relations based on enumeration includes systems in which only the powers allocated explicitly to local self-government are recognized. In this

case, the law assumes that all rights and authorities belong originally to the state, which can delegate them when appropriate and on a case by case basis. A municipality as a basic form of self-government should not assume that it has a right unless explicitly provided by law (Yugoslavia). A detailed list of activities determines which may be performed by communes and cities and which by counties (Croatia). Most of the countries analyzed are introducing models of central-local relations that are closer to the second type. Enumeration as a model for central-local relations is not in accordance with the European Charter of Local Self-government, which states that local self-government units have full discretion within the legal framework to exercise their initiatives regarding any matter that is neither excluded from their competence nor assigned to another authority.

Autonomy of local self-government everywhere is respected regarding issues of control. The acts and actions of self-government authorities are regulated only in terms of legality. The authority that exercises administrative control over local government acts as middle-tier administration on principle—a prefect or governor, who regulates the legality of acts and actions of local self-government and local administration bodies. Exceptions to this rule are evident in Macedonia and Croatia, where such supervision is exercised by the central government. The controlling, auditing and supervisory functions over local governments in the Federation of Bosnia and Herzegovina vary by canton. The respective cantonal local government law identifies the ministry or department responsible for the technical, functional and financial supervision of municipalities. In general, these entities are the cantonal ministries of finance and local government, and in Republika Srpska, such supervision is conducted through the entity ministries of finance and local government. In some countries, the mayor of the municipality is authorized to exercise control on acts of the representative body of the local self-government; for example, in Bulgaria the mayor oversees the legality of the decisions of the municipal council as well as discretionary content. The mayor may challenge a decision of the municipal council when he/she deems that it violates municipal interest or the law.

The recent tendencies of decentralization versus centralization have three aspects—political, administrative and financial. The decentralization process leads to complex problems that have no single general solution; they must be linked to the specific historical context, societal traditions, political situation and economic development of each country. On one hand, these include, in certain countries, the maintenance of state control over administration and finances; assurance of fair distribution of resources to districts and municipalities, taking into account their varying degrees of development; and securing the political integrity of the state. The persisting participation of the democratic central government in most processes is viewed as a means to maximize accountability and responsibility of the state before society and as a key guarantee of democratization of the government. On the other hand, specific solutions include strengthening citizens' participation in local government and improvement of relationships between public administration and citizens, including activation of the role of NGOs, ensuring the choice and quality of public services and the most effective use of local resources and the private sector in a locality. In both cases efforts aim to achieve suitable levels of coordination and appropriate mechanisms to develop a reasonable

balance between the central and local government. However, conflict still exists. On one hand, local development, unemployment, social affairs and the need for economic and urban restructuring are growing concerns; hence, there are many reasons to strengthen the role of local policies. On the other hand, the scope for local government recently has been reduced in some ways or financial dependence on the state is still very binding.

The present process of decentralization—that is, the shift of certain functions of the central government to the local level—is limited mainly to the subcentral territorial units (regions, districts), which in many cases work as territorial agents of the central government. The general public, which feels that a decentralized government may respond better to their needs and demands, claims that decentralization should not stop at the middle tier of government.

Middle-tier administration is one aspect of the problem of balance between central and local government. The middle tier is different in each country as far as representative power, procedures and administrative functions are concerned. However, there is one common tendency: middle-tier governments increasingly are becoming territorial units for bridging state and local policies, for guaranteeing the execution of central government policy on local territories and for providing top-down coordination of the activities of local self-government. This tendency is achieved through different forms as discussed earlier in this review. Where there are representative elected bodies—such as district or county councils—middle-tier governments become weaker and lose their former position as representatives of the municipalities and a superior level of local self-government coordinating the activities of the municipalities/communities in their territories. Where middle-tier governments have been created as territorial bodies of the central government, their powers in local governance increase, and consequently their controlling functions on the acts and actions of local self-government bodies increase as well.

5. Public Participation in Decision Making

There is no better test for evaluating the level of democracy in a country than by looking at people's participation in the government and representation of all population groups. Throughout this region the population directly elects the local representative bodies of self-government. In addition, the constitutions of all countries under review have established the principle of direct democracy at the local level. The most popular form of direct democracy is local referendum on issues of self-government and community affairs, which are stipulated by law. Local referendum is conducted on issues for which public opinion is considered to have a significant impact, particularly on the scope of activities of local government authorities and on matters concerning state decisions in the field of territorial and local government organization. Other forms of direct democracy—consultative referendum, local meetings (gatherings) of citizens, citizens' petitions and citizens' initiatives—vary from country to country. The right of citizens to attend the sessions of the local council also is considered a form of direct democracy. Meetings of local

councils are public unless otherwise stipulated by law. Recent practice of local governance does not involve reporting by the elected representatives to the local bodies or to the public concerning their activities. Even though such a requirement could increase the responsibility of the local elected representatives and improve their relations with citizens, it faces a negative attitude connected with similar practices that were misused during the years of the communist regime.

Ethnic problems and their solutions always have been linked with the level of democracy and peoples' participation in government. A large number of national minorities and ethnic groups live in the Balkan countries. Being geographically situated on the crossroads between West and East, North and South, and historically aggravated with forced migrations of populations, all Balkan countries (with the exception of the almost ethnically homogenous Albania) have rich ethnic diversity with one or more prevailing national minorities or ethnic groups. The constitutions of all countries proclaim the principles of equality and nondiscrimination. Ethnic issues exist as formal factors in the structure and function of local self-governments in six countries—Yugoslavia, Bosnia and Herzegovina, Macedonia, Moldova, Croatia and Romania. The Federal Republic of Yugoslavia consists of two federal units: Serbia and Montenegro. Autonomous provinces, which exist in the Republic of Serbia, such as Vojvodina, Kosovo and Metohija, are not regarded by law as local government. However, they are recognized as specific territories that include particular municipalities listed by law. There are two entities in Bosnia and Herzegovina: the Federation of Bosnia and Herzegovina and the Republika Srpska. The Federation contains cantons with mixed populations (Bosniac and Croatian, with very small Serbian minorities in some locations) and cantons with predominantly Bosniac or Croatian populations. These cantons have legislatures, their own constitutions, their own governors and ministries headed by ministers.

Even where ethnic features are not considered as a legal factor, the political issues of “majorization” and “minorization” of different ethnic groups direct the execution of citizens' rights. The Moldovan constitution provides procedures for the articulation of minorities' interests, including the granting of special status to some regions in Moldova. Legislation in Croatia ensures that the rights of members of ethnic and national communities or minorities are represented in local self-government bodies proportionate to their ratio to the total population of a municipality. Croatian citizens and members of ethnic and national communities and minorities constituting at least eight percent of the electorate of a municipality or county have the right to such proportionate representation. If the required proportion is not achieved as a result of elections, the number of members in the representative body is increased to the required number. Macedonian legislation soundly acknowledges the presence of ethnic minorities in local government and explicitly regulates the official language(s) and appropriate proceedings of local government bodies in order to recognize local government units with a majority of other nationalities (when the population of other nationalities exceeds fifty percent of the total population) and local government units with a considerable number of other nationalities (when the population of other nationalities exceeds twenty percent of the total population). Romanian laws ensure some guarantees for minorities with a particular focus on Hungarians living in Romania.

During the 1990s, ethnic conflicts that have occurred in a certain local territory often have spilled across national boundaries, thus involving the states concerned in international conflicts. Nowadays, internal ethnic conflicts often provoke international tension. This process is acquiring increasing importance for the countries of Central and Eastern Europe where dramatic changes have taken place since 1989. After many years of rigid socialism, some parts of the population are not prepared for the challenges of the new democracies and the market economies. The clash of economic, social and cultural problems that existed silently under totalitarian rule have broken the surface of the new political reality. The populations of the Balkan countries are experiencing the complexity of local and international situations concerning ethnic groups, not even mentioning the tragedy in Kosovo. While international conflict management is a multilateral effort and depends on the policy of more than one state, the management of internal ethnic conflict that is a potential source of tension can be within the control of the state and its local government. According to the constitutional regulations of all countries reviewed here, there are no privileges or restrictions of citizens' rights on the grounds of race, nationality, ethnic self-identity, religion, et cetera. The crucial point of the implementation of these rules, however, lies with local governments. The establishment and maintenance of a social and cultural infrastructure that prevents conflicts of ethnic, religious and other group interests emphasizes the new role for local communities as ethnic peacekeepers and their impact on the settlement of ethnic problems.

6. Local Service Provision

The roles that local governments play in providing public services have both similarities and rather substantial differences. Public roads and highways, urban planning, elementary and secondary schools, kindergartens, public parks and public utilities are found everywhere. Closer comparison, though, reveals that some local governments have developed these facilities much more extensively than others. Likewise, some communities/municipalities provide a large number of public services, whereas in other countries there may only be a few services directly delivered by local self-governments. Communes and cities are involved in public service delivery to a much larger extent than the middle-tier local authorities. The distribution of services between different levels of local government has followed the principle that services are provided by those local authorities that are closest to the public—that is, by self-governments that belong to the first level—but this has not been proven as a general feature. The chosen method of establishing the scope of self-governmental activities in public service delivery varies from country to country. While most of the countries discussed here apply a more general definition of the scope of public service delivery by local governments, Croatia, for example, has accepted enumeration of the fields in which the needs and interests of citizens may be satisfied within the framework of local self-government. Similarly, in Yugoslavia local governments may perform only those duties that are explicitly stipulated by law. Ambiguity or confusion in the normative base in this sphere can cause uncertainty and disorientation in local governments concerning the scope of their powers and initiatives as well as financial opportunities and responsibilities, which inevitably results in a lack of or low quality of needed services.

The provision of services to the population is connected with the degree of autonomy of local government decision-making powers. When analyzing the country papers, one can identify four different levels of decision making in the field:

- determining, together with financial indicators, the general parameters or standards of services that have to be provided by local administration;
- determining a range of preferences and priorities in public service delivery;
- formulating service provision policy and devising methods for the provision of services;
- selection of the services that will be provided by the local administration itself.

The first level of decision-making power in the field of public service delivery belongs to the state. There are some in favor of vesting such powers in local government, but this is possible only if relevant laws determining the permissible financial limits are installed beforehand. Local government authorities could be vested with the powers of the second, third and fourth levels, but practice shows differently. Decision making of the second level is designed for local governments whose financial systems allow choices on the basis of preferences for a certain service. The local governments whose financial systems are based on the strict allocation of funds for specific purposes are limited in making decisions of the second level, which is true for almost all of the countries under review. Decision making of the third level presupposes broad-scale discretionary power of local government within the scope established by law. For countries with the explicit enumeration of local services, such decisions are quite limited. The decisions within the fourth level are connected with the introduction of new mechanisms of public service delivery, including public procurement. Decisions of the third and fourth levels have proven to be of marginal importance in finding ways to improve public services and eventually to cut costs.

An analysis of the overall experience of the decentralization process makes it obvious that there is a process of gradual transfer of services from central to local governments. Activities that were governed by state monopoly, such as education, health care, water and electricity supply, are now being transferred partially or fully under the competency of local government. In the area of social services, assistance to families and to certain categories of the population have been transferred to the municipalities to the extent that the mayor, as a superior administrative control authority, decides on citizens' claims against acts in social assistance (the case in Bulgaria). The majority of services are delivered in a traditional manner—through public corporations established both by the municipalities and the government. Although the specific programs undertaken and the financing methods used are ultimately the result of the budget process and political settlement, new local government legislation provides justification for involvement of the private sector in public service delivery. Such alternative forms as contracting with private local or foreign enterprises have been applied. Forms of provision such as concessions or licensing are innovative under the new conditions. The main trend in this area is characterized by the increasing significance of contracting as a mechanism to raise effectiveness, reduce cost and improve accountability in the performance of certain activities by municipal administration. In the case of market-based economies and on-going administrative reforms, arguments for contracting out public services generally are tied to demands to improve the quality of public services and to satisfy citizens'

needs. However, legislation on local government has not focused on the demands and preferences of citizens as the criteria for the choice of and priorities in public service delivery. The citizen's choice is still neglected in the formal regulation of public service delivery.

7. Local Finance

Local governments everywhere share the problem of inadequate financing. In these transitional times of debate on structural reforms, scarcity of resources and tight public finances, the central government applies budgetary control and constraints on local governments.

The main elements of local finance are the system of revenues, the system of expenditures, local budgets and local financial administration. The overview of revenues to local budgets shows that the existing means of generating resources for the municipal budget are as follows: self-generated revenues (local taxes, fees and others); revenues from national taxes (part of the state or shared taxes); budget transfers, including general transfers and special (targeted) subsidies and grants; and other means (some attempts recently have been made to raise funds through financial markets). An analysis of local taxes and the power of local governments in this field reveals that serious decentralization and real autonomy for local taxes should not be expected in the near future. If a municipal council does not possess the authority to decide the amount of any tax, this will result in a complete lack of local tax policy. Therefore, the political system for electing local governments is not adequate for the existing financial system. Under the terms of majority elections for mayors and members of the municipal council, tax and financial policies are neglected in the political platforms of candidates.

Much greater decentralization of financial resources is attained through sharing a larger portion of national taxes. Concerning the adoption and execution of local budgets, no methodological or normative problems exist, but local budgets as a rule follow the adoption of the state budget, which creates a number of problems. Local financial administrations have not yet attained their optimal structures, relationships and distribution of functions vis-à-vis the central government authorities, various levels of local government, subdivisions of municipalities, other financial institutions and the local administration. The idea of creating municipal tax administration at first glance may appear to be a type of empowerment for municipalities, but profound analysis proves that this solution is far from being expedient or even financially attractive to either municipalities or the central government.

Most local authorities are unprepared or unable to take on increased responsibilities for fund raising, economic development and establishing true self-government. One major problem is a lack of investment capital. The structure of expenses in local budgets everywhere shows that expenses for social and cultural needs tend to prevail. The transition has imposed dramatic social costs for societies in these countries—economic decline, inflation, unemployment and poverty. The number of citizens requiring social assistance is on the rise, while financial resources are

obviously inadequate to cover all demands. Short-term “production objectives” rather than long-term “program objectives” are central to the policy process in local governments. Reducing immediate shortages by means of ad hoc policies is still a general practice. The first steps in the new conditions of the market economy and recent experiences are not sufficient to reassess local self-government and to provide local authorities with significant authority in public finance. Many opportunities have emerged recently: whether or not they will be advantageous to local government depends on the on-going reforms.

Projects and programs hold considerable promise as ways to mobilize resources to provide results. Regional development is one of the modern approaches aiming to create conditions for the stable and balanced development of particular regions of a country, to reduce interterritorial differences in employment and income and to realize regional and cross-national cooperation and integration. The modest experience already gained by some of these countries (for example, Bulgaria) has revealed that regional development planning is used to promote state policy for territorial development; that is, a regional development plan functions as yet another instrument of state involvement in local affairs. Rather, the regionalization process should consolidate and intensify local autonomy and the local authorities’ role. The functions of the regions must be defined and managed by the municipalities and not by the central government; otherwise the administrative regions will replace local self-governments. Financial resources for regional development should come predominantly from the central government, not from the municipalities.

Partnership between central and local governments and nongovernmental organizations (NGOs) expands the political and social base of government decisions and improves their efficiency and successful implementation. The establishment and strengthening of intermediary institutions—national and regional associations of municipalities or mayors—demonstrate the existence of a well-developed network of partner organizations, which increasingly are improving coordination and unity of action while retaining their independence and identity. Currently, associations of local elected authorities exist for cities and communes, mayors, council chairs and municipal secretaries. Their activities and central-local government relations also are supported by the successful operation of similar organizations such as local government reform foundations; professional associations of municipal secretaries, financial officers, environmental officers; regional centers and agencies; et cetera. The existence of this network is indicative of the awareness of the need for joint action and interinstitutional cooperation. The models of such partnership have created useful forms of efficient interaction, such as participation of representatives of national associations of municipalities and other organizations in the work of parliamentary standing committees; involvement of central and local government representatives in the activities of working groups, boards, councils and discussions organized on the initiative of the central or local government; multilateral working meetings on top-priority topics of activity; procedural rules for consultations on budget drafting or planning and the drafting of legislative changes in certain matters; and improvement of information exchange as a means to better understanding and partnership.

New forms of partnership also are connected with the requirements of regional development. Regional development laws, where they exist, provide frameworks for partnership between regional associations of municipalities and regional governors as representatives of the central government. The participation of nongovernmental organizations in local government is practiced to a great extent concerning the exchange of experiences and the dissemination of information on local government matters. For this purpose, NGOs develop systems to collect and disseminate innovative practices in local government, provide comparative reviews of legislation of developed democracies and other countries in transition, arrange discussions for the presentation of opinions of all parties concerned on certain bills in local government, conduct surveys and organize discussion and training seminars for politicians and local government administrators. The benefits from partnership between central and local governments and NGOs address four spheres—the legislative sector, local government, the “third” sector and civil society.

8. Challenges of and Directions for Local Government Reform

Local government faces three main challenges significant to public administration reform in modern countries. The first involves improving the quality and operational efficiency of local government and administration at the lowest cost while exercising democratic control. This implies raising local administration productivity, reducing public costs (state, municipal and other), rendering transparency in local government activities, actively involving the community and citizens in local government and developing effective control and redress mechanisms. Special attention is given to the creation of necessary legal frameworks for the decentralization of authority and particularly for the decentralization of public services. A significant goal in this sphere is fighting corruption.

The second trend concentrates on restructuring the relationship between local governments and citizens and acknowledgement of the fact that citizens are the customers of the local administration. The shift of focus on citizens as clients in the public sector depends upon two principal considerations. First, citizens are users of public services provided by local authorities for which they pay either directly or indirectly through the collection of fees and taxes. Second, any particular public service has a value, price and quality that has to correspond to the needs and requirements of citizens in their capacity as taxpayers and users of these services. Since citizens are clients in the public sector, they have to be protected against possible discrepancies in the “price-quality” correlation. Linked to this are efforts to optimize public services delivery and to develop appropriate mechanisms of redress.

The third trend is adjustment of local governments and local administration to the requirements and conditions of economic development of both the locality and the country. Thus, it also includes the search for a reasonable balance between the public and private sectors on the local level and the use of private sector methods and approaches in local public management. Public procurement and other forms of contracting are tools of modern local government.

Whether viewed as an imperative process or as an outcome, the countries analyzed in this volume are in the midst of redefining their cultural frames of reference; their political, economic and administrative institutions; and the political-territorial organizations of government. Owing to the complicated challenge of (1) seeking autonomy within the national system, (2) hard financial conditions of transition and (3) the consequences of European integration, the adaptability and flexibility of local government systems will be put to a critical test in the coming years. The local level will play an increasingly important part in national policymaking and problem solving. The size and multiplicity of tasks that are being undertaken at the local level and the complexity of the problems that arise indicate that purely local or purely national methods of resolving these issues are insufficient. For this reason, a high degree of cooperation, partnership and understanding among all levels of government is indispensable.

Looking at the recent situation and the possible future development of the countries under comparison, one can ascertain what is most urgently needed for local government in this region at the moment. Following are some of the necessary steps to be taken.

1. Clear legislative distinction between the responsibilities of central and local governments.
2. Clear legislative definition of the powers of self-government authorities: What are the independent and undivided powers of municipalities? How does law guarantee these powers?
3. Establishing the conditions for real decentralization—political, administrative and financial; enlarging the scope of powers of local self-government.
4. Strengthening self-government capacities through:
 - direct assistance and support from the state—legislative, financial, et cetera;
 - development of self-generated sources of income and actively searching for new forms of financing;
 - training of local officials and administrators;
 - creation of larger and more decentralized local government units;
 - active use of local government associations.
5. Enhancing the role of local governments within the limits of their powers and resources in the economic development of local territories by establishing partnership relations with the private sector.
6. Enhancing the role and significance of nonprofit organizations in performing local government activities, such as delegating functions to public nonprofit organizations and establishing partnerships with them.
7. More active participation of citizens in public affairs, such as:
 - bringing citizens closer to the centers of decision making;
 - making greater use of controlling and redressing mechanisms.

8. Providing local government administrative systems with greater efficiency through:
- establishment and implementation of regional plans;
 - coordination of municipal tasks;
 - improvement of local public services delivery;
 - introduction of functional integration.

It is clear that central and local governments are natural partners in governing. Redefining roles and responsibilities is an ongoing process, one that has been continuous, because the functions of government are changing in response to new conditions. Developing modern local government should be an agenda for change in the present systems of the Balkan countries.

Notes

- ¹ *Local Governments in the CEE and CIS, 1994: An Anthology of Descriptive Papers* (Budapest: Institute for Local Government and Public Service, 1994).

Chapter 2



Local Government in Albania

by
Artan Hoxha

Local Government in Albania

Contents

1.	Legal and Constitutional Basis	45
1.1	Brief History of Local Self-government	45
1.2	Territorial Structure	48
1.3	Status of Cities and the Capital	49
1.4	Relationship between State Administration and Local Government	49
1.5	The Introduction of Regions	50
2.	Local Politics, Decision Making	51
2.1	System of Local Elections	51
2.2	Forms of Direct Democracy	52
2.3	Distribution of Power among Different Levels of Government	53
2.4	Internal Structure of Local Government Decision Making	53
2.5	Public Participation in Decision Making	54
2.6	Ethnic Issues, Multicultural Government	55
2.7	Local Government Associations and International Contacts	56
3.	Local Administration, Service Provision	56
3.1	Structure and Operation of Local Administration	56
3.2	Control, Audit and Supervision of Local Governments	58
3.3	Local Service Delivery	59
3.3.1	Local Jurisdiction in Service Delivery	59
3.3.2	Distribution of Functions among Different Levels of Authority	62
3.3.3	Forms of Service Delivery	63
4.	Local Finance	64
4.1	Budgeting Process	65
4.2	Revenues	66
4.2.1	State Grants	66
4.2.2	National Shared Revenues	67
4.2.3	Independent Revenues	67
4.2.4	Loans	70
4.3	Expenditures	71

5. Next Steps in the Transition Process 73

Recent Publications on Local Government in Albania 76

Contacts for Further Information on Local Government in Albania 77

Annex 2.1: Major General Indicators 79

Annex 2.2: Population, Settlements and Administrative Units 81

Annex 2.3: Major Laws on Public Administration and Local Government 85

Annex 2.4: Responsibilities of Administrative Tiers 86

Local Government in Albania

Artan Hoxha

1. Legal and Constitutional Basis

1.1 Brief History of Local Self-government

The current status of decentralization of power and, more specifically, of local governance in Albania is a result of the political, economic and social factors of transition as well as of culture, history and social psychology. These factors have generally tended to restrain rather than promote decentralization and the strengthening of local governance.

The process of building a nation with democratic institutions began after the fall of the communist regime and of the deeply centralized national political system in 1991. In the absence of a constitution that could meet the requirements of transition, the first pluralist parliament approved a package of constitutional laws. Although this package did not address the issue of decentralization, it did introduce local governance, and a central government was built based on a compromising political formula. However, this was a temporary solution that divided power rather than decentralizing it.

In June 1992, Parliament completed the constitutional package by passing Law No. 7570, establishing self-governance, independence, local autonomy and decentralization as the basic principles for the creation and functioning of local governments—communes in villages and municipalities in cities as bodies of the first level, and districts as bodies of the second level. The same provisions included size and population criteria for different divisions at the second level.

Only a few days later, on 10 June 1992, Parliament approved Law No. 7572 “On the Organization and Functioning of Local Governments” (hereafter referred to as the “Law on Local Governments”). This law stipulates the basis for all acts concerning the operating legal framework. It also determines (1) the jurisdiction of the territorial administrative divisions; (2) the independence of local government bodies from the central government and their commitment to exercising their responsibilities within the law; (3) the jurisdiction of councils and chairs of the local units; (4) the manner in which bodies are elected, their recognition as juridical persons and their constitutional and legal mission to develop economic and social activities, generate income, manage expenditures, determine taxes and issue normative acts. The prefecture, as the representative body of the central government at the local level, regulates the consistency of these acts with the law.

This represented the first time that the main principles of the European Charter of Local Self-government were endorsed by law, primarily the principles of political and administrative autonomy and, to a lesser extent, financial autonomy.

The law provides in a very general fashion the duties and responsibilities of communes and municipalities. The most important among them are (1) preparation and approval of the local budget; (2) levying taxes and other obligations as stipulated by law; (3) appointment and dismissal of the steering committees of public enterprises and ensuring the functioning of the road system, local transport and postal services; (4) preparation and implementation of urban development plans; (5) local public service delivery; (6) ensuring appropriate conditions for the functioning of local institutions of education, health, culture, et cetera; and (7) provision of housing.

An amendment to the constitutional package and the law demonstrated the will of lawmakers to initiate the process of decentralization and to establish local governments capable of serving the public. The inaccuracies and weaknesses of the law derived mainly from a lack of knowledge and of a clear image of the extent, manner and rate at which such initiatives could be enacted.

The law acknowledges the right of local bodies to act in those areas that have not been charged to any other body. Article 14 of the Law on Local Governments establishes that: "The council of the commune or the council of the municipality has the initiative to decide on problems under its jurisdiction, except in cases in which the law grants jurisdiction to other bodies." In actuality, all legislation introduced after 1990 adheres to the principle that "what is not prohibited by law is allowed." This principle also has the benefit of creating a liberal interpretation of the extent of local government freedom in exercising its duties.

In July 1992 elections were held, creating the first representative bodies of local government. The results of these elections brought about an equilibrium among rival political parties but simultaneously caused a "reduction" in the political will of the majority in power to continue with the rate of local government reform. Centralizing tendencies were initiated in some spheres, such as education, health and agriculture, through the establishment of executive directorates in the districts by the line ministries. This narrowed the space for action by local governments in these areas. In areas of an economic or developmental nature, such as trade, transport, privatization, urban planning, et cetera, decentralizing tendencies were stronger.

Concerning financial support for local government bodies, the Law on Local Budgets was approved in 1993, which—it was hoped—would guarantee financial autonomy and strengthen local governments. Under the economic pressures of the transition and measures taken to maintain macroeconomic stability, however, local government financial autonomy remains very restricted. Local revenues are ensured up to ninety-five percent by the state budget, but the Ministry of Finance strictly controls expenditure structure. Throughout the transition period (1991–98), state budget expenditures on local government have fluctuated from four to five percent of the total public budget and on the whole have declined annually. Regarding ownership and the

establishment of a local fiscal system, two versions are acknowledged by law, but no substantial initiative has been undertaken; hence, local authorities do not possess any real assets.

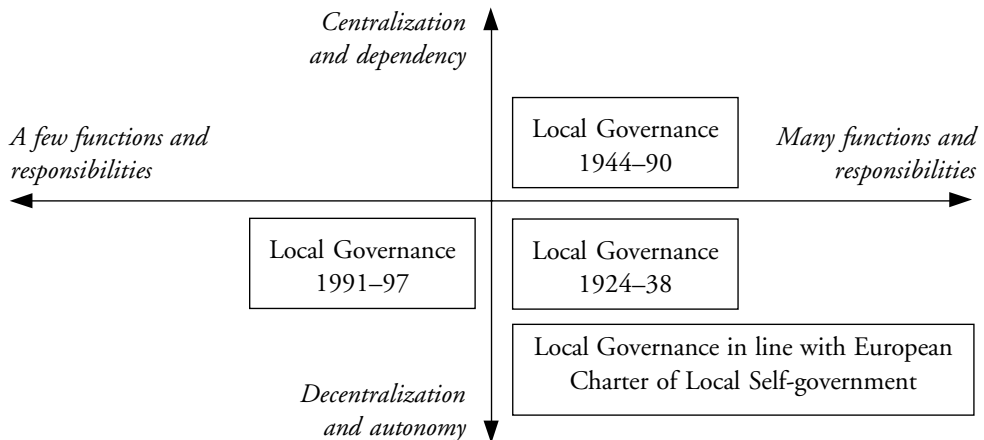
Under such circumstances, the possibility for local governments to ensure their revenue bases remains restricted, and financial autonomy is far from what is expected and necessary. As a result, local governments have not been in a position to act as freely as they should to resolve local issues and problems or to raise the quality of services provided. Furthermore, they are not in a position to exercise fully the responsibilities vested in them by law.

Recently, upon signing the European Charter of Local Self-government (May 1998) and under the ever-increasing pressure of local bodies for more authority and financial autonomy, the issue of local governance has become one of the most heavily debated subjects in Albania. As a result, the necessary support has been achieved to take a qualitative step toward the decentralization process. The chapter on local governance in the new constitution (November 1998) sanctions the main principles of the charter and therefore marks substantial improvement. Government attempts to draft a decentralization program and the establishment of a committee with representatives from different ministries, locally elected associations and nongovernmental organizations (NGOs) are expressions of development in this process.

The history of legislation and the new local governmental system invoke traditions established during the short period of self-government during the monarchy (1924–38), when local government had a high level of economic and social jurisdiction and functions. However, the implementation of the principles of the European Charter of Local Self-government also must fight the vestiges of the communism regime (1944–90), when governance was dominated by vertical centralization.

Figure 2.1

Relations between Centralization-Decentralization and Responsibilities of Local Governance in Albania



1.2 Legal Basis for Territorial Division

In 1992 a decision of the Council of Ministers established the territorial administrative division of the country. Following the tradition of the kingdom period (1928–39), local government bodies were established as municipalities in urban centers and as communes in rural areas. A specific law (No. 7605, 15 September 1992) determined the administrative subdivision of the country, defining “administrative quarters” as the smallest administrative unit of a city, which better and more carefully distribute services of the city government to the public. The Council of Ministers has the authority to determine such division. Administrative quarters are established in municipalities with over forty thousand inhabitants, and each subdivision may not have less than twenty thousand inhabitants. An administrator nominated by the mayor is appointed to manage such units.

In communes, the basic administrative division is the village; the *kryeplaku* (elder) is the local authority mandated to implement the decisions of the commune. He or she represents the village and the interests of its inhabitants but does not have any legal jurisdiction. *Kryeplaku* is rather an honorific title; the position is exercised on a volunteer basis but is elected by the village *pleqesia*, or advisory body. The commune council determines the number of members of the *pleqesia*. The *kryeplaku* and *pleqesia* exercise their functions for a period of two years.

The Constitution entrusts such administrative division to the local government: “The administrative-territorial division of local governmental entities is accomplished by law based on local needs, common economic interests and historical tradition. Their boundaries cannot be changed without the preliminary consent of the local community.” As a rule the creation of new villages and the merger of several villages into one commune is accomplished by referendum. However, the right to call a referendum in order to obtain preliminary public opinion on such issues has not yet been exercised, although communes have merged and have been divided. In these cases the inhabitants have neither complained nor expressed opposition.

The country is divided into 309 communes and 65 municipalities at the first level of local government and 36 districts at the second level. The large number of first- and second-level units is necessary due to the distribution of the population in small dwelling centers, the steep terrain, the lack of infrastructure and low levels of communication among such centers. Given these factors, it is difficult for first-level bodies, especially for communes, to conceptualize an alternative division, although a reduction of their number is foreseeable.

Division at the second level reflects the system inherited from the socialist period, except for a few changes influenced by regional centrifugal tendencies that were supported by economic, social and traditional criteria. Such division has had a negative impact on the efficiency of local governance.

Thirty-six districts are currently delineated (ten more than in 1990). Some districts have been divided based upon historical considerations in the effort to strengthen the identity of these

communities, ignoring developmental needs and other criteria. The lack of economic logic in such cases has made harmonization of interests and regional development planning more difficult. A different type of reorganization involves the renaming of some communes as municipalities by playing to the sensibility of inhabitants concerning the distinction between urban and rural centers, even if there has been no marked change in economic or social conditions. In general, such administrative changes have not strengthened local administration or public service. On the contrary, the alteration of the status of administrative units based on artificial reasons has created difficulties in establishing relevant and efficient administrations.

Since 1992, there have been two rounds of general local elections. The last elections were organized in October 1996.

1.3 Status of Cities and the Capital

Law No. 7605 addresses the status of cities, including Tirana, the capital, and their administrative subdivisions. Municipalities are classified in four categories based on population size. The law sanctions the division of cities into administrative quarters (*lagje*), which must be approved by the Council of Ministers. Such categorization also determines the number of personnel, organization of the municipal office, salary level for directors and level of administrative expenditure.

The special status of Tirana Municipality is addressed in a separate chapter of the law. It is allowed to perform the functions of a district and as well as others provided for and acknowledged by law, such as urban planning.

1.4 Relationship between State Administration and Local Government

In line with the legal framework and taking into consideration the experience of the past few years, a clear-cut distinction exists between the profiles of local government bodies at both levels, neither of which is subordinate to the other.

Owing to their proximity to the public, first-level bodies (municipalities and communes) mainly exercise functions related to direct and perceptible public services. In doing so, they make use of more financial instruments.

Besides their own functions, local governments conduct other duties delegated by the central government. Among the most important are the administration of economic aid programs for the unemployed and other beneficiaries, management of the privatization process and construction and maintenance of secondary roads. Specific grants from the central government provide the funding for these functions.

Tier administrations constitute the second level of locally elected bodies. The main function of second-level decision-making bodies is coordination of activities and development among communes and municipalities of the relevant region. In addition to these functions, they perform others determined by law that are related to public services, such as urban plans that do not require approval from the central government. A council, a representative body that elects its chair, addresses district governance. Each district has its own budget and has the right to decide on local taxes and fees in compliance with the law. However, the jurisdiction of the district council, as with the first-level bodies, is not very clearly defined.

Each district council has “vertical directorates” (decentralized bodies) for education, health, agriculture, et cetera, which function and act at the local level but are fully dependent on the line ministries. These structures handle the implementation of state politics at the local level in their respective areas. The overall activity of these directorates is determined by the related line ministries. Appointment of personnel for the overall sector, as well as supervision of the implementation of duties, is under the jurisdiction of the directorates. Hence, conflict exists between these structures and the local government bodies, which have no authority over them. This is a political rather than an institutional conflict, since it often reflects the change of political parties in the central government. However, these structures hinder the initiative and the activities of local authorities in these sectors and their ability to meet the needs and requirements of the public.

The territorial distribution of the twelve prefectures is determined by the Council of Ministers. Each prefecture, which includes two to four districts, correlates the performance of the services of the state administration with the country’s administrative divisions and controls the legality of acts of local governance bodies. The prefect is a representative of the Council of Ministers. There is no interdependent relation between the prefect and the local elected bodies.

The prefect ensures harmonization between the activities of the local elected authorities and the territorial public administration by chairing the prefecture administrative council. The council is a consultative body comprised of the chairs of the communes, municipalities and districts of the prefecture and the directors of the vertical directorates at the prefecture or district levels.

1.5 The Introduction of Regions

The need for new administrative division that would favor regionalization, and especially the definition of some reasonable criteria to serve as the basis for territorial reform, has been the topic of many discussions and is most important for local government decentralization.

Given that the current division of the country does not correspond to the structural changes of the democratic state, the Constitution proposes that the *qarqe* (the equivalent of region) be considered the second-level body that ensures coordination, programming and harmonization of developmental policies at the regional level. The qarques would replace the current districts,

which would cease to exist at the end of their mandate (the year 2000). These regions would cover the territorial space of two to three of the current districts, but their model has not yet detailed the manner of creation and division, the criteria to be followed or the functions and operation of the new structures. Concomitantly, the prefecture parallels this system in its representation of the deconcentrated line of the central authorities. This structure is based on the Scandinavian model, but the qarqe will not necessarily fulfill the same role that the region does in EU countries.

2. Local Politics, Decision Making

2.1 System of Local Elections

The elected bodies of local governments are the commune, municipal and district councils and the chairs of communes and municipalities. In 1992 a law on local government elections was approved, which defines the principles for their organization, the electoral system and the authority responsible for their oversight.

Local government elections are general and are held every four years. Voting for council seats is accomplished according to a proportional system whereby political parties submit lists of candidates for election. An individual cannot be considered a candidate for more than one council, regardless of the level of government.

The rules of operation are the same for municipal, commune and district council elections. Immediately after the elections, the newly constituted district councils elect a chair from their ranks. Conversely, the chair/mayor of the commune or municipality is elected directly and by majority vote; both representatives of political parties and independent candidates may run for this position. If a majority is not achieved during the first round, a run-off election is held between the two candidates with the most votes.

If a member of the council resigns or cannot perform his or her duties for reasons stated by law, the councilor is replaced by the next person on the candidate list that he or she represents. If a chair resigns, elections are held to elect a new chair within six months. The mandate of the new chair is considered to be a continuation of that of his or her predecessor and lasts until the next general local elections.

Generally speaking, local elections favor those candidates that represent the two main political parties in the country: the Democratic Party and the Socialist Party. During the past two elections these two parties together have won over ninety-five percent of the municipal and commune chairs and over eighty-five percent of the seats in local councils at both levels. The only exceptions are found in some southern communes, where the Union for Human Rights Party, representing the Greek minority, has great popular support.

The figures in table 2.1 indicate the impact of parties on local governments. Experience has demonstrated that in local voting, the electorate tends to judge not the management abilities and administrative skills of the candidate, but rather the platform of his or her political party. Because of this, the parties themselves consider local elections to be a test of political fluctuation among the electorate.

Table 2.1
**Results of Local and District Council and Executive Elections
by Political Parties in Albania, 1996**

	Total	Democratic Party	Socialist Party	Union for Human Rights Party	Others
District Chairs	36	29	6	1	—
Members of District Councils	930	463	309	30	128
Commune Chairs	309	261	27	8	13
Members of Commune Councils	3,548	1,790	1,173	98	487
Mayors	65	52	8	—	5
Members of Municipal Councils	947	467	335	23	122

2.2 Forms of Direct Democracy

Current legislation and the recently approved Constitution acknowledge the right of local community members to express themselves directly on issues of interest to them. As a form of direct democracy, local referendums are organized on issues such as the division or merger of administrative units, local taxation, et cetera. The Constitution considers local referendums to be a right of self-governance equal to that exercised through local representative bodies.

Although this right is acknowledged by law, it has not been exercised to date, as legal provisions do not yet exist designating who may call a referendum, which authority is responsible for overseeing its organization and procedures for implementation. However, local communities have expressed indifference to this right. No community has submitted a public request, even concerning decisions that should require referendums, such as the division or merger of territorial divisions.

2.3 Distribution of Power among Different Levels of Government

The guarantee of local autonomy through the creation of elected bodies is the necessary basis for the efficient distribution of powers based on the transfer of specific functions and services to the local level. Rapid decentralization has resulted in the vertical transfer of functions and services to the administrative units that are closest to the public—namely, local bodies of the first level. During this transfer process, however, it became clear that the second level of local government better addresses certain services.

The levels of local governments are independent of one another. At the first level, local governments have the authority to perform services that benefit inhabitants of their jurisdictions; at the second level, the local government coordinates activities in the interest of the overall district. Hence, the district approves first-level urban development plans and coordinates infrastructure development programs involving more than one community, such as secondary roads, irrigation networks, et cetera.

The local council exercises legislative authority and autonomy by issuing orders, decisions and mandatory guidelines for the territory under its jurisdiction. These decisions can involve development programs, urban planning, budgeting, taxes and other financial obligations, public order, transportation, et cetera.

The chairs of commune, municipal and district councils have executive power over the implementation of council acts and may issue orders and decisions as necessary.

Even though the legal framework establishes local autonomy, in practice many difficulties arise as a result of limited financial independence and conflicts with the activities of the vertical directorates of the ministries. To a certain extent, the responsibilities of local authorities and territorial units of the central administration overlap, hindering initiatives of the local bodies. These conflicts emerge particularly in sectors where the central government establishes standards to be met on a nationwide basis. In response, local authorities have attempted to increase their spheres of activity in these sectors. Positive results have included a clearer division of responsibilities in the education and health sectors by government decision (March 1998), which transferred the maintenance of and some investments for local institutions to local authorities. However, further attention to the relations between the two administrations is necessary in order to clarify their roles and responsibilities and ensure cooperation.

2.4 Internal Structure of Local Government Decision Making

The local councils of municipalities, communes and districts act as representative bodies, conducting their activities in compliance with the Constitution, the Law on Local Governments and decisions of

the Council of Ministers. They and their chairs have the right to adopt decisions, orders and guidelines on issues of local importance.

Council statutes stipulate procedures for preparing and submitting draft decisions to the council and for the decision-making process itself. Local councils establish standing commissions to address various topics as well as ad hoc committees on special issues. These bodies organize council activities through the preparation and revision of draft decisions and guidelines.

Municipal mayors, chairs of communal councils, standing commissions and councilors may submit draft decisions or orders to the council for consideration. These drafts, together with justification for their proposals, are submitted to the chair, who forwards them to the relevant commissions. The originator of the proposal has the right to defend it at the council meeting in which it is discussed and voted upon. A proposal is approved by a simple majority vote of councilors present at the meeting, provided that over half of the elected members are present.

The communal chairs and municipal mayors perform duties as stipulated by law: they direct the administration of the municipality or commune and oversee local services, ensure implementation of council decisions, oversee public law and order, prepare the draft budget and urban development plans, exercise rights and enforce obligations as juridical persons on behalf of the local community, ensure environmental protection, supervise administration of commune/municipal properties, et cetera. The district council chair directs council meetings, implements council decisions and oversees public administration at the district level, supervising the activities of economic institutions and companies and preparing the draft budget.

Another political leader in local government is the secretary. This position is appointed by the Council of Ministers, although its functions are largely technical. According to law, secretaries must be selected on a competitive basis; in practice, however, they have been political appointments and are removed arbitrarily when the governing party changes. The secretary mainly administers decision-making procedures and ensures that legal requirements on the overall functioning of the council are met.

2.5 Public Participation in Decision Making

Local council meetings are open to the public as established by the Law on Local Governments. Councils are required to notify the public about the agenda, time and venue of their meetings. Each citizen may participate in these meetings and address issues on the agenda. The only exceptions are when a majority of the local council votes to close the meeting to the public and when the local budget is under discussion.

Although the law recognizes the right of the public to participate in council meetings, local communities are rarely involved in the decision-making process. Participation is very low; only

in limited cases do individuals actually attend, and NGOs, which serve as a method of articulation and transmission of public opinion, also do not utilize this option. Furthermore, local councils do not always meet their obligations to involve the public; they excuse themselves by citing a lack of means for announcement of meetings or of suitable venues to hold large public gatherings.

Community members have adopted a passive attitude regarding cooperation with elected officials overall. This springs both from public ignorance of the functions and responsibilities of the councils and from a lack of information on council activities. Public reporting technically would improve relations between elected officials and their public and increase the role of communities in self-governance. However, due to the abuse of such practices under the communist regime, public reporting is negatively perceived. Another factor that has influenced the public's lack of involvement is the overpoliticization of local bodies, creating stronger ties to the political parties they represent than to the public that elects them. Finally, civil society at the local level is very poorly developed, and therefore, individuals who are capable of understanding and voicing the needs of the public are not attracted to the local bodies.

Recently, NGOs have undertaken projects aimed to improve public participation in the decision-making process. These activities have raised awareness of local government functions and of the importance of citizen participation. Public cooperation and confidence in local administrations are the most focused goals of NGO activities in the field.

2.6 Ethnic Issues, Multicultural Government

Since Albania is an ethnically homogeneous country with a small Greek minority, experiences with multiethnic governance are very localized. Although Macedonian and Montenegrin minorities exist, they are so small that they have not acquired even minimal representation in local governments.

There are only four or five communes in which local council representatives of the Greek minority hold the majority of seats. In a few examples in southern districts where localized Greek minority groups exist, multiethnic councils have been formed in which the main political parties cooperate with representatives of the Greek minority. In some cases, a representative of the minority has been elected local council chair as a result of such cooperation.

These experiences demonstrate the normal functioning of multiethnic governance. Representation of the Greek minority in district councils is between twenty and forty percent. Given the tight competition between the two main parties, compromise between the minority party and one of the major parties is common in selecting the chair of the district council and ensures successful governance. The fact that the alliance of the Greek minority has shifted occasionally from one party to the other shows the lack of ethnic prejudices of Albanian political parties at the local level, where multiethnic cooperation is an essential factor.

2.7 Local Government Associations and International Contacts

The Constitution sanctions the right of local governments to create joint institutions for their representation. It also specifies their right to cooperate with local units of other countries and join international organizations of local governments. A few associations of locally elected officials operate in Albania, such as the Association of Mayors, the Association of Chairs of District Councils, the Association of Commune Chairs and an association of advisors.

These associations are forms of institutionalized cooperation, working to address needs of common interest for local and regional units. They were formed by local government initiative in compliance with the Law for Nonprofit Organizations as apolitical organizations that involve participation on a volunteer basis. They defend common local interests in relations with the government and coordinate cooperation with foreign organizations. In the absence of special legal provisions, these organizations establish their own statutes of operation.

Recently, in order to promote cooperation, the local government associations established a coordinating committee. The directors of the associations lead this committee on a rotating basis. The resulting experience has been positive, enabling local governments to reach consensus on certain issues of decentralization and strengthening local institutions.

An obstacle to the development of the associations is the relative inexperience of their members and a lack of experts in the fields of administration and self-governance. Recently, efforts have been made to strengthen the role of the Association of Mayors, which engages in broader activities than other associations, through improvement of its structure, the attraction of experts on relevant issues of local autonomy and community development and increasing participation in public matters.

3. Local Administration, Service Provision

3.1 Structure and Operation of Local Administration

The organization of all local offices—municipal, communal and district—are determined by the local bodies themselves. The local council may decide on its administrative structure, personnel and regulations on internal operations. The composition of these structures tends to reflect the image of the elected body. Although there is no standardized office structure, an office is typically divided into sections headed by directors that implement council policies and programs in specific areas of public administration. The local office assists in the drafting of proposals, gathers supporting documentation and provides outside expert opinions when necessary.

The state determines the number of employees for each local government in accordance with the legal classification of districts, municipalities and communes into various categories. The Council of

Ministers determines such classification based on the number of inhabitants and territorial size. The number of employees according to type and category of local government is illustrated in table 2.2.

Law No. 8095 on Civil Service in Albania determines the political status of local government personnel (March 1996). This law, supplemented by further quasi-legal acts issued by the Council of Ministers, establishes that local elected officials have political status, as do their advisors. Other employees, such as experts at various levels, are considered civil servants, while service providers, such as drivers, guards, couriers, typists, et cetera, are considered employees.

Table 2.2
Size of Local Government Administration in Albania

Administrative Units	Classification by Categories	Number of Administrative Units	Number of Employees
Districts	First Category	11	33
	Second Category	25	22
	<i>Total</i>	<i>36</i>	<i>913</i>
Municipalities	First Category	8	66
	Second Category	19	28
	Third Category	15	20
	Fourth Category	22	18
	<i>Total</i>	<i>65</i>	<i>2,097</i>
Communes	First Category	38	12
	Second Category	160	10
	Third Category	111	8–9
	<i>Total</i>	<i>309</i>	<i>3,003</i>

A revised civil servant law recently was proposed to Parliament and currently is pending approval. It aims to reduce the total number of individual beneficiaries of civil servant status and proposes a centralized body and procedures for recruiting and promoting all public administrative staff. Therefore, the new law would limit the right of local governments to define their administrative structures and recruit employees, in contradiction to the Law on Local Governments.

Local public administration offices are not authorized to make decisions or represent elected or executive bodies in negotiations unless specifically charged to do so. As a rule, they do not have the right of signature for acts issued on behalf of the municipality, commune or district. The

local administration may take authoritative actions related to the monitoring of local functions; local bodies establish various inspectorates for this purpose, such as the veterinary department, the office of environmental protection and the hygiene department. In some cases, special offices of the local administration have the authority to issue licenses.

Local offices have a primarily managerial function, administering regulation and the implementation of decisions made by local governing bodies. They also may entrust the latter to a subordinate institution, in which case they supervise the progress of the task. Local offices also perform administrative activities such as the gathering of information for central bodies or the issuance of licenses.

3.2 Control, Audit and Supervision of Local Governments

Local government activities primarily include the administration of schools, health centers, et cetera. Any problems encountered may be addressed by submitting requests or proposals to the vertical directorate of the relevant ministry.

The authority exercising administrative control over local and regional activities is the prefect. In addition to supervising the services of the state civil administration, the prefect monitors the legality of local government decisions. If the prefect deems that a certain act is in violation of the law, it is sent to the local government for revision or to court for determination. In both cases, implementation of the act is suspended. The president of the republic is entitled to dismiss the chairs of local divisions and dissolve local councils in cases in which they seriously violate a decision of the government, law or constitutional provisions.

The prefect has control over the legality of local government activities, but not their content. However, there is no legal form of appeal in the case of abusive administrative control, such as the unjustified imposition of restrictions on local administrations.

Regarding financial control, the local budget is reviewed on a regular basis (at least once a year) by the prefecture and any bodies charged by the local council to do so. According to the law, state audit, the Ministry of Local Government and the Ministry of Finance review the local budget. At the end of the fiscal year and at regular intervals, the municipal mayor or commune chair reports to the local council, the prefecture, the Ministry of Local Government and the Ministry of Finance on the implementation of the budget. Other line ministries that have delegated services to the local governments exercise budgetary control through specific structures such as the labor inspectorate, the social assistance (*ndihma ekonomike*) inspectorate, et cetera. In general, the burden of financial control exercised over local government is out of proportion to the importance of a given service or the extent of its financing and hinders local government activity.

3.3 Local Service Delivery

3.3.1 Local Jurisdiction in Service Delivery

An analysis of the decentralization process reveals the gradual transfer of services from central to local bodies. Initially there was an immediate transfer of some services, such as sanitation, cemetery maintenance, urban road maintenance, et cetera. Following was the transfer of services such as urban lighting, water companies, recreational and cultural institutions and state enterprises that had not yet been privatized, and finally rural roads, which are still in the final stage of transfer.

Local governments also have the responsibility to maintain institutions providing social services, such as primary and secondary education and health care. Social assistance to families has been transferred to the care of municipalities and communes, as determined by current legislation. However, they do not yet have any responsibility for the establishment, maintenance or administration of social care institutions, which, for the moment, remain entirely under the jurisdiction of the Ministry of Labor and Social Affairs. Table 2.3 illustrates the services that currently fall under the jurisdiction of local government bodies.

Table 2.3

Local Responsibilities for Infrastructure and Public Services in Albania

Area	Local Responsibility and Authority
PUBLIC INFRASTRUCTURE AND SERVICES	
Water Supply and Sewerage	Full responsibility and all necessary administrative, service, investment and regulatory authority.
Road Network	Full responsibility for the road network at the local level and full administrative, service, investment and regulatory authority. Other responsibilities and authority for the maintenance of roads may be delegated to other levels of government.
Waste Management	Full responsibility and authority to provide waste collection, transport and treatment services within national standards and procedures.
Electricity and Public Lighting	Regulatory authority for related urban planning and construction issues. In the framework of the privatization of the electric supply system, a commune may act as distributor according to contractual agreement with the national operator.

Table 2.3 (continued)

Local Responsibilities for Infrastructure and Public Services in Albania

Area	Local Responsibility and Authority
Telecommunication	May act as the local service provider in contractual agreement with the national operator or contribute to the process of selecting a framework for privatization.
Public Transport	Full responsibility and all necessary administrative, service and investment authority for urban transport service. Regulatory authority only over intercity transport.
Heating	No responsibility, except for communal and dependent institutions or as an element of social relief. The local government decides on methods and means of delivery. Responsibility and regulatory authority to ensure quality of energy sources by issuing licenses and deciding on standards and norms.
Urban Planning and Land Management	Primary and exclusive responsibility in its territory; administrative, service, investment and regulatory authority. Issues norms and standards applicable within its territory in addition to national norms and standards.
Housing	Responsibility to assist in providing housing for social groups based on national criteria. Full administrative, service and investment authority and shared regulatory authority (regarding national policies).
SOCIAL DEVELOPMENT AND SERVICES	
Education	Responsibility to ensure the normal functioning of local education institutions. Shared administrative authority (employs nonprofessional personnel), investment responsibility for maintenance and renovation of school buildings.
Public Health	Responsibility to ensure primary health care service as well as local hospitals. Limited administrative (employs nonprofessional personnel), service, investment and regulatory authority, shared with other local, regional and national entities.
Culture	Full legal and/or promotional responsibility for organization of activities and management of cultural institutions. Full administrative, service, investment and regulatory authority.

Table 2.3 (continued)

Local Responsibilities for Infrastructure and Public Services in Albania

Area	Local Responsibility and Authority
Social Development and Support	Responsibility for community social development policies and promotion. Ensures support for marginal social groups (the poor, orphans, elderly, drug addicts, the unemployed) and ethnic minorities. Develops its own programs or performs delegated or contractual functions for central institutions and donor programs. Depending on the case, full or limited administrative, service, investment and regulatory authority.
ECONOMIC DEVELOPMENT	
Business Development	Undertakes promotional initiatives for business development, supports investment in networks, promotes national and international activities, issues rules and standards for procedures, registration, licenses, etc.
Agriculture	Promotes economic activities; supports and/or supplies extension services, training and information; invests and/or supports investment in infrastructure (e.g., irrigation); manages and/or regulates schemes for use of natural resources such as water, fauna and flora, agricultural land. Takes various initiatives within national policies and standards.
CIVIL PROTECTION	
Public Order	Issues rules and norms for public order, sets up local bodies for enforcement and monitors their performance. May establish local police with a minimal role to enforce local government acts that may assume other responsibilities such as traffic regulation. Possesses full autonomy to fight crime within clearly defined national standards and legal norms regarding structures, quality of personnel, procedures and methodologies. May cooperate with other public order forces.
Civil Protection	Responsible for civil protection in cases of natural, social or technological disasters. Authority to issue rules, undertake preventive measures, establish specialized bodies, cooperate with other local and/or national bodies when risk exceeds local capacities.

Local governments have expressed the wish to expand the number of services they perform, citing their duty to meet the needs of their inhabitants and increase the level of services. However, this is due as much to the desire for increased power as to the wish to expand services. Often local governments cannot perform the services for which they are responsible, especially in communes or districts with little labor or material resources.

There is some reluctance at the central level to transfer more functions to local government. For example, responsibility for certain rural roads was accorded to district councils by decision of the Council of Ministers two years ago, but it has not yet been transferred due to a hold up in the central administration, and the financial effects were not expected to commence until the second half of 1999. Such resistance is due partially to centralist tendencies and partially to unwillingness to relinquish certain profitable activities.

The amount and manner of available financing also limit the transfer of responsibility for services. Because internal revenues are insufficient, local governments rely almost entirely on funding from the central budget, which is allocated annually. To date, this has been a centralized process, by which central bodies strictly determine the final destination of funding. Under such circumstances, local government bodies do not have the ability to set their own priorities. Instead, they are obliged to implement plans originating with the central government. In the best case scenario, local governments are permitted to influence the allocation of funds within a given service. This lack of autonomy severely reduces the power of local governments to meet the needs of their communities or to increase the level of service in priority areas.

3.3.2 Distribution of Functions among Different Levels of Authority

The transfer of functions has proceeded according to the principle that services are assigned to the level of government closest to the public—that is, communes and municipalities. Any services considered to be beyond the capacity of the first level are assigned to the second level—the district council. Consequently, district bodies have fewer functions, mainly those related to regional development, urban programs, regional water companies and rural roads serving more than one commune.

For the time being, local administrations do not have legally stipulated procedures for cooperation. The Law on Local Governments assigns a coordinating role to the district council for communes and municipalities under its jurisdiction, which can be exercised as follows.

1. Communes and municipalities individually may carry out activities legally under the jurisdiction of the district council; examples include regional water companies, rural roads, urban planning, et cetera. This cooperation is mandatory and organized by the district council.

2. Local governments may collaborate to address problems that are clearly under their individual jurisdictions but that require mutual support. There are many such cases of joint activity, especially in the exchange of experience and qualifications. Often, district council administrations have played a significant role in achieving this type of cooperation.

The year 1998 marked a step forward for local autonomy. Decision No. 204 of the Council of Ministers (1997) both determined the activities and institutions to be taken over by local governments and introduced improvements in the method of financing. Based on this decision, funds for the maintenance of institutions were transferred from the state budget to each local government, giving them the possibility to determine their own priorities and expenditures. Investment funds are still centralized for service areas overall and only may be used for purposes approved by central bodies. In addition, legislative amendments have encouraged the raising of local revenues from internal sources, which will improve local autonomy and the level of local services.

3.3.3 Forms of Service Delivery

Local governmental bodies are charged with the management of enterprises and institutions by the ministries. Such institutions are divided into two categories:

- enterprises that carry out public service functions under the direct jurisdiction of local governments (such as water supply, irrigation and drainage, road and cemetery maintenance, sanitation and the upkeep of public spaces, housing, urban lighting) and social institutions such as cultural centers, kindergartens, nurseries, et cetera;
- other enterprises, the functions of which may not be related directly to public service provision, but that are in the territory of the municipality and are being privatized under the supervision of local governments.

The status of local enterprises and institutions is based on the nature of the services they provide and the type of activities they address. Local governments exercise full control over their activities. They have complete authority to make financial decisions, determine the activities of and appoint and discharge the management of such institutions. The ability of these institutions to perform their duties is closely tied to the financial situation of the local government body.

As services were transferred to local governments, the means to provide them have multiplied. The traditional form of service provision through local government companies is still employed in areas such as water supply, roads and drainage, beach administration, cemetery maintenance and urban lighting. New forms of service provision have been introduced as well. Contracting services out to private enterprises, both local and foreign, is common, especially for cleaning services, urban transport, cemetery maintenance and road maintenance. In these cases, agreements are made between the local government or budgetary enterprise and the private company based on standard contracts determined by the relevant ministries. Recently, local governments also

have introduced concessions for service provision. The Municipality of Elbasan, for example, has issued concessions for the city water company.

Private companies and enterprises exist throughout the entire country; they provide cleaning services in almost all cities, as well as construction in important service sectors, such as roadwork. They also have dealt promptly with issues of passenger transport services, which are beset by many difficulties resulting from bad road conditions. Additionally, both private and civil sector organizations have contributed to improving the quality of local services. Foundations provide grants for and private companies have paid significant contributions to communes and municipalities, especially in the areas of culture and recreation.

4. Local Finance

Legislation governing local finance (Law No. 7616 “On Preparation and Implementation of the State Budget in the Republic of Albania,” September 1993, and Law No. 7776 “On the Local Government Budget”) determines two sources for the local government budget: the “conditional” budget and the “unconditional” budget. Transferred directly from the central government, the conditional budget is used for very specific purposes, as determined and distributed by the line ministries or by the Ministry of Finance. Given that the conditional budget comprises almost ninety-five percent of total local expenditures, it is clear that local governments have very little autonomy, lacking the authority to manage funds in the interest of the local community. In fact, the majority of local government functions and responsibilities are delegated through allocations of the annual state budget.

Until recently, state grants comprised the conditional budgets of local governments, while internal revenues generated by local bodies have represented the unconditional budget. This concept has changed somewhat in the most recent amendments to the legal framework on local finances. Now, the unconditional budget refers to block grants, which local governments can administer according to their own needs. In relation to the revenues generated by these bodies, a new concept has been introduced—the independent budget.

Table 2.4
**Local Government Expenditures as a Proportion
of General Government Expenditures in Albania [in USD]**

	1995	1996	1997
Local Budget Expenses	16,961,478	19,281,878	18,702,352
State Budget Expenses	77,134,000	85,245,000	101,594,000
%	21.98	22.6	18.4

Table 2.5
Local Government Expenditures as a Proportion of GDP in Albania [in USD]

	1995	1996	1997
GDP (current price)	184,393,000	229,793,000	280,998,000
GDP (constant price)	13,331,000	15,107,000	16,482,000
% (local government expenses/GDP)	9.19	8.39	6.65

4.1 Budgeting Process

The budget drafting procedure follows a path from the grassroots upwards. Budget implementation, however, proceeds downwards. Each commune, municipality and district council drafts its budget, a process intended to harmonize needs and sources for funding. Initial forecasts are not restricted by law, so the local government is free to express its own opinion on its financial needs. In practice, harmonization has been achieved only during the budget drafting process. Since approval and implementation of the budget is conditional on the limited level of allocated funds, the results of the drafting process often are ignored.

Local government staff prepares the budget for operational expenditures in accordance with Ministry of Finance guidelines. The draft is usually based on the previous year's budget, with increases for inflation and other costs. The mayor then submits the budget to the local council for revision and final approval. Afterwards, the budget is submitted to the local office of the Ministry of Finance, to the prefect's office, to the national Budget Directorate of the Ministry of Finance and to the Ministry of Local Government.

The line ministries simultaneously prepare their own budget forecasts, including conditional budgets for each local government. Although the local government forecasts are based on their situation and needs, the line ministries may reduce them without consultation.

The Ministry of Finance forwards the composite local government budget to the Council of Ministers as part of the national budget, and from there it is discussed by Parliament. Once the budget is approved, the Ministry of Finance coordinates with the line ministries to designate the distribution of funds to the local level.

A similar process determines investment items. Investment expenditures for local governments are first approved at the ministry level. Final allocations, descriptions of planned investments and the amount of money to be spent in each category of investment are forwarded to each local government.

Grants are based on the previous year's allocation plus an adjustment for inflation. Only in rare cases are there substantial changes in the budget from one year to the next. Grants allocated to

each local body in reality are not based on the established criteria; hence, the state does not adjust vertical or horizontal inequalities through the allocation of funds.

4.2 Revenues

The local revenue structure can be classified by the following main categories:

- transfers of state grants;
- national shared revenues;
- independent revenues;
- other revenues.

Table 2.6
Revenue Structure by Type of Local Government in Albania [%]

	1995			1996			1997		
	Municipality	District	Commune	Municipality	District	Commune	Municipality	District	Commune
State Grants	97.80	98.50	99.80	92.80	93.40	99.50	94.70	96.70	99.80
Shared Revenues	0.00	0.03	0.00	2.41	0.00	0.00	1.74	0.00	0.00
Independent Revenues	2.13	1.41	0.17	4.71	6.57	0.44	3.49	3.82	0.18

4.2.1 State Grants

Specific state grants include central budget funds allocated to the budgets of communes, municipalities and districts to be administered for certain purposes. These grants thus represent both revenues and expenditures for functions delegated to the local government. Current legislation does not provide a formula to calculate state grants or specify criteria for their award. Such grants are determined annually in accordance with the Law on State Budgets and approval by Parliament.

Grants are identified in the budget report by the ministries responsible for the particular sector and are allocated for the following services:

- education—kindergartens, primary schools, high schools and orphanages;
- health—nurseries, health centers;
- culture—cultural centers, libraries, cinemas, theaters and museums;
- agriculture—subsidies, local irrigation networks, veterinary services, pastures;
- environment—solid waste, drainage and drinking water supply networks;
- transport—public urban transport, local and interdistrict roads.

Practice has shown that the line ministries enjoy great power over how these grants are allocated and distributed. They plan local budgets based on employment figures and according to norms that are very loosely based on local conditions or the need for specific services. Although the law nominally requires local government approval, a ministry may decide mid-year to suspend allocation of a grant to one local body and transfer it to another without consulting the original recipient of the grant.

Local governments prefer block grants. They also have requested more independence in determining the use of funding. However, notwithstanding recent improvements in the Law on Local Governments, they still do not have the right to affect the allocation of state funds. A government decision dated March 1998 stipulates that operational expenditure grants and investments should be assigned to the local governments. However, the budgetary law, which is expected to be approved by Parliament soon, partially has suspended this right on the grounds that local governments are not in a position to administer those grants themselves.

4.2.2 National Shared Revenues

For some time now local authorities have called for an increase in local shares of national taxes and have proposed a number of new taxes. At present, however, national taxation is not shared between the central and local budgets.

Until May 1998, the property tax (consisting of an agricultural land tax and a building tax) was considered a national tax. Revenues from this tax were shared, with forty percent allocated to the central budget and sixty percent to the local budget. According to Law No. 8344 (May 1998), the property tax is now a local revenue, transferred entirely to the independent local budget, and the local government is charged with establishing its own structures for the collection of this tax. Because this particular revenue on average did not exceed one percent of local budgets when shared in the past, a substantial increase in local government revenue is unlikely. In addition, political interventions by the central government have reduced the value of this revenue: to date, the agricultural land tax has not been collected, according to presidential decree.

4.2.3 Independent Revenues

Independent revenues comprise a small share of the local independent budget. They include:

- local tax;
- property tax;
- service fees;
- revenues of local government enterprises;
- fines administered by the local government;
- aid and donations from local or foreign organizations.

Parliament determines the extent of local taxes and fees. According to law, districts may levy fees on hunting and fishing registration and taxes on new construction. Municipalities and communes may implement taxes and fees on the following:

- registration of various activities;
- cleaning and waste removal;
- hotel lodging for foreigners;
- concessions from markets;
- income from restaurants and entertainment establishments;
- advertisements and billboards;
- slaughtered animals;
- use of timber and communal forests;
- registration of lotteries;
- registration of new residences;
- parking.

Table 2.7
Local Taxes in Albania

Type of Tax	Tax Rate	Administration	Collection	Sanctions
Buildings, Land and Small Business	Local discretion, within nationally determined limits	Local tax authority	Local tax authority or authorized agent	Local tax authority
Inheritance and Donations	Fixed nationally	Either national or local tax authority	Either national or local tax authority	Local tax authority based on information provided by the national tax authority
Real Estate Transactions, Income from Gambling, Vehicles	Local discretion above a national minimum	Either national or local tax authority	Either national or local tax authority	Local tax authority based on information provided by the national tax authority
Tourism, Animals, Communal	Full local discretion	Local tax authority	Local tax authority	Local tax authority

NOTE: Tax base determined by law.

In addition to the property tax (see section 4.2.2), councils also have the right to levy ad hoc taxes for public services. Many local governments have done so, accounting for fifteen to nineteen percent of municipal independent revenues for 1996 and 1997. The district council has the same right, but only upon approval of the commune or municipality offering the service.

Table 2.8
Local Tariffs in Albania

Type of Tariff	Level of Authority	Administration	Collection	Sanctions
Public Service Tariffs (water, sewage, solid waste, heating, public transport, public lighting)	Full local discretion authorized by the local government	Service provider or other agent authorized by the local government	Service provider or other agent	Service provider with support of local tax authority and police
Tariffs for the Right to Use a Public Good (markets, cemeteries, parking, signs in public areas, use of public spaces for events)	Full local discretion	Local government	Local government	Local government
Tariffs for Issuing Licenses and Registration (construction, vehicles, land development, other certifications)	Full local discretion	Local government	Local government	Local government
Fishing or Hunting Permits	Local discretion above a national minimum	Local government	—	—

NOTE: Tariff rates determined by national basic standards.

Local governments collect some taxes directly; others are collected by entities such as the electric power company, which receives five percent of the billed amount. Local government councils have the right to delegate tax collection duties to other entities, private or state, physical or juridical. In such cases, the taxation agent may receive up to eleven percent of the taxed amount.

The latest legal measures assign heavy penalties in the case of nonpayment of local taxes, including suspension of activities. It is hoped that these measures will have a positive impact on ensuring local financial resources. These regulations also define very clearly the relationships among the local government bodies, the taxpayers and the taxation agents.

Although local taxes and tariffs offer the best opportunity for full local autonomy, elements of the current system greatly hinder this:

- because there is no automatic adjustment for inflation in the fixed tax basis, local governments suffer a loss in the real value of expected tax revenues;
- local governments may not determine the extent of local taxes calculated according to local fiscal conditions and capacities;
- local governments encounter difficulties in controlling tax and tariff collection, since this is performed by various institutions within the local government;
- local governments may not freely determine the spending of revenues from local taxes and tariffs.

The use of independent budget revenues is limited to operational expenditures and investments. A specific amount is set aside for this purpose when the budget is approved by Parliament. If local revenues are higher than forecasted, the surplus funds cannot be used without the approval of both the Ministry of Finance and the line ministries. Furthermore, there have been precedents of sequestration of unspent funds by the Ministry of Finance at the end of the year. This system is highly unfavorable to local governments. Since they cannot guarantee the use of local tax or enterprise revenues, they are discouraged from improving their collection methods.

Independent revenues comprise five percent of total revenues in municipalities and districts and even less in communes. In general, the Municipality of Tirana has had the most success in collecting independent revenues; in 1996, they comprised thirty-nine percent of its budgetary revenue.

Other sources of profit include revenues from economic activities and local businesses financed by the local government. Rents and revenues from privatization are an important source of income, comprising seventeen percent of the independent budget for 1996. Due to a change in the privatization formula, according to which twenty percent of the sales price is allocated to the local government, privatization revenues have been reduced since 1996.

Assistance from donors and foreign local governmental bodies is another potential source of revenue, from which some local government divisions have profited.

4.2.4 Loans

Although local governments are legally entitled to receive loans to finance investments (Law No. 7776), they have not exercised this right. Due to the structure and functioning of municipal

finances, no creditor would consider it wise to offer such a loan. Another obstacle to the utilization of bank loans is the lack of local government property to be mortgaged as credit guarantees. Furthermore, potential financing sources inevitably depend on the country's capital market structure; the banking and financial sectors in Albania are underdeveloped, and the stock exchange is immature and cannot meet local needs for vouchers.

4.3 Expenditures

The local budget is divided into four core categories of expenditures:

- salaries—gross payment of employee compensation;
- social insurance—payments for social and health insurance for local government employees;
- operational expenditures—funds planned for materials, services and per diems;
- investments.

The current budget includes all expenditures for the performance of administrative functions and local public services. The share of current expenditures in the local budget has increased consistently, from eighty-two percent in 1995 to ninety-four percent in 1999. Previously, these expenditures were determined by state grants, but in the future they will be covered by block grants that will allow local governments to decide on their use according to their own priorities.

Table 2.9
**Distribution of Local Government Expenditures
in Albania [%]**

	1995	1996	1997
Current Budget	82.0	87.8	94.3
Capital Expenditure	18.0	12.2	5.7
Loan Repayment	0.0	0.0	0.0

Capital expenditures include all investments to maintain local institutions such as roads, water companies, sewer systems, public buildings, cemeteries and educational and health institutions. Such expenditures have been reduced substantially to six or seven percent of the total local budget. Given the low level of investment from the state and minimal local revenues, local governments have very little opportunity to improve their financial situation.

Local governments are charged by the line ministries to administer parts of their budgets. Even though local budgets include funds for specific services, local governments do not enjoy budgetary rights, since they may not make any changes once the budget is approved by Parliament, such as the transfer of funds from one line item to another, even if justified by local needs.

Table 2.10
Proportion of Total Expenditures by Type of Service in Albania [%]

	1995			1996			1997		
	Municipality	District	Com-mune	Municipality	District	Com-mune	Municipality	District	Com-mune
Education	13.9	7.3	19.0	16.2	6.0	22.3	19.8	4.8	20.5
Health Care	1.2	3.3	4.2	1.3	3.6	4.2	1.8	3.9	3.6
Social Welfare	11.9	0.1	9.5	11.0	0.0	9.1	13.6	0.0	8.1
Sport, Culture	2.5	0.0	0.1	2.4	0.1	0.1	25.0	0.1	0.1
Administration	2.8	1.1	3.2	2.6	1.4	3.9	3.9	1.7	4.4
Public Works	11.2	8.1	0.0	9.8	5.4	0.0	8.8	1.6	0.0

The Treasury Office strictly controls local expenditures, limiting local financial autonomy further. When local bodies generate less than seventy percent of their planned expenditures for a period of two months, the treasury department blocks these funds. The Ministry of Finance decides on the disbursement of these funds only after it has received a request from the Ministry of Local Government.

Local governments have the right to establish a reserve fund of not more than three percent of their total budget expenditures. This fund is used to meet expenses for unforeseen circumstances and may only be used by the local council.

Table 2.11
Distribution of Expenditures by Type of Local Government in Albania [%]

	1995			1996			1997		
	Municipality	District	Com-mune	Municipality	District	Com-mune	Municipality	District	Com-mune
Education	32.0	36.7	52.5	37.3	36.2	56.1	39.1	39.4	55.6
Health Care	2.9	16.8	11.6	3.1	21.7	10.6	3.7	32.2	9.9
Social Welfare	27.0	0.3	26.3	25.3	0.2	22.9	26.9	0.2	22.0
Sport, Culture	5.8	0.0	0.4	5.5	0.5	0.4	5.0	0.8	0.4
Administration	6.5	5.6	9.1	6.1	8.5	9.8	7.7	14.2	12.0
Public Works	25.7	40.5	0.0	22.6	32.7	0.0	17.5	12.9	0.0
Total	43.0	20.2	36.6	43.5	16.6	39.8	50.6	12.3	36.9

5. Next Steps in the Transition Process

The decentralization process recently has undergone considerable development. Awareness has increased among key actors at both the local and central levels that profound decentralization is necessary to create democratic institutions that operate efficiently and respond to citizen needs. This realization ranks among the most important achievements of the transition period. In recent years, increasing experience at the local level and the fostering of local awareness have provided the grounds for new initiatives and further steps in the ongoing process of decentralization.

Local government representatives have increased their demands on the central government for more responsibilities, a clearer division of jurisdiction and real financial autonomy. Communities themselves have become aware of the need for efficient public administration. In addition many NGOs have concentrated their efforts on strengthening local government.

In this context, the initiatives of civil society have resulted in conferences and workshops on problems of local governance, the key issues of which are the revision of responsibilities, a definition of own and delegated functions, financial resources and authority and municipal property. All parties contribute to the debate in an effort to achieve wide and satisfactory consensus, as reflected by the chapter on local governance in the new Constitution. The main provision establishes that: "Local government in the Republic of Albania is founded upon the principle of decentralization of power and is exercised according to the principle of local autonomy."

After the Constitution was approved, proponents of reform took full advantage of the opportunity to create, promote and implement a new vision of local government. In 1999, in response to the initiative of civil society leaders, the central and local governments came to an agreement to work together in designing a new "Decentralization Strategy."

The National Committee for Decentralization (NCD) was established at the beginning of 1999, with representatives from both the central and local levels. Formalized by government decree, the NCD has the authority to establish political guidelines and principles, to approve a strategy document by consensus and to spearhead its implementation. The NCD approved the guiding principles of the strategy and task description for the Group of Experts on Decentralization (GED).

The GED, proposed by the NCD and formalized by government decree, was comprised of technical and policy experts and independent researchers appointed by associations of local officials and the national governmental ministries. The GED acted as a task force to draft the strategy and monitor its implementation. The GED held sixteen regular meetings to discuss a wide range of issues concerning decentralization. During these meetings, representatives of the ministries and local governments and independent Albanian and foreign experts provided opinions and recommendations on specific topics.

The Decentralization Strategy drafted by the GED was based on the constitutional provision for local government and the European Charter of Local Self-government. Its intention was to combine Albanian traditions and the vision of local and central officials with the best international experience and models of democratic societies.

The drafting process brought together a variety of invested parties for discussion and consensus building, ranging from interest groups, political groups, local officials, parliamentarians, political parties and the government to NGOs, international donors and other foreign organizations. The GED presented its first draft for public discussion and held a number of regional meetings to strengthen participation, foster a shared vision and create a sense of contribution among the principal players.

The final Decentralization Strategy was presented at the National Conference on Decentralization in November 1999 and subsequently was formalized by government decree. The result is an integrated policy document that sets out the long-term vision for local government in Albania, as well as the general goals and objectives of decentralization. The strategy proposes phased implementation of reform, identifies resources to be used and defines the roles of various actors.

According to the stated strategy, local government responsibilities are to be extended and harmonized with the necessary administrative, investment, financial and regulatory authorities. The strategy also will be the guide for any subsequent reform directly linked to local government.

The Decentralization Strategy includes a detailed action plan for the implementation phase, which began with the drafting of the Law on Local Government Properties. The initial steps are continuing in the same spirit of cooperation and consensus building among the various actors. However, the coming local elections and the tense political situation overall could create barriers to impede implementation.

Although the document cannot immediately change actual legislation or the practices of local governments, it does provide necessary coherence and continuity by mapping out the process through which decentralization will become a reality.

Table 2.12
Action Plan For Decentralization in Albania

PHASE I: IMMEDIATE REFORMS, TO BE ACCOMPLISHED BY JANUARY 2000	
Immediate Reforms on Local Financing	Improvement in local taxes/tariffs system Use of unconditional transfers
Package of Law(s) on Public Property	Law on Local Public Enterprises Inventory of normative acts
PHASE II: THE FIRST YEAR, TO BE ACCOMPLISHED BY JANUARY 2001	
Organizational Law(s) on Local Government	Study on organization and relation of levels of local government Performance monitoring study
Law(s) on Local Finances	Study on fiscal decentralization
Implementing the Public Property Law	Study on the transfer of local public property
Setting up the Center for Training and Information	Study on training assistance
Other Studies in Preparation for the Third Phase	Study on delegated functions Study on local public services Special studies on local police and civil protection Study on local staffing requirements Study on methodology of assessing the progress of decentralization
PHASE III: THE SECOND YEAR, TO BE ACCOMPLISHED BY JANUARY 2002	
Law on Urban Planning	
Reform and Law for Other Local Functions	
Law on Delegated Functions	
PHASE IV: CONTINUING THE DECENTRALIZATION PROCESS BEYOND 2002	
Assessment of Decentralization	Complete assessment of the decentralization process, its successes, challenges and failures.
Further Laws and Actions for Decentralization	Different studies and actions will be identified according to the needs and tendencies of decentralization.

Recent Publications on Local Government in Albania

Alternative Models for the Creation and Functions of Regions. ISB and Friedrich Herbert Foundation, 1999.

Alternative Models for the Governance of Tirana Municipality. Friedrich Herbert Foundation, 1999.

Citizen's Charter on Local Government. ISB and ACCD, 1999.

Citizens' Participation in Local Governance. Association for Democratic Culture, 1999.

"Decentralization and Local Autonomy," in *Human Development Report.* UNDP, 1998.

Fiscal Decentralization in Albania. ISB, 2000.

Fundamental Human Rights and Local Governance. Albanian Helsinki Committee, 1999.

Improvement of Public Services at the Local Level. ACER (Albanian Center for Economic Research), 1999.

Legislation on Local Government. Ministry of Local Government, 1998.

The Local Government Unit: Political Versus Services Functions. Association of Cities and Community Development, 1999.

Methodical Guides for Local Governance (USAID Papa Project) (1997-2000).

National Decentralization Strategy. Urban Institute, 1999.

Opportunities and Issues on Municipal Reform. Urban Institute, 1998.

The Process of Decentralization and Strengthening Local Self-Governance. ISB (Institute of Contemporary Studies), 1998.

Public Procurement of Local Government. ACER, 2000.

The Self-Administration of Communes. Hans Ziedel Foundation, 1995.

Strengthening of Local Government and Citizen Participation. VNG, 1999.

Contacts for Further Information on Local Government in Albania

Ministry of Local Government

Address: Boulevard Dëshmorët e Kombit, Tirana, Albania

Phone: (355-4) 233-540, -541, -542

Association of Municipalities

Address: Boulevard “King Zog First,” Tirana, Albania

Phone/fax: (355-4) 357-606

Urban Institute

Address: Boulevard “Dëshmorët e Kombit,” Tirana, Albania

Phone/fax: (355-4) 227-945

Friedrich Ebert Stiftung

Address: Rruga “Perlat Rexhepi” Nr. 12, Tirana, Albania

Phone/fax: (355-4) 250-986

USAID, Public Administration Program in Albania

Address: Rruga “Murat Toptani” Nr. 25, Tirana, Albania

Phone/fax: (355-4) 256-832, -833, -834

VNG, Association of Netherlands Municipalities

Address: Boulevard “King Zog First,” Tirana, Albania

Phone/fax: (355-4) 357-603

OSCE Mission in Albania

Address: Rruga “Donika Kastrioti” Nr. 6, Tirana, Albania

Phone/fax: (355-4) 240-001

Institute for Contemporary Studies (ISB)

Address: Rruga “Vaso Pasha,” Nr. 7, Tirana, Albania

Phone/fax: (355-4) 234-868

Association for Democratic Culture

Address: Rruga “Vasil Ziu” Nr. 36, Tirana, Albania

Phone/fax: (355-4) 230-350

Albanian Center for Economic Research (ACER)

Address: Rruga "Sami Frashëri", Nr 20/1-B, Tirana, Albania
Phonelfax: (355-4) 225-021

Association of Cities and Community Development (ACCD)

Address: Gjergji Center, Tirana, Albania
Phonelfax: (355-4) 258-363, -361

Albanian Helsinki Committee

Address: Rruga "Sami Frashëri", Nr 20/1-B, Tirana, Albania
Phonelfax: (355-4) 240-891

Annex 2.1

Major General Indicators

Year of data	1996, or latest available	
Size of territory	28,748 square kilometers	
Population density	115 inhabitants per kilometer	
Population	3,324,000	
Pensioners	497,000	
Retirement pensions	393,000	
Invalid pensions	27,000	
Family pensions	70,000	
School-age children	738,021	
Preschool	84,232	
Elementary school	560,731	
Middle school	93,058	
Major ethnic divisions		
Albanian	97 percent	
Greek	1.8 percent	
Per capita GDP	580 USD	
GDP	Current price	Constant price
1995	184,393,000	13,331,000
1996	229,793,000	15,107,000
1997	280,998,000	16,482,000
Annual government budget	Local budget expenses	State budget expenses
1995	16,961,478	85,245,000
1996	19,281,878	77,134,000
1997	18,702,352	101,594,000
1998	19,997,372	163,570,000
Proportion of local budget expenses/GDP (%)		
1995	9.19	
1996	8.39	
1997	6.65	

Public debt	140 billion leks (roughly 1 billion USD)
Unemployment rate	14.9 percent
Inflation rate	less than 10 percent

Annex 2.2

Population, Settlements and Administrative Units

Table 2A.1
Number of Settlements by Population Size Categories in Albania*

Population Size Categories	Number of Settlements	%	Number of Inhabitants	%
0–1,000	2,341	76.2	1,091,870	29.0
1,001–2,000	515	16.9	786,144	20.9
2,001–5,000	124	4.0	321,926	8.5
5,001–10,000	25	0.8	177,638	4.7
10,001–50,000	23	0.7	444,245	11.8
50,001–100,000	5	0.16	376,343	10.0
100,001–1,000,000	3	0.1	554,179	14.7
1,000,001+	—	—	—	—
Total	3,036	100.0	3,752,345	100.0

Table 2A.2
Number of Municipalities by Population Size Categories in Albania*

Population Size Categories	Number of Municipalities	%	Number of Inhabitants	%
0–1,000	—	—	—	—
1,001–2,000	11	2.9	18,928	0.5
2,001–5,000	131	35	580,800	15.4
5,001–10,000	152	40.6	1,107,348	29.5
10,001–50,000	71	18.9	1,038,959	27.6
50,001–100,000	6	1.6	452,131	12.0
100,001–1,000,000	3	0.8	554,179	14.7
1,000,001+	—	—	—	—
Total	374	100.0	3,752,345	100.0

* These figures are based on an official publication of the Ministry of Local Government (January 1997), which confirms the data of the local civil registers and does not reflect changes from emigration (about 400,000 Albanians are living abroad) and internal migration.

Table 2A.3
Number of Local Governments at Different Levels in Albania

First Level		Second Level
Communes	Municipalities	Districts
65	309	36

Table 2A.4
Administrative Division of Albania

Prefectures	Districts	Number of Municipalities	Number of Communes
Berat	Berat	2	10
	Kuçovë	1	2
	Skrapar	2	8
Dibër	Dibër	1	14
	Bulizqë	1	7
	Mat	1	11
Durrës	Durrës	4	6
	Krujë	2	4
Elbasan	Elbasan	3	20
	Librazhd	2	9
	Gramsh	1	9
	Peqin	1	5
Fier	Fier	3	14
	Lushnje	2	14
	Mallakastër	1	8
Gjirokastrë	Gjirokastrë	2	11
	Tëpelënë	2	8
	Përmet	2	7

Table 2A.4 (continued)
Administrative Division of Albania

Prefectures	Districts	Number of Municipalities	Number of Communes
Korçë	Korçë	2	14
	Pogradec	1	7
	Kolonjë	2	6
Kukës	Devoll	1	4
	Kukës	1	14
	Has	1	3
	Tropojë	1	7
Lezhë	Lezhë	1	9
	Mirditë	2	5
	Kurbin	2	2
Shkodër	Shkodër	2	16
	Pukë	2	8
	Malësi e Madhe	1	5
Tiranë	Tiranë	3	16
	Kavajë	2	8
Vlorë	Vlorë	4	9
	Sarandë	2	6
	Delvinë	1	4
Total	36	65	309

Average population in basic local governments 10,033 inhabitants

Number of civil servants [in thousands]

Employed by state administration 14.6

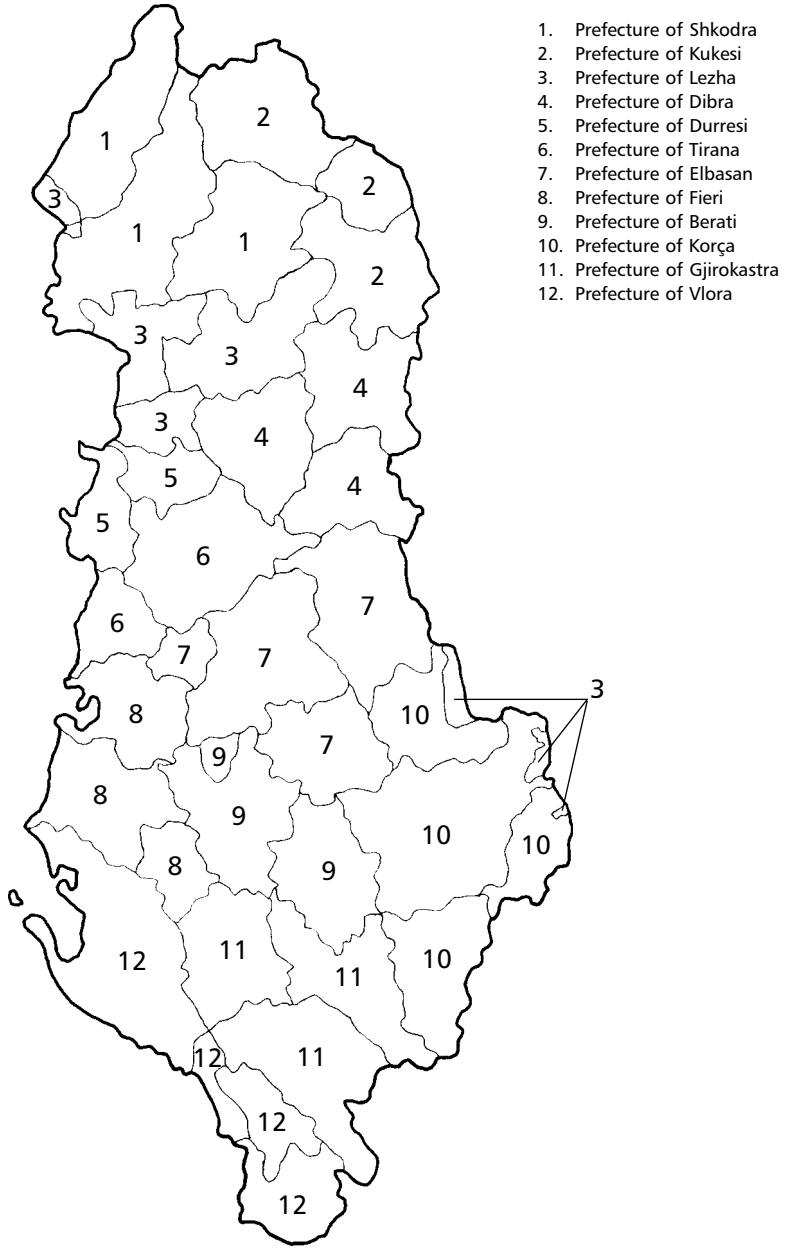
Employed by local governments 7.1

Number of public employees [in thousands]

Employed by state administration 239

Employed by local governments n/a

Figure 2A.1
Administrative Map of Albania



Annex 2.3

Major Laws on Public Administration and Local Government

The following laws regulate public administration and local government in Albania:

- Law No. 7572, dt. 06/10/1992, “On the Organization and Functioning of Local Government”
- Council of Ministers Decision No. 441, dt. 08/15/1994, “Regulation of Responsibilities and Tasks of the Municipalities and Communes Administration”
- Law No. 7605, dt. 02/15/1992, “On the Subdivision of Territory in Municipalities and Communes and for the Organization and Functioning of the Municipality of Tirana”
- Council of Ministers Decision No. 434, dt. 10/12/1992, “On the Subdivision of Some Municipalities in Quarters and Fixing Their Numbers”
- Council of Ministers Decision No. 282, dt. 01/23/1995, “On the Election of the Village Dignitary (Kryeplak) and the Representatives of the Villages”
- Law No. 8095, dt. 05/15/1997, “On Civil Service (Public Administration) in the Republic of Albania”
- Law No. 8224, dt. 05/15/1997, “On the Organization and Functioning of the Police in Municipalities and Communes”
- Law No. 7608, dt. 09/22/1992, “On Prefectures”
- Law “On Urban Planning”
- Law No. 7776, dt. 12/22/1993, “On the Local Budget”
- Law No. 7777, dt. 12/22/1993, “On the System of Taxes in the Republic of Albania”
- Council of Ministers Decision No. 673, dt. 11/29/1995, “On Criteria for Using Independent Revenues of Local Authority Organs”

Annex 2.4

Responsibilities of Administrative Tiers

Table 2A.5
Specific Functions of Local Government Units in Albania

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government Format	Remarks
I. EDUCATION					
1. Preschool	X				
2. Primary	X				
3. Secondary	X				
4. Technical	X				
5. Staff Recruitment			X		
II. SOCIAL WELFARE					
1. Nurseries			X		
2. Kindergartens	X				
3. Welfare Homes	X		X		
4. Personal Services for the Elderly and Handicapped			X		
5. Special Services (for the homeless, families in crisis, etc.)					
6. Social Housing	X		X		
III. HEALTH SERVICES					
1. Primary Health Care	X				
2. Health Insurance			X		
3. Hospitals			X		
4. Public Health			X		


Table 2A.5 (continued)
Specific Functions of Local Government Units in Albania

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government Format	Remarks
IV. CULTURE, LEISURE, SPORTS					
1. Theaters	X				
2. Museums	X				
3. Libraries	X	X	X		
4. Parks	X				
5. Sports, Leisure	X		X		
6. Maintaining Buildings for Cultural Events	X				
7. Cultural Centers	X	X	X		
V. ECONOMIC SERVICES					
1. Water Supply	X	X			
2. Sewage	X				
3. Electricity				X	
4. Gas				X	
5. District Heating				X	
VI. ENVIRONMENT, PUBLIC SANITATION					
1. Refuse Collection	X	X			
2. Refuse Disposal	X				
3. Street Cleaning	X				
4. Cemeteries	X				
5. Environmental Protection	X		X		
VII. TRAFFIC, TRANSPORT					
1. Roads	X	X	X		
2. Public Lighting	X				
3. Public Transport	X				

Table 2A.5 (continued)
Specific Functions of Local Government Units in Albania

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government Format	Remarks
VIII. URBAN DEVELOPMENT					
1. Town Planning	X	X			
2. Regional/Spatial Planning		X	X		
3. Local Economic Development		X	X		
4. Tourism			X		
IX. GENERAL ADMINISTRATION					
1. Authoritative Functions (licenses, etc.)	X		X	X	
2. Other State Administrative Matters (electoral register, etc.)	X	X	X		
3. Local Police	X	X			
4. Fire Brigades		X	X		
5. Civil Defense	X	X	X		
6. Consumer Protection	X	X	X		

Chapter 3



Local Government in Bosnia and Herzegovina

by
Charles Jokay

Local Government in Bosnia and Herzegovina

Contents

1.	Legal and Constitutional Basis	93
1.1	Brief History of Local Self-government in the 1990s	93
1.2	Territorial Structure	94
1.3	Levels of Self-government	96
1.4	Status of Cities and Capitals	98
1.5	Relationship between State Administration and Local Government	98
1.6	Legal Reforms in Progress	100
2.	Local Politics, Decision Making	101
2.1	System of Local Elections	101
2.1.1	Background on Local Elections	101
2.1.2	Local Election Procedures	102
2.1.3	The 1997 Municipal Elections in Bosnia and Herzegovina	103
2.2	Forms of Direct Democracy and Public Participation in Decision Making	106
2.3	Internal Structure of Local Government Decision Making	106
2.4	Ethnic Issues, Multicultural Government	107
2.5	Local Government Associations and International Contacts	108
3.	Local Administration, Service Provision	109
3.1	Structure and Operation of Local Administration	109
3.2	Control, Audit and Supervision of Local Governments	109
3.3	Local Service Delivery	111
3.4	Conclusions	113
4.	Local Finance	114
4.1	Municipal and Canton Revenues	115
4.2	Municipal and Canton Expenditures	119

4.3	Municipal Expenditures in Republika Srpska	123
4.4	Local Taxation Potential	123
4.5	Municipal Borrowing and Other Issues	124
4.6	Specific Obstacles to Municipal Borrowing and Local Economic Development	125
5.	Next Steps in the Transition Process	126
	Recent Publications on Local Government in Bosnia and Herzegovina	127
	Contacts for Further Information on Local Government in Bosnia and Herzegovina	128
	Notes	130
	References	132
	Annex 3.1: Major General Indicators	134
	Annex 3.2: Population, Settlements and Administrative Units	135
	Annex 3.3: Major Laws on Public Administration and Local Government	137
	Annex 3.4: Responsibilities of Administrative Tiers	138

Local Government in Bosnia and Herzegovina

Charles Jokay

1. Legal and Constitutional Basis

1.1 Brief History of Local Self-government in the 1990s

The former Yugoslav Republic of Bosnia-Herzegovina disintegrated during the four years of war that culminated in the Dayton Agreement of October 1995. The Dayton Agreement established a cease-fire as well as demarcation lines and arranged for a new constitution and set of laws, essentially from a blank slate. The agreement gave the former Yugoslav republic a new name: Bosnia and Herzegovina, the name by which the United Nations (UN), the Organization for Security and Cooperation in Europe (OSCE), the World Bank and other international organizations refer to what is called “Bosnia” in common parlance.

The agreement as well as subsequent and continuing negotiations are to settle the repatriation of refugees representing displaced and ethnically cleansed persons of each ethnic group. No municipality, village, city or settlement in Bosnia at the end of 1999 had a truly permanent population, since refugees from the war have not all returned, the ethnic composition of most areas changed dramatically during the war, and repatriations cannot restore the status quo ante bellum for a variety of reasons. Bosnia’s prewar population was 4.5 million, of which 3 million had to leave their homes during the fighting. The population in 1999 was estimated at 3.5 million, with over 250,000 dead and the balance—nearly a million—as refugees throughout Europe. Bosnia’s civilian population distribution and composition is consequently in flux four years after the cease-fire. One difficulty facing the international community in supervising elections is that only sixty percent of Bosnia’s population still resides where they were registered in 1991. Municipal elections were delayed several times and were hard to certify in the ethnically cleansed areas, where prewar electoral rolls were manipulated to mask the extent of ethnic cleansing. Displaced persons and refugees throughout Bosnia had to be accounted for and added to remote voters’ registers.

Very little remained of the former republic’s administrative structure in terms of personnel or facilities. Former municipal employees were subject to deportation, and municipal buildings,

schools, garages, et cetera were not spared in the fighting. About sixty percent of the former republic's physical and economic infrastructure was destroyed. Manufacturing facilities, such as the former Volkswagen plant in Sarajevo, after the war found their former suppliers in the territorial jurisdiction of several newly independent states, such as Croatia, Yugoslavia and the Republika Srpska entity within Bosnia. Rail lines were cut, and communication networks among the new states are hardly complete. According to World Bank estimates (August 1999), Bosnia's gross domestic product in 1990 was 11 billion USD and per capita gross domestic product was 2,400 USD, which shrank to 2 billion USD in 1995 with the per capita figure at 500 USD. Industrial production fell to ten percent of the prewar level and unemployment was near eighty percent at the end of the war. Unemployment fell to forty percent by the end of 1999, and forty percent per annum growth in the economy from 1996 to 1998 resulted in the GDP reaching 4 billion USD in 1998, with per capita income at 1,000 USD. Bosnia and Herzegovina's currency board supervises the convertible mark, essentially tying the state currency to the German mark, guaranteeing low inflation and tight monetary policy. Low inflation is actually one of the few enviable features of Bosnia's economy. Given political uncertainty and the questionable long-term viability of Bosnia and Herzegovina's economic structure, foreign investment is virtually nonexistent.

Bosnia and Herzegovina operates under the supervision of a UN High Commissioner, the OSCE, as well as the de facto military occupation by forces from NATO member countries and others (IFOR, and later, SFOR). Several elections were held under the strict supervision of the international community, including general elections in September 1996, municipal elections (delayed many times) in September 1997 and another set of general elections in September 1998. Municipal and general elections are scheduled for April 2000, contingent upon the implementation of a new election law.

1.2 Territorial Structure

The former republic was reconstituted as Bosnia and Herzegovina (the state, BiH) and contains two entities that are de facto the government and administrative organs with substantial powers to pass legislation, impose taxes and otherwise govern. The two entities, as they are called, are the Federation of Bosnia and Herzegovina (hereafter referred to as the Federation) and the Republika Srpska (RS) with a Serb-majority population. The state and federal capital is Sarajevo, and RS's capital is Banja Luka. In addition to a federal-level government, executive and legislative branches, the Federation contains ten subnational units called cantons, consisting of mixed (Bosniac and Croatian, with very small Serbian minorities in some locations) as well as predominantly Bosniac or Croatian cantons. (The generally accepted term for citizens of Bosnia and Herzegovina who are not Serbian or Croatian in ethnicity, but are not necessarily Muslim in religion, is "Bosniac" as distinguished from "Bosnian" which tends to be a political, citizenship-based designation). These cantons have their own legislatures, their own basic laws (constitutions), their own governors as well as ministries headed by ministers. In both entities settle-

ments are organized into municipalities that could consist of several distinct physical locations. Mostar, Sarajevo and Banja Luka also have lord mayors and city-level administrations that operate often at the mercy of the many independent coterminous municipalities that make up these three large communities.

The state constitution delegates most powers to the two entities. The RS has a centralized administrative structure and an entity-level Ministry of Local Government to regulate and conduct dialogue with its sixty-four municipalities, while the Federation does not have such a ministry. Financial and budgetary matters affecting municipalities in the Federation either are delegated to the cantons or are shared by several departments in the Federation's Finance Ministry. Instead, each of the ten cantons has, or should have passed by the end of 1999, a separate set of local government laws and is free to organize departments of the usual ministries to handle local government issues or to create independent canton ministries. Thus, besides a three-page local government law and references to the constitution, the Federation does not have a body of legislation or much authority to govern the subnational units. Instead, the cantons are given taxation and regulatory powers to organize the Federation's seventy-three municipalities as they see fit.

Bosnia and Herzegovina, as of the Dayton Agreement, thus has eleven systems of local government, ten of which—at least in the Federation—show considerable variation in the redistribution of taxes, the allocation of other resources and municipal tasks. In the Federation the cantons passed local government laws derived from the state and federal constitutions and basic laws over a three-year period, from 1996 to 1999. These canton laws have many similarities, such as standard language and legal formulae. However, in practice similarities in canton legislation—and in many cases up to late 1999, the lack of canton local government legislation—led to much variation in the level and type of services. This paper will make an attempt to highlight differences and similarities among various cantons in the Federation.

At a macroeconomic level, Bosnia and Herzegovina has a currency board until 2004 that fixes the Bosnian mark to the German mark at parity. In essence Bosnia's economy is denominated entirely in DM, including interest rates and inflation. The currency board provides monetary stability and a common currency to the two entities and severely restricts deficit spending and sovereign or subsovereign borrowing both domestically and internationally.¹ Unlike other postwar economies (Croatia, Yugoslavia) Bosnia and Herzegovina at least did not and does not suffer from rampant inflation, but due to military occupation, the state does not enjoy full sovereignty, since the currency board controls monetary policy and a limited tax capacity restricts nondonor-funded spending at the state, entity, canton and municipal levels. Unfortunately postwar reconstruction projects funded by donors cannot absorb Bosnia and Herzegovina's idle workforce, some forty percent of which were unemployed on a national average basis in 1999. Industrial and service facilities either were destroyed in the war or found themselves on the territory of several successor states. Given barriers to trade between Croatia, Yugoslavia and Bosnia and Herzegovina, formerly successful foreign investments found their supply chains

destroyed or in hostile economies. With road, rail and other transport links expensive, unreliable and simply unable to operate in all weather conditions, the industrial facilities remaining in BiH are largely idle. Unemployment, a destroyed infrastructure, repatriation of refugees and the large number of orphans, widows, crippled and able-bodied veterans of prime working age make life very difficult for municipalities, cantons and the two entity governments. In other words, Bosnia and Herzegovina's municipalities in both the Federation and RS face challenges that are uniquely difficult and controversial, and failure in the social welfare area has the potential to unleash new waves of violence as SFOR slowly withdraws.

1.3 Levels of Self-government

The Dayton Peace Accord serves as a source document for the state constitution and for the Federation and Republika Srpska constitutions as well. Local government legislation in the entities, and consequently in the cantons, is derived from language in the state constitution that essentially devolves all issues related to local self-government, including tax policies, to the lowest possible level. Bosnia and Herzegovina's state constitution was designed to derogate most powers to the entity level and below for the simple reason of providing as much ethnic self-rule as possible. In other words, a strong centralized state would have been unacceptable to all three dominant ethnic groups. In heterogeneous areas of the Federation, canton and municipal governments must balance various ethnic interests in city and canton councils. Mayors and deputy mayors, not to mention ministers and senior officials at the canton level, are appointed in duplicate to guarantee proportionate powers and *de facto* veto powers to each ethnic group. For example, the City of Mostar, consisting of many municipalities and well as a central district controlled by the city itself, has a set of deputy mayors from the Bosniac and Croatian communities as well as parallel professional bureaucrats at each level to ensure that each ethnic group gets a fair share of resources and no official can make decisions or seek outside funding without involving the other dominant ethnic group.

The state has few exclusive responsibilities outside of foreign policy, customs and trade, monetary policy, international borders and immigration, refugees, air traffic control, management of international debts and payments, transport and communications. The two entities have their own military forces (with international advisors, monitors, *et cetera*), as the state may not have its own army. All other powers are by default the *perquisite* of the two entities, which voluntarily may delegate authority upward. The state relies on tax collection and contributions of the two entities.² The state sets customs duties, but they are collected and spent entirely by the two entities. Sales tax, turnover and other taxes also are collected and allocated by the two entities and shared with the municipalities. The two entities have independent budgets that then allocate funds upward to the state and downward to the cantons (Federation) and municipalities (RS). Thus Bosnia and Herzegovina has two independent budgets with a third budget, albeit a modest one, remaining for the "framework state"; two-thirds of the state's funds are provided by the Federation, and one-third by Republika Srpska.

The Federation and RS collect customs duties, excise taxes, administrative fees, court fees and penalties. The Federation provides that cantons have funds available in revenue-sharing arrangements that are altered on an annual basis. The cantons' main sources of revenue include turnover taxes on goods and services (akin to a value-added tax), enterprise profit tax, income tax and various financial penalties. The Federation Budget Law regulates these arrangements. In the RS similar taxes are imposed and collected by the entity, then shared with the municipalities directly, as there is no intermediate layer of administration. The Federation, responsible for the Federation Army, veterans and invalids, has a direct claim on certain corporate income taxes as of 1998, causing resistance on the part of canton governments. The Federation and RS are responsible for police protection, environmental policy, the social sector, agriculture, refugees, reconstruction, justice, taxation and customs administration. In the Federation these functions can be shared with the cantons, which in turn can assign a part of these functions to the municipal level.

Cantons (and the entity in the RS) are responsible for the following public services: courts, canton (entity) public administration, executive offices, health care, education, culture and social services. The cantons, similar to the entities in their relationship with the state, are responsible for all other tasks not explicitly assigned to the entity by the entity constitution. Thus, BiH has two levels of federalism. One level allocates almost all functions of the state to the two entities, and the process is repeated in the Federation with entity functions and implicit functions granted to the cantons. Ad absurdum, the cantons can assign varying degrees of rights and responsibilities to the municipal level within the framework of canton local government legislation.

The Constitution of the Federation Bosnia and Herzegovina defines the roles of each level of government, including granting all powers to cantons not expressly granted to the Federation, such as land use planning, local business development and local economic development.

The final layer of extreme federalism and decentralization involves the rights and responsibilities of local governments, called municipalities in both entities. Namely, the constitution grants municipalities "self-rule" in all matters delegated to them by the cantons of the RS entity. In the Federation, if the municipality has a majority population that is different from that of the canton as a whole, then education, culture, housing, public services, land use planning, et cetera must be allocated to the municipal level to protect the minority within the canton. In other situations each canton may determine the extent to which the municipality is responsible for such functions.

In essence, as previously stated, the Federation has ten different systems of local government using the framework provided by the state and federal constitutions, local government legislation in the Federation and core local government laws (required by the Federation) in each canton.³

Municipalities in the RS essentially operate in a parallel fashion to that of the canton-municipal relationship in the Federation. Without a middle level of public administration, the Republika

Srpska maintains a Ministry of Local Government that is in daily contact with municipalities. The Federation, unlike most European unitary and federal states, does not have a ministry in charge of local government, as the cantons in essence regulate, supervise, finance and mediate local government in the form of municipalities. In Republika Srpska, municipal tasks mirror those performed by Federation municipalities; the entity level of administration performs tasks that belong to the cantons in the Federation.

1.4 Status of Cities and Capitals

While municipalities in each entity may consist of one or several settlements, there are only three “cities” within the State of Bosnia and Herzegovina. Sarajevo and Mostar in the Federation have “city” governments in addition to municipalities (districts) within their territories, and Banja Luka, the capital of Republika Srpska, also has a “city” government in addition to autonomous municipal governments. The city level in both entities is rather weak, being dependent upon transfers from its constituent municipalities. The city level in Sarajevo and Mostar controls key central historical and business districts, but the Mostar city government is dependent upon international donor support for its entire budget, given opposition from its ethnic enclave municipalities. The City of Sarajevo owns significant properties, both residential and commercial, and patrimony and privatization proceeds, as well as sharing the cost of rebuilding physical infrastructure used by all from the bulk of political conflicts among the city and municipalities of Sarajevo.

1.5 Relationship between State Administration and Local Government

The State of Bosnia and Herzegovina is virtually irrelevant regarding the functioning of regional and municipal government within the two entities.

In Republika Srpska, a unitary national administration consisting of the usual ministries of local government and finance set regulations, revenue-sharing formulae and expenditure/task assignments. Since there are no competing regional administrative or political units in the RS, the sixty-four municipalities are in direct contact with the entity’s relevant ministries and the entity Parliament. Through a municipal association, RS mayors can exercise political pressure and negotiate for better allocation of revenues. RS municipalities face significant geographic barriers and lack significant scale economies. Given the RS’s shape—essentially a band covering the northern and eastern boundaries of the former Bosnia-Herzegovina—municipalities are isolated in terms of communications with Banja Luka, the entity capital. Official business is conducted after long journeys through Federation territory for both inhabitants and municipal officials.

A proposal to organize the sixty-four municipalities into geographically and functionally logical clusters called “towns” was rejected by the municipal lobby. In an obvious reference to the

problems caused by tensions among cantons, municipalities and the entity in the Federation, municipal politicians in the RS opposed the creation of regional centers, regional administrative units or a new layer of subentity government. Tensions centered on the inability of the smaller, isolated and poor municipalities to perform their allocated tasks. Such isolated municipalities often were part of a large settlement, the other half of which is now in the Federation. Given “self-determination” of neighboring and even adjacent settlements and the lack of interentity functional cooperation, these isolated RS municipalities continue to lobby Banja Luka for emergency grants and additional funds to be able to meet payrolls and perform basic functions. Given the geographic disfunctionality of the RS entity and the isolation of some of its municipalities from the entity capital, the political and psychological barriers to cooperation with nearby Federation (non-Serb) municipalities eventually will have to be overcome unless the entity has funds to continue the subsidization of insolvent communities far into the future.

Another clear tension between the larger municipalities and the entity government concerns “expenditure assignment creep.” For example, entity institutions, such as theaters and secondary educational facilities, are operated with entity funds and form a part of the entity budget (the analogue would be canton institutions and canton funds in the Federation). However, mayors face pressure from citizens to “contribute” municipal funds to the capital improvements of these institutions. That is, a mayor cannot reject the demands of the directors of entity-owned facilities requesting capital improvement funds, given public pressure to see visible reconstruction take place. This implicit reassignment of capital improvement burdens from the entity level to municipalities is repeated in the Federation by canton institutions that place pressure upon municipal budgets for entirely the same reasons.

In the Federation the entity government maintains little direct contact with municipalities, as there is no single ministry or department responsible exclusively for municipalities. The entity’s seventy-three recognized municipalities are divided up among ten cantons, each of which has its own local government law as prescribed by the entity constitution and entity local government law. The Federation Law on Local Self-government forms the basis of the ten canton laws on local self-government.

More important for defining the framework of potential and existing conflicts between municipalities and higher levels of government are articles 18 and 19 of the Federation Local Government Law. The former states that canton laws shall regulate the details of local government financing, its functions, direct participation by citizens, municipal administrative organs, municipal property, local taxes and other issues not covered in higher levels of law. Article 19 gave a deadline for the adoption of canton local government laws, which was met by most cantons only four years after passing the federal law.

Conflicts between municipalities and cantons in the Federation thus abound in both the pre-regulation and postregulation context. Temporary regulations, based upon the Federation Local Government Law, thus governed the tasks and responsibilities of local government in the 1995-99

period until each canton passed its own law. The allocation of tax revenues designated by the federal budget law among the canton and the municipality is a continuing source of friction (to be discussed in detail in the section on local finances). Cantons and municipalities tend to disagree on the adequacy of shared and transferred revenues, as well as on the appointment of staff members to canton and municipal institutions that are in essence financed by the canton. In addition, as in the Republika Srpska, canton institutions often lobby mayors for capital improvement funds for facilities such as hospitals, secondary schools and hospitals. As to general capital improvement spending, canton legislation is varied, with some cantons assigning responsibility for major capital projects in the water, wastewater and solid waste sectors, to name a few, to the municipal level without providing additional funds. In other cantons, such responsibilities, though assumed by the canton, still place a burden on municipal budgets.

The local government law of both RS and the Federation contain language that states in explicit terms that municipalities are “entitled” to “appropriate sources” of financing for their mandatory tasks, as well as to additional funds if other tasks are delegated to them from either the entity or canton level. In practice this means that in both entities, municipalities can lobby rightfully for deficit grants to cover operational and capital budget gaps. This extrabudgetary post facto lobbying consumes the efforts of municipal leaders and seems to be an arbitrary and politically sensitive procedure to outsiders. From the standpoint of equity and comparison, the varying degrees of expenditure assignments, deficit grant lobbying, underfunded capital projects and the general laissez faire approach of the federal government make generalizations about the nature of canton-municipal relations rather difficult and subject to distortion unless all ten cantons are described explicitly.

1.6 Legal Reforms in Progress

As mentioned before, most canton local government laws date from 1998 and 1999. These framework laws operate alongside canton budget laws and decrees that allocate canton revenues between the canton and municipal levels. Many canton local government laws are as ambiguous as the Federation version, causing misunderstandings and creative interpretations. Laws as they are mutually—or sometimes one-sidedly—interpreted do not always reflect the literal intention of the text. For example, it is not clear in some cantons if a canton, after reviewing a municipal borrowing proposal, has to approve such borrowing explicitly and if that approval means an explicit guarantee. Furthermore, the Federation budget law sets a limit on municipal borrowing at an amount equivalent to twenty percent of its annual budget. In other words, the law is a gross cap of principal and does not refer to debt service as twenty percent of revenues. However, in practice, there are some indications that both municipal and canton officials mutually interpret a poorly worded Federation law as a *debt service*, as opposed to absolute *debt limit*.

Other reform issues in progress are the clarification of performance standards for municipal functions, establishment of long-term commitments to certain revenue-sharing formulae, clari-

fication of capital improvement burdens and introduction of transparency in the construction grant and deficit grant systems administered by the cantons. International donors and lenders have put some pressure on both the canton and Federation levels as well as on the RS entity government to clarify, for example, the municipal borrowing framework and to standardize it across an admittedly very small market of a few creditworthy potential borrowers. As donor grant monies dry up, cantons will be forced to make these reforms or to decide that, given scale economies, only the cantons should engage in domestic and international borrowing for capital projects. Of course, these decisions hinge upon maintaining delicate ethnic balances and transparency in the mixed cantons and in the municipalities where the dominant ethnic group differs from the canton majority.

2. Local Politics, Decision Making

2.1 System of Local Elections

2.1.1 Background on Local Elections

The Dayton Peace Agreement called for national and canton/municipal elections throughout Bosnia and Herzegovina as soon as possible after December 1995. General elections were held in September 1996 after nearly a year's effort at creating safe conditions for free, fair and democratic elections. Unfortunately, given that up to half of Bosnia's prewar population was displaced and could not register and vote in their place of original residence and due to widespread manipulation of de facto postwar voter rolls, municipal elections were cancelled several times. Given the impossibility of fair elections at the local level in a state of constant population fluctuation and entirely changed ethnic composition, the powers that be—namely, the OSCE operating under a UN High Representative (OHR) mandate and backed by IFOR/SFOR troops—decided to delay Bosnia's municipal elections until September 1997. International human rights groups and other experts criticized the decision to go ahead with national elections in September 1996, when conditions were not yet appropriate, and the election results took months to certify. Hundreds of OSCE observers were deployed to at first monitor and then certify the voting process and the results. This first national election was held due to intense international pressure to show a "democratic success" and because it was feasible for voters in refugee camps and in displaced persons areas to vote for regional or national lists, as establishing a domicile was not as critical as for municipal elections, in which only "legitimate" residents of a municipality should vote. Ethnic cleansing, cover-ups of ethnic cleansing, refugee movements and the wholesale destruction of public records, land registries and voter rolls made it impossible to tell who lived in a municipality prior to the war and who had a legitimate right to be or to return there after the war. In this climate it was not surprising that as the legislative framework for municipal government was developed in 1996–97, the establishment of self-governing voter-controlled local government was delayed until September 1997.⁴

The controversial September 1996 general elections were followed by another round of general elections in September 1998 that were deemed peaceful and an overwhelming success, given the lack of violence and a nearly eighty percent voter turnout in both the Federation and the Republika Srpska.⁵ Both general and municipal elections are scheduled for Bosnia in April 2000.

2.1.2 Local Election Procedures

The Dayton Agreements allowed eligible voters to register in one of three places: where they currently lived, where they lived at the time of the 1991 census or where they intended to live in the future. For this reason the incentive to “encourage” refugees to vote at home by the receiving local government and the discouragement of an ethnically-cleansed municipality to keep displaced persons’ votes away from the municipality were overwhelming. The third provision could and was used to legitimize the postwar composition of many communities or to encourage refugees to leave their temporary quarters in overwhelmed areas for their original homes. For these reasons, municipal elections for Bosnia were delayed several times until they finally were held in September 1997, nearly two years after the Dayton Peace Agreement was signed.

The Republic of Bosnia and Herzegovina will begin to operate under a new local election law sometime in 2000. This election law, developed with significant foreign assistance, describes the essence of a “normalized” local government election and gives some indication as to the structure and roles of elected and appointed officials.

In essence, municipalities in the Federation and the RS elect representatives of parties on a list, with seats allocated on a proportional representation basis to municipal “councils” in the Federation and “assemblies” in the RS. Votes “left over” after mandates have been allocated are not used to fill additional seats on a compensation list but are in essence “wasted.” The councils/assemblies then choose a mayor in the Federation and a president of the municipal executive board in the RS.⁶ The number of representatives to the councils/assemblies depends upon the number of registered voters in the community. For communities with less than eight thousand voters, the councils/assemblies have eleven to seventeen members. For municipalities between eight thousand and twenty thousand voters, the councils/assemblies have seventeen to twenty-five members. Finally, for communities with over twenty thousand voters, the local representative body has twenty-five to thirty-one members. The size of municipal councils/assemblies was significantly larger during the 1997–2000 period, and in some cases, councils doubled the number of members allowed by the draft revision of the municipal election law cited above.

In the Federation entity of BiH, cantons with fewer than seventy-five thousand voters may have twenty to twenty-five assembly members. For larger cantons with seventy-five thousand to two hundred thousand voters, the assembly may have twenty-five to thirty members. For cantons with over two hundred thousand registered voters, the assemblies contain thirty to thirty-five members.

Political parties, coalitions, independents and lists of independents certified by the Electoral Commission of BiH may stand for election. As of December 1999, the Provisional Electoral Commission certified that seven political parties are ready to run for office in the 2000 municipal elections.⁷ Mandates are distributed to lists of candidates in proportion to the number of mandates won by each list (party and independents).

Mayors and presidents of executive boards, as mentioned earlier, are not elected directly by the public but rather are chosen by the council/assembly. Each member of the council/assembly has the right to nominate a candidate, and a simple majority chooses the mayor/president. In both the Federation and RS, the candidate who receives the second most number of votes, usually from a different party than the mayor/president, is made the president of the council or assembly. The election of mayors or executive board presidents triggers a new set of appointments of municipal administrative officials and the selection of an executive board in the RS based upon proportional representation achieved during the municipal election (the process is similar at the city level in both the Federation and the RS).

The newly elected mayor/executive board president appoints the managers of the municipal administrative bodies, with each party, list or independent retaining the right to nominate candidates for these administrative positions based upon proportional representation (in the mixed municipalities of the Federation, these party differences have an ethnic element as well).

The canton councils select a canton president and an assembly president in a fashion similar to municipal councils, with the significant difference that canton assemblies also appoint governments in proportions that reflect election results. Starting with the 2000 municipal elections, members of municipal and canton councils/assemblies shall serve for four years, with canton and municipal elections taking place on the same day.

As mentioned earlier, party lines in BiH local elections distinctly reflect ethnic divisions; hence, the BiH Law on Local Elections requires that: "When officials managing Administrative bodies in the municipal, canton or city executive bodies are appointed by the Mayor or the President of the Canton, or when the Municipal or City Executive Board is elected... the ethnic composition of the population of the municipality, canton or city shall be taken into consideration." The ability to enforce this provision or the effect on municipal operations is difficult to assess, since the state of interethnic relations at the municipal level is not predictable, is in constant flux and could either precipitate new armed conflicts or introduce a new age of cooperation and prosperity.

2.1.3 The 1997 Municipal Elections in Bosnia and Herzegovina

Bosnia's first postwar municipal elections were held without major incident on 13–14 September 1997. Some 2.5 million Bosnians voted, including four hundred thousand living abroad in refugee camps throughout Europe. The OSCE then spent the rest of 1997 "certifying" that

these local elections were free and fair, that the vote counts were not manipulated and that all expelled citizens were allowed to vote. So hundreds of thousands of citizens who fled ethnic cleansing were escorted back to their native areas—which were occupied by those who expelled them—and were allowed to vote. A basic dilemma facing the OSCE in certifying each municipal vote count and the elected candidates was dealing with indicted and suspected war criminals. Indicted war criminals could be and were elected in a democratic majority-rules fashion to official positions, especially in the Republika Srpska. The OSCE had to meet two conflicting standards outlined in the Dayton Accords. One pertained to procedural transparency, fairness and legitimacy of the electoral process, and the other applied the war criminal test to the nominees and to those elected. Thus, it was possible for Radovan Karadzic's extreme nationalist party to come to power in Pale in a most democratic fashion.⁸ Karadzic's victory led to a new round of elections in November 1997 for the Bosnian Serb Parliament, where moderates roundly defeated the extremist parties supporting Karadzic, General Mladic and other indicted war criminals, who at any point in time could be arrested by SFOR troops on patrol and be taken to The Hague.⁹

A month after the municipal elections, only half of the municipalities' results were counted. A major difficulty in certifying and releasing results was that not only was the vote to be counted, but also the formation of local councils and assemblies was to be monitored. Those formative gatherings of newly elected bodies were to elect the mayor or executive board president to ensure that the committees and the executive committee (in the RS) had "proportional" minority representation. Nevertheless, the ability of expellees to vote in their towns of origin led to some situations where "ethnic cleansing" was at least on paper undone by city councils more representative of prewar ethnic compositions. Srebrenica, which was seventy-three percent Muslim (or Bosniac) before the war, essentially was cleansed of non-Serbs by the time of the Dayton Accords in 1995. However, in the municipal election, expellees were able to gather twenty-four of the forty-six seats in the municipal assembly without actually living there, as they literally were chased away during the war.¹⁰ Similar anomalies were repeated throughout the country, as municipal councils were set up to represent ethnic balances ante bellum—that is, in essence creating councils representing virtual populations.

These virtual populations either project intended and restored ethnic compositions in the future or continue to draw upon prewar demographic conditions and simulate constituencies for real council members where conditions on the ground have been altered significantly. Virtual communities (voters who are not residents in the municipality in which their votes were counted and applied toward a mandate) represented by real council members and the insistence by international donors that elected councils nominate public administrators who reflect the ethnic composition of either the council or the community both contribute to on-going inefficiencies of various types. Public administrators are appointed by the newly constituted councils and assemblies, which potentially can replace the entire professional staff after each election. In many instances public administrators are given one or more deputies from each ethnic group who have to cosign and coattend each meeting, especially those dealing with personnel. Routine

administrative decisions and procedures can and do take on an ethnic dimension, given the fundamental lack of trust among ethnic groups and the shattering of the professional classes along party and ethnic lines.

In contrast to the draft election law to be in place by the 2000 municipal elections, the 1997 municipal elections involved a total of nearly 20 thousand candidates for 4.8 thousand seats. Some communities were electing as many as seventy city council members (in contrast to the new maximum of thirty-one). These candidates represented ninety-one parties and included 159 independents.

In the Republika Srpska the ruling Serbian Democratic Party (SDS) split into two factions before the elections, one supporting RS President Biljana Plavsic based in Banja Luka, and the other, Radovan Karadzic in Pale. Plavsic's new party, not prepared by the 1997 municipal elections, was called the Serbian People's Alliance (SNS). In the Federation, parties essentially were active in the election along ethnic lines. The Party of Democratic Action (SDA) claimed to represent all Bosniacs—both Muslims and others. However, it became more Muslim-oriented and less representative of the old multiethnic and tolerant Bosnia. The SDA formed a coalition with the former prime minister, Haris Siladzij. This coalition was challenged by the Union of Social Democrats, led by Selim Beslagic, mayor of Tuzla. The Croatian Democratic Community (HDZ) represented the Federation's ethnic Croatians. In the RS the SDS's main rival was the Bosniac SDA, while in the Federation the SDA coalition faced not only the Social Democrats and the HDZ but also several ethnically based—but not nationalist—parties representing both the Bosniac and the Croatian communities.¹¹

Concerning the results, one should keep in mind the following caveat issued in a Commission on Security and Cooperation in Europe report on the elections: "The results of the municipal elections have been released over a period of time, municipality by municipality, after the tabulations have been examined and certified by the OSCE. It is, therefore, difficult to ascertain any general outcome or trend of such results, and generalizations made about the country-wide significance of local election results must be treated with circumspection."¹²

With that in mind, one can conclude that the ruling parties—the SDA (Federation), the SDS (RS) and the HDZ (Croats in the Federation)—won the councils in the areas in which they predominate. There were only a few exceptions (Tuzla) where the nonruling party formed a majority on the council or in the assembly. The SDS (Karadzic's faction) did exceptionally well in its own power base, the eastern portion of the Republika Srpska. The SDA and the HDZ became significant opposition parties in RS, from which the voters were expelled during the war and which essentially represented "virtual" voters. Of the ninety-one parties that ran, forty-five achieved seats in local councils. Thus, any Bosnia or entity-wide compilation of voting results could not reasonably be used to make any generalizations, since the composition of de facto, expelled and virtual electorates is site-specific and is due to change by the next round of municipal elections, which hopefully will be conducted under more normal conditions.

2.2 Forms of Direct Democracy and Public Participation in Decision Making

Fortunately some vestiges of the former Yugoslav tradition of worker self-management have survived the half-decade of war and destruction. Specifically, the constitution of the state and the basic laws of both entities pertaining to local government allow the use of referenda on major issues and encourage public participation in local government committees and hearings. In practice, however, informants have been known to assert that the population in general is fatigued not only from war and reconstruction, but also from public corruption, the plethora of elections since 1996 and the general “noise” of politics. The collective self-management ethos in the eyes of many served to legitimize the old regime in Yugoslavia, and while better by comparison than the hard-line systems prevalent in Romania, Czechoslovakia, Bulgaria and East Germany, there is no reservoir of usable nostalgia for the old system in contemporary Bosnia. This is especially true in the sense that the new ruling parties, representing the major ethnic and political cleavages of the country, are at the stage of consolidating their political and economic power and are preparing for the ultimate withdrawal of foreign troops and the slow withering of donor reconstruction aid. In this mood, real public participation and “self-governance” remain formal and rhetorical. With impending privatization and the hope of some foreign investment, municipalities (and cantons) ultimately responsible for economic development may not wish to emphasize public involvement, given the risk that entails to potential insider deals that have dominated the privatization process in all, even the more sophisticated, transition economies.

2.3 Internal Structure of Local Government Decision Making

Real power in terms of task assignment and revenue allocation resides at either the canton level in the Federation or at the entity Ministry of Local Government in the Republika Srpska. In either entity there is no question that issues such as municipal performance standards, the sharing and collection of taxes and issues of funding both operations and capital expenses for tasks at the municipal level are settled by the canton budget law and local government law or at the ministerial level in the RS through administrative decisions, decrees, regulations and ultimately through legislation.

The Federation government is bound only by a brief local government law and essentially delegates all matters—except for national-level fiscal and monetary issues, including the general sharing of revenues collected or claimed by the entity—to the canton parliaments. These parliaments in turn legislate to create departments (or ministries) of finance and local government affairs that in turn act as controllers, auditors, policymakers and ultimately arbiters of municipal issues. Canton parliaments, like state administrative offices in other transition countries, have the right to review ordinances passed by municipal councils. These parliaments can rule on the legality of local ordinances and regulations and have the right to overrule them. This power seems to be obtrusive but in practice actually can be used to protect minority ethnic groups within a municipality, if the canton deems that to be a priority. The state—defined as the State

of Bosnia and Herzegovina—and the entity government of the Federation do not otherwise meddle in or supervise the activities of municipalities. In the Republika Srpska, the entity ministries responsible for local government include a section in the Finance Ministry and a Ministry of Local Government. Given that there are fewer than seventy municipalities in the RS, ministry staff, presidents of the local executive committees (mayors) and professionals working in municipalities can enjoy direct communication and contact with their ministerial counterparts. Thus, the entities and the state itself do not need to maintain a parallel system of public administration offices or enforcement offices, and suggestions to create districts or an intermediate layer of self-government in the Republika Srpska are not received well.

Points of contention between municipalities in both entities and the canton or entity government are the assets of national- or entity-owned utilities (water, gas, electricity, et cetera) that must be reorganized into stock companies before privatization or significant inflows of capital can take place. Patrimony over real estate and physical infrastructure inherited by the entities or assets still owned by the BiH state is an issue that has not been resolved. Not only are asset values, asset disposal and potential privatization proceeds at stake over the long run, but in the short run, municipal budgets are affected by the tax and other fees paid by these quasi-governmental public entities. For example, the BiH telephone company and power grid used to pay a share of taxes to the local municipality based upon how much activity was performed there or the extent of assets on the territory of that municipality. Enterprise taxes that used to flow to cantons and municipalities from public utilities could be—and have been—rechanneled by the entity government to the Federation. Patrimony over formerly BiH state assets, municipal assets, public utilities and other forms of communal ownership has not been settled, in essence creating uncertainty regarding many sources of municipal revenue and economic development potential. Lobbying for and over the use and ultimate disposition of these assets shall continue until large-scale privatization and corporatization have taken place.

2.4 Ethnic Issues, Multicultural Government

Besides the fiscal-level disagreements within and among cantons and municipalities in the Federation and the state and municipalities in the RS, the ethnic dimension pervades the management of local governments and contributes to distortionary behavior. As discussed earlier, municipal councils and the mayors they elect are responsible for appointing members of the administrative staff, including the chief administrator, financial officer and other key personnel, such as heads of departments and institutions operated by the municipality. Besides political considerations arising from the composition of the council, it needs to balance—from an ethnic point of view—the composition of the professional staff; hence, deputies reflect the ethnic group or groups with mandates on the city council. In practical terms, these individuals fulfill more than the role of deputies; they are equal partners who cannot make decisions without the informal approval of the other. Some informants have indicated that there are municipalities in the Federation that informally have three budgets: one that is presented to the canton and is

part of the binding public record, and two that informally are agreed upon by the dominant ethnic groups. These informal budgets are the product of bargaining and negotiation and do not necessarily fully reflect the intentions of the legal and binding budget as passed by the council. This ethnically based informal budgeting and parallel public administration and management is less of a phenomenon in the RS, where these arrangements take place along party and ideological lines, as those communities have less ethnic diversity as a consequence of the war.

Administrative staffs appointed by the legislative body along party and ethnic lines may not be unique to Bosnia and Herzegovina. These arrangements are not primarily intended to make local government more effective but rather are part of the “wages of peace” into the indeterminate future.

2.5 Local Government Associations and International Contacts

Municipalities in the Federation are allowed and encouraged by the local government law and constitution to associate freely with other units of government—in most cases other coterminous municipalities—to perform public services. Implicitly, Federation municipalities may form functional associations, special purpose districts, et cetera among themselves as long as their activities fit within the framework of the constitution and body of law. These types of functional associations are entirely voluntary and are formed at the discretion of the municipalities involved. This provision could be seen as a method of avoiding the creation of another layer of administration or self-government besides the existing entity, canton and municipal levels.

Article 16 of the Federation Law on Local Government states the following: “In exercising its duties municipalities shall have the right to cooperate mutually with other municipalities in order to perform tasks of mutual concern and may associate in municipal associations... Municipalities may enter international associations of local government...” Significantly this provision in theory would allow cooperation with coterminous municipalities in the Republika Srpska, or even in Croatia and other neighboring former Yugoslav republics, if the service provided requires or could benefit from a larger service area. The July 1999 draft Law on Local Self-management in the RS does not specifically authorize the formation of associations; rather it recites the negotiation, management and approval of cooperative agreements as the task of the elected executive—that is, the executive board president—and of the city assembly. Thus, by inference municipalities in the Republika Srpska may form associations to perform public tasks jointly with neighboring communities. Given the geographic dispersion of the Serbian entity, the entity government allows the creation of municipal field offices to service remote territories administratively assigned to a municipality but in essence rural and distant in nature.

On a positive note an association of professional municipal finance officers and experts called JAFIS has begun to operate in the Federation, conducting training and consultations. Mayors have formed their own professional associations in both entities with varying degrees of effectiveness and activity.

Overall the development of the political and administrative system at the canton and municipal level will require at least four years of peace beyond the next cycle of municipal elections (those elected in September 1997 had fewer than three years to prove themselves). Once election fatigue has been overcome, various entity and canton laws can be fully tested and cooperation and trust across entity boundaries can begin.

3. Local Administration, Service Provision

3.1 Structure and Operation of Local Administration

There is no standard set of operating rules or administrative organization that can be used universally to describe the structure and functioning of municipal offices in Bosnia and Herzegovina. The constitutional provisions and canton-enabling legislation of the Federation call for local councils to establish their own rules of operation, to appoint the appropriate type and number of public officials and to establish commissions, committees and other structures to conduct the tasks that are assigned by Federation law and specific canton legislation. The same is true in the Republika Srpska, where local assemblies are required to create operating rules and an organization that matches the tasks assigned to it by the entity government. Personnel working in municipal administrations are either political appointees, who do not have permanent civil servant status, or civil servants, who work mostly in the support and administrative fields. Municipal corporations and public service utilities do not employ civil servants, but as the legal status of these quasi-public entities is clarified in terms of patrimony and regulation, the exact nature of their employees will become more similar to that of private enterprise employees.

Municipal departments and institutions perform authoritative, management and personnel functions similar to most municipalities in Europe. However, given that municipalities often are expected to cover the capital expenses of canton- or entity-owned institutions, their roles vis-à-vis the canton or the entity (in the case of the Republika Srpska) have not been clarified. In other words, teachers and social workers may be paid by the canton or the entity, and the building they work in is owned by the next tier of government; the respective municipal department is expected to engage in capital planning, maintenance and capital improvements. These confusing situations will abound until all cantons have clarified the exact functional roles of municipalities and, in the Republika Srpska, until compensation for geographic distance and small-scale economies through a regional administrative unit or a different allocation of funds and tasks has been evaluated thoroughly and established.

3.2 Control, Audit and Supervision of Local Governments

The controlling, auditing and supervisory functions of local governments vary by canton and between the Federation and the Republika Srpska. The canton local government law identifies

the ministry or department responsible for the technical, functional and financial supervision of municipalities. Generally these entities are the canton ministries of finance and local government. In the Republika Srpska, such supervision is conducted through the entity ministries of finance and local self-management. The auditing function, per se, will become more significant as the entities and the state itself create supreme audit boards relying upon the advice and recommendations of internal donors and advisors.

The actual legal supervision of municipalities is still not clear. Some Federation cantons have authorized themselves to dissolve local councils and appoint commissioners to run municipalities under specific conditions. For example, article 45 of the Canton of Hercegbosna's Law on Local Self-government provides that the canton parliament can, on the proposal of the government of the canton, dissolve the municipal assembly if:

- general acts repeatedly have been issued in contradiction to the constitution, law and other regulations or due to frequent violation of the law and other regulations;
- the municipal head is not elected within ninety days of the first session of the municipal council;
- the statutes are not established in accordance with the terms determined by law;
- the municipal budget is not passed in accordance with the terms determined by law.

An important policy question for the Federation is whether intervention is properly a function of the canton or of the entity. If it is determined to be an entity-level function by policymakers, which ministry or agency should be charged with initiating intervention? Within the Republika Srpska, should it be the Ministry of Finance or the Ministry of Local Government that supervises and initiates the intervention process?

The local government law of Hercegbosna Canton has a provision that could indicate either a level of canton interference in a malevolent sense or the potential for beneficial intervention on the part of better-trained professionals in a positive sense. Article 44 states that the canton governor must be given a copy of each municipality's charter and any subsequent legislation that is approved by the local council. The governor has the right to reject the legality or constitutionality of the municipal charter: the final decision is made by the Constitutional Court. This veto power on the part of the canton government, combined with its ability to allocate tax revenues, enables the cantons to exercise tight control over municipal governments, sowing the seeds for disagreements among municipalities that have an ethnic or political majority that is different from the rest of the canton. The situation is similar in the Republika Srpska, where the entity government reserves the right to suspend an executive board president (mayor), to reject local ordinances and to appoint commissioners to run a municipality that is in a grave financial situation.¹³

The right of the cantons and the RS entity to review and overrule municipal decisions could lead to political manipulation based upon budgetary and other priorities of the canton or entity parliament. In other words, a party partial to the fiscal and other interests of the higher-tiered government conducts administrative and legal reviews.

3.3 Local Service Delivery

Mandatory tasks listed in the laws on local self-government passed by canton parliaments essentially repeat those assigned by Federation law. However, the wording and definitions of these tasks are not exactly precise, allowing great differences in interpretation. In addition, a host of sectoral technical requirements impose operational and capital improvement obligations on local governments that they cannot meet. There are overlaps concerning operational responsibilities, ownership, capital improvement and maintenance. Each canton is free to add to or clarify federation-delegated duties.

According to Federation law, local self-governments, municipalities and, in a few cases, cities have the following general functions:

- to protect human rights and fundamental freedoms;
- to “satisfy the local needs of citizens” concerning child care, education, employment, social care, culture, sports, et cetera;
- to conduct housing and urban policy;
- to manage municipal property;
- to provide communal services;
- to support local television and radio;
- to attract tourism;
- to manage unimproved property;
- to ensure public order;
- other issues determined by the Constitution.

Canton local government laws assign additional or more specific tasks. The ambiguous nature of these responsibilities allows cantons to impose capital improvement requirements, and these provisions do not define who hires staff in health clinics, schools or social agencies. In practice these institutions mostly are financed and run by the cantons. In Hercegbosna Canton, for example, municipalities are expected to conduct local business development and to establish social welfare institutions. In addition, they are required to construct and maintain roads, water systems and other units of infrastructure of local importance. The Canton expects municipalities to establish taxes and other revenue sources as authorized by law to fill any funding gap. In other words, the canton openly imposes mandates on its municipalities for which funding does not exist.

The distinction between mandatory and facultative tasks is not as relevant as the variation among cantons concerning what is expected of the municipalities and the unclear nature of the performance standards for each task. The imposition of capital expense burdens upon municipalities by cantons regarding canton-owned and -operated educational, social and health facilities adds another layer of uncertainty as to which layer does what in the Federation.

The pattern is repeated to a lesser extent in the Republika Srpska, in that there are no regional differences given the lack of a middle layer of self-government. Instead, due to the geographic

distribution of municipalities, their small size and often divided nature (parts of settlements are in the Federation and vice versa), local governments suffer from an economy of scale that makes it difficult to apply the universal list of tasks to municipalities of any size.

These tasks, according to the draft local government law, are as follows:

- to adopt and implement a municipal development program;
- to pass a municipal budget and municipal annual financial statement;
- to regulate and ensure the performance of public utilities;
- to adopt a town construction land arrangement program;
- to build, maintain and supervise the use of local roads, streets and other public facilities;
- to satisfy citizens' needs in terms of culture, education, sports, health and social care, information, handicrafts, tourism and catering;
- to enforce laws, regulations and general acts of the republic, district or town that have been entrusted to the municipality;
- to ensure the enforcement of municipal rules and general acts;
- to establish and regulate bodies, organizations and services needed by the municipality;
- to perform other activities as established by the Constitution, laws and the municipal statutes.

These provisions are strikingly similar to those in the Federation local government law and in various canton local government laws that were passed by the end of 1999. Mayors and citizens often are hindered by the distance they have to travel to take care of business in the entity capital Banja Luka, and smaller municipalities hope to delegate certain functions back to the entity level. This is more justified in the Republika Srpska than in the Federation but more difficult, given the geographic realities of the entity. In fact, article 29 of the draft Republika Srpska Law on Local Government (July 1999 version) elucidates that municipalities with fewer than one thousand residents do not have to form a local administration; they may settle for a mayor and an assembly. In this case, the responsible entity ministry will determine which neighboring municipality will provide services in and for the smaller municipality and allocate the smaller municipality's assets to its neighbor. However a municipality with fewer than one thousand residents may opt to keep its administration and institutions, though in the long run fiscal problems could lead to their "voluntarily" transfer.

Keeping in mind that performance standards are not clear; that each canton has its own set of tasks, funding schemes and interpretation of responsibilities; that in the RS tasks are being delegated upward to the entity government when practical; and given the resistance to creating a new middle layer of self-government, table 3A.1 in annex 3.4 summarizes which layer does what. In many cases ownership, operating responsibility and capital improvement tasks are shared by the municipal, canton and entity levels in the Federation, making a clear distinction difficult. The column marked "all municipalities" is not entirely accurate, as in the RS smaller municipalities do delegate functions to the entities, and in the Federation some cantons implicitly require municipalities to contribute to capital costs in the case of canton-owned facilities,

while in others, municipalities have begun to charge user fees even in canton-owned health institutions, given the demands of the population for better service.

Almost without exception traditional municipal-, canton- and entity-operated institutions and utility corporations deliver these services. Alternative forms of service delivery in BiH are incipient in 2000, given problems with patrimony and the untested nature of most canton local government laws. Joint service delivery, made possible by progressive provisions in Federation and canton statutes, is still far from emerging as a true alternative to traditional institutions and public corporations. While Bosnia and Herzegovina is recovering from its civil war, foreign donations provide the bulk of financing to rebuild local infrastructure. Neither potential borrowers nor potential lenders have given much thought to future private sector lending for municipal infrastructure. However, as grants and subsidized credits dry up, it would be useful to have in place a facilitative policy framework for municipal borrowing. Given such a framework, together with a stable and adequate municipal revenue structure, a viable private financial sector and good municipal management skills, we can expect municipal capital markets to develop and to take on an increasing share of the infrastructure financing burden.

Municipalities and communal service enterprises in Bosnia and Herzegovina are responsible for providing most local infrastructure. Although there is discussion of utility concessions to attract equity capital and widespread interest in the idea of municipal borrowing to attract debt capital, there are no clear state or entity policies as to if or how private investment should be identified to help fund local infrastructure. There also is no clear, common understanding of how or where municipalities will get funds for infrastructure investment. Movement towards a market economy is a basic tenet of the Dayton Framework, and financial institutions are slated to be privatized (or to have a clear strategy for privatization) by 2001, but there is not yet a private financial sector to which municipalities can turn for capital.

3.4 Conclusions

The primary challenge facing municipalities in BiH is reconstructing local civil society in a psychological and physical sense while providing basic services as required by law. Contracting out, privatization, involving nongovernmental organizations (NGOs) in service delivery and other novel ideas that work in Central Europe are premature in this context. Basic questions regarding patrimony, privatization and the allocation of tasks, revenues and funds await more stable resolution. Perhaps the general and municipal elections of 2000 shall establish a four-year political cycle in which war reconstruction gives way to perfecting the involvement of citizens and NGOs in municipal service delivery.

Although Bosnia and Herzegovina is one country, it is made up of two entities. Each entity is developing its own policy toward municipal borrowing and indeed toward municipalities and their financing in general. Each has its own banks and financial institutions, its own municipal

structures and laws and its own ministries charged with these issues. The most significant of these differences is that the Federation's cantons retain great authority over the powers, activities and revenues of municipalities. One manifestation of this authority is that some municipal revenue shares in the Federation have changed from year to year, rendering them too variable to support long-term borrowing. If revenue and decision-making authority is retained at the canton level, it is likely that they will have to assume the burden of borrowing for local infrastructure. This is different from the Republika Srpska, where there is no intermediate level of government, and municipal revenue shares appear to be stable. This divergence in underlying policy toward municipalities will require either a flexible framework accommodating both structures or two separate policy frameworks. Because the country is small, the more commonality that can be found, the better—a common policy framework makes a common credit market more likely, and greater efficiency expected from a larger number of potential lenders and borrowers.

In contrast to countries like Poland, Hungary and South Africa, where decentralization and municipal empowerment was embraced as a political antidote to the prior system, neither Bosnia and Herzegovina nor the two constituent entities seem to have a strong political commitment to decentralization to the local level. Although municipal budgets are said to be autonomous, there is not a widespread vision either of municipalities as independent actors that may decide on investment priorities and their financing (this is especially true in the Federation) or of private financial institutions that may compete for capital and for investment opportunities. There is a desire to attract private capital to fund local infrastructure, but little sense of what policy choices are necessary to do so.¹⁴

4. Local Finance

When analyzing the finances of the subnational level in Bosnia and Herzegovina, one must keep in mind that in the Federation the ten cantons account for an overwhelming majority of public spending, and on a national level the cantons are the largest unit of spending. In 1998, for example, cantons accounted for 23.0 percent of GDP, with the Federation level taking 15.5 percent and municipalities in the cantons accounting for 6.0 percent. Thus, 42.8 percent of Bosnia and Herzegovina's GDP is accounted for by Federation, canton and municipal spending in 1998, and that trend is expected to continue into the future if the Dayton-imposed constitutional and fiscal structure is left unaltered. Nearly thirty percent of the state's GDP is local government spending in just the Federation. These figures reflect the constitutional reality that the entities—and within one entity, the cantons—dominate public spending and the performance of public functions, leaving the state with a small budget and few tasks to perform. This becomes evident upon revealing the absolute numbers (to follow below). The RS and the state level add about twenty percent to the share of GDP accounted for by the public sector, so public spending was sixty to seventy percent of GDP in the late 1990s. Viewed in another way, spending by cantons and municipalities in the Federation accounted for forty-eight percent of total public spending in Bosnia and Herzegovina,

given the small proportion of state-level spending and the relatively small size of the Republika Srpska budget. These figures are essentially the same in 1997.¹⁵

The balance of state spending is accounted for by various independent funds for health, pensions and war veterans. Data from before 1997, essentially for 1996, are not reliable given the lack of a data collection system and the distorting effect of large-scale reconstruction operations funded by donors that either are not recorded in official statistics or tend to exaggerate local economic statistics. For example, in 1996 total state spending for Bosnia and Herzegovina was 2.245 billion DM, seventy-five percent of which originated at the Federation, municipal and canton levels. Only sixteen percent of total state spending at all levels took place in the Republika Srpska, and the state itself accounted for only six percent of all public spending. However, when adding donor assistance for 1996, the total state spending figure rises by 1.200 billion DM, or nearly fifty percent, to 3.414 billion DM. In that distribution, the Federation's share at all levels rises to eighty-five percent, with only two percent for the state and thirteen percent for Republika Srpska.¹⁶ For this reason data for 1996 and earlier will be largely excluded from the discussions to follow below.

Data for the war years when Bosnia and Herzegovina essentially ceased to exist as a unit of government would not contribute to our knowledge about the relative shares of local government versus national government spending. Determining precisely the share of GDP accounted for by public spending is distorted by the difficulty in measuring GDP in an economy with a large untaxed sector, and the high level of foreign donor-supported reconstruction shows up in consumption figures but may not be captured by traditional data collection methods.

4.1 Municipal and Canton Revenues

Subnational revenues in both the Federation and Republika Srpska are the dominant public revenues since the State of Bosnia and Herzegovina depends to a large extent on taxes that are shared by the entities with the state. In other words, with the exception of certain minor excise taxes, the two entities make contributions to support the state budget. The Federation contributes two-thirds and the RS one-third of the cost of operating the state (in this system, one hundred percent of even customs revenues belongs to the entities, not to the central state, though the state sets the rates and policy). The Federation receives revenues from the following sources: customs duties and tariffs, excise taxes, administrative fees, court fees and financial penalties. The cantons receive one hundred percent of the value-added tax (on goods and services), the enterprise turnover tax (utilities pay this tax to the Federation in some cases), the personal income tax and canton fees and penalties. In 1999 thirty-seven percent of Federation revenues came from customs duties, forty-six percent from excise taxes (gasoline, coffee and tobacco) and the balance from income taxes and nontax revenues.¹⁷ Cantons in turn allocate twenty to thirty percent of the turnover tax and income tax to municipalities, with proportions varying between fifty and eighty percent remaining with the canton over the period from 1996 to 1999.

Table 3.1 indicates the distribution of revenues among the cantons and municipalities. As mentioned before, each canton has its own revenue-sharing formula that it can alter on an annual basis.

Table 3.1
**Canton and Municipal Revenue Splitting of Shared Taxes
in the Federation of Bosnia and Herzegovina, 1997**

Canton	Canton Share	Municipal Share
Una-Sana	67%	33%
Posavina	45%	55%
Tuzla	78%	22%
Zenica-Doboj	74%	26%
Bosnia-Podrinje	82%	18%
Middle Bosnia	69%	31%
Herzegovina-Neretva	73%	27%
West Herzegovina	75%	25%
Sarajevo	93%	7%
Herzegovina	72%	28%
Average	80%	20%

SOURCE: School of Economics, University of Sarajevo, "Structure of Fiscal System in Bosnia and Herzegovina," in *Fiscal Decentralization in Bosnia and Herzegovina, Federation B&H*, conference paper prepared for the Fiscal Decentralization Initiative for Central and Eastern Europe, Sarajevo, June 1999, 31.

By 1999 the typical split of revenues moved strongly towards an 80:20 share in favor of cantons. In 1998 the three shared taxes detailed above—sales tax, income tax and payroll tax—made up over sixty-seven percent of canton revenues with the balance from fees, health fund transfers and minor local taxes and capital income.¹⁸

Each canton sets its tax-sharing formula independently each year in its budget law sharing changing proportions of the two major taxes allocated to cantons: that is, the income tax and the goods and services turnover tax. In some instances cantons also share a portion of the business profits tax.

Table 3.2 indicates the revenue structure of the federal, canton and municipal levels of government. Note that the municipalities are dependent upon transfers from the canton level and that the

Federation itself relies on customs duties and excise taxes, a portion of which it passes upward to the state level.

Table 3.2
**Consolidated Budget Revenues of the Federation of Bosnia and Herzegovina,
 Cantons and Municipalities by Type of Sources, 1998 [% of total revenues]**

	Federation	Canton	Municipality
Salary Taxes	—	13.60	11.94
Income Taxes	1.33	5.26	2.67
Sales and Excise Taxes	41.52	48.53	28.59
Property, Gift, Inheritance and Other Taxes	—	0.33	2.51
Revenues from Fees and Penalties	—	2.72	6.97
Revenues on Special Regulations (duties, etc.)	40.05	4.05	14.57
Health Care	—	15.79	—
Education, Culture and Sport	—	1.62	—
Capital Revenues	0.00	3.32	19.94
Other Revenues	15.61	4.79	12.81

SOURCE: School of Economics, University of Sarajevo, "Structure of Fiscal System in Bosnia and Herzegovina," in *Fiscal Decentralization in Bosnia and Herzegovina, Federation B&H*, conference paper prepared for the Fiscal Decentralization Initiative for Central and Eastern Europe, Sarajevo, June 1999, 40.

Over forty-three percent of a municipality's revenues originate in shared taxes flowing from the canton level. This of course is a national average, and depending upon the proportion of the three shared taxes that the canton passes down, the degree of canton leverage can vary greatly. Of importance are local fees and penalties, some of which could appear in the form of health facility user fees and the "other revenues" category, which covers a range of lesser local taxes on property, small business, et cetera. Capital revenues in 1998 are likely to include a large portion of donor-supported construction grants, in-kind contributions and concession loans. According to macrolevel consolidated figures for the Federation, interest expenses were virtually nil in 1996 and 1997, implying that not much of the capital revenue row indicates real borrowing by municipalities.

In the Republika Srpska the situation is similar, with the entity government directly sharing certain taxes with the municipalities. The major contrast with the Federation is that the entity budget law fixes the share of sales tax allocated to municipalities at thirty percent, with a slightly larger share—thirty-five percent—for cities (with multiple municipalities within their boundaries).

“Cities in crisis” are qualified to receive an additional five percent revenue sharing, though meeting the selection criteria, some informants say, is rather arbitrary and subject to political negotiation. Corporate income taxes stay with the entity, while self-employment taxes are allocated at thirty percent for municipalities. A tax on property excluding real estate also is allocated at thirty percent for municipalities, while personal income tax stays with the entity government in its entirety. Other smaller taxes and license fees are in most cases not shared but collected and used by the layer of administration that imposes them. Thus over the 1996–99 period these two revenue sources proved to be stable and predictable for RS municipalities, and the entity managed to avoid the annual haggling that takes place between cantons and the entity level in the Federation.

Table 3.3
Sources of Republika Srpska Municipal Revenues
Based upon a Sample of Five Indicative Settlements [%]

Type	1996	1997	1998
Taxes from Entity Level	63.8	73.1	76.3
Local Fees and Fines	2.6	6.7	7.7
Other Public Revenues	16.2	7.8	8.6
Borrowing ^a	2.1	2.1	2.1
Extraordinary Revenues ^b	15.2	5.5	2.8
Miscellaneous (local taxes, etc.)	6.8	6.1	13.0

SOURCE: Author’s calculations based upon data in Institute for Economics and Organization, University of Banja Luka, *Forum on Fiscal Decentralization in Bosnia and Herzegovina*, collection of working papers prepared for the Fiscal Decentralization Initiative for Central and Eastern Europe, Sarajevo, June 1999, 14–15.

NOTES: a. Varied between 0 and 4%.
 b. Varied between 0 and 31%.

Municipalities in the RS are even more dependent upon the entity government for transfers than their counterparts in the Federation, but significant growth in the share of local fees and fines, as well as lesser-used local taxes, over the 1996–99 period indicates that these settlements are able to generate their own revenues as well. If the definition of own-source local revenue is meant to exclude shared taxes contributed by the entity, then the ability of RS municipalities to dedicate income streams toward debt service (over twenty percent of revenues fits this description in 1998, with steady transfers dependent upon the general state of the entity economy) is slightly larger than the ability of Federation municipalities to dedicate income streams given the unpredictability of revenue sharing originating from the canton level.

4.2 Municipal and Canton Expenditures

Public spending at the state, Federation and Republika Srpska levels is dominated by the following five functions: education, public order (entity and canton police forces), social protection, public administration and health care. These functions (see table 3.4) account for seventy-two percent of general public expenditures (excluding the special funds that amount to twenty percent of total public expenditures above general public expenditures) at these three levels of government. Special funds in each administrative unit for health care, unemployment and pensions are dominated by pensions for war veterans (sixty-five percent of total special fund spending).

Table 3.4
Public Expenditures in Bosnia and Herzegovina
by Function, 1996–97 [in millions convertible Bosnian marks]

	1996			1997		
	BiH	FBH	RS	BiH	FBH	RS
General Budget	1,809	1,423	268	2,233	1,719	354
General Public Administration	209	121	38	199	132	46
Defense	131	74	57	408	318	89
Public Order	236	212	22	263	211	52
Education, Culture and Sport	297	276	30	334	295	39
Health Care	201	201	0	177	177	0
Social Protection	222	185	35	336	274	62
Housing and Environment	49	46	3	52	49	3
Energy, Industry and Economic Development	106	83	8	61	59	2
Transport, Communications and Media	83	68	15	98	81	15
Agriculture, Forestry and Water Supply	14	13	1	15	13	2
Reconstruction, War Criminals and SFOR	37	11	25	8	8	0
Other Expenditures of Main Groups	90	72	1	30	27	1

Table 3.4 (continued)
Public Expenditures in Bosnia and Herzegovina
by Function, 1996–97 [in millions convertible Bosnian marks]

	1996			1997		
	BiH	FBH	RS	BiH	FBH	RS
Contribution to the State BiH	29	29	0	35	17	18
Contribution to Cantons and Municipalities	0	0	0	0	0	0
Interest Paid	37	0	0	130	0	0
Reserve	68	41	23	87	57	25
Expenditures of Public Funds	436	328	108	485	377	108
Health Care	91	46	45	100	55	45
Pensions	286	223	63	316	252	63
Education	4	4	0	27	27	0
Unemployment	40	40	0	25	25	0
Other	15	15	0	18	18	0
Total	2,245	1,751	366	2,719	2,096	463

SOURCE: School of Economics, University of Sarajevo, "Structure of Fiscal System in Bosnia and Herzegovina," in *Fiscal Decentralization in Bosnia and Herzegovina*, Federation B&H, conference paper prepared for the Fiscal Decentralization Initiative for Central and Eastern Europe, Sarajevo, June 1999, 46.

NOTE: Foreign reconstruction assistance would add about fifty percent to public spending, distorting the relative proportions of spending functions.

Expenditures at the canton level are dominated by health care, education, culture sports and other such services at fifty-six percent of canton expenditures, with administrative expenses taking twenty-one percent of canton budgets. In contrast, at the municipal level in the Federation, administrative expenses account for over forty percent of spending, with the health care line taking only eighteen percent of budgets. This reflects the role that cantons play in operating institutions within the municipalities. However, capital expenses at the canton level are eighteen percent, and at the municipal level varied between twelve and seventeen percent in 1997 and 1998. Relatively speaking, municipalities have significant capital expenses in relation to how their spending functions are different from the canton level. Data from 1997 and 1998 indicate that all ten cantons paid only 56 million to 506 million convertible marks in interest on outstanding loans, while all Federation municipalities in the same period paid 1.1 million to

2.6 million marks in interest even though total canton budgets were quadruple total municipal budgets over the same period (see tables 3.5 and 3.6 below). Debt service in 1997 and 1998 for municipalities was only 0.4 to 0.9 percent of spending.¹⁹

Table 3.5
**Public Expenditures in Cantons of the Federation of Bosnia and Herzegovina,
1997–98 [in thousands of convertible Bosnian marks]**

Description	1997		1998	
	Amount	%	Amount	%
Current Expenditures	237,961	21.7	265,148	21.2
Salaries and Work of Authorities	149,798	13.7	175,391	14.0
Defense	87,893	8.0	89,757	7.2
Capital Expenditures	184,485	16.8	151,062	12.1
Purchase of Equipment	33,132	3.0	36,381	2.9
Capital Transfers	151,353	13.8	114,681	9.2
Other Authorities	79,268	7.2	102,551	8.2
Investments and Subventions	72,085	6.6	12,130	1.0
Health Care, Education, Culture, Sport and Other Services	615,196	56.1	672,180	53.8
Education	268,945	24.5	318,152	25.5
Science, Culture and Physical Culture	20,643	1.9	31,192	2.5
Social and the Protection of Children	20,462	1.9	36,996	3.0
Health Protection and Insurance	187,947	17.1	176,176	14.1
Rights of Soldiers	83,239	7.6	67,457	5.4
Other Services	33,960	3.1	42,207	3.4
Financial Expenditures	43	–	506	–
Credit Servicing	43	–	506	–
Other Expenditures	59,976	5.5	160,788	12.9
Total	1,097,391	100.0	1,249,684	100.0

Table 3.6
**Public Expenditures of Municipalities of the Federation of Bosnia and Herzegovina,
 1997–98 [in thousands of convertible Bosnian marks]**

Description	1997		1998	
	Amount	%	Amount	%
Current Expenditures	115,917	41.8	127,728	42.1
Salaries and Work of Authorities	113,030	40.8	125,883	41.5
Defense	2,887	1.0	1,845	0.6
Capital Expenditures	50,173	18.1	57,202	18.9
Purchasing of Equipment	14,100	5.1	17,314	5.7
Capital Transfers	36,073	13.0	39,888	13.2
Other Authorities	15,577	5.6	15,071	5.0
Investments and Subventions	20,496	7.4	24,817	8.2
Health Care, Education, Culture, Sport and Other Services	50,843	18.4	51,679	17.0
Education	10,147	3.7	11,051	3.6
Science, Culture and Physical Culture	11,622	4.2	12,751	4.2
Social and the Protection of Children	7,060	2.5	8,417	2.8
Health Protection and Insurance	1,246	0.4	1,041	0.3
Rights of Soldiers	9,681	3.5	6,778	2.2
Other Services	11,087	4.0	11,641	3.8
Financial Expenditures	2,609	0.9	1,149	0.4
Credit Servicing	2,609	0.9	1,149	0.4
Other Expenditures	57,458	20.7	65,391	21.6
Surplus of Expenditures from the Previous Year	—	—	7,553	2.5
Reserves	—	—	3,309	1.1
Other Expenditures	—	—	54,529	18.0
Total	277,000	100.0	303,149	100.0

4.3 Municipal Expenditures in Republika Srpska

Table 4.7 is based upon a limited sample of five municipalities, including the entity capital Banja Luka and settlements with budgets one order of magnitude smaller. Despite large variations and the small sample size, the general tendencies and expenditure categories are indicative of the entity as a whole. Functions that are performed at the canton or entity level in the Federation, such as education, most social services, transportation, et cetera, are visible in the Republika Srpska, not the municipal budgets. State administration tasks include items such as marriage, birth and death records and various types of licenses.

Table 3.7
Municipal Expenditures in Republika Srpska
Based upon a Sample of Five Indicative Settlements [%]

Type	1996	1997	1998
Wages, Salaries and Taxes	34.6	34.4	37.2
State Administration Tasks	33.25	20.5	22.5
Transfers	3	4	3.5
Social Services	26.6	30	29.6
Other	2.55	11.1	7.2

SOURCE: Author's calculations based upon data in Institute for Economics and Organization, University of Banja Luka, *Forum on Fiscal Decentralization in Bosnia and Herzegovina*, collection of working papers prepared for the Fiscal Decentralization Initiative for Central and Eastern Europe, Sarajevo, June 1999, 16–17.

NOTE: Other categories of spending reflect wide variations among the sample. All percentages are illustrative and are based upon the data available.

4.4 Local Taxation Potential

Municipalities in both entities are able to raise revenues in the form of fees, penalties, license charges and minor local taxes. As indicated above, genuine local tax revenues in both entities were below ten percent in the 1996–98 period. Shared revenues, even those that are fixed ahead and have been proven to be stable and growing in congruence with the entity's tax revenues, could be considered "local taxes" from a financing perspective. Legislative and budgetary risk, beyond the control of the municipality, would have to be borne by potential lenders, as the canton and/or entity parliaments are expected to be able to control the financial fate of municipalities far into the future.

In the RS, municipalities may impose taxes on sole proprietors, forestry and agriculture, unimproved land, advertising, gambling machines, catering, resorts and hotels, water usage fees, certain minor wage taxes, land use and other minor economic activities. Land and property taxes are not based on value but on square meters and the extent to which the land is used for residential or business purposes.

In the Federation, municipalities essentially may impose similar fees, fines and minor taxes on property, land and small businesses. Based upon the consolidated tables presented above, municipalities in 1998 were able to raise seven to twenty percent of their revenues from local sources (categories in nationally consolidated tables do not always clearly define the types of revenue that are included in statistics).

4.5 Municipal Borrowing and Other Issues²⁰

Obstacles to genuine municipal borrowing for capital purposes (especially in the Federation) abound. Despite massive external support, confidence in the long-term stability of the state and the economy are lacking. Although the horizon of confidence is broadening, an environment that is not perceived to be stable creates a poor context for long-term lending.

Potential lenders in Bosnia and Herzegovina lack both financial and analytical capacity. The biggest problem is lack of investment capital. Banks and other financial institutions simply do not have significant capital aggregations, for example, in the form of household savings or deposits from private enterprises. To the extent that such deposits exist, they are short-term demand deposits that are not a desirable basis for long-term lending. Foreign financial institutions consider country risk to be high, largely due to political and economic uncertainty, and as a result, long-term foreign capital is not available in the international markets. Such long-term capital available to lenders, or likely to be available in the near future, generally is provided by international donor programs.

In order to borrow responsibly, municipalities must have the skills and information to budget for the current year and future years (including both operating and capital budgets); the ability to understand the impact of borrowing for infrastructure on both annual debt service and annual operational and maintenance expenses; and the ability to identify, prioritize and plan strategically for capital investment. Municipalities must be able to identify and analyze technical and financial options and to show investors that they have adequate and reliable revenues to meet their debt service obligations.

In Bosnia and Herzegovina, doubts about stability and management at the local level seem dwarfed by country risk concerns, but as the macroeconomic and political situation stabilizes, stability and capacity at the local level are likely to become more important.

4.6 Specific Obstacles to Municipal Borrowing and Local Economic Development

In the former Yugoslavia, no municipalities of any size could borrow²¹ and cantons did not exist. Municipal borrowing now is authorized by budget legislation (not local government legislation) in both the RS (in draft form) and the Federation (existing).²² Articles 38 and 39 of each of these laws are very similar in wording and clearly have the same genesis. They authorize borrowing by cantons (in the Federation) and by municipalities and cities in both entities. These provisions and the policies underlying them are unclear. Moreover, some stakeholders are giving them interpretations that are difficult to reconcile with the plain language of the legislation.

Article 38 of each law seems to be intended to authorize short-term borrowing. It authorizes municipal borrowing only for the part of the budget that relates to investment expenditures, and only from the RS/Federation budget for short-term deficits. In addition, article 38 provides that borrowing cannot exceed twenty percent of total budgetary revenues, and the debt must be repaid within the same fiscal year.

Article 38 seems to be aimed at short-term borrowing to cover cash flow irregularities. However, if the goal is to provide a way to cover short-term cash flow problems, it is not clear why municipal authority to borrow in the short term should be limited to investment expenses. Requiring that short-term deficits are financed only by borrowing from the RS or the Federation puts an unnecessary burden on entity finances.²³ If its purpose is to control the level of borrowing, it does not appear to be effective—notwithstanding the requirement, short-term borrowing from local banks is not uncommon.

Article 39 of each law seems to be directed at long-term borrowing and authorizes incurring debt domestically and abroad for financing “capital investment” expenditures in accordance with criteria to be specified. In addition, article 39 of each law provides that the decision on the debt is to be taken by the municipal assembly (in the RS) or the canton parliament (in the Federation),²⁴ and borrowing cannot exceed twenty percent of total budgetary revenues.

It is not clear if a difference is intended between “investment expenditures” as used in article 38 and “capital investment expenditures” as used in article 39. The criteria mentioned in article 39 have not been adopted in either entity, resulting in a lack of clarity about what long-term borrowing is authorized.

In the Federation, a fundamental threshold issue deals with the nature of a municipality and its roles and responsibilities, especially in comparison with those of cantons. If municipalities are conceived to be separate, autonomous political and fiscal actors within their sphere of competence, then it follows that they will need reliable revenues (and perhaps the authority to set their

own revenue policies), that they should develop their own investment plans and that they probably should be authorized to borrow at their own discretion. On the other hand, if municipalities are intended to merely implement canton policies and will have neither reliable nor adequate revenues, then any municipal borrowing probably would require a canton guarantee, and municipalities would have no real use for independent borrowing authority.

In the Federation today, this question of the role of municipalities is unclear because municipal revenues and authority over infrastructure and planning depends largely on canton-level legislation. In three of ten cantons, legislation is lacking. Even where legislation exists, it does not address all aspects of task and revenue allocation.²⁵ In at least two cases, the canton legislation reserves broad discretion over policies and practices for the canton government. Some cantons give substantial capital and operating responsibilities for infrastructure to municipalities without providing adequate revenues. And in some cantons, local shares of canton-controlled revenues have been falling.²⁶ Uncertainty in municipal revenues, uncertainty about municipal responsibilities and large unfunded mandates do not bode well for municipal viability, let alone for municipal borrowing.

Once the role of municipalities is more clear, as in the RS, another policy question is if all municipalities should be authorized to borrow or if borrowing should be restricted to cities of a certain size or classification. The argument for restricting which municipalities may borrow is often paternalistic: that smaller entities won't have the management capacity or revenues to handle debt and that borrowing can do more harm than good. In countries that allow all municipalities to borrow, the underlying theory is that borrowing is a useful tool and should be available to all, with smaller-scale borrowing for smaller municipalities and larger borrowings for larger municipalities with more financial capacity.

5. Next Steps in the Process of Transition

Assuming that both entities in Bosnia and Herzegovina continue to recover from the war and that the Dayton-imposed political system survives the next electoral cycle and the gradual withdrawal of UN administration and foreign military forces, local government policy will need to be refined continuously. In both entities questions of capital financing of schools, social welfare facilities, health care institutions and environmental infrastructure need to be resolved. These types of services are in general funded by the cantons in the Federation and by the entity government in the Republika Srpska, leaving open an unfunded capital replacement and improvement mandate in both entities. Evidence abounds that upgrading and renovating these facilities in some circumstances is the unwritten *de facto* obligation of municipalities that do not have capital financing resources (sufficient taxing power; stable, predictable transfers) of their own. Municipalities in which these facilities are located face local political pressure to make capital improvements that technically are not their responsibility.

The issue of “emergency” funds for insolvent or distressed communities in both entities needs to be clarified. “Soft” budgetary funds in the cantons, subject to much political manipulation and bargaining, compensate municipalities with temporary financial problems. In the Republika Srpska municipalities are in one sense guaranteed by the entity to have sufficient funds to conduct all of their activities, and this has led to some abuse on the part of less than truly distressed communities. The issue of the entity compensating municipalities for uncovered costs suggests that a borrower municipality may enjoy a virtual guarantee of its debt payments. Uncertainty also abounds regarding the interpretation of debt limits or debt service limits and the extent of canton review and/or approval required in the Federation for municipal borrowing. The extent of potential municipal borrowing is also uncertain in the Federation, since some cantons explicitly pass on capital spending burdens to the municipal level, while others, at least based upon their canton local government legislation, do not account explicitly for capital spending responsibility.

As postwar reconstruction grants from a variety of donors dry up, the question of the role of the state itself will reemerge, given the infrastructure deficit that crosses all subnational boundaries. In essence, if the elections of 2000 turn out well at the state, entity, canton and municipal levels, then a policy dialogue can begin to solve some of these issues, with a gradual reprofessionalization of governmental elites, the emergence of NGOs and advocacy groups and the legalization of the black and gray economies into the visible and tax-paying sector.

Recent Publications on Local Government in Bosnia and Herzegovina

Critical economic and reconstruction information on Bosnia is available from the World Bank’s Mission to Bosnia and Herzegovina website: www.worldbank.org.ba.

Information on the political and economic aspects of reconstruction from the perspective of the U.S. Agency for International Development (USAID) is available from: www.usaid.ba.

The Organization for Security and Cooperation in Europe (OSCE) maintains a large database of documents, current events, news releases and vital statistics on its mission to Bosnia and Herzegovina. Past election data, the progress of elections in process or to be held and the status of various pieces of key legislation can be tracked on the OSCE web site. A key document signed in November 1995 is the Dayton Peace Agreement, which essentially outlined the future of Bosnia after the cease-fire. See *The Dayton Peace Agreement and Annexes* available at: www.oscebih.org. Other important annexes to Dayton and follow-up agreements include the following:

- *General Framework Agreement for Peace in Bosnia and Herzegovina* (Initialed in Dayton on 21 November 1995 and signed in Paris on 14 December 1995)
- Annex 4—*General Framework Agreement*, “Constitution of Bosnia and Herzegovina”

- Annex 9—*General Framework Agreement*, “Agreement on Establishment of Bosnia and Herzegovina Public Corporations”
- *Reinforcing Peace in Bosnia and Herzegovina-The Way Ahead*. Annex—“The Peace Implementation Agenda of the Madrid Declaration of the Peace Implementation Council (December 1998).” Available on the OSCE web site.

“The Constitution of the Federation of Bosnia and Herzegovina, *Official Gazette of FbiH*, no. 1/94.

Semi-annual reports on the progress of democratization written by the OSCE Mission to Bosnia and Herzegovina are available at www.oscebih.org/dem.htm

Contacts for Further Information on Local Government in Bosnia and Herzegovina

State, Federation and Republika Srpska authorities, elected bodies, commissions, et cetera

The World Bank Mission in Sarajevo maintains and updates a guide to ministries and public authorities that it sells for charitable purposes. That guide, the contents of which change constantly, is available from the bank mission (see address below).

Law Center Open Society Fund Bosnia and Herzegovina

Address: Obala Kulina Bana 7/1, 71 000 Sarajevo, Bosnia and Herzegovina
Phone/Fax: (387-71) 668-683
E-mail: law@soros.org.ba
Website: www.soros.org.ba/~law/

Municipal Finance Officers Association Federation BiH (JAFIS)

Address: Mehmeda Spahe 1/3, Sarajevo, Bosnia and Herzegovina
Phone/Fax: (387-71) 209-014
E-mail: jafis@soros.org.ba
Website: www.soros.org.ba/~jafis

Organization for Security and Cooperation in Europe
Mission to Bosnia and Herzegovina, Head Office

Address: Obala Kulina Bana 19, 71 000 Sarajevo, Bosnia and Herzegovina
Phone: (387-71) 292-100
Fax: (387-71) 442-479
Website: www.oscebih.org

Democratization Department

Address: Pehlivanusa 3, 71 000 Sarajevo, Bosnia and Herzegovina
Phone: (387-71) 292-364
Fax: (387-71) 232-553

The World Bank Group, Bosnia and Herzegovina Country Office

Address: Hidrogradnja Building, 5th Floor, Hamdije Kresevljakovica 19,
71 000 Sarajevo, Bosnia and Herzegovina
Phone: (387-71) 440-293
Fax: (387-71) 440-108
E-mail: mail_to_bosnia@worldbank.org
Website: www.worldbank.org.ba

Notes

- ¹ For details on Bosnia's economy and political structure at the end of the war, see William Fox and Christine Wallich, "Fiscal Federalism in Bosnia-Herzegovina: The Dayton Challenge," *Policy Research Working Paper* 1714 (Washington: The World Bank, January 1997).
- ² For full details see a report by the School of Economics, University of Sarajevo (cited hereafter as SEUS), "Fiscal Decentralization in Bosnia and Herzegovina, Federation B&H," prepared for the Fiscal Decentralization Initiative for Central and Eastern Europe, The World Bank Economic Development Institute, Sarajevo, June 1999 (manuscript).
- ³ See the Constitution of Federation Bosnia and Herzegovina, Section V, Article 2 (2) as amended on 5 June 1996, published in *Official Gazette FbiH* 13/97 (2 June 1997): 233.
- ⁴ Due to space considerations, the 1996 Bosnia general elections and various problems documented by international observers cannot be reprinted here. For specific information see Hans Schmeets and Jeanet Exel, *The 1996 Bosnia-Herzegovina Elections: An Analysis of the Observations* (Kluwer Academic Publishers, 1997); Robert M. Hayden, *Blueprints for a House Divided: The Constitutional Logic of the Yugoslav Conflicts* (University of Michigan Press, 1999); David Chandler, *Bosnia: Faking Democracy after Dayton* (Stylus Publishers, 1999).
- ⁵ See Radio Free Europe/Radio Liberty, *Bosnia Report* 2: 37 (16 September 1998).
- ⁶ See the OSCE's translation of the BiH draft election law at: www.oscebih.org/documents/draftelectionlaw/eng/del-eng-14.htm.
- ⁷ See www.oscebih.org/pressreleases/november1999/9-11-coalition.htm.
- ⁸ See RFE/RL, *Bosnia Report* 1: 9 (24 September 1997).
- ⁹ See RFE/RL, *Bosnia Report* 1: 18 (26 November 1997).
- ¹⁰ See Lisa McAdams, "Bosnia: Election Results Reveal Political Shape," RFE/RL wire dispatch, 9 October 1997.
- ¹¹ See Commission on Security and Cooperation in Europe, *The 1997 Municipal Elections in Bosnia-Herzegovina* (Washington, D.C.: October 1997).
- ¹² CSCE, *1997 Municipal Elections*, 10.

- ¹³ See Republika Srpska draft law on local self-management (July 1999), paragraphs 74–76.
- ¹⁴ The concluding paragraphs rely on the author’s contribution to an unpublished policy note prepared by Matthew D. Glasser and Charles Jokay, “Advisory Note on Regulatory Framework and Institutional Issues: Municipal Borrowing in Bosnia and Herzegovina,” Research Triangle Institute, World Bank (January 2000).
- ¹⁵ SEUS, “Structure of Fiscal System,” 18.
- ¹⁶ SEUS, “Structure of Fiscal System,” 46.
- ¹⁷ SEUS, “Structure of Fiscal System,” 41.
- ¹⁸ Institute for Economics and Organization, University of Banja Luka, “Economic Structure and Fiscal Capacity,” in *Forum on Fiscal Decentralization in Bosnia and Herzegovina*, working paper prepared for the Fiscal Decentralization Initiative for Central and Eastern Europe, Sarajevo, June 1999, 7.
- ¹⁹ SEUS, “Structure of Fiscal System,” 51 and 54.
- ²⁰ This section and the next were extracted from Matthew Glasser and Charles Jokay, “Advisory Note on Regulatory Framework and Institutional Issues: Municipal Borrowing in Bosnia and Herzegovina,” Final Draft Report, Research Triangle Institute, January 2000.
- ²¹ One former municipal official said this was because municipal borrowing would have represented a debt of the state.
- ²² It is not clear why this authority appears in the budget law, as opposed to a law on local government.
- ²³ The literal wording, limiting borrowing to the entity’s “budget,” seems to reflect a common view in the region that a national budget is a source of money rather than a plan for spending money.
- ²⁴ It is not clear if the Federation’s requirement for canton approval was intended to foreclose autonomous municipal borrowing. Many people interviewed in the preparation of this note felt that it was a drafting error, and it is being interpreted by some stakeholders to require canton parliament approval for canton borrowing and municipal assembly approval for municipal borrowing.

- ²⁵ Pursuant to article 19 of the 1995 Federation Law on Local Self-government, cantons were required to pass municipal framework legislation within thirty days of being “constituted in the interim period.” It was intended that the “canton law on local self-government shall regulate in greater detail issues...of self-government...property and financing of local self-government...” We have evaluated two canton municipal framework laws (Bosansko-Prodrinjski and Herzegbosanski) and understand that three cantons (Tuzla, Zenicko and Herzegovacko) do not yet have municipal framework legislation in place as of September 1999.
- ²⁶ Of ten cantons for which 1997 data was available, nine showed a decrease in municipal revenue shares from 1997 to 1998, from an average of 26.7 percent of canton revenues to an average of 18.8 percent. Of twelve cantons for which 1998 data was available, four showed an increase, four showed a decrease and three held steady, with the average share changing only slightly from 20.0 percent to 19.6 percent of canton revenues. Of course, for a potential borrower the average revenue share doesn’t matter—the predictability of its own revenues does. No data was available on variability in individual municipal revenue shares.

References

- Chandler, David. *Bosnia: Faking Democracy after Dayton*. Stylus Publishers, 1999.
- Commission on Security and Cooperation in Europe. *The 1997 Municipal Elections in Bosnia-Herzegovina*. Washington, D.C.: October 1997.
- Constitution of Federation Bosnia-Herzegovina*, as amended on 5 June 1996. *Official Gazette FbiH* 13/97 (2 June 1997), 233.
- Fox, William and Christine Wallich. “Fiscal Federalism in Bosnia-Herzegovina: The Dayton Challenge.” *Policy Research Working Paper 1714* (The World Bank) (January 1997).
- Hayden, Robert M. *Blueprints for a House Divided: The Constitutional Logic of the Yugoslav Conflicts*. University of Michigan Press, 1999.
- Institute for Economics and Organization, University of Banja Luka. *Forum on Fiscal Decentralization in Bosnia and Herzegovina*, collection of working papers prepared for the Fiscal Decentralization Initiative for Central and Eastern Europe, Sarajevo, June 1999.
- McAdams, Lisa. “Bosnia: Election Results Reveal Political Shape.” RFE/RL wire dispatch, 9 October 1997.

Radio Free Europe/Radio Liberty (RFE/RL). *Bosnia Report 2*: 37 (16 September 1998).

———. *Bosnia Report 1*: 9 (24 September 1997).

———. *Bosnia Report 1*: 18 (26 November 1997).

Schmeets, Hans and Jeanet Exel. *The 1996 Bosnia-Herzegovina Elections: An Analysis of the Observations*. Kluwer Academic Publishers, 1997.

Schmeets, Hans. *The 1997 Municipal Elections in Bosnia and Herzegovina: An Analysis of the Observations*. Kluwer Academic Publishers, 1998.

School of Economics, University of Sarajevo (SEUS). “Fiscal Decentralization in Bosnia and Herzegovina, Federation B&H,” prepared for the *Fiscal Decentralization Initiative for Central and Eastern Europe*, The World Bank Economic Development Institute, Sarajevo, June 1999 (manuscript).

Annex 3.1

Major General Indicators

Size of territory	51,197 square kilometers
Population density	69 inhabitants/square kilometer
Population	4.3 million (1990) 3.5 million, with 800,000 refugees abroad (1999)
Major ethnic divisions	Bosniac, Croatian, Serb, others
Per capita GDP (World Bank estimate)	2,400 USD in 1990 1,140 USD in 1999

Data on the annual general government budget

In 1998, forty-eight percent of total public spending was on the canton and municipal level, amounting to forty-two percent of national GDP. In 1998, the central state only amounted to six percent of public spending, with the private economy amounting to about thirty percent of GDP. If donor support is taken into account, ninety-eight percent of public spending was performed on the canton, municipality and entity levels, with only two percent at the state level (proportion of national budget, local governments, social security fund, independent funds).

Public debt (1995)	approximately 3 billion USD IMF standards and currency board regulations do not allow internal borrowing. External debt in September 1999 amounted to 1.6 billion USD, over one billion of which was owed to multilateral organizations, the balance to banks and to trade partners (World Bank estimates).
--------------------	--

Unemployment rate (World Bank estimate, 1999)	approximately 40%
--	-------------------

Inflation rate (equivalent to DM inflation rate, currency board until 2003)	approximately 2%
---	------------------

Annex 3.2

Population, Settlements and Administrative Units

Average population capacity
of municipal governments

26,000

Number of local governments
at different levels

Federation of Bosnia and Herzegovina 10 cantons, 73 municipalities

Republika Srpska 64 municipalities (no middle tier)

Cities

Federation of Bosnia and Herzegovina 2 (Sarajevo, Mostar)

Republika Srpska 1 (Banja Luka)

Figure 3A.1
Administrative Map of the Federation Bosnia and Herzegovina



Annex 3.3

Major Laws on Public Administration and Local Government

A good source for translations of Bosnian laws into the English language is USAID's Legal and Regulatory Reform Project home page: www.soros.org.ba/~lrrp/.

Similarly, the UN Office of the High Representative to Bosnia and Herzegovina maintains a web site with key documents in English and the original languages: www.ohr.int.

The following laws regulate public administration and local government in Bosnia and Herzegovina:

- Budget Law of the Republika Srpska (translated by the UN Office of the High Representative, Banja Luka)
- Draft Electoral Law of Bosnia and Herzegovina (1999) (translated by the OSCE www.oscebih.org/documents/drafelectionlaw/eng/del-eng-14.htm)
- The Draft External Debt Law of the Federation of Bosnia and Herzegovina (The Republika Srpska) based upon Law of the External Debt of Bosnia and Herzegovina, Chapter II, Article 4, Section b, subsection 3 (*Official Gazette of BiH*, No. 1/97)
- Draft Law on Local Self-management, Ministry of Local Government (July 1999 version) (UN Office of the High Representative, Banja Luka)
- Bosna-Podrinje Canton, Law on Local Self-government, *Official Gazette of Bosna-Podrinje Canton*, no. 8/97 (translated by The World Bank, Sarajevo).
- Hercegbosna Canton, Law on Local Self-management, March 1998 (translated by The World Bank, Sarajevo)

Annex 3.4

Responsibilities of Administrative Tiers

Table 3A.1

Specific Functions of Local Government Units in Bosnia and Herzegovina

Functions	All Municipalities	Regional or Urban Governments (cantons)	Entity Level (Federation or Republika Srpska)	Central State (BiH)
I. EDUCATION				
1. Preschool	Capital expenses	Operations	X	
2. Primary	Capital expenses	Operations	X	
3. Secondary	Capital expenses	Operations	X	
4. Technical		X	RS	X
II. SOCIAL WELFARE				
1. Nurseries	X	X	Entity social funds	
2. Kindergartens	X	X	Entity social funds	
3. Welfare Homes	X	X	Entity social funds	
4. Personal Services for the Elderly and Handicapped	X	X	Entity social funds	
5. Special Services (for the homeless, families in crisis, etc.)	X	X	Entity social funds	
6. Social Housing	X	X	Entity social funds	
7. Refugees	X	X	X	X (and donors)

Table 3A.1 (continued)
Specific Functions of Local Government Units in Bosnia and Herzegovina

Functions	All Municipalities	Regional or Urban Governments (cantons)	Entity Level (Federation or Republika Srpska)	Central State (BiH)
III. HEALTH SERVICES				
1. Primary Health Care	Fees and capital expenses	Operations	Entity health fund	
2. Health Protection	Fees and capital expenses	Operations	Entity health fund	
3. Hospitals	X	X	X	
4. Public Health	X	X	X	X
IV. CULTURE, LEISURE, SPORTS				
1. Theaters	Capital expenses	X	X	
2. Museums	Capital expenses	X	X	
3. Libraries	Capital expenses	X	X	
4. Parks	Capital expenses	X	X	
5. Sports, Leisure	Capital expenses	X	X	
6. Maintaining Buildings for Cultural Events	Capital expenses	X	X	
V. ECONOMIC SERVICES				
1. Water Supply	Some	Some regional companies		
2. Sewage	Some	Some regional companies		
3. Electricity			X	BiH grid
4. Gas			X	BiH gas company
5. District Heating	Some			

Table 3A.1 (continued)
Specific Functions of Local Government Units in Bosnia and Herzegovina

Functions	All Municipalities	Regional or Urban Governments (cantons)	Entity Level (Federation or Republika Srpska)	Central State (BiH)
VI. ENVIRONMENT, PUBLIC SANITATION				
1. Refuse Collection	Some	X	RS	
2. Refuse Disposal	Some	X	RS	
3. Street Cleaning	Some			
4. Cemeteries	X	X		
5. Environmental Protection	X	X	X	X
VII. TRAFFIC, TRANSPORT				
1. Roads	X	X	X	X
2. Public Lighting	X	X	RS	
3. Public Transport	X	X	X	X
VIII. URBAN DEVELOPMENT				
1. Town Planning	X	X	RS	
2. Regional/Spatial Planning		X	RS	
3. Local Economic Development	X	X	RS	
4. Tourism	X	X	RS	
IX. GENERAL ADMINISTRATION				
1. Authoritative Functions (licenses, etc.)	Some	X	X	
2. Other State Administrative Matters (electoral register, etc.)	Some	X	X	
3. Local Police	Some	Canton police	RS	
4. Fire Brigades	Some	X		
5. Civil Defense		X	X	
6. Consumer Protection		X	X	

Chapter 4



Local Government in Bulgaria

by
Emilia Drumeva

Local Government in Bulgaria

Contents

1.	Legal and Constitutional Basis	145
1.1	Brief History of Local Self-government	146
1.2	Status of the Capital	148
1.3	Territorial Self-government below the Municipal Level	148
1.4	Relationship between State Administration and Local Government	149
2.	Local Politics, Decision Making	151
2.1	System of Local Elections	151
2.2	Forms of Direct Democracy	153
2.3	Distribution of Power among Levels of Government	153
2.4	Internal Structure of Local Government Decision Making	154
2.5	Public Participation in Decision Making	158
2.6	Local Government Associations	158
3.	Local Administration, Service Provision	159
3.1	Structure and Operation of Local Administration	159
3.1.1	Administrative Organization	159
3.1.2	Functions of the Office	161
3.1.3	Control, Audit and Supervision of Local Governments	162
3.2	Local Service Delivery	163
4.	Local Finance, Economic Development	164
4.1	Revenues and Expenditures of Local Governments	164
4.2	Local Taxes, Municipal Borrowing and Economic Development	168
5.	Next Steps in the Transition Process	168
	Recent Publications on Local Government in Bulgaria	169

Contacts for Further Information on Local Government in Bulgaria 169

References 170

Annex 4.1: Major General Indicators 171

Annex 4.2: Population, Settlements and Administrative Units 172

Annex 4.3: Major Laws on Public Administration and Local Government 174

Annex 4.4: Responsibilities of Administrative Tiers 175

Local Government in Bulgaria

Emilia Drumeva

1. Legal and Constitutional Basis

Local self-government is governance—the performance of relevant functions—by interested citizens themselves rather than by the state. Where the state has disengaged itself voluntarily, its role is taken over by the bodies of self-governing communities for the purpose of exercising public authority. But local self-government is also governance conducted within the state and the overall legal edifice of local self-government acts in lieu of the state. The constitution and laws provide for the extent to which the state may allow decentralization of governance under the existing economic and political conditions in the country.

Generally, the administrative organization of the modern state exhibits the combination and sequencing of two principles: centralization and decentralization. Within the framework of its legal and political unity, the state defines administrative division of the national territory in order to govern efficiently and effectively. The latter expresses the tendency of modern democracies towards decentralization—the recognition of self-governance rights for the administrative divisions, which as a level of government are closest to individual citizens, while the highest authority rests with the state, ensuring the rule of law and the pursuit of common national interests. Local decentralization of authority achieves a vertical separation of powers. While the classical separation of powers—legislative, executive, judicial—takes place horizontally, decentralization is a vertical process starting from central state authority and ending with the local government level.

Local self-government is the most vibrant and viable form of decentralization. However, it does not take place in isolation from the state: it is part and parcel of it. Its principles stem from those of state authority and therefore are proclaimed by the constitution. The constitutional status of local self-government reflects its public law essence. Locally, whether directly or through local government bodies, citizens exercise public authority for particular purposes—theirs as well as those of the state. If one imagines the vertical line along which the decentralization of authority takes place and the vertical separation of powers evolves, it cannot escape one's attention that as authority "descends the hill" to its local materialization, the state deliberately abandons some of its inherent functions; thereby, state authority restricts and segments itself. Local self-government, however, does not mean the establishment of so many "local" states; being their own governors, local communities effectively assume some of the functions of state authority and exercise them

on its behalf. Thus, local self-government performs decentralized public authority functions and embodies the relationship between the state and the citizen, without, however, becoming part of the state administrative hierarchy.

1.1 Brief History of Local Self-government

The Bulgarian legal tradition of local government is marked by the enduring belief that local self-government derives its authority from the state and does not lead a primary existence on the basis of its own intrinsic, inalienable rights. It is also accepted that municipal authority derives from the people's sovereignty. The two views complement each other, since state authority under democracy also derives from the people's sovereignty. It is true that historically the community antedates the state organization; however, the ancient community performed "self-government" rather than "local self-government." All elements of local government, the structure and organization of its bodies and its mechanisms of governance are largely similar to the authority of state. Hence, the scheme of local government is a smaller replica of the state in terms of its major elements: community, territory and power. In the municipality these elements do not have a primary character.

The first Bulgarian constitution—the Turnovo Constitution of 1879—devoted a single provision to this matter that, however, spoke volumes: it laid down the principles of local government and self-government: "The land shall be divided for administrative purposes into counties, districts and municipalities. There shall be adopted a special statute of this administrative division that shall be based on the principles of municipal self-governance."

During subsequent legal evolution, two three-tiered models emerged as the basis for administrative decentralization and self-government. The first was developed during the 1880-1934 period and comprised counties, districts and municipalities; the second—of regions, districts and municipalities—was introduced in 1934 and went through a series of modifications.

The two subsequent constitutions of Bulgaria of 1947 and 1971 contained a full chapter on local government. However, its traditional principles underwent substantial changes: administrative decentralization was effected within a system of soviet-type councils, established as "local bodies of state power," which was at the heart of the entire static communist-state model. As a matter of principle, the soviet system was alien to parliamentarianism—the separation of powers and the free mandate. Rather, this system combined two branches of government: the 1971 Constitution expressly provided that "People's Soviets shall combine decision making and execution." Within the soviet system, public entities were legitimized "from above": higher people's soviets directed and controlled lower ones and had the power to overrule any unlawful or inappropriate act of the latter.

Under both postwar constitutions, the administrative divisions included counties, districts and municipalities (districts were abolished in 1959), and from 1987, regions and municipalities

with their respective people's soviets and executive committees. In a way, then, the older national tradition in local government outlived the political dogma imposed upon it.

The post-1989 democratic processes in Bulgaria changed the state from a totalitarian regime to a democratic government with free civil society. The constitution adopted in 1991 defines Bulgaria as a parliamentary republic in which state power is separated into legislative, executive and judicial branches; public power derives from the people and is exercised by the people directly or through bodies provided for in the constitution and legislation. The constitution defines Bulgaria as a country with local self-government.

The current constitution devotes a whole chapter to local self-regulation, which is in line with European practices and in the spirit of the European Charter of Local Self-government. Relevant constitutional principles incorporate modern local government philosophy, ensuring self-governance at local levels and the conduct of regional development policies by the state. The key feature of this framework is the stability of local self-government as (1) an autonomous democratic institution and (2) a tier of the national government. In the first chapter of the constitution, local self-government is proclaimed as such: "The Republic of Bulgaria is a unitary State on the basis of local self-government."

In particular, the constitution provides for two main levels of local government: the municipality and the region. Municipalities govern themselves either through locally elected authorities or directly. Municipal self-governance bodies have general competencies with regard to local matters; but they also assume delegated authority from the state. In the decentralization of public authority, the constitution relies on the vertical separation of power, the aim of which is to overcome potential tension between central government and local self-government. At the regional level, state authority is distributed geographically, reconciling national and local interests.

Another fundamental principle is that central government authorities and their local arms exercise the review of local self-government acts to ensure their legality. The constitution also provides for special protection of local interests before the Constitutional Court. In the event of a dispute between local and central authorities, the municipal council can refer the matter directly to the court.

The principles of local self-government and local administration as provided for in the constitution embody the philosophy of a modern system of local government, which is called upon to ensure both self-government at the local level and the regional policy of the state. A key element of this concept is the stability of local self-government as an independent institution of democracy at the local level, functioning within the state. Therefore, local self-government and local administration follow the administrative and territorial division of the country, which is determined by law.

In principle, the constitutional arrangements for local government and self-government foster the tradition and intent of the founders: that the municipality is the basic integral element of

local government. This idea has produced a distinct trend in current legislation. The constitution furthers and promotes another tradition: for the highest level of local government—the region (or in the past, the district)—to be the coordinator of deconcentrated state government in different locations.

The constitution maps out the main directions for legislative development. The Local Self-government and Local Administration Act adopted in September 1991 has undergone numerous amendments. The Administrative Division Act of the Republic of Bulgaria and the 1995 Local Elections Act also operate with substantial amendments. In 1998 the Municipal Budget Act was adopted, and in 1999, the Regional Development Act.

The end of 1998 witnessed a substantial legislative change in the administrative and territorial division of the country: the Amendment to the Administrative Division Act of the Republic of Bulgaria stipulated the replacement of the nine regions that previously existed with twenty-eight new regions by the end of 1998, the borders of which greatly coincide with the former districts. With this reform and the adoption of the Regional Development Act, a big step was made in the process of local government rationalization and unification of the two traditional (for Bulgaria) tendencies in the organization of local government on the highest level.

In summary, Bulgaria's first ten years of democracy carry the following tendencies in local government legislation:

- regulations concerning the constitution of local government bodies, including norms of representation and election procedures;
- regulations on the distribution of both material and financial resources;
- clarification of the status of local administration personnel and officers (Civil Servants Act and statutory instruments);
- regional policy (Regional Development Act).

1.2 Status of the Capital

The City of Sofia is a specific administrative and territorial unit in which the self-government of its inhabitants is combined with the implementation of state policy on the development of the capital city. Law determines its division and structure. The City of Sofia is comprised of twenty-four city district administrative structures and has the status of a region.

1.3 Territorial Self-government below the Municipal Level

The Administrative Division Act of the Republic of Bulgaria provides for city districts and mayoralties as municipal subdivisions. City districts are set up within municipalities of more than three hundred thousand inhabitants and in cities of over one hundred thousand inhabitants.

Mayoralties consist of one or more neighboring settlements with populations above five hundred inhabitants and may be created by the relevant municipal council. The inhabitants of mayoralties directly elect their mayors, who perform functions that are set out in the rules of procedure of the municipal council and are responsible to bodies of the municipal council. Their functions may be:

- to administer the part of the municipal budget that concerns the settlement;
- to provide administrative and other services to the population;
- to ensure public order;
- to organize public works and the management of municipal property;
- to maintain public hygiene.

During the last local elections (1999) mayors were elected for 1,694 mayoralties.

1.4 Relationship between State Administration and Local Government

There are two levels of local/territorial government in Bulgaria: municipalities and regions.

The municipality is the cornerstone of local self-government. It exists and functions in two capacities: (1) as an administrative division and (2) as a body corporate. The capacity of a municipality as an administrative division is established by special legislation as well as by the constitution. It consists of one or more settlements of inhabitants, and its territory comprises these mayoralties or settlements. Any dispute between settlements over territorial boundaries are decided by the competent district court.

“The municipality shall be a body corporate,” states the constitution. This concentrated substantive provision was expanded upon by the Local Self-government and Local Administration Act: “The municipality shall be a body corporate and shall have the right to own property and have an autonomous municipal budget.” Further, the Municipal Property Act defines municipal property as either public or private and denotes separate provisions for each. Due to this arrangement, the municipality, having title to both kinds of property, is a person before private and public law and is a body corporate governed by both. In other words, municipalities have powers and exercise public authority. In this case, the Bulgarian Constitution sustains the classical concept of the municipality as a public law-governed body corporate. As such, the municipality has specific characteristics:

- under the constitution and law, it has the duty to perform public services;
- it has a special relationship with and is dependent upon (as far as legal coordination is concerned) the central authority of the state.

Hence, the traditional concept has prevailed of a public law-governed municipal corporation as a self-governing body assigned by law to perform all local public services defined by law within established local boundaries, of which communal, organized and continuous provision is made

necessary by the fact of human coexistence within a community. In the performance of such local tasks, citizens have the right to participate either directly or through their elected municipal bodies. This right reflects the democratic essence of local self-government.

Concerning decisions on the creation, transformation or dissolution of municipalities, including any change in boundaries, the constitution provides that, as a matter of principle, these are subject to local referendum. This provision demonstrates the strong expression of direct democracy at the local level. Terms and procedures are provided in great detail, including the review of legality by the regional governor.

The region is the unit at which state government is exercised on the local level. It is an administrative and territorial unit entrusted with the conduct of regional policy and with ensuring harmony between national and local interests. A region consists of one or more neighboring municipalities, and its territory is that of its constituent municipalities. It bears the name of the city in which its administrative headquarters are located. Regional governors are the state's representatives at this level.

Regional boundaries may be changed only in conjunction with the boundaries of the existing municipalities. Such changes are approved by presidential decree on the proposal of the Council of Ministers. The procedure does not envisage a referendum, as a region is not a tier of local self-government. Authorities and offices of executive state power are created at the regional level. There are 262 municipalities in the Republic of Bulgaria (as of 1999) and 28 regions (as of 1998).

The region is administered by a governor with the help of deputy governors and the regional administration. The governor is not a civil servant; he or she is a public organ appointed by the Council of Ministers. The prime minister appoints deputy governors. Until recently, the Local Self-government and Local Administration Act contained all relevant legal provisions. Later, the adoption of the Administration Act incorporated the legal framework related to regional administration.

The organs of executive power are central and territorial. The central executive organs are the Council of Ministers, the prime minister, the deputy prime ministers and the ministers; the territorial executive organs are the regional governors and the mayors of municipalities.

The deconcentration of government is accomplished through the regional governors, who have the mission to implement effective regional policies. In order to fulfill their duties, governors issue orders that may be appealed through the Supreme Administrative Court. They may revoke unlawful rulings of the municipal councils and refer them to the regional courts within a one-month period from their detection. Within the same period, they may revoke unlawful rulings of the mayors of municipalities. A regional governor is called upon to achieve effective regional policies by:

- instituting government policies in the region, carrying out administrative and territorial reform and coordinating the activities of state bodies in the region and their interaction with the local authorities;
- ensuring harmony between national and local interests, drafting and implementing regional strategies and regional development programs and interacting with local governments and local administration;
- preserving and protecting state property in the region;
- guaranteeing law and order, administrative control and the implementation of acts issued by the president of the republic and the Council of Ministers;
- controlling the legality of acts and actions of local governments and administration;
- controlling the legality of acts and actions of state bodies, departments, organizations and enterprises in the region;
- organizing defense and mobilization preparedness of the population, managing protection in the event of natural calamities and accidents and keeping public order.

The regional administrations, as legal entities funded by the state budget, assist the governors in exercising their powers. Their activities, structure, organization of work and composition are defined by rules of procedure adopted by the Council of Ministers. Governors submit annual reports on the activities of the regional administrations to the Council of Ministers.

The municipal organs of local self-government are the councils. In municipalities that are divided into city districts, the municipal councils elect city district mayors. Municipalities in which mayoralties are established elect their mayors directly.

Local government and self-government functions at the national level are performed by:

- the Standing Committee of Local Self-government, Regional Policy and Public Works of the National Assembly, which gives opinions on each draft law pertaining to local self-government;
- the Ministry of Regional Development and Public Works;
- the Ministry of State Administration;
- the administration of the Council of Ministers, which includes a Department of Local Self-government and Administration, through which governors and regional bodies of central departments provide feedback on local administration and self-government.

2. Local Politics, Decision Making

2.1 System of Local Elections

The bodies of local self-governments are constituted on the basis of direct elections involving the participation of voters from the respective municipality or mayoralty. The municipal council is elected by the people of the municipality under the terms and conditions established in the

Law on Local Elections. The size of the municipal council depends on the number of inhabitants of the municipality.

The electoral process for municipal councilors and mayors is carried out under public control and is guaranteed by law, which requires transparency of the electoral bodies' actions. The Central Electoral Commission monitors the observance of legality by the local commissions and publishes the results of the vote for the whole country in a special bulletin.

Every citizen of the Republic of Bulgaria who has reached the age of eighteen at least two months before the election has the right to vote. According to the electoral rules of organization and procedure, voters must be residents in the municipality for which the election is taking place. The electoral rights of participation in local elections are stipulated in the Law on Local Elections.

Citizens' electoral rights materialize in the electoral lists. These lists are assembled by the municipal administrations, where the public register is kept; they are printed from centralized databases and are signed by the mayor and the secretary, provided such a secretary is appointed.

Bulgarian nationals who hold no other citizenship, who have reached the age of eighteen and who are not incapacitated or imprisoned have the right to be elected councilors and mayors. Additionally, they must be registered as a resident in the municipality at least two months prior to the date of the local elections.

Elections for municipal councilors are held according to a proportional system. The territory of a municipality is regarded as a multimandate constituency for the election of the municipal council.

Mayors also are elected in municipalities. If the municipality has city districts and mayoralties, these units also elect mayors: the municipal councils elect city district mayors, and the citizens of mayoralties directly elect their mayors. Elections for mayors are held according to the majority principle. Law stipulates that the election is carried out by direct vote by the inhabitants of the municipality. A newly elected mayor takes an oath before the municipal council at its inaugural meeting following its election. The term of office of mayors is four years. The Local Self-government and Local Administration Act envisages grounds for early termination of a mayor's term of office. Within one month after his/her election, every newly elected councilor and mayor is obliged to declare before the council the sources of financing for and expenditures made during the election campaign.

The municipal council, acting on a motion made by the mayor, elects one or more deputy mayors by secret ballot. The election is made by a qualified majority of more than half of all the councilors. During their terms of office, the mayor and deputy mayor cannot participate in the leadership of political parties or engage in commercial activities as defined by the Commercial Code. The combination of two major electoral systems—proportional for councilors and majority for mayors—is considered advantageous to the system of local government in Bulgaria.

2.2 Forms of Direct Democracy

Forms of direct democracy include local referendum, general assembly and petitions. Voting in local elections is considered another means of direct participation in the political process. Furthermore, citizens have the right to address complaints, proposals and petitions to the state authorities.

A referendum is held on local issues related to the conduct of policy in a municipality. Issues such as the municipal budget, taxation and others subject to special procedures cannot be addressed by referendum.

The right of initiative to hold a municipal referendum belongs to: the voters, the municipal councilors, the mayor of the municipality and the regional governor. The petition for a referendum is sent to the municipal council. The latter takes a decision by a qualified majority. If the petition for a referendum is made by more than half of the voters, the municipal council cannot reject it. The municipal council provides precise wording of the question to elicit a “yes” or “no” answer.

A local referendum is considered valid if more than half of all voters in the municipality cast ballots. The approval or rejection of the subject of the referendum is determined by a majority of the votes cast, and the municipal council announces the results and undertakes enforcement of the decision. When a proposal subject to referendum is turned down, a new referendum on the same issue can be held no earlier than two years afterwards. The municipal referendum is widely used in Bulgaria.

A general assembly of the population is a democratic form of direct participation in the self-government of a municipality and is suitable for smaller communities.

Citizens make specific proposals to the authorities by means of complaints and petitions. The initiators of petitions can influence government decisions, as long as the requests contained therein are legitimate.

2.3 Distribution of Power among Levels of Government

The Council of Ministers heads and implements the country’s domestic and foreign policy in conformity with the constitution and laws. This institution ensures public order and national security and provides overall guidance to the state administration and the armed forces. As an executive body it consists of a prime minister, deputy prime ministers and ministers. The ministers head individual ministries.

The Council of Ministers adopts ordinances, rules, regulations, orders and decisions in accordance with the law. The ministers issue rules, regulations, instructions and orders. They are guided by the laws of the country in fulfilling the will and the interests of the nation.

The authority of local self-government in the municipalities is the council, which is a body of general competence. It defines policy for municipal development and for public services and activities of local interest as stipulated by law. The municipal council tackles economic issues, environmental protection, health care, social welfare, education, culture, public utilities, regional and urban development, municipal property, traffic safety and public order. It also addresses issues of local importance that are not the exclusive prerogative of other authorities. It also performs functions delegated to it by central executive bodies in conformity with the law.

To perform its wide range of functions the municipal council enjoys the following powers:

- to establish standing and ad hoc committees and to elect their members;
- to determine the structure of the municipal administration and allocate funds for staff salaries from the municipal budget;
- to elect and dismiss the chair of the municipal council;
- to elect and dismiss deputy mayors upon proposal by the mayor;
- to determine the remuneration of mayors in line with existing legislation;
- to adopt the annual municipal budget, approve its implementation, including expenditures made from the extrabudgetary accounts, and exercise control over it.

The mayor of a municipality is an authority of general competence and acts as the executive municipal body and as an administrative body, the actions of which are subject to supervision by the state administration through the regional governor. The mayor issues orders within his or her prerogative. The Local Self-government and Local Administration Act describes the powers of the mayor of a city district and of a mayoralty.

The regional governor has the right to suspend unlawful acts of the municipal councils and to repeal unlawful acts of the mayors. Acts of the municipal and regional administrations may be challenged in court. The state is liable for damages caused by unlawful acts and actions of administrative bodies and officials.

Land commissions of the municipal councils are state authorities on land ownership and are appointed by the Minister of Agriculture. They are collegial bodies and have decision-making powers concerning land restitution.

2.4 Internal Structure of Local Government Decision Making

The municipal council is a collective, self-government decision-making body of the local administration and has general competence. The council establishes municipal policies, tackles issues of local significance and performs functions delegated to it by the central state authorities. In order to accomplish its numerous functions, the Local Self-government and Local Administration Act vest in the council a number of competencies that allow it:

- to determine the procedure for providing the public with information on the municipal budget;

- to specify the powers of the mayor, district councils and mayors of districts and mayoralties;
- to fix the amount of local taxes and charges within limits determined by law;
- to decide on the acquisition, management and disposal of municipal property and municipal companies and to nominate its representatives to the latter;
- to decide on the establishment and closure of municipal foundations and on the management of donated property;
- to grant concessions and publish such decisions;
- to decide on the use of bank loans, provision of interest-free loans and issue of bonds under the terms and conditions established by law;
- to create and approve general and detailed urban development plans;
- to set criteria for the activities of natural and legal persons in the territory of the municipality, bearing in mind the environmental, historical, social and other characteristics of the settlement, as well as the condition of the technical and social infrastructure;
- to decide on the participation of the municipality in local government associations nationally and abroad and to nominate its representatives to them;
- to create districts and mayoralties under the terms and conditions established by law; to propose administrative and territorial changes for the municipality;
- to decide on the naming and renaming of streets, squares, suburban areas and other municipal facilities;
- to debate and adopt decisions on the motions of district councils and mayors on issues in their competence;
- to decide on the holding of referendums and general assemblies of the population on issues in its competence;
- to approve the symbol and the seal of the municipality;
- to award honorary citizenship to Bulgarian and foreign nationals.

This roster, found under article 21 of the Local Self-government and Local Administration Act, is not complete, and separate laws aimed to meet the stipulations of the constitution may grant other competencies. In certain cases, the municipal council performs functions assigned to it by the central government.

A municipal council elects from among its members standing and ad hoc committees that also may include experts who are not members. The tasks of these committees are:

- to study the needs of the people in the respective region and to propose solutions to problems;
- to assist the municipal council in drafting decisions on issues submitted for discussion and resolution;
- to monitor the execution of decisions taken by the municipal council.

The municipal council adopts rules of organization and procedure that govern its functioning and that of its committees, district councils, municipal administration, association of the municipality and all issues stipulated by law.

In the framework of its powers the municipal council adopts and issues rules, regulations and instructions and takes decisions on local issues. Acts issued by the municipal council are subject to administrative and direct judicial supervision. All rulings of the municipal council are submitted to the regional governor within a period of seven days. This provision enhances the underlying constitutional principle that the central government and its local representatives control the lawfulness of all local decisions and actions. An appeal against legal or general administrative actions is submitted to the regional court, if no special provision has been made by law.

Municipal councils hold meetings at regular intervals. The regional governor convenes the newly elected municipal council. The rules of any municipal council stipulate the timetable of its regular meetings, which are open to the public. A municipal council also may be convened at the request of its chair, of one-third of the councilors, of one-fifth of the municipal voters or of the regional governor.

The law requires a quorum for meetings—more than half of all councilors—to validate the decisions of the municipal or district council. The decisions of the council are adopted by a majority of more than half of those present by a show of hands. The council may decide that a vote be carried out by secret ballot. A qualified majority of more than half of the councilors is necessary to take a decision on certain issues.

The mandate of the municipal councilor begins at the time his or her oath is taken at the first council meeting and ends with the swearing in of the succeeding councilor. Typically, the municipal and regional councilors do not hold these positions on a full-time basis; they continue to work at their usual places of employment or use leaves of absence to perform their municipal or regional counseling functions. They are entitled to a full salary, which also covers the time they spend in the municipal council and its standing committees; the employer is reimbursed from the municipal budget. If a councilor is not employed, he/she receives remuneration of a type and form established in the municipal statutes. A municipal/district councilor also has the following rights:

- to be elected a member of the council's standing and ad hoc committees;
- to propose items for inclusion on the agenda of the council's meetings and to present draft decisions;
- to participate in the process of debating and deciding on all issues within the competence of the council;
- to address queries to the mayor.

A municipal councilor has the following obligations:

- to participate in the meetings of the council and of standing committees and in the decision-making process;
- to maintain contacts with the electorate and to inform it about the council's activities and decisions.

The municipal council elects a chair from among its members by secret ballot. This decision is adopted by absolute majority—the votes of more than half of all councilors. The chair serves for the full term of the municipal council.

The mayor is a municipal organ of executive power and is guided in the performance of his or her duties by law, municipal acts and decisions taken by the people. He or she has the following major prerogatives:

- to head the executive activities of the municipality;
- to guide and coordinate the work of specialized executive bodies;
- to appoint and dismiss senior and junior staff of the municipal administration and to impose disciplinary penalties;
- to keep public order;
- to organize the preparation and execution of the municipal budget;
- to organize the implementation of long-term programs;
- to organize and report on the execution of the municipal council's decisions;
- to organize the fulfillment of tasks as derived by law and by acts issued by the president of the republic and by the Council of Ministers;
- to delegate functions to the mayors of mayoralties and districts and to coordinate and monitor their performance;
- to maintain contacts with political parties, public organizations, movements and other local governments nationally and abroad;
- to organize protection of the population against natural calamities and accidents;
- to sign urban development plans that have been approved by the municipal council and to organize their implementation and amendment;
- to perform the functions of a registrar;
- to represent the municipality before natural and legal persons and before the court;
- to provide organizational and technical support to the municipal council.

In addition to these public law functions (organizational, supervising and penal-administrative), the mayor has private law functions: representation of the municipality on matters related to contracts, property and employment.

The mayor of a municipality has two roles: (1) a local self-government body in the municipality and (2) an administrative body whose rulings and actions fall under the supervision of the state administration, represented by the regional governor. In some cases, the mayor also performs functions assigned by the central government. These functions, plus responsibility for the fulfillment of all decisions of the municipal council, are grounds for the mayor to act as an administrative body. In this instance his or her decisions are subject to administrative supervision by the central government.

Particular attention should be devoted to the relations between the municipal council and the mayor. The relations between the mayor and the municipal council resemble those between

parliament and the government at the national level: the municipal council can repeal acts of the mayor issued in violation of council decisions. On the other hand, the mayor can challenge a decision of the municipal council if he or she deems that it breaches the law or runs counter to the interests of the municipality. A challenge is made in writing within a period of seven days and has the force of cessation. If the municipal council confirms the decision at its review, the mayor is obliged to execute it or to refer it to the court. In the process of considering the issue for a second time, decisions are taken by the majority of the total number of councilors. This legal configuration actually creates a “cessation veto” of the mayor and to some extent simulates the “checks and balances” between the president and parliament.

The secretary of a municipality is not a political figure, but a municipal official who has civil servant status under the Local Self-government and Local Administration Act. His or her powers are not tied to the term of office of the municipal council; the secretary is appointed by the mayor to organize the municipal administration, to address the working conditions of the staff, to oversee the activities of the registrar and to address and/or organize citizen complaints, proposals and referenda.

2.5 Public Participation in Decision Making

Public participation in decision making on local issues has to be facilitated. Interaction between local governments and their electorates or representatives of the latter is recommended on issues pertaining to:

- leisure, social and cultural activities;
- promotion of employment and the creation of suitable jobs;
- housing policy;
- education policy;
- social and health protection, et cetera.

The meetings of the municipal council are open to the public; however, it has the right to decide to hold meetings behind closed doors when necessary.

2.6 Local Government Associations

The law allows municipalities to form associations to protect their common interests. For this purpose regional associations may be established. These organizations are nongovernmental and nonpolitical and adhere to the principles of voluntarism and equality while operating within the framework of their statutes. They provide a number of services to the municipalities: representation before state bodies, drafting of proposals for improving the legal framework of local self-government, preparation of proposals on the municipal section of the state budget bill, et cetera.

In late 1996 the National Association of Municipalities of the Republic of Bulgaria was established. It plays the role of intermediary in relations between municipalities and the state and facilitates dialogue on issues of mutual interest.

3. Local Administration, Service Provision

3.1 Structure and Operation of Local Administration

3.1.1 Administrative Organization

The municipal administration consists of divisions, directorates, et cetera. Its responsibilities include the drafting of acts subject to approval by the municipal council or the mayor, providing expert and other support to local authorities, issuing individual administrative acts and analyzing specific social areas on the initiative and proposal of voters. The administration also performs activities assigned to it by the council and provides technical and administrative support.

The rules of organization and procedure of municipal and regional administrations envisage officers and units that report to the mayor and the deputy mayor, notably: (1) a mayor and deputy mayors, (2) a secretary, (3) a chief architect, (4) a technical department, (5) directorates, (6) servicing departments, (7) offices.

The structure of the municipal administration is based on functional areas: property and finance; investments, public works and infrastructure; transport; regional development; housing policy and construction; health care and social welfare; environmental protection, natural resources and agrarian reform; public order, public protection and administrative services. A directorate that reports directly to the mayor or the deputy mayor covers each area. Figure 4.1 indicates the line of command in the municipal administration.

The lower levels of administration are specialized bodies of the municipal council and constitute an important part of the local administration structure. They are organized in offices, departments, divisions, bureaus, et cetera and are headed by bodies of special competence. The specialized bodies perform activities directly defined by law in the areas of health care, economy, culture, education, social affairs, taxation, et cetera.

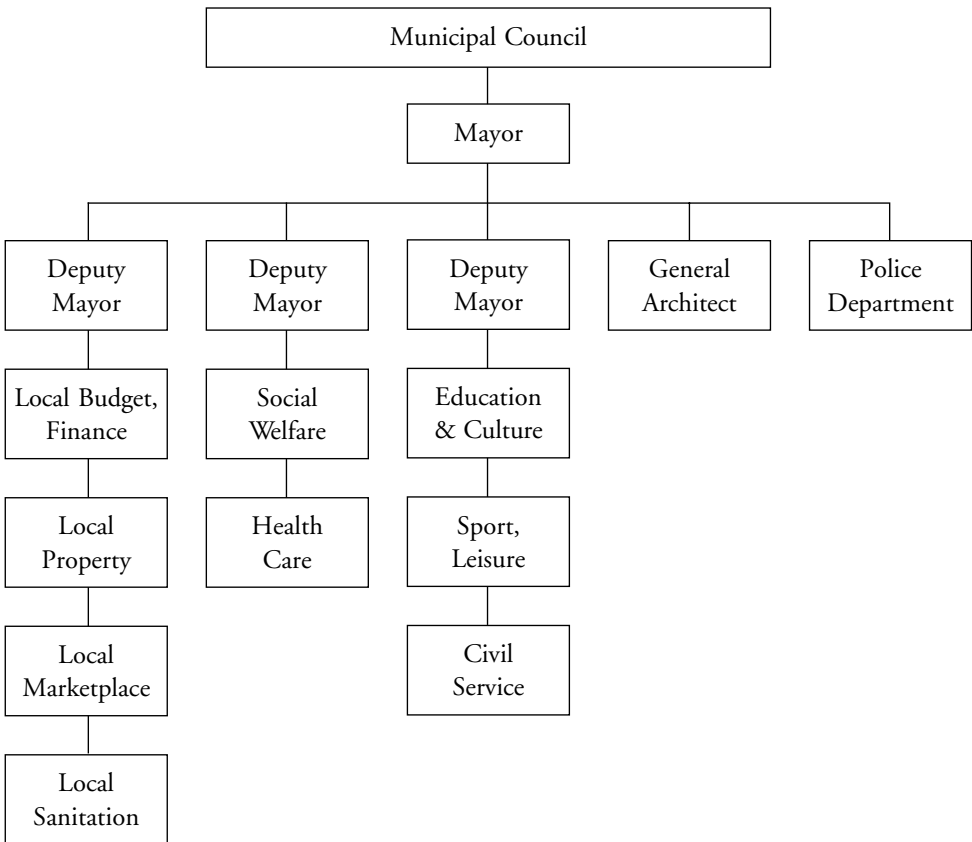
The regional administration has similar divisions, the most important of which are: property, finance, investment, public works, transport; environmental protection, public order, public protection, maintenance of mobilization preparedness, et cetera.

Civil servants and employees carry out administrative activities. The personnel of the administrative structures at a local level belong to the municipal, regional, district and mayor's

administrations. Municipal personnel have status as civil servants. The personnel of the regional administration generally consists of persons appointed by the governor who work for organizations and belong to job categories that are approved by the Council of Ministers. The categories of personnel are designated as follows:

- elected offices—mayors, deputy mayors, municipal councilors;
- appointed staff—secretaries, heads of department, technical staff, et cetera.

Figure 4.1
Line of Command in Municipal Administrations in Bulgaria



The mayor of a municipality appoints and dismisses senior and junior personnel of the executive arm of the municipal council and decides upon the salaries of each within the funds allocated by the municipal council and in conformity with rates set by the Council of Ministers. Adoption of the Civil Service Act, which contains detailed provisions on the status and conditions of work for all civil servants, is expected soon.

The local administration as of 1996 included twenty thousand people, forty-eight percent of which represent the delegated local administration of the districts and the mayoralties.

Some positions of municipal administration have not been established yet due to the absence of a civil service act. A classification of local government offices has been adopted by an ordinance of the Council of Ministers in accordance with the size of municipalities, the number of mayoralties and districts in each and the special status of the City of Sofia. Practices of personnel recruitment vary from municipality to municipality. Competitions are held for offices requiring highly skilled personnel, the procedure for which is established in the Labor Code, which also sets criteria for specific jobs.

Every municipal or regional administration has a specialized structural unit staffed by experts in human resource management. Their jobs involve the collection, processing, storing and transmission of information on issues related to efficient personnel management. Within the administrative structure of the municipality this unit also develops personnel training programs designed to achieve the full realization of each employee's potential.

3.1.2 Functions of the Office

Municipal councils are empowered to issue normative and administrative acts on a limited range of activities, mostly concerning water supply and sewerage, garbage collection and control over the functioning of open-air markets. The mayor issues individual acts pursuant to the law and the decisions of the municipal council.

Institutions and companies are run or directly controlled by local governments. The right of municipalities to own property is provided for in the constitution. The regime of municipal ownership is established by the Law on Municipal Property, which specifies the terms and conditions of running, managing and disposing of movable and immovable property; defines public and private ownership of municipal property; establishes special arrangements for managing both types of property; and specifies the competencies of each body of municipal authority regarding property. Many of the legal provisions are rendered in greater detail in the implementation rules adopted by the Council of Ministers.

Different rules apply to the management of different types of immovable municipal property, which are grouped as follows:

- immovable property for housing needs;
- immovable property that may be given or leased to third persons for the purpose of entrepreneurial activities of any kind (industrial, commercial or agricultural);
- property supporting the cultural infrastructure (theaters, libraries, museums, schools, et cetera).

In addition to the existing national legal framework that regulates municipal property, municipalities receive instructions on specific issues from the Council of Ministers and the heads of

the relevant ministries and departments. These instructions may involve the interpretation of existing legal provisions or issues raised by the municipalities.

Public municipal property is not included in the civil turnover. It cannot be sold, privatized, exchanged, donated, pooled in the capital of companies, mortgaged or encumbered with other substantive burdens. Specific rights of use may be granted on a limited basis.

The local government and administration use municipal property for the performance of their functions. It is run and managed directly by the mayor of the municipality or the mayor of the district or the mayoralty. Remaining public municipal property is handed over to the municipal council to be freely run and managed by budgetary organizations and legal entities, which must use them in accordance with their intended purposes.

Municipal councils may grant concessions on the following public municipal property: water springs, including mineral springs; water reservoirs and adjacent beaches; quarries; local roads and parking lots; and municipal forests. Concessions can be granted for the following activities:

- water supply and sewerage;
- district heating and gas supply;
- transport infrastructure networks and facilities and provision of transport services to the public;
- maintenance of streets, squares, parks and gardens;
- maintenance of public hygiene and the treatment of household waste;
- commercial activities;
- maintenance of graveyards.

3.1.3 Control, Audit and Supervision of Local Governments

There is no specialized body at the national level that can exercise administrative control over the activities of local governments in the Republic of Bulgaria. The Supreme Administrative Court and the district courts can rule on the legality of the actions of local and regional authorities, the strict and fair application of laws in the administrative sphere, and disputes concerning the legality of actions taken by the Council of Ministers, ministers and other state bodies.

At present, administrative control over the activities of local governments is based on the Local Self-government and Local Administration Act, the Law on Administrative Procedure and the Law on the Supreme Administrative Court. The Law on Administrative Procedure governs proceedings related to the issuing, challenging and implementing of individual administrative acts by the municipal executive bodies. It is not applied to acts of the president of the republic or the Council of Ministers concerning plans for social and economic development or to bodies subordinated to those that issue such acts. Administrative acts are challenged in accordance with the administrative procedure before the higher administrative authority, which makes a reasoned decision,

upon which it repeals entirely or partly an unlawful or incorrect administrative act or rejects the complaint or petition. The legality of administrative acts may be challenged in court as well.

The regional governor exercises control over the legality of acts of the municipal administration. The court has the competence to rule on the legality of acts and actions of the municipal council.

Municipal councils may refer cases concerning disputes on the competencies of the central government to the Constitutional Court. Local governments also may lodge claims before a competent court against any action of the regional governor that infringes upon its activities. The Supreme Administrative Court considers complaints and petitions against acts of the regional governors. Normative and general administrative acts of the municipal councils are challenged before the respective district court. Municipal councils and mayors may file requests for the revocation of acts that encroach on the municipality's rights and legitimate interests.

Financial audits of local governments are carried out once every three years by auditing authorities under the Ministry of Finance. The purpose of the financial audits is to ensure the legality and authenticity of documents and to check the management of financial accounts and property-related expenditures, et cetera. Local governments have the right to appeal to the auditing authorities that carried out the audit or to a superior authority, as well as to file claims in court for reconsideration.

In addition to administrative control, local governments are subjected to public scrutiny. Citizens have the right of direct participation on matters of major importance to the municipality by means of local referendum, meetings and petitions.

3.2 Local Service Delivery

Local public services mould the everyday environment of the people, determining to a large extent the quality of their lives and constituting an important dimension of local self-government. Their weight in the national economy is considerable both in terms of volume of expenditure and resources and in terms of their functions.

Local governments are responsible for some specific local services, and municipalities adopt programs for their development. Municipal administrations are assigned the management of the following public services:

- municipal property—enterprises, finances, taxes, charges and administration;
- structure and development of the territory;
- education—preschool, elementary, primary and secondary;
- health care—in- and out-patient services, prevention, medical and social care, sanitation and hygiene;
- culture—clubs, theaters, orchestras, libraries, museums, amateur arts and local traditions, rituals and customs;

- public works and utilities—water supply, sewerage, power supply, district heating, telephones, streets, squares, parks, gardens, street lighting, landscaping, rivers and ravines, treatment of household waste, municipal transport, laundromats, hotels, garages and graveyards;
- social assistance—social care, benefits, housing and other activities of municipal importance;
- environmental protection and rational use of natural resources;
- maintenance and preservation of cultural, historical and architectural monuments;
- development of sports, leisure and tourism.

User equality is ensured by adhering to the principle of nondiscrimination; uninterrupted provision of basic public services is guaranteed within the framework of economic and budgetary planning. Due to financial difficulties, local communities have had difficulty when attempting to improve the quality of public services in response to changing social needs, the requirements of sound economic management and on-going technological changes. Due to the organization of their activities, they are not able to provide voters with the information necessary to enable them to choose from among a greater number of services and providers.

Regardless, the offices responsible for local public services attempt to develop consumer rights and consumer protection within the framework of existing legislation. The creation of clear and uniform rules, valid for all local public services, and the use of administrative and legal language comprehensible to all consumers are encouraged. The links between the local public services and users of those services should be organized in a way that entails minimum difficulties and cost. Local communities should encourage the development of voluntary associations, patronage and initiatives that can contribute to the meeting of collective public needs.

4. Local Finance, Economic Development

The Law on Municipal Budgets governs the drafting, adoption, execution, balancing and reporting of municipal budgets, transfers between the municipalities and the state budget and municipal extrabudgetary funds. The local governments and administration manage municipal budgets and extrabudgetary funds in compliance with legal provisions. Municipalities have separate budgets that are independent financial accounts of revenues and expenditures for one fiscal year. Their budgets are open to the public and are subjected to public scrutiny through the municipal council and competent bodies.

4.1 Revenues and Expenditures of Local Governments

The revenue side of the municipal budget consists of revenues from municipal sources, transfers from the state, and grants allocated from the national budget. Municipal revenues include:

- local taxes and other taxes levied by law;
- local fees charged for services;

- proceeds from the granting of concessions;
- fines and pecuniary penalties imposed by the local administrative body;
- income from interest;
- rents and revenues from other municipal sources.

*Table 4.1***Revenues by Different Types of Local Government in Bulgaria [%]**

Tax Revenues	10.0
Nontax Revenues, including:	15.8
State, Municipal and Judicial Fees	25.8
Fines and Administrative Penalties	19.5
Other Nontax Revenues	9.3
Revenues from Profit Derived from State and Municipal Property	46.1
Subsidies from the State Budget	32.4

Law specifies the transfer of state revenue. Grants allocated from the state budget include:

- block grants allocated according to objective criteria established in the National Budget of the Republic of Bulgaria Act for the relevant year;
- ad hoc grants allocated in specific instances for the acquisition of tangible long-term assets and for the implementation of regional programs and projects of national significance;
- subventions allocated in specific instances and for specific purposes from the national budget under specified conditions.

Municipal budget revenues, with the exception of ad hoc grants and subventions allocated from the national budget, are used to defray all expenditures and are approved with the municipal budget by the municipal council.

The expenditure side of the municipal budget includes budget appropriations for:

- health care, social, educational, cultural, sports and tourist activities and child and youth development;
- urban planning and development of the municipality, public utility services and public works;
- municipal property administration and management;
- provision of administrative and technical services to the community;
- environmental protection activities;
- maintenance of public order and protection of private and municipal property;
- functioning of the municipal council and administration;

- information support;
- acquisition of long-term assets and promotion costs to attract investors;
- capital investment in business activity and support for enterprises serving the needs of the municipality and the community;
- joint undertakings with other municipalities, enterprises and the state for activities of mutual interest;
- activities related to national defense and protection in the event of natural disasters and industrial accidents;
- collection of statistics;
- implementation of international programs within the municipal territory;
- repayment of loans;
- contributions to the national budget, determined by the National Budget of the Republic of Bulgaria Act for the relevant year;
- extensions of loans to other municipalities;
- other outlays that are consistent with the law.

In planning the expenditure side of the budget the Municipal Council determines the specific size of budget appropriations for:

- wages and salaries, social security contributions and maintenance of activities financed by the municipal budget and of the staff engaged therein;
- self-financed acquisition of long-term assets;
- remuneration for mayors, the municipal administration and its units;
- activities of the municipal council, the municipal administration and its units;
- training and education of municipal employees;
- scholarships for students under contract with the municipality;
- entertainment expenses;
- overhead and subsidies for student meals and baby food;
- welfare benefits and allowances;
- other outlays fixed by an act of statutory or subordinate legislation;
- other outlays that are consistent with the law.

By resolution of the municipal council, any budget deficit is financed by:

- issuing securities;
- issuing municipal bonds;
- loans from financial institutions;
- extrabudgetary resources and other sources.

Finances allocated to municipal budgets from the national budget are transferred by means of:

- a block grant allocated to support the activities of the municipality;
- contributions to the national budget;
- ad hoc grants allocated on a case-by-case basis for the acquisition of long-term assets;

- financial compensation from the state;
- short-term interest-free loans from the national budget;
- resources for the implementation of state policy to promote municipal development and national and regional programs and projects.

*Table 4.2***Distribution of Local Government Expenditure in Bulgaria [%]**

Current Expenditure	13.9
Capital Expenditure	27.4

*Table 4.3***Local Government Expenditure Assignment by Sector in Bulgaria [%]**

Executive and Legislative Bodies	24.3
Education	59.0
Health Care	52.6
Social Welfare	33.6
Culture	31.8
Physical Culture and Sports	73.5

Municipal revenues from the national budget are determined on the basis of objective criteria by means of an official methodology, which is approved annually by the National Budget of the Republic of Bulgaria Act. The apportionment of ad hoc funds for the acquisition of long-term assets is subject to the condition that the benefiting municipality cofinances such projects from its own sources. Ad hoc grants may be transformed into block grants in accordance with statutory procedures. Any ad hoc grants that are not utilized are returned to the national budget according to procedures and within time limits established by the Council of Ministers.

The municipality receives financial compensation from the state when:

- additional municipal financial obligations are incurred due to the implementation of statutory instruments after the adoption of the national budget;
- an adjustment is made to municipally financed remuneration of employees in public entities, effected through a regulation of the Council of Ministers;
- other cases prescribed by law.

The Minister of Finance consults with the National Association of Municipalities in the Republic of Bulgaria on the draft National Budget of the Republic of Bulgaria Act for the relevant year.

4.2 Local Taxes, Municipal Borrowing and Economic Development

The following local taxes and charges go into the municipal budget: tax on real estate, inheritance tax, tax on donations, tax on property acquired free of charge, local charges on household waste, charges for technical and administrative services, charges for security and protection of agricultural property, et cetera. The municipal council sets a price for every service or right provided by the municipality. The amount of these charges is determined by the municipal council within the range stipulated in the Law on the Local Taxes and Charges.

Charges for activities that have been transferred from the state budget to the municipal budgets and vice versa appear on the revenue side of the budget that supports the respective activity. Borrowing by the municipal administration is limited in Bulgaria due to the unstable financial standing of the banking system in recent years prior to the introduction of the Currency Board.

5. Next Steps in the Transition Process

Administrative and territorial reform, as well as local government reform, are progressing in line with the principles of a democratic state and set objectives.

The Law on Administration and the Amendments to the Law on the Administrative and Territorial Division of the Republic of Bulgaria were adopted in late 1998 to bring local administration in line with the standards of government in the country. The adoption of the Law on Supplementary Pension Insurance is a step in administrative reform toward social protection of the population.

At present, local finances pose the greatest challenge to the modernization of the system of local self-government. The status of the system can be improved by:

- drafting laws compatible with existing legislation that will introduce new sources of revenue;
- amending existing rules of local administration to create greater incentives for the collection of local taxes and charges—this would increase local government revenues and inspire creativity in the implementation of local policies;
- expanding the competencies of local governments—municipalities have the capacity to improve education, health care, local cultural centers, municipal libraries, et cetera;
- targeting territorial changes in existing municipalities to eliminate small rural entities that cannot guarantee local development and improve cooperation between cities and rural areas;
- developing associations of local governments, which provide new organizational schemes for liaising with the central government;
- organizing training and development for municipal administration personnel.

Many attempts at reorganizing the structure of local self-government recently have been made in Bulgaria. The predominant trend today is to strengthen the decentralization of government

in the country. Current reforms are viewed as a way to bring together the efforts of the electorate and the elected, assuring correspondence between national and local interests. The achievement of legal stability also will guarantee prosperity on both the local and national level and encourage the desired direction of the development of local government and self-government.

Recent Publications on Local Government in Bulgaria

Bulletin of the Association of Rodopa Municipalities (in Bulgarian).

Information Bulletin of the Foundation for Local Government Reform (in Bulgarian).

Kandeva, Emilia. *Local Government Administration in the USA*, with a summary in English. Sofia: 1993.

Kandeva, Emilia and Emilia Panaiotova. *Municipalities and Municipal Affairs in the Developed Countries*. Sofia: 1994.

Spasov, Boris. *Local Government Law*. 1996.

Statistical Yearbook of the Republic of Bulgaria. Statistical Office of the Republic of Bulgaria.

Stefanova, Milena. "Local Government in Bulgaria." In *Parliamentarna Democrazia*. Sofia: 1998.

Vodenicharov, Alexander. *Local Government in France*. Sofia: 1995.

Contacts for Further Information on Local Government in Bulgaria

Narodno Sobranie (Bulgarian Parliament)

Standing Commission on Local Government and Territorial Development

Address: Sq. "Kniaz Batemberg" 1, Sofia 1000, Bulgaria

Phone: (359-2) 874-584

Council of Ministers

Department of Territorial Division and Local Self-government

Address: Bld. "Dondukov" 1, Sofia 1000, Bulgaria

Ministry of Regional Development and Public Utilities

Address: 17-19 "Cyril and Methodi" Str., Sofia 1000, Bulgaria

Phone: (359-2) 940-59

Local Government Initiative

Address: 56 "Alabin," Sofia 1000, Bulgaria

Phone: (359-2) 981-9190

Foundation "Local Government Reform"

Address: 22 "San Stefano" Str., Sofia 1504, Bulgaria
Phone: (359-2) 44-2350
Fax: (359-2) 943-4422
E-mail: FLGR@lgi-bg.org

Association of Rodopa Municipalities

Address: Bld. "Bulgaria," Smolian 4700, Bulgaria
Phone/fax: (359-301) 230-41
E-mail: arm@sm.unacs.bg

Bourgas Free University

Center for Legal Studies, Training Network for Local Administrators

Address: 101 "Alexandrovska," Bourgas 8000, Bulgaria
Phone: (359-56) 232-83

References

Central Electoral Commission. *Bulletin of Results of the Local Election, October 1999*. Volumes I–V. Sofia: 1999.

Council of Europe. *Structure and Operation of Local and Regional Democracy: The Situation in 1996*. Strasbourg: 1997.

Drumeva, Emilia. *Konstitucionno pravo*. 1998.

Local Democracy (questionnaire). Sofia: 1997.

Ministry of Finance. *Local Government Finance*.

National Statistical Institute. *Branch Economic Statistics*. Sophia.

———. *Demography and Social Statistics*. Sophia.

———. *Coordination, Control and Registration*. Sophia.

"Mestni organi na upravljenie v Republica Bulgaria 1999," *NSI* (Sofia) (1999).

Statistical Reference Book of the Republic of Bulgaria. 1998.

Statistical Reference Book of the Republic of Bulgaria. 1999.

United Nations. *Program for Prevention of Anticrisis Activity Annual Report 1998*.

Annex 4.1

Major General Indicators

Size of territory 110,993.6 square kilometers

Population density (31 December 1998) 74.2 per square kilometer

Population (31 December 1998) 8,230,400

Major ethnic divisions (4 December 1992)

Bulgarian	7,271,185
Turkish	800,052
Roma	313,396
Other	94,203
Total	8,487,317

Per capita GDP

1996	209,104 lv. (1,189 USD)
1997	2,057,663 lv. (1,227 USD)

Annual government budget (1997, lv. millions)

Income, including	4,701,890.9
Taxes	3,997,386.1
Nonstate income	629,909.4
Subsidies	95,269.4
Expenditure	697,160.3
Current	5,364,157.1
Capital deposits	170,199.9
Branch expenditures including	5,697,160.3
Executive and legislative organs	185,326.9
Education	494,392.3
Healthcare	496,150.0
Social welfare	102,273.1
Culture	69,684.0
Sports, leisure	1,728.0

Annex 4.2

Population, Settlements and Administrative Units

Table 4A.1
**Number of Settlements by Population Size Categories in Bulgaria,
 31 December 1997**

Population Size Categories	Number of Settlements	%	Number of Inhabitants	%
0–1,000	4,311	80.7	1,286,437	15.5
1,001–2,000	596	11.2	826,080	10.0
2,001–5,000	279	5.2	815,071	9.8
5,001–10,000	69	1.3	487,576	5.9
10,001–50,000	62	1.2	1,288,643	5.6
50,001–100,000	14	0.3	988,770	11.9
100,001–1,000,000	8	0.1	1,114,168	13.5
Total	5,340	100.0	8,283,200	100.0

Table 4A.2
**Number of Municipalities by Population Size Categories in Bulgaria,
 31 December 1997**

Population Size Categories	Number of Municipalities	%	Number of Inhabitants	%
0–1,000	—	—	—	—
1,001–2,000	4	1.2	6,323	0.1
2,001–5,000	21	6.1	82,085	1.0
5,001–10,000	62	18.0	490,455	5.9
10,001–50,000	224	64.8	2,923,040	35.2
50,001–100,000	21	6.1	1,536,974	18.6
100,001–1,000,000	12	3.5	2,053,776	24.8
1,000,001+	1	0.3	1,190,547	14.4
Total	345	100.0	8,283,200	100.0

Average population of municipal government units (31 March 1998)

Regions	45
Communities	1,911

Number of employees under contract in public administration and compulsory social security (1997)

Total, including	78,689
General state government	30,444
Local government	31,156

Number of employees under contract in enterprises, establishments and organizations funded by the state budget in 1997

Total, including	560,928
Funded by republic budget	206,656
Funded by local budgets	351,799
Funded by budget of judicial authorities	2,473

Figure 4A.1
Administrative Map of Bulgaria



Annex 4.3

Major Laws on Public Administration and Local Government

The following laws regulate public administration and local government in Bulgaria:

- Constitution of Republic of Bulgaria, Official Gazette, 1991
- Ratification of European Charter on Local Self-government, 1995
- Local Self-government and Local Administration Act, Off. G. Nr. 77/1991 and amendments
- Law on Local Elections, Off. G. Nr. 66/1995 and amendments
- Law on Local Fees and Taxes, Off. G. Nr. 117/1997 and amendments
- Law on Administration, Off. G. Nr. 130/1998 and amendments
- Law on the Civil Servant, Off. G. Nr. 67/1999 and amendments
- Law on Municipal Property, Off. G. Nr. 44/1996 and amendments
- Law on Municipal Budgets, Off. G. Nr. 33/1998 and amendments
- Law on Asking the People (Referenda), Off. G. Nr. 100/1996 and amendments
- Law on the Supreme Administrative Court, Off. G. Nr. 122/1997 and amendments
- Law on the Administrative and Territorial Division of the Republic of Bulgaria, Off. G. Nr. 63/1995 and amendments

Annex 4.4

Responsibilities of Administrative Tiers

Table 4A.3
Specific Functions of Local Government Units in Bulgaria

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government Format	Remarks
I. EDUCATION					
1. Preschool	X		X	X	
2. Primary	X		X	X	
3. Secondary (gymnasium)					
4. Secondary Technical	X		X	X	
5. Other, esp. secondary medical and artistic	X		X	X	
II. SOCIAL WELFARE					
1. Nurseries	X			X	
2. Kindergartens	X			X	
3. Welfare Homes	X				
4. Personal Services for the Elderly and Handicapped					
5. Special Services (for the homeless, families in crisis, et cetera)	X		X	X	
6. Social Housing					

Table 4A.3 (continued)
Specific Functions of Local Government Units in Bulgaria

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government Format	Remarks
III. HEALTH SERVICES					
1. Primary Health Care					
2. Health Protection	X		X	X	
3. Hospital	X		X	X	
4. Public Health	X		X	X	
IV. CULTURE, LEISURE, SPORTS					
1. Theaters	X		X	X	
2. Museum	X		X	X	
3. Libraries	X		X	X	
4. Parks	X		X	X	
5. Sports, Leisure					
6. Maintaining Buildings for Cultural Events	X		X		
V. ECONOMIC SERVICES					
1. Water Supply	X		X	X	
2. Sewerage	X				
3. Electricity			X		
4. Gas			X	X	
5. District Health	X		X		
VI. ENVIRONMENT, PUBLIC SANITATION					
1. Refuse Collection	X		X	X	
2. Refuse Disposal	X				
3. Street Cleaning	X				
4. Cemeteries	X		X	X	
5. Environmental Protection		X		X	

Table 4A.3 (continued)
Specific Functions of Local Government Units in Bulgaria

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government Format	Remarks
VII. TRAFFIC, TRANSPORT					
1. Roads	X		X		
2. Public Lighting			X		
3. Public Transport	X		X		
4. Other				X	
VIII. URBAN DEVELOPMENT					
1. Town Planning	X	X	X		
2. Regional/Spatial Planning			X		
3. Local Economic Development	X		X		
4. Tourism	X	X	X	X	X
5. Other	X	X	X	X	
IX. GENERAL ADMINISTRATION					
1. Administrative Functions (licenses)	X		X		
2. Others State Administrative Matters (electoral register, etc.)			X		
3. Local Police			X		
4. Fire Brigades			X		
5. Civil Defense	X		X	X	X
6. Consumer Protection					

Chapter 5



Local Government in Croatia

by

Stjepan Ivanišević

Ivan Koprčić

Jasna Omejec

Jure Šimović

Local Government in Croatia

Contents

1.	Legal and Constitutional Basis	183
1.1	Brief History of Local Self-government	183
1.2	Territorial Structure	184
1.3	Status of the Capital	186
1.4	Relationship between the State Administration and Local Government	186
1.4.1	Self-government Scope of Activities	187
1.4.2	Central Administration Affairs at the Local Level	188
1.4.3	State Supervision in the Scope of Self-government Activities	189
1.4.4	State Supervision of Delegated Activities	190
1.5	Territorial Self-government below the Municipal Level	191
2.	Local Politics, Decision Making	192
2.1	System of Local Elections	192
2.2	Forms of Direct Democracy	197
2.3	Internal Structure of Local Government Decision Making	199
2.3.1	Representative Bodies	199
2.3.2	Types of Executive Authority	200
2.4	Public Participation in Decision Making	200
2.5	Ethnic Issues, Multicultural Government	201
2.6	Local Government Associations and International Contacts	201
3.	Local Administration, Service Provision	202
3.1	Structure and Operation of Local Administration	202
3.2	Local Service Delivery	205
4.	Local Finance, Economic Development	208
4.1	Expenditures	208
4.1.1	Level of Local Budget Expenditures	208
4.1.2	Structure of Budget Expenditures	210

4.2	Revenues	212
4.2.1	Structure of Revenues	213
4.2.2	General Purpose Grants	214
4.2.3	Tax Revenues	216
5.	Next Steps in the Transition Process	219
	Postscript	223
	Recent Publications on Local Government in Croatia	224
	Contacts for Further Information on Local Government in Croatia	226
	Notes	229
	Annex 5.1: Major General Indicators	233
	Annex 5.2: Population, Settlements and Administrative Units	234
	Annex 5.3: Major Laws on Public Administration and Local Government	237
	Annex 5.4: Responsibilities of Administrative Tiers	238

Local Government in Croatia

Stjepan Ivanišević, Ivan Koprić, Jasna Omejec, Jure Šimović

1. Legal and Constitutional Basis

1.1 Brief History of Local Self-government

The basic principles of local self-government in Croatia were established in the Constitution of the Republic of Croatia, which was passed on 22 December 1990. At that time, Croatia was still a federal unit of the Socialist Federative Republic of Yugoslavia (SFRY), which put serious limitations on its constitutional regulation. However, the new constitution laid a solid foundation for the creation of a modern system of local self-government.

The Constitution guarantees the right of local self-government to all citizens of the Republic of Croatia, including freedom of decision making on local affairs, such as physical development and urban planning, regulation of settlements and housing, public utility services, child care, social assistance, culture, sports and the protection of the natural environment. Laws that are adopted by the Croatian Parliament (*Sabor*) by absolute majority regulate local self-government. Law establishes the territorial boundaries of local units only after prior consultation with the communities concerned. Within the limits of the law, municipalities are allowed to regulate their internal structures and the powers and responsibilities of local bodies and are obligated to provide for direct citizen participation. The Constitution proclaims the autonomy of municipalities in managing local affairs and restricts the supervision of the central government to control over legality.

After the adoption of the Constitution, and particularly after the May 1991 referendum on Croatia's independence, uprisings occurred in regions where the Serbian population prevailed. During the summer and autumn of 1991, and especially after Croatia had declared its independence, armed conflicts took place between rebel Serbs and the Croatian police forces. This conflict escalated after the involvement of the Yugoslav Army, which supported the Serbian rebels. The armed conflict culminated in the destruction and taking of Vukovar and the occupation and bombardment of Dubrovnik by the Yugoslav Army at the end of 1991. On 4 December 1991, Parliament adopted the Constitutional Law on Human Rights and Freedoms and on the Rights of Ethnic and National Minorities in the Republic of Croatia, which established that in territories with Serbian majorities, local units with special autonomous status be formed. A broad scope of activities for self-government and a special organization for these municipalities were prescribed. The latter included the existence of police administrations and local courts in which the national composition of those employed must correspond to that of the local population.

An international body was established to supervise the implementation of the constitutional law provisions. Such a form of local self-government was not acceptable to the Serbian authorities, even after amendment of the constitutional law in June 1992 when, beside the municipalities, two districts with extensive autonomy were proposed in areas with Serbian majorities.

These dramatic events, which resulted in armed control over almost a quarter of the entire territory of the state by rebel Serbs and the Yugoslav Army, postponed local self-government legislation in the free parts of the country until the end of 1992. Four major laws that provide for Croatian local self-government (on self-government, on territorial division, on local elections and on the City of Zagreb) were passed by Parliament on 29 December 1992. On the basis of these laws, the first free local elections were held in February 1993, and in the course of the following two months, local representative bodies were constituted and a new system of Croatian local self-government started functioning. Legislation for local self-government was completed in 1993 with the adoption of two other important laws. The first provides for local self-government financing, and the second for the scope of autonomous activities of local units. Thus, legislation was created, with some amendments in the subsequent period, that is the basis for Croatian local self-government today.

During the past six years, the political situation in Croatia has changed significantly. The territorial integrity of the country has been maintained and a unified political and legal order established. For these reasons there is no longer the need for strong centralization and strict central government control over local self-government units, which earlier could have been justified to some extent by threat to the territorial integrity of the republic. Croatia has become a recognized member of the international community: in autumn 1996, it became a member of the Council of Europe and in September 1997 ratified the European Charter of Local Self-government, binding itself to bring its legislation on local self-government into accord with European standards. All this requires thorough revision of Croatian laws on local self-government, but this task has not been carried out yet.

1.2 Territorial Structure

The existing territorial organization of local self-government in Croatia is structured on two levels,¹ excluding the area of the capital. Regarding first-level units—that is, municipalities—a mildly differentiated structure was adopted, distinguishing between rural and urban local units. Compared to the territorial division of the previous regime, the number of municipalities increased fivefold, resulting in a system based on a relatively large number of small local units. For the second level—counties—a single organizational form was adopted, meaning that they all are treated equally with regard to their status, organization and scope of activities.

The municipalities (in legislation, “local self-government units”) are communes (*općine*) and cities (*gradovi*). Although the law makes distinctions between them with respect to their organization and the scope of their activities (more about this below), their formal status is the

same. Communes and cities are both constituent parts of a county and thus are equally subordinated to the county authorities.

Communes are organized mainly in rural areas, as a rule comprising several settlements that represent a natural, economic and social whole and that are connected by their citizens' common interests.² In practice, this legislative criterion has resulted in relatively small communes, the average size of which has decreased with time, as shown in table 5.1. This decrease is directly connected to an increase in the number of cities, which was the result of a number of larger communes receiving recognition as cities. In addition, about fifty new communes were established through the division of previous municipalities.

Table 5.1
Communes in Croatia

Year	Number of Communes	Index	Average Number of Inhabitants	Index
1992	418	100	4,734	100
1998	420	100	3,627	77

In more urbanized areas, the law provided for the formation of cities as local self-government units. Three criteria must be satisfied to obtain this status. The first is administrative: city status is granted to all county seats, regardless of their size. The second is the number of inhabitants: all settlements with more than ten thousand inhabitants are recognized as cities. It is also possible to achieve this population level by including surrounding settlements that create a natural, economic and social whole. The third criterion is of particular importance: the law provides for the possibility of recognition as a city—even if the above conditions are not satisfied—for special reasons (historical, economic, geographical, et cetera).

In practice, these legislative criteria were applied fairly extensively. According to the census of 1991, Croatia had thirty-eight settlements (excluding Zagreb) with more than ten thousand inhabitants (see annex 5.2). In the first territorial division, city status was given to sixty-eight settlements. Six years later, the number of local units with city status almost doubled, mainly due to the broad application of the criterion of particular importance. As shown in table 5.2, this resulted in a significant decrease in the average size of urban local units.

The counties (*županije*) were established as second-level units. The Constitution defines them as “units of local administration and self-government,” meaning that they are both local parts of the system of state administration and local self-government units. The first role prevails in practice. According to the law, the territory of a county is determined as an expression of historic, economic and transport factors and represents a natural self-government whole within the Republic of Croatia. However, when determining the territory of counties, these legislative criteria were not addressed sufficiently. The boundaries of historical Croatian provinces (for

Table 5.2
Cities in Croatia

Year	Number of Cities ^a				Index	Average Number of Inhabitants	Index
	County Seats	More than 10,000 Inhabitants	Special Reasons	Total			
1992	19 ^b	35	14	68	100	28,124	100
1998	19 ^b	52	51	122	179	20,353	72

NOTES: a. Zagreb, the capital, is excluded because of its special status.

b. The seat of the County of Zagreb is the City of Zagreb, although it is not included in the structure of the county.

example, Dalmatia and Slavonia) were not taken into consideration. Initially, when determining the territories of two counties (Zagreb and Dubrovacko-Neretvanska), even territorial integrity was not secured.

The entire territory of Croatia, except for the territory of the City of Zagreb, is divided into twenty counties of different sizes (see annex 5.2). On average, a county has approximately two hundred thousand inhabitants,³ a territory of about 2,750 square kilometers,⁴ and includes approximately six cities and twenty-one communes.⁵ The average proportion of inhabitants living in urban areas within a county is forty-three percent, but there are large differences among counties in this regard as well.⁶

1.3 Status of the Capital

Zagreb, the capital, is excluded from this territorial structure because it has status as both a city and a county. This has resulted in dual consequences. First, self-government in Zagreb is organized at the level of the whole city, which means that its administration is completely centralized. The law provides for city quarters to be organized as forms of territorial self-government, but they are not local self-government units and do not have their own scope of activities. Second, because of its status as a county, Zagreb is under the direct control of the central government. Among other characteristics, this means that its mayor is confirmed, and under some circumstances even appointed, by the president of the republic. Moreover, the city offices of Zagreb have the status of state administration bodies.

1.4 Relationship between the State Administration and Local Government

An analysis of the legal aspects of the relations between the central government administration and local self-government in Croatia includes:

- regulation of local self-government scope of activities;
- regulation of the management of central administration affairs at the local level;
- supervision of local self-government units by central government bodies when managing self-government activities;
- supervision of local self-government units by central administrative bodies when performing delegated affairs.

1.4.1 Self-government Scope of Activities

When legally determining the scope of self-government activities of local units, independently regulated and managed by their bodies within the limits of the law, it is possible to apply two methods: general clause and enumeration. According to the general clause, the self-government scope of activities encompasses all affairs that are not excluded expressly by law, either because they are entrusted to the central or regional authorities or because they are explicitly prohibited. In contrast, in the case of enumeration, only the affairs that are allocated specifically to local self-government units are considered “local.”

The Croatian Constitution is imprecise in this regard. In the constitutional definition of local self-government there are some examples of issues that can be decided by local bodies, but no explicit list of local affairs is given. From the formulation of this norm it can be concluded that the constitution favors a broader determination of local affairs and that there was no intention to limit the range of local affairs in advance.

However, the Croatian legislator treats this constitutional norm as if the method of enumeration had been chosen. In the Law on Local Self-government there is an explicit list of affairs that are in the scope of self-government for communes and counties. Indeed, these affairs are described in general terms, but from the wording of the legal text, there is no doubt that enumeration is applied. The exception is made in the scope of activities of city self-government, according to which a city can manage all affairs within the self-government scope of a commune and all other affairs that are connected directly to the interest of the city if they are not within the competence of other bodies.

If previously there was some hesitation about which method of determining the local self-government scope of activities is applied in Croatia, all doubts were dispelled by the Law on the Determination of Affairs of the Self-government Scope of Local Self-government Units passed on 30 July 1993. In this law, there is a detailed list of self-government affairs, and it is determined precisely which are to be performed by municipalities and by counties. It also is prescribed that all affairs not determined by law as local affairs are to be carried out by the ministries and other central administration bodies.

Therefore, one can conclude that Croatian legislation has adopted the method of enumeration in determining the scope of local self-government activities. This does not correspond with the European Charter of Local Self-government, which in paragraph 2, article 4 states that local

authorities shall have full discretion within the limits of the law to exercise initiatives with regard to any matter that is neither excluded from their competence nor assigned to any other authority.

1.4.2 Central Administration Affairs at the Local Level

For the performance of central government affairs in the field, there are two main possibilities. One is that separate bodies of the central government administration, completely detached from local self-government units, manage the local elements of central affairs. The other is to entrust the performance of central affairs to local self-government units (“delegated” scope of activities), which then conduct these affairs together with their original, self-government activities. Some combinations of these basic solutions are also possible.

The Croatian Constitution provides for both possibilities. Field offices of central administration in the territories of communes and districts or cities may be established, the organization and competence of which are determined by law. At the same time, some specific affairs of the central administration may be delegated by law to local self-government units. In the performance of these affairs, the bodies of local self-government units are subordinated to the central government.

Proceeding from these constitutional options, Croatian legislation prescribes a mixed system of performing central government affairs in the field. First, ministries and other central administrative organizations may establish branch offices in a county, city or commune. They are managed by the head who is appointed, subordinate to and released from duty by the minister or director. The ministries in so-called traditional government departments use this option. The Ministry of Defense has organized its offices at the county level, with field offices in cities and larger communes. The Ministry of Internal Affairs has established police departments in counties and police stations in municipalities. The Tax Administration of the Ministry of Finance has branch offices in counties and field offices in cities. The Customs Administration of the same ministry has offices in major cities and branch offices at border crossings. Apart from these ministries, a network of territorial agencies has been organized by the Ministry of Reconstruction and Development, the Ministry of Maritime Affairs, Transport and Communication and the Ministry of Agriculture and Forestry, but only for some of their services.

Second, the law provides that county offices (CAD) be established as state administration bodies at the local level (the city offices of Zagreb have the same status). These offices carry out the affairs of the state administration of the first level on presumption—that is, unless otherwise prescribed by law (see section 3.1). Special responsibility for the performance of the affairs of the state administration in counties lies with county governors and the mayor of the City of Zagreb; the law refers to them as “representatives of the state.” In this regard, the central government has strong influence on the election and the release from duty of these officials. The representative body of the county elects county governors and their deputies (the same applies

to the mayor of the City of Zagreb and his or her deputies), but their appointments must be confirmed by the president of the republic. If the president of the republic refuses to provide such confirmation (since law does not state the particular reasons for which the head of state may reject their appointments, such decisions therefore are made at his or her discretion), the county assembly is obligated to elect another county governor. If this does not take place within fourteen days or if the second proposed county governor is not confirmed by the head of state, then the county governor and his or her deputies are appointed directly by the president of the republic.

Finally, in the Croatian legal system the delegation of central activities is also possible. Some affairs of central administration can be delegated to municipal administrative bodies by a separate law. The municipal mayors are responsible for the lawful and professional exercise of such affairs.

1.4.3 State Supervision in the Scope of Self-government Activities

The Constitution of the Republic of Croatia proclaims the independence of local units in managing affairs of self-government and in principle limits the control of central government bodies to supervision over legality. It is not specified, however, if this encompasses an examination of the adjustment of local decisions to the regulations of central executive and administrative authorities (for example, government decrees or ministerial regulations).

Supervision over the legality of general self-government acts of local representative bodies is carried out by all central government administration bodies, each within its scope of activities. In other words, the model of dispersed supervision is utilized. In unclear situations, it is presumed that the Ministry of Administration is responsible for supervision.

The supervision procedure itself must pass through several instances to reach a final decision. The first instance is the municipal mayor, as he or she is responsible for the legality of local general acts. If the municipal mayor finds that an act is in contradiction with the law, he or she is authorized to prevent the execution of such a decision and demand that the local representative body address the flaws in question within fifteen days. If the local representative body fails to do so, the municipal mayor must inform the central administration body competent for the supervision of legality within seven days.

If the municipal mayor fails to note that the general act is contrary to the law, then a higher instance—the county governor—is involved directly in the procedure of supervision. Namely, the municipal mayor must submit to the county governor the bylaws and every general act passed by the municipal or city council within eight days of adoption. If the county governor establishes that the act is in contradiction with the law, he or she is obligated to inform the competent body of the central administration within eight days. The same obligation rests with the county governor concerning the bylaws and general acts of the county assembly.

When a body of the central government administration finds that a local general act is in contradiction with the law, it suspends its execution, unless this has been accomplished in the interim by lower instances. Furthermore, it proposes to the government the initiation of proceedings with the Constitutional Court to determine the legality of the suspended act. The government decides independently on the initiation of such proceedings based on the importance and degree of violation of the law. However, this procedure must be enacted quickly; if proceedings are not initiated within thirty days from the date of suspension, then the suspension of the execution of the conflicting act automatically is lifted. The final decision is made by the Constitutional Court, which may decide to annul or to rescind the act, depending on the seriousness of the violation of law.

The law authorizes the government, on proposal of the Ministry of Administration, to dissolve a local representative body if it repeatedly passes general acts that contradict the Constitution and the law.⁷ However, court protection is secured against such decisions. Namely, the president of the dissolved representative body within forty-eight hours of such a decision may submit a complaint to the Constitutional Court, which is obligated to produce a judgment within seven days. When the representative body is dissolved, the government appoints a commissioner for that particular local unit. The commissioner manages local affairs until elections for a new representative body take place. Local elections must be held within sixty days of the dissolution.

Concerning individual administrative acts dealing with issues concerning the rights, obligations and liabilities of physical and individual persons passed by the administrative bodies of local government units in the scope of their self-government activities, the procedure of supervision is regulated somewhat differently. Supervision of the legality of these acts is achieved through complaint and other remedies provided for in the Law on General Administrative Procedures. A complaint against an individual act of a municipal body may be filed with the competent administrative body of the county. If it was decided in the first instance by an administrative body of the county, it goes to the competent ministry. An administrative action can be initiated against a second instance decision of the county administration or a ministry before the Administrative Court of Croatia.

1.4.4 State Supervision of Delegated Activities

When the affairs of central government administration are delegated to municipalities, government bodies have much more intensive responsibilities of supervision; they are required to supervise not only legality but also appropriateness, effectiveness and efficiency of activities, which also extends to the capabilities of officials who carry out these affairs. In short, this type of supervision is similar to the hierarchical control that exists within the government administration.

In principle, county offices carry out administrative supervision of municipal bodies that manage delegated affairs of the state administration. However, central ministries and state administrative organizations also may act in a supervisory role.

A supervisory body has a whole range of powers in the execution of supervision. It may require reports, data and other information; discuss the situation within the supervisory body; propose measures to be taken in order to conduct the affairs of government administration; initiate proceedings to establish liability of officials who manage these affairs; reassign supervision, et cetera.

In connection with delegated activities, the competent ministry may prescribe general and specific orders for the municipal mayors. If they repeatedly avoid following them, the minister of administration may release them from duty.⁸ The same power resides in the government concerning county governors and the mayor of Zagreb. In addition, the government alone may abolish municipal regulations in connection with affairs of state administration due to not only illegality but also unconformity with the government's policy.

1.5 Territorial Self-government below the Municipal Level

The term "territorial self-government" is used to determine the forms of citizen management of everyday local affairs in narrower sections of a municipality. A general form of such self-government is a territorial committee established for only one settlement, for several small and mutually connected settlements or for part of a larger settlement or a town. All questions connected with the functioning of territorial committees must be established in the local bylaws in which, among other things, the modes of financing and managing administrative affairs for the territorial committee are determined. The territorial committee as a rule does not have an administrative apparatus.

A territorial committee does not have its own competencies; it discusses various issues and makes proposals to the local self-government bodies. However, the law provides for the possibility that bylaws delegate certain affairs in the scope of self-government activities of a municipality to a territorial committee—namely affairs with a direct and everyday impact on the lives and the work of citizens (development of the settlement, housing, public utility services, et cetera). When such affairs are delegated, the funds necessary for their execution are allocated in the local budget. The bodies of the territorial committee also may make some binding decisions in connection with these affairs.

The bodies of a territorial committee are the council and the president of the council. Citizens elect the members of the council in the manner provided in the local bylaws, and regulation is delegated to each local unit. It is possible, therefore, that the members of the council are elected at the territorial citizens' meeting by public vote. The law only determines their terms of office (four years) and allows for their recall, which is not the case with the members of the local representative body. The council develops the territorial committee's program of work, rules of procedure, financial plan and annual balance sheet, as well as other issues enumerated in the local bylaws. The president of the council is elected from among its members for a period of

four years. He or she represents the territorial committee, summons and presides over the council and signs acts passed by the council. In principle, the president is responsible to the council. However, when the affairs of the municipality are delegated to the territorial committee, the president is responsible for their execution to the municipal mayor.

The executive board of the municipality supervises the legality of the work of the bodies of a territorial committee. If the territorial council repeatedly violates local bylaws or does not perform the affairs entrusted to it, the executive board may dissolve it.

A special form of territorial self-government—districts—may be organized in cities. Their territories represent an urban, economic and social whole within the city. The bodies of a city district, their election, the scope of their activities as well as other important issues are stipulated in the city bylaws, in accordance with the legal provisions on territorial committees. Larger Croatian cities (such as Split, Rijeka, Osijek and Dubrovnik) have completed division into city districts. The members of their councils are elected by secret ballot on the basis of direct and equal suffrage.

Finally, in the territory of the City of Zagreb law provides for forms of self-government including city quarters and territorial committees. Their borders, methods of establishment, bodies, elections, affairs, finances and other issues important for their operation are established in the bylaws of the City of Zagreb. However, to date, territorial self-government has not been established in Zagreb.

2. Local Politics, Decision Making

2.1 System of Elections

Since its independence in 1991, local elections in Croatia were held twice: on 7 February 1993 and on 13 April 1997.

The members of the representative bodies of communes, cities, counties and the City of Zagreb are elected through direct elections by secret ballot for a term of four years. Excluding the City of Zagreb, in which the exact number of members of representative bodies is established by law (fifty), municipalities and counties determine the total number of representatives in their bylaws in proportion to the population and within the limits prescribed by law.⁹

The right to elect and to be elected in local elections is granted to every Croatian citizen eighteen years of age and older whose permanent residence is in the territory of the municipality or county for which elections are scheduled and who is entered in the voters' register in his or her place of residence. Candidates for members of representative bodies may be proposed by registered

political parties (by each separately or by a few jointly) and by voters. When voters propose their candidates or lists of candidates (so-called independent candidates or independent lists), it is compulsory to collect a certain number of citizens' signatures prescribed by law in order for the nomination to be valid.

The electoral system is a mixed one: both proportional and majority systems are used. According to law currently in force and on the basis of which the 1997 local elections were held, one-quarter of the members of a representative body is elected by constituencies that are determined by a separate law. One member to the representative body and a deputy are elected in each constituency. A candidate is considered elected if he or she receives the largest number of votes cast (the system of relative majority in one runoff). A deputy is considered elected with the elected member and is not voted separately. Three-quarters of the members of a representative body are elected on the basis of one constituency—the territory of the entire municipality/county—and the election is based on candidate lists (a proportional electoral system with closed lists). In order to participate in the division of seats in representative bodies, the lists of candidates must pass an electoral threshold (a prohibition clause), for which a differential legal regime is prescribed.¹⁰ The number of votes is converted into the number of seats in the representative body using the D'Hondt method.

Despite the existence of as many as seventy-eight registered political parties (the situation as of 1 January 1999), in all parliamentary elections so far (1990, 1992 and 1995), the Croatian Democratic Union (HDZ) won an absolute majority in Parliament. Apart from HDZ, only a few other political parties have had impact on the electoral body at the national level, such as the Croatian National Party (HNS), Croatian Social Liberal Party (HSL), Croatian Peasant Party (HSS), Croatian Party of Rights (HSP), Istrian Democratic Diet (IDS), Liberal Party (LS) and Social Democratic Party of Croatia (SDP).

The results of local elections held in April 1997 reflect the current status of the party system at the national level.¹¹

Table 5.3
County Assembly Elections in Croatia, 13 April 1997: General Data

Total Number of County Assemblies (including Zagreb)	Average Number of Elected County Assembly Members (per county)	Total Number of Voters (all counties)	Average Proportion of Voters who Voted (per county)	Average Proportion of Invalid Ballots (per county)	Total Number of Political Parties that Registered Candidates (all counties)
21	42	3,665,669	71.13 %	2.92 %	36, of which: Regional 8 Ethnic 2 Green 2

Table 5.3 (continued)
County Assembly Elections in Croatia, 13 April 1997: General Data

Total Number of Political Parties that Won Seats	Total Number of Independent Lists (all counties)	Total Number of Independent Lists that Won Seats (all counties)	Total Number of Independent Candidates in Constituencies (all counties)	Total Number of Independent Candidates who Won Seats (all counties)
13, of which: Regional 5 Ethnic 1	3	1	23	0

SOURCE: Electoral Commission of the Republic of Croatia (ECRC), *Information on the Official Results of the Elections of the Members of County Assemblies and the Assembly of the City of Zagreb* (Zagreb: ECRC Archives, May 1997).

Table 5.4
Overall Results of County Assembly Elections in Croatia, 13 April 1997^a

Political Parties or Electoral Coalitions that Won Majority in Representative Body	Number of County Assemblies in which One Party or Coalition Won Absolute Majority of Seats	Number of County Assemblies in which One Party or Coalition Won Relative Majority of Seats	Number of County Assemblies in which Parties Formed Postelection Ad-hoc Coalitions	Party Structure of Executive Branch
HDZ	13	7	5	18 (governor = HDZ)
IDS	1	—	—	1 (governor = IDS)
HSLs/ HSS/HNS	—	—	1	1 (governor = HSLs)
Total	14	7	6	20 (-1) ^b

SOURCE: Electoral Commission of the Republic of Croatia (ECRC), *Information on the Official Results of the Elections of the Members of County Assemblies and the Assembly of the City of Zagreb* (Zagreb: ECRC Archives, May 1997).

NOTES: a. On 1 January 1999, this situation changed due to extraordinary elections that subsequently were held in two counties: on 30 November 1997 in Primorsko-Goranska and on 11 October 1998 in Dubrovacko-Neretvanska. In both counties, in which, during the regular elections in April 1997, HDZ won the relative majority, in the repeated elections, coalitions of opposition parties won. Therefore, on 1 January 1999, in three of the twenty-one counties (including the City of Zagreb), executive authorities were formed without the participation of HDZ.

b. In Primorsko-Goranska County the representation of members of two party coalitions in the county assembly was equal (HDZ/HSLs/HSS—20; SDP/PGS/HNS—20). Regarding the balance of power, the representative body did not manage to elect the county governor and the executive board, so that the crisis in the representative body resulted in the dissolution of the assembly and extraordinary elections, which were held on 30 November 1997.

Table 5.5
Municipal Council Elections in Croatia, 13 April 1997:
General Data

Total Number of City Councils	Total Number of Municipal Councils	Number of City Council Members Elected (min/max)	Number of Communal Council Members Elected (min/max)	Total Number of Political Parties that Registered Candidates (all cities and communes)
121*	421	20–50	16–32	31, of which: Regional 7 Ethnic 4 Green 1
Total Number of Parties that Won Seats Independently or in Coalitions (all cities and communes)	Total Number of Independent Lists	Total Number of Independent Lists that Won Seats	Total Number of Independent Candidates in Constituencies (total cities and communes)	Total Number of Independent Candidates who Won Seats (total cities and communes)
12, of which: Regional 4 Ethnic 2	City Council: 40 Commune Council: 96	City Council: 24 Commune Council: 71	347	61

SOURCE: Election Committee of the Republic of Croatia (ECRC), *Information on the Official Results of Elections for Members of City and Communal Councils*, Part 1 and 2 (Zagreb: ECRC Archives, June 1997).

NOTE: This datum originates from the time the elections were held (April 1997). The number of cities increased in 1998 by one because the previous commune of Trilj in Splitsko-Dalmatinska County was given the status of a city. Thus, the number of cities on 1 January 1999 totaled 122.

Table 5.6
Results of Municipal Council Elections in Croatia, 13 April 1997:
Party and Coalition Representation^a

Party or Election Coalition ^b	City Councils			Communal Councils		
	Absolute Majority of Seats	Relative Majority of Seats	Total	Absolute Majority of Seats	Relative Majority of Seats	Total
HDZ	52	26	78	258	29	287
IDS	10	—	10	24	5	29
HSLs	1	1	2	4	2	6
HSS	—	3	3	22	10	32
HNS	—	—	—	—	1	1
SDSS	1	—	1	10	—	10
PGS	—	—	—	1	1	2
SDP	—	1	1	—	1	1
Coalition with HDZ ^c	1	10	11	9	8	17
Opposition Coalition ^d	4	6	10	11	2	13
Independent List	—	—	—	1	1	2
Equalized Result ^e	—	—	4	—	—	20
Total	—	—	120 ^f	—	—	420 ^f

SOURCE: Election Committee of the Republic of Croatia, *Information on the Official Results of Elections for Members of City and Communal Councils*, Part 1 and 2 (Zagreb: ECRC Archives, June 1997).

- NOTES:
- a. Since the last local elections (April 1997) to 1 January 1999, extraordinary elections were held in several cities and communes. On 30 November 1997, the elections for the city councils of Vis, Orahovica, Makarska and Pregrada were held, and for communal councils of Civljanje, Jelenje, Viškovo, Tučepi, Lanišće, Lastovo, Gradac, Nerežišća and Vinodol. On 28 June 1998 elections for the city council of Vis and for the communal councils of Gradac and Pušća were held.
 - b. The total number of postelection coalitions having seats in the representative bodies of cities and communes and the party structure of the executive authorities of cities and communes are not included; such analyses have not been made.

- c. "Coalition with HDZ" represents various election coalitions of HDZ with other parties, mainly those considered conservative or rightist (HSP, HS, HKDU, HKDS).
- d. "Oppositional coalition" represents various election coalitions of parties that consider themselves in opposition to HDZ (HNS, HSLS, HSS, SDP).
- e. "Equalized result" represents those municipal councils in which the election results led to the same division of seats in the representative body between the coalition with HDZ and the opposition coalition (50:50).
- f. The election results for the City of Krk (and the Commune of Štrigova) are missing from the official document of the Election Commission of the Republic of Croatia from which these data originate and thus are not included here.

CONCLUSION: HDZ holds an absolute majority of sixty-five percent of representative bodies at the county level. By controlling the absolute majority or by forming postelection coalitions, HDZ won governor positions in eighty-five percent of the counties and the position of mayor of the City of Zagreb. HDZ also won the absolute majority of seats in 61.3 percent of commune representative bodies and 43.3 percent of city representative bodies.

2.2 Forms of Direct Democracy

Apart from the right to directly elect members of representative bodies, the Constitution of the Republic of Croatia establishes the principle that citizens may participate directly in the management of local affairs in conformity with the law and the bylaws of local self-government units. The Law on Local Self-government provides for forms of direct decision making in municipalities. In 1996 the Law on Referendum and Other Forms of Personal Participation of Citizens in Managing the Affairs of State Authorities and Local Self-government was passed, establishing various forms of citizens' personal participation in local affairs. These include local referendums on self-government issues in counties and municipalities, consultative referendums, local citizens' meetings and citizens' petitions.

Despite the fact that the Law on Local Self-government restricts the process of referendum to municipalities only, the Law on Referendum extends this possibility to counties as well; thus, a local referendum may be scheduled by a representative body of a county, city or commune regarding issues concerning self-government activities within the scope of decision making of the representative body under conditions prescribed by law. Referendums are scheduled by the municipal council on proposal of one-third of its members, the executive board or one-fifth of the territorial committees in a city or municipality to decide on bylaw amendments, to propose a general act or to decide on any other issue within the scope of activities of the municipal council. The same provisions apply to a county if the referendum is organized on issues within its scope of activities. Croatian legislation also provides a model for optional referendum, which may be scheduled independently by the representative body.

Citizens who have permanent residence in the territory of the county or municipality for which the referendum is scheduled and who are registered voters have the right to participate. No qualified period of time is required for legal residence in a particular municipality or county. Citizens make direct decisions through referendum by way of secret ballot. The ballot contains a question regarding one or several proposals for the voters to answer. A decision made through referendum is considered valid if approved by a majority of the voters registered in a county or municipality. Such a decision is binding for the representative body in question. The representative body is not permitted to pass a legal act or a decision contrary to the referendum outcome before a period of one year after the referendum has expired. Another referendum regarding the same issue may not be scheduled within six months of the expiration of the first referendum. Despite this legal option, local referendums are not yet widely used in Croatia.¹²

A consultative referendum is a specific form that may be scheduled by the government for the territory of one or several counties or municipalities in order to ascertain preliminary public opinion regarding the territorial organization of counties or municipalities.¹³ The decision is made by a majority vote of the citizens who participate in the referendum. All citizens who have permanent residence in the county or municipality for which the referendum is scheduled and who are registered voters have the right to participate. Obtaining the preliminary opinions of inhabitants in an area whose boundaries are to be changed is obligatory. As a result of an important decision by the Constitutional Court of 24 April 1998, article 9 of the Law on the Territories of Counties, Cities and Communes of 1997 was partly abolished because it was inconsistent with the intentions of the Constitution.

Local citizens' meetings fall in the sphere of direct democracy, although they do not involve direct participation of citizens in the strict meaning of the term. These meetings are scheduled so that citizens can express their opinions on certain issues of local significance, discuss their needs and interests and make proposals on local issues. They are of consultative nature and are scheduled for only a part of a municipality governed by a territorial committee that makes a separate whole and is detached from other parts of the settlement (one area of a settlement, a block of flats, et cetera). A decision made at a local citizens' meeting is binding for the territorial committee and the council of a city district or quarter. However, it does not bind the representative body of the municipality. Local citizens' meetings are convened by the council of the territorial committee or the council of a city district pursuant to the bylaws of the municipality. They also may be convened by the municipal representative body in order for citizens to discuss and express their opinions about issues of local significance. The decisions reached at such meetings are made by open ballot unless a majority of the citizens present vote to use secret ballot.

Petitions (citizens' initiatives) can be submitted to all competent bodies of municipalities or counties. The Constitution prescribes that every citizen has the right to submit petitions and complaints, to make proposals to the government and other public bodies and to receive responses from such bodies. All citizens who have the right to vote may submit petitions. The competent bodies are obligated to respond to every properly signed petition, containing the citizen's given

and surname and his or her identification number, within an appropriate period of time. The Law on Local Self-government also provides for the possibility of a qualified citizens' initiative: citizens have the right to propose to the municipal council the passage of an act or the solution to a problem that is within its competence. The municipal council discusses the submitted proposal if it has been signed by at least ten percent of the registered voters of the municipality. It is obligatory that a response be sent to the petitioners not later than three months from receipt of the proposal.

2.3 Internal Structure of Local Government Decision Making

Local authorities are structured in the following way: the elected assembly (in a county) or the council (in a municipality), which is accountable to its electorate for its decisions and the work done in its name; the executive organs (county governor, municipal mayor and the executive board), which are responsible for controlling its decision-making process and services; and administrative departments managed by their heads and other administrative staff (for the last, see section 3.1).

2.3.1 *Representative Bodies*

Municipal councils and county assemblies embody the representative nature of local government. They are organs of elected citizens that pass local acts within the framework of the rights and duties of self-government units. They also manage other affairs in conformity with the law and their bylaws. In regard to various forms of local self-government units, the Law on Local Self-government enumerates affairs that are in the competence of municipal councils and county assemblies.

The internal organization and the work of the representative body are prescribed by rules of procedure that are adopted by majority vote of all members of the representative body. The Law on Local Self-government establishes the basic governing structures of a representative body: the president, who presides over sessions and represents the representative body, and two vice presidents. The representative body makes its decisions by majority vote if a majority of its members is present at the session. An exception is the adoption of bylaws, of the budget and of the annual balance sheet, which are passed by absolute majority. The process of voting at public sessions is open unless the representative body decides to use secret ballot.

The elected members of the representative body do not have a binding term of office and cannot be removed from office. Their function is honorary. In conformity with their party affiliations, they establish council groups through which they coordinate the viewpoints of their political parties or coalitions in order to represent them effectively in the representative body.

A representative body establishes permanent and temporary committees and other working bodies that prepare decisions within its scope of activities. These committees are the means by which the decision-making process and consultative work are distributed among members. By law, the representative body establishes through its rules of procedure or through a separate decision the composition of these committees, the number of members and their scope of activities. They usually reflect the political composition of the council by distributing seats proportionally.

2.3.2 Types of Executive Authority

The bearers of executive power are the governor (in counties) and mayor (in municipalities), who are elected by the representative body by majority vote of all members in the manner established in the rules of procedure of the representative body.¹⁴ They each have one or two deputies, elected and confirmed in the same manner and according to the same procedure. Governors and mayors are the presidents of the county and municipality executive boards.

The executive board manages executive affairs of local self-government and, within the scope of delegated activities, the affairs of state administration allocated to it by law.¹⁵ The representative body elects the members of the executive board by majority vote of all members on proposal of the president of the executive board (the mandatary). The members of the executive board are, as a rule, heads of administrative departments. Due to the fact that officials are accountable to the council and to the community on all matters, they fulfill political as well as managerial functions. Since the representative body elects and releases the members of the executive board, its party structure has a significant impact on that of the executive board. Therefore, its composition reflects the political interest of the party or coalition that has the majority in the representative body and ensures a close relationship with the council and party groups.

2.4 Public Participation in Decision Making

The participation of citizens in the decision-making process is prescribed by separate laws. Thus, the Law on Physical Planning of 1994 established as compulsory public debate on proposals concerning the physical plan of a municipality and left the determination of the manner and procedure for such debate to the bylaws of municipalities and counties. However, through an amendment to the law in 1998, the organization of public debates was removed from the competence of local self-government units and was delegated to the government, which then passed a Decree on Public Debates in the Process of Adoption of Physical Plans. The participants in a public debate may be government administration bodies, the bodies of a county and municipality as well as other public organizations, associations and citizens. A public debate is held to obtain public insight into issues concerning, and to present proposals for, the physical plan. Other forms of citizens' participation in the decision-making process do not exist.

2.5 Ethnic Issues, Multicultural Government

The Constitution guarantees the equality of all members of national minorities in the Republic of Croatia. The Constitutional Law on Human Rights stipulates that the members of ethnic and national communities or minorities have the right to be represented in local self-government bodies proportionate to their representation in the total population of a municipality. The Law on Local Elections establishes that Croatian citizens and members of ethnic and national communities and minorities constituting at least eight percent of the electorate of a municipality or county have the right to proportionate representation in local representative bodies. If the required representation is not achieved as a result of elections, the number of members in the representative body is increased as necessary in order to realize such representation. In this case, the members of a particular minority who were nominated on the party lists and on independent lists of candidates but were not elected subsequently are considered elected in an order based on the proportionate success of each list in the elections. Finally, the members of minority groups comprising less than eight percent of the electorate at the state level have the right to representation in local representative bodies in the manner provided in their bylaws. It should be noted, however, that direct implementation of these provisions is difficult due to a lack of reliable data on the number of voters belonging to a particular minority group.¹⁶

2.6 Local Government Associations and International Contacts

The aim of mutual cooperation among local units is to improve the economic and social development of local communities. This cooperation is optional and broadly permitted. Communes and cities can establish national associations of local self-government units on the condition that the decision to establish such bodies is passed by more than one-half of the municipalities. This condition is quite difficult to fulfill and therefore represents a significant limitation to cooperation on the national level.

There currently are two local government associations in Croatia. The Association of Cities and Communes of the Republic of Croatia, established in 1971, continues to operate as a nongovernmental, nonparty and voluntary organization of more than seventy percent of all Croatian municipalities (92 cities and 294 communes). It has the status of a national organization because it includes more than fifty percent of all cities and communes. Since Croatia's admission to the Council of Europe on 6 November 1996, the association became a full member of the Congress of Local and Regional Authorities of the Council of Europe.

The Joint Council of Communes of Eastern Slavonia, Baranja and Western Sirium is a specific organization of some municipalities from the territory of two counties. The council was established on 23 May 1997 by representatives of the government of the Republic of Croatia, the Serbian ethnic community and UNTAES as a witness. The establishment of the council is based on the provisions of the Constitutional Law on Human Rights, the Basic Agreement Regarding the

Territory of Eastern Slavonia, Baranja and Western Sirmium (the “Erdut Agreement”) and a letter of the government of the Republic of Croatia concerning the completion of peaceful reintegration of these territories under temporary United Nations administration. The council is a body that addresses the interests of the Serbian national community. It is given the status of a legal person and is entered in the register of civil associations with the Ministry of Administration of the Republic of Croatia.

Regarding international cooperation, there are two imperfections in legal regulation. First, Croatia, as a member of the Council of Europe, has not yet ratified the European Outline Convention on Trans-Frontier Cooperation between Territorial Communities or Authorities passed by the Council in 1980. Second, a special law on international cooperation has not yet been passed, although, according to the Law on Local Self-government, such cooperation depends on the adoption of such a law. However, despite these normative limitations, certain instances of international cooperation exist. For example, two counties, Istarska and Primorsko-Goranska, have been accepted as members of the European Regions Assembly.

3. Local Administration, Service Provision

3.1 Structure and Operation of Local Administration

Local administration structures consist of three basic types of organizations that differ according to the predominant functions they perform: regulation, coordination and service. Regarding local public services, there recently have been certain structural and organizational innovations that delegate the performance of services to entities outside local organizations. Thus, there is a narrower circle of local administration, consisting of regulative and coordinating organizations, and a wider, outer circle, made up of local service organizations, public enterprises, concession holders and other entities that participate in public services provision.

The basic types of regulative organizations in Croatian local units—municipal offices (MOs)—are fairly small bodies. A local representative body within each unit regulates the internal structure and scope of activities of these organizations. Leadership in the MOs is based on a monocratic principle. The head of an MO can be chosen by the local representative body according to political criteria as a member of the executive board or appointed based on professional criteria by a decision of the executive board after an open competition. Although the initial intention was that the head be chosen according to political criteria, this is not always the case in practice. In those local units in which the head is chosen as a member of the executive board, there has been a high degree of politicization of the local administration at the expense of efficiency. MOs can perform, apart from the self-government scope of activities, state administration activities that are entrusted to the local unit.

Regarding the configuration of regulative organizations, three basic types of local administration structures exist. The first, with the simplest structure, comprises communes with populations of less than eight thousand inhabitants. Communes of more than eight thousand inhabitants and cities belong to the second type, and the third is comprised of counties.

In communes of less than eight thousand inhabitants, a single municipal office is established to carry out all activities in the scope of self-government. In larger communes and particularly in cities, more than one MO can be—and usually is—established. In principle, the number of MOs depends on the size of the city. The situation in counties is much more complex, since they are both self-government units and local units of state administration. Their administrative structure, apart from their MOs, also consists of bodies established according to a special legal order and of county administrative departments (CADs). The number of MOs is not limited, so there are often more than one, and usually between two and four,¹⁷ although some counties also function with a single municipal office or only recently have introduced them (for example, Medimurska County), relying on CADs only as state administration bodies and entirely neglecting their self-government roles.

One body, which is founded as an administrative organ by the county assembly following a special legal order, is the institute for physical planning. An entirely specific case is the county agency for roads that, by law, does not possess the status of a county administrative body but rather of a legal person that must adhere to institutional regulations. Nevertheless, this agency carries out mostly regulative tasks. It does not address the construction, reconstruction or maintenance of public roads by itself but rather relinquishes this responsibility to physical and legal persons.

CADs are state administration bodies with authority over a particular county area. Eight CADs were established in each inland county,¹⁸ with the exception of Krapinsko-Zagorska (nine CADs) and the seven coastal counties (ten CADs each).¹⁹ In addition to this, in all counties a governor's office was established that, apart from other work, also can carry out certain professional, general, auxiliary and technical tasks required by the bodies that deal with self-government activities. Each CAD is managed by a head who is appointed and released from duty by the county governor following prior consultation with the competent minister. The head has dual responsibilities: to the county governor and to the competent minister. CADs also have branch offices outside the county center, usually in cities.

In the administrative structure of counties, CADs as state administration bodies are predominant. They spend the greatest part of the county's budget and employ a significantly larger staff.²⁰ In practice, there are many problems regarding the delegation of authority, the separation and coordination of the work of self-government bodies and CADs, the maintenance of managing functions in state and self-government bodies simultaneously, the maintenance of salary parity, et cetera. There have been situations in which the heads of CADs, as state officials, were appointed members of county executive boards. The option granted to the county governor's office to address

tasks belonging to the self-government section of the county structure allowed them to become autarkic bodies.²¹ The greatly diversified structure of CADs and their branches, the network of which has spread over the entire state territory, supports the centralizing efforts of state administration bodies. The proclaimed autonomy of CADs is greatly limited in respect to functional, financial, material and personnel tasks by the supervising authority held by the central bodies and by the hierarchical lines of responsibility of the head to the central ministries.

Beside these three types of local government structures, there is also an exception regarding the capital of Croatia, the City of Zagreb. The administrative bodies of Zagreb address tasks in the scope of self-government as well as those of the state administration that are performed by CADs in other counties. These bodies are established as offices, institutes, directorates and services. The City Assembly of Zagreb, the representative body, founds them and determines their scope. Management is entrusted to the heads who are appointed by the mayor of Zagreb after consultation with the competent minister. They are responsible either to the mayor and the competent minister regarding state administration tasks or to the mayor and the executive board of Zagreb on self-government matters.

Besides CADs and their branches, the central government also has at its disposal another administrative mechanism that consists of territorial branch offices of the central administrative organs in the local units, primarily in traditional departments such as defense, internal affairs (police) and finance (tax administration, financial authorities), but also in some others (for example, the Ministry of Agriculture and Forestry). This mechanism is very powerful in its functions, authority, material and financial means and in the number of its personnel.²² These local administrative units perform exclusively state administration tasks based on a rigid subordination principle. They are managed by the head, who is appointed and released from duty by the minister or the manager of the state administrative organization. The head is wholly responsible to the minister or to the manager.

The functions of MOs, as basic types of regulative bodies, include:

- direct enforcement of the bylaws of local representative bodies;
- supervision of enforcement of these bylaws, if they are enforced by other entities, including inspection;
- individual decision making dealing with the rights, obligations and legal interests of physical and legal persons regarding the scope of activities of self-government;
- performance of state administration activities that have been entrusted to them by a special law;
- monitoring the conditions within their scope of activities, professional activities, et cetera.

Coordinating organizations enable and facilitate the operations of the local system by performing a range of internal administrative functions. These are primarily professional assistance activities for local political bodies, such as accounting, bookkeeping, human resources, technical support and auxiliary tasks. For this purpose, professional offices are established. Most often there is

only one of these offices in the local unit, although in exceptional cases two exist—one for the representative body and one for the executive board. In counties, accounting, staffing and similar tasks can be entrusted to the county governor's office. The local units may delegate tasks regarding tax collection to the Tax Authority, and about ninety percent exercises this option. Although this solution is technically better, it creates another line of dependence of local units on central state government bodies. Judging by the number of staff, the professional offices within the counties do not fall short of the MOs.²³ This situation exemplifies the county's very narrow scope of self-government activities.

The status of local civil servants has not been regulated in a satisfactory manner. Until the adoption of a special law, the provisions of the old Law on Public Administration apply, which regulates the employment and salaries of public administration officials. The original text of this law was passed, however, in 1978 in the former Socialist Republic of Croatia under completely different circumstances. It was invalidated in 1994 for state officials and employees, when the Law on the State Civil Servants and Employees was adopted. The provisions of the law also are applied accordingly to the staff of the City of Zagreb. This situation has caused much confusion; there have been attempts to breach the law by local units that prescribe analogous legal applications, risking the possibility of dissolution of their representative bodies by the central government and potential lawsuits on employment rights.

The local representative body, the Ministry of Finance and other bodies, primarily the State Audit Office, are authorized by special legislation to supervise the material and financial affairs of all local bodies. However, while supervision by the local representative office is unlimited, the Ministry of Finance only can oversee the legality of material and financial affairs. The State Audit Office is a body directly responsible to the House of Representatives of the Croatian Parliament. It has the authority to audit financial reports and transactions of local units and of legal persons that are financed entirely or partially from local budgets.

3.2 Local Service Delivery

The legislator has chosen enumeration as the method for the division of affairs between central and local authorities, with a particular exception regarding the scope of the self-government of cities. Despite the legally and technically unacceptable formulation that tries to link enumeration with the general clause, this exception in reality gives cities the possibility to establish the scope of their own activities through their own bylaws. The law demands that these be activities that are of direct importance to the economic, cultural and social advancement of the city and that do not fall under the authority of other entities. The activities of communes and counties are provided for and enumerated by law.

This regulation is contrary to the real needs of local units: efforts have been made to allow them to widen their scope of activities, which could easily bring them into conflict with the law. There

have been cases in which communes have established the application of the general clause in their bylaws. This, however, is a direct breach of the law requiring intervention by the Constitutional Court.²⁴ Some local units went *praeter* rather than *contra legem* in their efforts to model and accelerate their own development without deviating from the legal order.

In a special law passed in 1993, 163 items are listed as the self-government scope of activities of local units, distinguishing between communes and cities (114 items) and counties (57 items). Although the sphere of local activities established in this manner was already quite narrow, the subsequent legal regulation shows a tendency toward further restriction. Thus, for example, only twenty-three different activities in the scope of self-government of counties could be discerned by the end of 1997.

The normative confusion regarding local activities is based on the fact that local units are entrusted by law with self-government activities as well as state administration activities. However, the laws that provide for this in most cases do not specify whether particular activities are within the scope of self-government or the scope of delegated activities. Therefore, legal provisions have to be interpreted, for which local units do not have a sufficient number of qualified lawyers or reliable criteria and rules for interpretation. This is a very important issue, as supervision, finances and the very character of the local units hinge on the determination of their functions. If they primarily carry out state administration activities, they would be reduced to simple local administrative branch offices of the central departments, endangering or even annulling political decentralization and self-government.

Confusion in the legal system has caused great uncertainty and disorientation in the local units concerning which activities must be addressed and are permitted, whose financial means should be used and to what effect. Even cities in most cases tread very carefully in their activities, as if they operate by the method of enumeration rather than by that of the general clause.

Most tasks assigned to the local units are mandatory, causing great hardship. The financial burden of particular services often is transferred to the local units, although these are tasks that should be carried out at the central state administration level.²⁵ There is greater autonomy regarding the establishment of public institutions of culture, social care and other areas, as well as assurance of certain service delivery above the level provided by the central government, such as social care, rail and scheduled maritime transportation on unprofitable lines, et cetera. Nevertheless, the law obligates local units to establish some public institutions (for instance, public libraries).

This problem can be viewed in the context of the general tendency toward centralization that, it seems, is typical of the entire Croatian territorial system, particularly in the first part of the 1990s. In the scope of self-government, the local units also very often must obtain prior permission and approval or base their actions on formal suggestions and opinions from other, often state administrative, bodies. This makes them dependent on the central administration and limits their autonomy to a large extent. In addition, there is the possibility of entrusting an activity to the local

units through executive regulation. Since regulations can be passed either by the government or by the heads of central administration bodies, it would appear that the state administration determines its own (and the local units') scope of activities. This, however, is contrary to the provisions of other laws and also to the modern principle of the legality of the administration. This all indicates a predilection toward centralization, as well as the strengthening of the role of the executive branch in the system.

Communes and cities address more local tasks than do counties. A certain degree of flexibility is permitted in carrying out these activities among the different levels. Thus, communes and cities delegate some of their self-government tasks to the county or to the lower level of territorial self-government. Moreover, special law can entrust certain tasks in the scope of a county's self-government activities to cities with more than forty thousand inhabitants, as well as to cities that are the county seats. In this way, the specific problems of large cities have been recognized, at least to a minimum extent, by the law.

Apart from this vertical flexibility, there is also horizontal flexibility in performing local activities, which is reflected in the possibility of mutual cooperation among local units in the performance of some services, including mandatory tasks. Thus, for example, the obligation to establish a public library can be fulfilled by entrusting the performance of this function, through an agreement, to the public library of another commune or city. Considerably wide possibilities of such cooperation are conditioned through the existence of a fairly large number of small units.

Some measures for alleviating the rigidity of the system based on the enumeration of local activities have been regulated both vertically and horizontally. Nevertheless, they are insufficient. Since their practical effect is weak, the whole system does not demonstrate enough flexibility.

Two basic groups of service organizations represent the outer circle of local administration systems. The first consists of public institutions of local significance, such as nurseries, schools, universities, libraries, museums, theaters, welfare centers, clinics, health resorts, hospitals, sports centers, et cetera. Local and regional units are considered to be the founders of such institutions and, through a founding act, establish the most significant issues in the functioning of the institutions; ensure a certain, most often a major, part of the funds for their functioning; and influence the management and termination of work and changes in the status of the institutions. Nevertheless, central state bodies regulate the performance of the respective public service and certain issues regarding the professional staff of these institutions and execute professional supervision over their work.

The second group deals with the performance of public utility services,²⁶ which are regulated by local representative bodies. They also establish measures for enforcing communal order and lay down an annual program for the maintenance of the communal infrastructure. The supervision of the enforcement of representative body decisions is carried out by communal inspection. The financial resources for performing public utility services are ensured through payment for services

by users and local rates, communal contributions, the local budget or other sources. In order to perform public utility services, the local unit can establish companies, public institutions or so-called “services.” Alternatively, the performance of these functions can be entrusted to legal or physical persons registered to execute related activities based on a contract of concession for a period of up to thirty years. Public utility services lie mainly within the scope of communes and cities. Counties can intervene only in cases in which communes and cities cannot ensure continuous and proficient performance of public utility activities.

The search for new institutional forms for the performance of local services continues. An increasing number of entities participate that do not belong to the group of traditional budget-financed local administrative organizations. The execution of local services based on concession is becoming more frequent. Most public utility services and other services and tasks (for example taxi transport, construction and maintenance of roads) can be entrusted to a physical or legal person through concession. Some public services, such as scheduled land and maritime transport, also are performed by private subjects (hauliers, ship owners) that, based on public competition, obtain permits to engage in such activities from local and regional bodies. In some cases, a single task of a particular public or local service can be entrusted by contract to a private person (such as health services, home assistance and home care, et cetera).

In many cases the local or regional unit also may establish companies for the performance of local services, and local units can own shares in some companies, such as airports. Private initiative is encouraged, as is the participation of institutions and forms of civil society, such as religious organizations, associations, neighborhood schemes, charities, et cetera.

All in all, there is a general trend in Croatian local and public services toward seeking more efficient and cheaper solutions to service delivery, at the same time diversifying the possibilities and the role of the private and the civil sector.

4. Local Finance, Economic Development

4.1 Local Budget Expenditures

4.1.1 Level of Local Budget Expenditures

The process of fiscal system transformation in the countries in transition, including Croatia, aim to achieve two basic goals:

- first, financial relations between central and local authorities must ensure financial autonomy and local self-government and at the same time the integrity of the whole by giving priority to general interests and needs;

- second, together with the process of decentralization of the execution of and accountability for public expenditures, decentralization in the area of public revenues must take place.

A methodological analysis of the data on public expenditures and revenues in the budgets of local self-government units will help to identify methods of achieving the above-mentioned goals. However, when dealing with data for the Republic of Croatia, it is important to take into consideration an important factor that influenced relations regarding public expenditures in the years for which the data are presented: the war and the expenditures connected with it in 1994 and 1995.

Table 5.7
**Expenditures of Local Self-government Units
as a Proportion of GDP in Croatia**

Year	Percentage of GDP
1994	3.88
1995	4.44
1996	5.71
1997	6.23

SOURCE: *Yearbook of Statistics for 1998* (Zagreb: National Bureau of Statistics, 1998); Ministry of Finance of the Republic of Croatia, *Collection of Revenues and Budget Expenditures* (Zagreb: 1998).

Table 5.8
Structure of Central and Local Budget Expenditures in Croatia [%]

	1994	1995	1996	1997
State Budget	87.22	86.63	82.68	82.26
Budgets of Local Units (counties, cities, communes)	12.78	13.37	17.32	17.74
Total	100.00	100.00	100.00	100.00

SOURCES: National Bureau of Statistics, *Yearbook of Statistics for 1998* (Zagreb: 1998); Ministry of Finance of the Republic of Croatia, *Collection of Revenues and Budget Expenditures* (Zagreb: 1998).

The data in table 5.8 show that budget expenditures of local self-government units during the war (1994 and 1995) comprised about thirteen percent of overall budget expenditures, and in postwar years, stabilized at about seventeen percent.

4.1.2 Structure of Budget Expenditures

The structure of budget expenditures of local self-government units is given on the basis of two main criteria:

- division into current and capital expenditures (table 5.9);
- type of expenditure: (1) administration, (2) education, (3) health care, (4) social welfare, (5) sports and culture, (6) public works and (7) other. An analysis of expenditures according to this criterion is given (1) for overall budget expenditures of local self-government units (table 5.10), (2) for budget expenditures of counties (table 5.11) and (3) for budget expenditures of municipalities (table 5.12).

The data in table 5.9, in which the division of current and capital expenditures of local self-government units is presented, show that in the years analyzed, about seventy percent of all expenditures were current, and twenty-five percent, capital. According to these data, the presence of local self-management units on the capital market is almost insignificant, and the installments of already engaged loans represent an insignificant share in overall budget expenditures (about three percent).

Table 5.9

Division of Budget Expenditures of Local Self-government Units (counties, cities, communes) in Croatia According to Type of Expenditure [%]

Type of Expenditure	1995	1996	1997
Current Expenditures	70.24	70.66	72.34
Capital Expenditures	20.72	24.87	23.32
Credit	4.46	1.57	1.22
Credit Liability	4.58	2.90	3.12
Other	—	—	—
Total	100.00	100.00	100.00

SOURCE: Ministry of Finance of the Republic of Croatia, *Collection of Revenues and Budget Expenditures* (Zagreb: 1998).

The structure of budget expenditures of local self-government units shows that the largest allocations are made for: (1) public works in the fields of public utility services and housing, (2) administrative expenses, (3) education and (4) sports and culture.

The structure of budget expenditures during the analyzed period demonstrates some tendencies of positive change: expenditures for administration are declining, whereas those for public works are increasing, thus making the budget an expanding instrument of development policy, particularly in the field of public utility infrastructure.

Table 5.10
**Structure of Budget Expenditures of Local Self-government Units*
 in Croatia According to Functional Classification [%]**

Type of Expenditure	1995	1996	1997
Administration	26.14	22.98	19.63
Education	14.53	11.62	11.08
Health Care	0.94	0.99	0.99
Social Welfare	2.21	3.63	3.54
Sports and Culture	15.36	9.60	13.24
Public Works	21.78	26.96	30.64
Other	19.04	24.22	20.88
Total	100.00	100.00	100.00

SOURCE: Ministry of Finance of the Republic of Croatia, *Collection of Revenues and Budget Expenditures* (Zagreb: 1998).

NOTES: Counties, cities, municipalities.

Table 5.11
**Structure of Budget Expenditures of Counties
 in Croatia According to the Type of Expenditure**

Type of Expenditure	1995	1996	1997
Administration	23.40	23.58	28.04
Education	6.00	5.27	5.44
Health Care	3.94	4.40	4.47
Social Welfare	11.24	12.18	12.84
Sports and Culture	13.68	12.18	15.20
Public Works	8.61	6.64	6.84
Other	33.13	35.75	17.17
Total	100.00	100.00	100.00

SOURCE: Ministry of Finance of the Republic of Croatia, *Collection of Revenues and Budget Expenditures* (Zagreb: 1998).

There are significant differences between the budget expenditure structures of counties and of municipalities. The causes are objective rather than subjective. Municipalities as self-government

units have a much better-defined self-government scope of public tasks and responsibilities. Counties, as new form of self-government and administration, still do not have clearly defined self-government or administrative competencies. Some consequences are noted in their budget expenditures, which amount to only about ten percent of the total budget expenditures of local self-government units (in 1995, 10.8 percent; in 1996, 10.9 percent; and in 1997, 8.8 percent). These data show a very low participation of counties in overall local public expenditures in 1997, with a tendency toward further decrease.

Table 5.12
**Structure of Budget Expenditures of Municipalities
in Croatia According to Type of Expenditure [%]**

Type of Expenditure	1995	1996	1997
Administration	26.52	22.90	18.74
Education	15.70	12.51	11.68
Health Care	0.52	0.50	0.62
Social Welfare	0.96	2.43	2.56
Sports and Culture	15.60	9.24	13.02
Public Works	23.62	29.80	33.18
Other	17.08	22.62	20.20
Total	100.00	100.00	100.00

SOURCE: Ministry of Finance of the Republic of Croatia, *Collection of Revenues and Budget Expenditures* (Zagreb: 1998).

In the structure of municipal and county budget expenditures, the group of expenses in the category of “other expenditures” is characterized by a significant amount. The largest portion of these expenditures are for subsidies to public enterprises of local significance.

4.2 Revenues

The structure of revenues according to particular types of local government units is analyzed on the basis of two principles:

- according to the type of revenues (tax revenues, nontax revenues, capital revenues and subsidies), which is presented in tables 5.13, 5.14 and 5.15;
- analytical processing of tax revenues, the most significant source of budget revenue of local self-government units, presented in tables 5.16, 5.17 and 5.18.

Because of the importance of interbudgetary transfers in the system of financing public needs at the local level, they will be discussed separately.

4.2.1 Structure of Revenues

By analyzing the data in tables 5.13, 5.14 and 5.15, it can be stated that the basic sources of revenue in the budgets of local self-government units are taxes, which in the years analyzed amounted to between fifty-three and sixty-six percent of total revenues. An analysis of tax revenues and their structure will be presented as a separate item.

Table 5.13
**Structure of Budget Revenues of Local Self-government Units
in Croatia According to Main Types of Revenue [%]**

Type of Revenue	1995	1996	1997
Tax Revenue	66.25	55.88	52.73
Nontax Revenue	22.70	31.40	33.32
Capital Revenue	4.80	4.94	6.25
Grants	6.25	7.78	7.70
Total	100.00	100.00	100.00

SOURCE: Ministry of Finance of the Republic of Croatia, *Collection of Revenues and Budget Expenditures* (Zagreb: 1998).

Table 5.14
**Structure of Budget Revenues of Counties
in Croatia According to Main Types of Revenue [%]**

Type of Expenditure	1995	1996	1997
Tax Revenue	50.00	44.65	52.35
Nontax Revenue	22.45	21.00	19.38
Capital Revenue	2.29	1.28	0.54
Grants	25.26	33.07	27.73
Total	100.00	100.00	100.00

SOURCE: Ministry of Finance of the Republic of Croatia, *Collection of Revenues and Budget Expenditures* (Zagreb: 1998).

Table 5.15
**Structure of Budget Revenues of Municipalities
 in Croatia According to Main Types of Revenue [%]**

Type of Expenditure	1995	1996	1997
Tax Revenue	68.50	57.40	52.78
Nontax Revenue	22.72	32.80	34.84
Capital Revenue	5.15	5.44	6.86
Grants	3.63	4.36	5.52
Total	100.00	100.00	100.00

SOURCE: Ministry of Finance of the Republic of Croatia, *Collection of Revenues and Budget Expenditures* (Zagreb: 1998).

The second most important source of revenue is nontax revenues, which according to the data in table 5.13 amount to about thirty percent of total budget revenues of local self-government units. The sources for this type of revenue are diverse and are listed below in order of importance:

1. administrative stamp tax;
2. rents for real estate and movable estate units owned by counties and municipalities;
3. enterprises owned by counties and municipalities;
4. payments for public utility services;
5. municipal contributions;
6. other nontax revenues.

4.2.2 General Purpose Grants

The third significant source of budget revenue of local self-government units is grants and interbudgetary transfers. More than ninety percent of all grants originate from the central budget and from the budgets of counties. The funds received from grants amount to between seven and eight percent in the structure of overall local budget revenues.

The reasons for such low participation of grants can be explained by the fact that interbudgetary transfers are used exclusively as general purpose assistance for financially less-capable local self-government units rather than as an instrument by which a certain level of public expenditures in all local self-government units are financed.

The basis of the system of grants in the Republic of Croatia—or fiscal equalization as an instrument of financing public needs of local self-government units—is most controversial and has in practice proven to have many disadvantages. The Law on Financing Local Self-government and Administration Units addresses fiscal equalization between the state and the counties and

between a county and the municipalities in its territory. The basic principle of fiscal equalization is that a county with an average tax rate in which revenues (its own or its municipalities') are below the average established for the state receives a grant from the state budget in the amount of the difference between the realized public revenue per capita and seventy-five percent of the state average revenue per capita. Such a grant cannot be given to a county in which the level of income surtax is lower than 1.0, and the tax rates and tax amounts are lower than the highest mandatory tax rates (this refers to the taxes of counties and cities that independently determine the level of tax rates). The same criterion is applied to fiscal equalization within a county in relation to the municipalities in its territory (excluding cities with more than forty thousand inhabitants). The only difference is that the basis for fiscal equalization is not average public revenue per capita for the state as a whole but that for the county.

A fundamental question arises in connection with fiscal equalization in Croatia: can the provisions of the law guarantee that implementation in practice will follow the principle that public needs of the same social priority will have the same prospects of being financed regardless of the local self-government unit in which they occur? The realization of this principle presupposes that all taxpayers of the same economic power should receive the same tax treatment regardless of the region in which they live. In addition, the satisfaction of public needs in all local self-government units should be in both the quantitative and qualitative sense of the same level.

The model of fiscal equalization based only on the criterion of measuring the level of public revenues per capita cannot fulfill successfully the above-mentioned requirements. In order for fiscal equalization to meet the very complex tasks of financing the public sector in both vertical and horizontal relations, it is necessary to:

- distinguish clearly the tasks and competencies of local self-government units;
- determine social priorities in satisfying particular public needs;
- determine the criteria and measures to assess particular public tasks;
- determine the necessary budget expenditures for every local self-government unit;
- determine the criteria and provide computation of the fiscal capacity of every local self-government unit;
- agree on the level of solidarity in regard to financially weak local self-government units.

The size of a general purpose grant for particular local self-government units is determined by the difference between the amount of necessary budgetary expenditures and of its financial capacity.

In principle, fiscal equalization must "draw in" all revenues available to a particular unit and must represent its economic strength. In the case of taxes for which rates can be increased (the right to surtax), the process of fiscal equalization takes into account the average amount of realized surtax rates for the territory of the whole country. The average amount of realized tax rates for the whole country also is taken as the basis for balancing in the case of local taxes for which the local self-government units independently determine their rates. Such balancing of revenues from local taxes has the following two-sided effect: higher revenues are balanced fictitiously

to the local self-government units that have introduced lower tax rates, and revenues resulting from the tax rates that are above average are not balanced to the local self-government units that have introduced higher tax rates.

The model of fiscal equalization established by the Law on Financing Local Self-government and Administration Units does not contain all of the above-mentioned elements. Such a simplified form of fiscal equalization is the result of three different factors of limitation. The first is the result of the territorial organization of local self-government and administration units (communes, counties). The law prescribes the affairs within the scope of self-government activities of municipalities and counties in such a way that it only enumerates those financed from the budgets of local self-government units. However, neither the number of administrative departments nor the number of employees is specified in the law. When there are no developed criteria or measures necessary to plan the most important elements of public expenditures, it is not possible to determine the common ground for either the volume or the allocation structure of public expenditures. The second factor of limitation is the result of insufficient consideration for the effects of the tax system on the financial capacity of local self-government units. As already mentioned, the municipalities independently determine the level of municipal tax rates. Therefore, it is not possible at this point to determine either the sufficiency or the size of the tax burden. The third factor of limitation is the result of the war in Croatia. War conditions in some local communities have had significant impact on the level and structure of their public expenditures and their financial potential.

The experience of financing public needs at the local level of self-government and administration has proven that the mechanism of interbudgetary transfers in Croatia has not produced the expected results. It also must be said that all aspects of the existing system of financial balancing have not been implemented. As a result, conflicting interests in this area and their inadequate resolutions often have created political and other tensions.

4.2.3 Tax Revenues

The tax revenues of local self-government and administration units can be classified by two groups: shared taxes and local taxes.

According to the provisions of the law, the following taxes are considered to be shared tax revenues in the fiscal system of the Republic of Croatia:

- income tax—seventy percent for the central budget, five percent for the budgets of counties, twenty-five percent for the budgets of municipalities, forty-five percent for the City of Zagreb;
- profit tax—seventy percent for the central budget, ten percent for the budgets of counties, twenty percent for the budgets of municipalities;

- capital transfer tax—forty percent for the central budget, sixty percent for the budgets of municipalities;
- gambling and betting games—fifty percent for the central budget, fifty percent for the budgets of municipalities.

Table 5.16

**Structure of Tax Revenues of Local Self-government and Administration Units*
in Croatia [%]**

Type of Revenue	1995	1996	1997
Income Tax and Surtax	72.18	72.67	65.36
Profit Tax	13.04	13.53	18.00
Tax on Vacation Houses	1.10	1.06	0.83
Inheritance and Gift Tax	0.52	0.55	0.51
Capital Transfer Tax	6.76	6.78	8.88
Company or Corporate Tax	2.02	1.46	4.46
Tax on the Use of Public Areas	0.26	0.40	0.48
Consumption Tax Areas	1.98	1.60	1.60
Tax on Special Services (organization of entertainment and sporting events, gambling and betting games, advertising)	0.48	0.40	0.43
Motor Vehicles and Vessels Tax	1.50	1.38	1.63
Other Taxes	0.16	0.17	0.32
Total	100.00	100.00	100.00

SOURCE: Ministry of Finance of the Republic of Croatia, *Collection of Revenues and Budget Expenditures* (Zagreb: 1998).

NOTES: Counties and municipalities.

In the tax system of the Republic of Croatia, there are ten local taxes, four of which are at the county level and six of which are at the level of municipalities. County taxes include: (1) inheritance and gifts tax, (2) motor vehicles tax, (3) vessels tax and (4) tax on the organization of games and sporting events. Municipal taxes include: (1) consumption tax, (2) tax on vacation houses, (3) tax on advertising, (4) company tax, (5) tax on the use of public areas and (6) surtax on income tax.

Table 5.17
**Structure of Tax Revenues in the Budgets of Counties
 in Croatia [%]**

Type of Revenue	1995	1996	1997
Income Tax and Surtax	62.11	60.99	52.44
Profit Tax	19.65	21.36	28.28
Tax on Vacation Houses	—	—	—
Inheritance and Gift Tax	5.61	5.70	4.11
Capital Transfer Tax	—	—	—
Company or Corporate Tax	—	—	—
Tax on the Use of Public Areas	—	—	—
Consumption Tax Areas	—	—	—
Tax on Special Services (organization of entertainment and sporting events, gambling and betting games, advertising)	1.05	0.85	0.77
Motor Vehicles and Vessels Tax	11.58	11.53	12.34
Other Taxes	—	0.57	2.06
Total	100.00	100.00	100.00

SOURCE: Ministry of Finance of the Republic of Croatia, *Collection of Revenues and Budget Expenditures* (Zagreb: 1998).

The data from tables 5.16, 5.17 and 5.18 show that a major portion of tax revenues in the budgets of local self-government and administration units comes from shared taxes, particularly income tax and profit tax (over eighty percent), whereas the contribution of other shared taxes and local taxes is relatively low.

It must be emphasized that in the process of financing capital projects of local authorities, the system of loans has not proven to be particularly useful. In most countries, the central government controls the volume of loan taking at the local level. The present debts of local self-government and administration units in the Republic of Croatia are very low, and under such circumstances, there is enough room to finance capital projects at the local level by borrowing.

Table 5.18
Structure of Tax Revenues in the Budgets of Municipalities and Cities in Croatia [%]

Type of Revenue	1995	1996	1997
Income Tax and Surtax	73.63	74.06	66.80
Profit Tax	12.02	12.72	16.89
Tax on Vacation Houses	1.22	0.99	0.94
Inheritance and Gift Tax	—	—	—
Capital Transfer Tax	7.37	7.49	9.85
Company or Corporate Tax	2.22	1.61	2.16
Tax on the Use of Public Areas	0.29	0.45	0.53
Consumption Tax Areas	2.18	1.76	1.76
Tax on Special Services (organization of entertainment and sporting events, gambling and betting games, advertising)	0.43	0.39	0.43
Motor Vehicles and Vessels Tax	0.47	0.42	0.50
Other Taxes	0.17	0.11	0.14
Total	100.00	100.00	100.00

SOURCE: Ministry of Finance of the Republic of Croatia, *Collection of Revenues and Budget Expenditures* (Zagreb: 1998).

5. Next Steps in the Transition Process

Since the Republic of Croatia has ratified the European Charter of Local Self-government, one of the first steps of reform of the Croatian system of local self-government should be the harmonization of domestic legislation with the provisions of the charter. As a matter of fact, when ratifying it, Croatia made use of the opportunities presented in the provisions of paragraph 1, article 12 of the charter and adopted only a minimal number of them. However, even this minimum of obligations imposes serious interventions concerning Croatian laws on local self-government. Due to the fact that the ratified provisions of the charter entered into force on 1 February 1998, the process of bringing legislation into harmonization is already late.

Apart from these necessary changes, it is desirable to examine current issues of Croatian local self-government in order to find more adequate legislative and organizational solutions. These problems refer particularly to territorial organization, central-local relationship, governance structure, size and methods of performing local services and financing of local self-government units.

Regarding territorial organization of local self-government in Croatia, it would be necessary first of all to halt the current tendency of multiplying local self-government units. In the last six years, the number of communes and cities has increased by ten percent, resulting in a constant decrease in the average size of communes and cities. This process of atomization has resulted in an increase in the number of communes with weak financial, personnel and organizational capacities, which are unable to carry out all local services and depend largely on state assistance. This fact directly contributes to the strengthening of centralist tendencies in the Croatian political and administrative system. It would be useful to analyze the optimal size of a commune or city that would ensure the necessary measure of autonomy in performing local affairs.

The second problem of the territorial organization of local self-government in Croatia is connected to the position of cities. The system is based on a distinction between rural and urban local units. Although a large number of West European countries has abandoned such distinction, in Croatia, a country with a relatively low level of urbanization, this feature still may be justified and useful. In fact, however, the differentiation between urban and rural units has not been carried out consistently in the Croatian system of local self-government. The differences in the competencies between cities and communes are very small, and control of the county authorities over them is identical. Such equalization primarily has affected larger cities, the autonomy and self-government of which measures that of small rural communes. The problem has been intensified by a constant increase in the number of cities and by a transformation of larger communes into cities, so that the actual differences among cities have increased significantly, while their status remains the same. It would be useful to give larger cities a higher level of self-government by excluding them from and assigning them the self-government functions of counties.

In the existing territorial structure of Croatia, regional characteristics have met full expression. Among other functions, the counties are supposed to play the role of regional self-government units. For this purpose, three deputies represent each county in one house of the Croatian Parliament to articulate specific regional interests. A corrective function in the legislative process is invested in this body. In practice, however, the administrative and controlling tasks of counties prevail over their self-management functions. Their territories in most cases are established according to political and administrative criteria that results in frequent alterations in their boundaries. There are four regions in Croatia—Central Croatia, Slavonia, Primorje with Gorski Kotar and Dalmatia—as well as some separate subregions (Istria, Medjmurje, et cetera). County organization should be based on this regional structure and function as regional self-government units.

Concerning the central-local relationship, a tendency toward the strengthening of central influence is very strongly expressed, regardless of whether it is a question of control or assistance. The source of this, in the first place, is the nontransparent and undetermined separation of competencies between central and local bodies. In a large number of cases, competencies overlap, and under such circumstances, following the logic of the model of enumeration, the presumption of competencies favors central state bodies. When an affair is entrusted to local self-government units, in most cases it is unclear whether it becomes part of their self-government scope of activities or is

a delegated task, even though the consequences with regard to state control are essentially different. In the first case, the central administration may exercise control over local self-government units only concerning legality, whereas in the other case, its control can be much broader and more intensive and can include issues of opportunity. Therefore, the first step toward a higher level of autonomy of local self-government units should be the precise determination of autonomous affairs. The European Charter of Local Self-government prescribes the application of the general clause, according to which local authorities can undertake any affair that is not expressly excluded by law or entrusted to regional or state bodies. Such a solution should at least be applied in determining the self-government scope of cities, whereas the system of enumerating affairs could remain for small, underdeveloped communes.

The relationship between counties and their communes and cities is obviously of a hierarchical nature. The government bodies of a county, particularly county governors, carry out strict control over local self-government units. The governor is defined thus as a representative of the state government in a county, and his or her election is subject to the approval of the head of state, who may withdraw it for any reason. The control of central state bodies over the governor and the county bodies is organized in a similar way. The government may issue orders to the governor who may be removed from office if he or she does not comply. Such organization certainly does not contribute to the strengthening of local autonomy. In order to develop such autonomy these levers of central influence should be dismantled. The governor should be a local official, elected by the county assembly and accountable to it exclusively. Similar changes also should extend to the mayor of the City of Zagreb.

The local scene in Croatia is still highly politicized, with the preponderant influence of the national, and more rarely by regional or ethnic, parties. Very few independent candidates are elected to local councils. In addition, in many local councils, as in the national Parliament, one political party is dominant.

Such a configuration of the local political scene is to a certain extent the delayed effect of the national euphoria that at the beginning of the 1990s accompanied the process of Croatia's independence. However, some structural solutions in the election system, the formation and the functioning of local councils and executive boards and the competencies of chief executives are also to the advantage of the party system. It is obvious that the preponderance of the proportional election system in local elections favors party lists rather than individual candidates, so party affiliation is more important than the personal qualities of candidates in elections. Even in small communes, it is compulsory that the executive board be formed as a collegial body, although it would be more rational to elect an executive official, taking into consideration his or her capacities in managing local affairs. In such a case, executive board positions awarded for political favors would not be possible. Thus, it is necessary to reexamine the governance structure of local units and revise the model according to which they are organized, with the understanding that such structures may vary according to environment, depending on the type, size, complexity and level of development of a local self-government unit.

In connection with local policy and administration in Croatia, an important issue is the realization of the rights of ethnic or national minorities, particularly of the Serbian national minority. In this regard, the potential of local self-government is not yet fully realized. Certain steps have been taken, particularly in Eastern Slavonia, Baranja and Western Srijem, where the formation of homogenous Serbian communes and the special community of these communes has been established.

The model of performing local tasks through the professional administrative apparatus of local self-government prevails. The volume and quality of this apparatus vary among self-government units, particularly between communes and cities. The status of local civil servants is not regulated by new legislation, and the provisions of the previous legal regime still are applied.

Larger and more developed local self-government units, particularly cities, set up organizations, mainly in the form of public enterprises, to carry out public utility services that are under local authority control. They charge for their services but receive subsidies from local budgets. Meanwhile, services in education, culture, science, health care, social welfare, et cetera are still performed by the state, and the institutions that render these services and have a certain level of autonomy are under state control. Their local organizations are financed by public funds and the state budget, and their employees have status similar to that of state civil servants. A small number of local institutions, such as kindergartens, libraries and museums, receive grants from local budgets. Private persons render a relatively small number of local services on the basis of concessions from local authorities. It is necessary to mention that in spite of the fact that legislation exists providing for different forms of implementation of local services, the diversity of rendering services is in practice very small.

Considering financial resources available to local units, one may come to the conclusion that the level of development of local self-government in Croatia is still very low. Local budgets comprise only four to six percent of the national GDP. Their share of overall budgetary funds in the last few years has been between thirteen and eighteen percent, and if the expenditures of public funds (retirement, health, et cetera) are added, then this figure decreases to five or ten percent. Almost three-quarters of local budget expenditures are spent on current expenditures, and only a little more than one-fifth on capital investments. This results in rather weak financial power of local self-government units. Among them, the weakest are counties, which represent only ten percent of the total revenue of local budgets. The main administrative and other services of counties are financed directly from the state budget, which is yet another lever of centralization.

In the expenditures structure of local budgets, those for public works are dominant (thirty percent) and are allocated primarily for the construction of the communal infrastructure, followed by administrative expenditures for the maintenance of the local apparatus (twenty percent) and grants to public enterprises of local significance (twenty percent). Less than one-quarter of local budget resources is spent on education, health protection, social welfare, culture and sports.

The revenues of local budgets depend to a large extent on the central financial bodies. More than one-half of revenues is collected through taxes, among which the most dominant are government income tax and profit tax (eighty-five percent). Government taxes are collected by the central tax administration, which then makes them available for local self-government units in proportions prescribed by law. Only one-third of local budget revenues are collected through so-called nontax revenues, including local dues, stamp taxes, contributions, rents and the like. As a result, there is a significant level of local dependence on the state administration.

The allocation of grants through which weaker local self-government units are supported amounts to less than eight percent of the revenues of local budgets. County budgets are dependent on state grants to a much larger extent, amounting to one-third of their revenues. The proportion of grants in the budgets of cities and communes is significantly lower (about five percent). The whole system of financial assistance to underdeveloped local self-government units is inadequate, as it is based on the index of average public revenues and not on established standards for rendering local services.

Finally, it should be mentioned that there are serious difficulties in collecting necessary data to determine the situation of local self-government in Croatia due to the fact that there are few or no official analyses. The only exception is fiscal data provided by the Ministry of Finance. Some of these deficiencies can be explained or even justified by the Patriotic Defense War, by the discontinuity in the work of statistical services and by frequent territorial changes. However, regardless of the reasons for this nontransparent situation, it is in itself an indication of the level of significance that is given to local self-government in Croatia.

Postscript

From the beginning of 1999 until spring 2000, significant political changes occurred in Croatia that could change the local self-government situation. These include the victory of the opposition in the regular parliamentary elections held on 3 January 2000 and the victory of the opposition's candidate in the presidential elections held 27 January and 7 February 2000.²⁷ When evaluating the current situation, it is necessary to note the following.

1. The former Croatian authorities invested merely formal efforts aimed to approximate Croatian legislation to the standards of the European Charter of Local Self-government as late as in the second half of 1999, mostly under pressure by the Council of Europe. In September 1999 the government created an "expert team for the overall reform of the self-government system" comprised of twenty members, mostly politicians from the ruling party at the time—the Croatian Democratic Union (HDZ)—and a few independent experts. The team held only one preliminary meeting and never proposed any solutions.

2. During the second half of 1999, experts, local units and their organizations more frequently demanded radical territorial decentralization and democratization of the rigid and centralized system. These demands were strongly emphasized in November 1999 during a symposium entitled "Public Administration in Democratic Society." For the first time, these demands were supported, even by some officials of the ruling party.
3. By the end of November 1999, changes were made to the Law on Local Self-government and Administration, creating additional possibilities for centralization, mostly concerning the following:
 - separation of the function of county governor, as a representatives of state authority and as a supervisor of the legality of local self-government activities, from the function of county mayor, as the president of the county executive board;
 - overly detailed regulation of collaboration between Croatian local units and those of other countries and significant, but insufficiently specified, supervisory authority over such collaboration by state administration bodies;
 - insufficiently specified regulation of the dismissal of local representative bodies and of legal protection for local self-government in Administrative Court proceedings in such cases.

Considering that the scope of self-government was not extended and that there were no additional sources of financial assistance identified for local self-government units, these legislative changes only strengthened the existing system.

4. In the new Croatian coalition government, Professor Stjepan Ivanisević was appointed the minister of justice, administration and local self-government. The government announced complete reform and decentralization of the local self-government system and the strengthening of the position and influence of local self-government units as priorities. The minister has predicted the creation of a new Law on Local Self-government in autumn 2000 to become effective in early 2001. Around fifteen eminent Croatian experts are working on the project, which will be the basis for new legislation.

All in all, Croatia is rapidly departing from the nondemocratic system of the former ruling party ten years after independence. Its overall reform of the local self-government system is based on serious expert preparation and strong political support of the new central authorities. Its purpose is to strengthen the capacity of local institutions in resolving the problems and needs of citizens and to affirm itself as a relevant component in democratic political system.

Recent Publications on Local Government in Croatia

Antić, Teodor. "Položaj županija u pravnom sustavu Republike Hrvatske" (The position of counties in the legal system of the Republic of Croatia), *Croatian Public Administration* 1:2 (1999): 279–302.

———. “Sustav obavljanja komunalnih djelatnosti u Republici Hrvatskoj” (System of managing public utility services in the Republic of Croatia), *Croatian Public Administration* 1:4 (1999): 623–651.

Augustinović-Pavičić, Greta and Dragica Krpan. “Grad Zagreb u upravno-teritorijalnom ustrojstvu Republike Hrvatske” (The City of Zagreb in the administrative-territorial organization of the Republic of Croatia), *Croatian Public Administration* 1:4 (1999): 669–685.

Blažević, Robert. “Županija istarska u kontekstu upravno-teritorijalne podjele Republike Hrvatske” (Istarska County in the context of administrative-territorial division of the Republic of Croatia), *Croatian Public Administration* 1:4 (1999): 653–668.

Financiranje lokalne samouprave—jedinice lokalne samouprave u poreznom sustavu Republike Hrvatske (zbornik radova) (Financing units of local self-government—Units of local self-government in the tax system of the Republic of Croatia, a collection of papers). Osijek: Grafika and Croatian Institute of Local Self-Government, 1999.

Hrženjak, Juraj. *Lokalna samouprava i uprava u Republici Hrvatskoj* (Local self-government and administration in the Republic of Croatia). Zagreb: Informator, 1993.

Ivanišević, Stjepan. “Glavni problemi i mogući pravci reforme lokalne samouprave u Hrvatskoj” (Main problems and possible directions of reform of local self-government in Croatia), *Croatian Public Administration* 1:4 (1999): 587–598.

Javna uprava u demokratskom društvu (zbornik radova) (Public administration in a democratic society, a collection of papers). Zagreb: Organizator and Institute of Public Administration, 1999.

Koprić, Ivan. “Neke osnove za raspravu o reformi lokalne samouprave u Hrvatskoj” (Some bases for discussion on local self-government reforms in Croatia), *Croatian Public Administration* 1:4 (1999): 599–608.

Lauc, Zvonimir. “Promicanje i provedba načela Europske povelje o lokalnoj samoupravi, osobito načela subsidiarnosti” (Promotion and implementation of the principles of the European Charter on Local Self-government, with emphasis on the principle of subsidiarity), *Croatian Public Administration* 1:3 (1999): 447–472.

Pusić, Eugen, Stjepan Ivanišević, Željko Pavić, Milan Ramljak, Ivan Koprić, and Inge Perko-Šeparović. *Hrestomatija upravne znanosti, svezak II—lokalna samouprava* (Administrative science, volume II—Local self-government). Zagreb: Faculty of Law, Zagreb University, 1998.

Šimović, Jure. “Sustav i politika financiranja javnih potreba lokalnih jedinica u Republici Hrvatskoj” (The system and policy of financing the public necessities of local self-government in the Republic of Croatia), *Collection of Papers of the Faculty of Law in Zagreb* 46:1 (1996): 27–46.

——. “Neka obilježja sustava financiranja javnih potreba u Republici Hrvatskoj” (Some features of the system of financing public necessities in the Republic of Croatia), *Croatian Public Administration* 1:3 (1999): 415–446.

——. “Hrvatski fiskalni sustav: funkcionalna struktura i odnosi nadležnosti” (Croatian fiscal system: functional structure and relations of competence), *Collection of Papers of the Faculty of Law in Zagreb* 49: 2 (1999): 197–227.

Contacts for Further Information on Local Government in Croatia

Croatian Institute for Local Self-Government

Contact: Zvonimir Lauc

Address: Faculty of Law, University of Osijek
Stjepana Radića 13, 31000 Osijek, Croatia

Phone: (385-31) 212-444

Fax: (385-31) 165-970

E-mail: office@pravos.hr

Institute of Public Administration

Contact: Željko Pavić (President), Mira Martinec (Secretary)

Address: Ćirilometodska 4, 10000 Zagreb, Croatia

Faculty of Law, University of Zagreb

Address: Trg M. Tita 14, 10000 Zagreb, Croatia

Phone: (385-1) 4564-111

Fax: (385-1) 4564-030

E-mail: dekanat@pravo.hr

Web: <http://www.zakon.pravo.hr>

Faculty of Law, University of Rijeka

Contact: Robert Blažević

Address: Hahlić 6, 51000 Rijeka, Croatia

Phone: (385-51) 675-121, 675-596

Fax: (385-51) 675-113

E-mail: dekanat@law.pravri.hr

Web: <http://pravri.hr>

Faculty of Law, University of Split

Contact: Duško Lozina
Address: Domovinskog rata 8, 21000 Split, Croatia
Phone: (385-21) 362-957, 355-550
Fax: (385-21) 346-613
E-mail: office@pravst.hr

Faculty of Political Sciences

Contacts: Inge Perko-Šeparović, Zdravko Petak
Address: Lepušićeva 6, 10000 Zagreb, Croatia
Phone: (385-1) 4558-0222
Fax: (385-1) 4655-316
Web: <http://www.fpzg.hr>

Institute of Public Finances

Contact: Katarina Ott
Address: Katančićeva 5, p.p. 320, 10000 Zagreb, Croatia
Phone: (385-1) 4591-227, 4819-363
Fax: (385-1) 4819-365
E-mail: office@ijf.hr, kott@ijf.hr
Web: <http://www.ijf.hr>

Croatian State Parliament, House of Deputies

Parliamentary Committee for Constitution, Standing Orders and Political System

Contact: Mato Arlović, President of the Committee
Address: Trg. sv. Marka 6. i 7, 10000 Zagreb, Croatia
Phone: (385-1) 4569-617
Fax: (385-1) 4569-323

Local Democracy Embassy

Contact: Antonella Valmorbida
Address: Stjepana i Antuna Radića 2a, 44000 Sisak, Croatia
Phone: (385-44) 521-227
Fax: (385-1) 44 521-231

Institute for Social Research

Contact: Mira Ljubić-Lorger, Srdan Vrcan
Address: Ul. Bartola Kašića 30, 21000 Split, Croatia
Phone: (385-21) 342-824
E-mail: svrcan@zamir.net

Ministry of Justice, Administration and Local Self-government

Contacts: Stjepan Ivanišević, Minister; Teodor Antić, Assistant to the Minister
Address: Ul. Republike Austrije 14, 10000 Zagreb, Croatia
Phone: (385-1) 3710-666

Association of Towns and Communes

Contacts: Ivica Malatestinić, President; Irena Bakal
Address: Frankopanska 18, 10000 Zagreb, Croatia
Phone: (385-1) 4849-063/064
Fax: (385-1) 4849-064
E-mail: sgorh@zg.Tel.hr

Croatian Law Center

Contacts: Ivan Koprić, Inge Perko-Šeparović, Vesna Grubić
Address: Hebrangova 21/IV, 10000 Zagreb, Croatia
Phone/Fax: (385-1) 4856-445, 4854-934
E-mail: hpc@hpc.hr

Notes

- ¹ As discussed earlier, the Constitutional Law of 1992 provided for autonomous districts in areas with Serbian majorities. In that regard, the Law on Territorial Division of 1992 established the District of Knin within Zadarsko-Kninska County and the District of Glina within Sisačko-Moslavačka County. Since these districts included both communes and cities, a three-level structure was planned in these areas but never was realized because they were under the control of armed Serbian local authorities. In the Law on Territorial Division of 1997, the autonomous districts were omitted, and their territories were organized differently among the counties.
- ² On average a Croatian municipality includes ten settlements, but there are significant differences among them. As many as thirty-five municipalities (eight percent) are comprised of only one settlement, and twenty-two municipalities (five percent) include more than thirty settlements. Dvor ranks highest with sixty-four settlements.
- ³ With respect to the number of inhabitants, the smallest county (Ličko-Senjska, with 86,992 inhabitants) is five times smaller than the largest county (Splitsko-Dalmatinska, with 474,019 inhabitants).
- ⁴ Concerning area, the differences among counties are even larger: Ličko-Senjska (5,350 square kilometers) has an area seven times larger than Medjimurska (730 square kilometers).
- ⁵ Splitsko-Dalmatinska County has the largest number of communes and cities (fifty-five), and Požeško-Slavonska County, the smallest (ten). As for the number of cities in the territory of a county, Splitsko-Dalmatinska (sixteen) and Primorsko-Goranska (fourteen) rank highest, and Brodsko-Posavska (two), lowest. The largest number of municipalities can be found in Splitsko-Dalmatinska (thirty-nine) and Osječko-Baranjska (thirty-five), and the smallest in Požeško-Slavonska (six) and Ličko-Senjska (eight).
- ⁶ A higher level of urbanization, measured by the proportion of urban population, can be found in the counties along the Adriatic coast: Primorsko-Goranska (sixty-five percent), Splitsko-Dalmatinska (sixty-one percent), Dubrovačko-Neretvanska (fifty-six percent) and Istarska (fifty-four percent). An extremely low percentage of urban population can be found in Krapinsko-Zagorska (twelve percent), Medjimurska (twenty percent) and Ličko-Senjska (twenty-six percent).
- ⁷ This is not the only reason for which the government may dismiss a local representative body. It also can do so if the bylaws or the local budget are not passed on time, if the municipal mayor or the county governor are not appointed on time, if at least one-half of the members of the representative body resign or if the representative body makes a decision

that jeopardizes the sovereignty and territorial integrity of the Republic of Croatia. The last instance remains since the conflict with rebelling Serbian municipalities.

- ⁸ An interesting legal situation arose in connection with the Ministry of Administration. Namely, an almost identical formulation of such power can be found in paragraph 4, article 22 of the Law on the System of State Administration and in paragraph 3, article 83 of the Law on Local Self-government. According to the latter, the minister also may use this power if the municipal mayor and the executive board or administrative bodies repeatedly violate constitutionality and legality. At the request of the City Council of Rijeka, the Constitutional Court made a decision to abolish the provisions of paragraphs 1 and 3 of article 83 of the Law on Local Self-government, with an explanation that the powers of the minister of administration were contrary to the meaning of the constitutional provisions on local self-government. On the basis of this decision, the mentioned provisions ceased to be valid on 30 April 1997. However, the Constitutional Court failed on that occasion to abolish the provisions of paragraph 4, article 22 of the Law on the System of State Administration, so that the authority of the minister of administration continued to have legal grounds.
- ⁹ The Law on Local Self-government prescribes that a communal council may have a minimum of sixteen and a maximum of thirty-two councilors; a city council, a minimum of twenty and a maximum of fifty representatives; and a county assembly, a minimum of thirty and a maximum of fifty members. If a certain municipality or county does not determine the exact number of members of its representative body in its bylaws, or if a new municipality is established, the law prescribes the number of members, divided in five categories, ranging from twenty to forty-five and proportionate to the number of inhabitants.
- ¹⁰ The list of candidates presented by one political party or an independent list of candidates must receive at least five percent of the valid votes cast, a list of two political parties or a two-party coalition list must receive at least eight percent, and a list of three or more political parties or a coalition list of three or more political parties must receive at least eleven percent. In the first local elections of 1993, the prohibition clause was unified and amounted to five percent.
- ¹¹ Apart from the parties that have national impact, the Independent Democratic Serbian Party (SDSS) has strong influence at the local level. It is organized on the principle of ethnicity and includes the members of the Serbian national minority living in Croatia. Primorsko-Goranski Alliance (PGS) is a regional party.
- ¹² According to data issued by the Ministry of Administration of the Republic of Croatia, a local referendum was held in Croatia only once—on 29 March 1998 in the city of Sveti Ivan Zelina on the occasion of the construction of a distributive water supply system.

- ¹³ As of 1 January 1999, ten consultative referendums were held: for one county (Zagreb), three cities (Ivanić-Grad, Našice and Novska) and six communes (Kloštar-Ivanić, Križ, Pag, Durdenovac, Podgorač and Feričanci).
- ¹⁴ The difference in the appointment of governors and mayors is that the appointment of the former must be approved by the president of the republic on proposal of the government of the Republic of Croatia (see section 1).
- ¹⁵ The representative body in its bylaws determines the number of members of the executive board. The executive board of a county cannot have fewer than ten or more than fifteen members, the executive board of a city cannot have fewer than seven or more than thirteen members, and the executive board of a commune cannot have fewer than five or more than eleven members.
- ¹⁶ The last census in Croatia was conducted in 1991. As a result of the Patriotic Defense War, there were enormous human losses and forced migrations of large numbers of the Croatian population. Therefore, the data from the mentioned census do not reflect the present (postwar) situation. No research has been conducted to provide accurate data on the representation of minorities in local self-government bodies.
- ¹⁷ In this way, for instance, by the end of 1996 the County of Zagreb had two MOs—one for the economy and public utility services and one for social services. By the end of 1996, these were divided into four MOs: for the economy, for agriculture and forestry, for social services and for finance. The County of Vârâzdin had two MOs in 1994—one for economic development and agriculture and one for social services—and a similar situation was found in Krapinsko-Zagorska County. Koprivnicko-Krizevacka County had three MOs in 1995: for finance and accounting, for the economy and public utility services and for social services. In the same year, Brodsko-Posavska County also had three MOs: for the economy, for construction and housing utility services and for social services.
- ¹⁸ CADs exist for (1) the economy, (2) education, culture, information, sports and technical culture, (3) employment, health and social welfare, (4) spatial planning, housing utility services, construction and protection of the environment, (5) cadastres and geodetic engineering, (6) property legal activities, (7) statistics and (8) general administration.
- ¹⁹ In Krapinsko-Zagorska County, one CAD for tourism was added, and in the coastal counties, one CAD for maritime affairs and one for tourism.
- ²⁰ The number of employees in CADs (463) in the County of Zagreb at the beginning of 1997 was more than twenty times larger than the number of employees who worked in all self-government bodies (23). The total number of employees in CADs in the whole of Croatia in September 1997 was 7,066.

- ²¹ Thus, in the County of Zagreb, out of 463 CAD employees and officials, 145 (thirty-one percent) were employed in the county governor's office.
- ²² The Tax Administration alone employs about 3,600 officials and employees (1998) in its branch offices.
- ²³ Thus in 1997 in the County of Zagreb, out of twenty-three employees in the self-government section, ten worked in professional offices. In the County of Karlovac the approved number of employees in MOs in 1995 was sixteen, and in the professional offices, nineteen. Koprivničko-Križevačka County in the same year had a more favorable ratio, 28:8, in favor of MOs. The County of Varaždin in 1994 had a ratio of 26:29.
- ²⁴ For this reason the Constitutional Court in its decision warned that within legal norms "there is no authority for the bodies of local self-government to pass provisions such as those abolished through this decision" [Decision No. U-II-633/1994 of 28 January 1998, *The National Gazette* 31 (1998)].
- ²⁵ In this way, the Law on Health Insurance prescribed that until 1999 counties pay health insurance of members of rural households who have turned sixty-five from their own budgets, which was a great burden for some poorly developed counties. For this purpose, Koprivničko-Križevačka County for example in 1995 had to allocate 13.7 percent of the budget, and the County of Zagreb in 1996, 14 percent.
- ²⁶ The following have been defined as public utility services by law: (1) supply of drinking water, (2) drainage and purification of liquid waste, (3) supply of gas, (4) power supply, (5) public transportation, (6) sanitation, (7) communal waste disposal, (8) maintenance of public areas, (9) maintenance of unclassified roads, (10) retail markets, (11) cemetery and crematorium maintenance and execution of undertaking functions, (12) chimney sweeping and (13) public lighting.
- ²⁷ Most parliamentary seats were won by a coalition of the Social Democratic Party (SDP) and the Croatian Social Liberal Party (HSL). The president of SDP, Ivica Račan, was appointed prime minister of the Republic of Croatia. According to the agreement on postelection collaboration, the government also was composed of the members of other coalition parties, including the Croatian Peasant Party (HSS), Istrian Democratic Diet (IDS), Liberal Party (LS) and Croatian National Party (HNS). The presidential elections were held after the death of President Franjo Tuđman (10 December 1999.). Stipe Mesić, the candidate of a small parliamentary party, HNS, won this election with the support of a coalition of parties (HSS/IDS/LS). Dražen Budiša, the candidate of the SDP/HSL coalition, entered the second round of presidential elections.

Annex 5.1

Major General Indicators

Size of territory	56,610 square kilometers
Population density	85 inhabitants per square kilometer
Population (1991)	4,784,265
Age of population (1996)	
Pensioners	874,061 (19.5 percent of population)
School-age children	620,768 (13.8 percent of population)
Students	85,752 (1.9 percent of population)
Major ethnic divisions (1991)	
Croats	78.1 percent
Serbs	12.1 percent
Muslims	0.9 percent
Hungarians	0.5 percent
Slovenes	0.5 percent
Italians	0.4 percent
Per capita GDP (1996)	4,243 USD
GDP (current prices, 1996)	19,067.3 million USD
General government expenditure (1996)	8,866.3 million USD (46.5 percent GDP)
Central government budget	46.4 percent
Local government budgets	9.7 percent
Pension and disability insurance fund	21.4 percent
Health insurance fund	17.4 percent
Child benefit fund	1.8 percent
Unemployment fund	1.4 percent
Public water management fund	1.9 percent
Outstanding debt (December 1996)	4,847.2 million USD
Unemployment rate (1996)	17.9 percent
Person in paid employment	1,195,000
Registered unemployed persons	261,022
Inflation rate (cost of living index, 1996/1995)	4.3 percent

Annex 5.2

Population, Settlements and Administrative Units

Table 5A.1
Number of Settlements by Population Size Categories in Croatia, 1991

Population Size Category	Number of Settlements	%	Number of Inhabitants	%
0–1,000	6,090	90.98	1,463,874	30.60
1,001–2,000	369	5.51	500,535	10.46
2,001–5,000	155	2.32	452,141	9.45
5,001–10,000	41	0.61	278,000	5.81
10,001–30,000	23	0.34	341,114	7.13
30,001–100,000	12	0.18	579,718	12.12
100,001–300,000	3	0.04	462,113	9.66
300,001+	1	0.01	706,770	14.77
Total	6,694	99.99	4,784,265	100.00

Table 5A.2
Number of Local Governments in Croatia, December 1998

Local Unit	Level	Number	Average Population (1991)
Commune (<i>općina</i>)	first	420	3,627
City (<i>grad</i>)	first	122	20,353
County (<i>zupanija</i>)	second	20	200,322
City of Zagreb (<i>Grad Zagreb</i>)	first and second	1	777,826

Table 5A.3
Municipalities by Population Size Categories in Croatia, December 1998*

Population Size Categories	Number of Municipalities			%	Number of Inhabitants (1991)	%
	Communes	Cities	All			
0–1,000	15	—	15	2.76	11,476	0.24
1,001–2,000	85	—	85	15.65	128,806	2.69
2,001–5,000	235	15	250	46.04	855,553	17.88
5,001–10,000	75	38	113	20.81	767,053	16.03
10,001–50,000	10	59	69	12.71	1,246,549	26.06
50,001–100,000	—	7	7	1.29	497,414	10.40
100,001–1,000,000	—	4	4	0.74	1,277,414	26.70
1,000,001+	—	—	—	—	—	—
Total	420	123	543	100.00	4,784,265	100.00

NOTE: Including the City of Zagreb.

Table 5A.4
Counties by Population Size Categories in Croatia, December 1998*

Population Size Categories	Number	%	Number of Inhabitants (1991)	%
0–100,000	2	9.5	186,326	3.89
100,001–200,000	10	47.6	1,472,943	30.79
200,001–300,000	5	23.8	1,182,828	24.72
300,001–400,000	2	9.5	690,323	14.43
400,001–500,000	1	4.8	474,019	9.91
500,001+	1	4.8	777,826	16.26
Total	21	100.0	4,784,265	100.00

NOTE: Including the City of Zagreb.

Number of civil servants and public employees (31 March 1996) 35,119

(employed by the state and by local governments, not including persons in paid employment at Ministry of Defense and Ministry of Internal Affairs)

Figure 5A.1
An Administrative Map of Croatia



- | | |
|------------------------------------|---------------------------------|
| 1. County of Zagreb | |
| 2. County of Krapina-Zagorje | |
| 3. County of Sisak-Moslavina | |
| 4. County of Karlovac | |
| 5. County of Varazdin | |
| 6. County of Koprivnica-Krizevc | |
| 7. County of Bjelovar-Bilogora | |
| 8. County of Primorje-Gorski kolar | |
| 9. County of Lika-Senj | |
| 10. County of Virovitica-Podravina | |
| 11. County of Pozega-Slavonia | |
| 12. County of St. Brod-Posavina | |
| | 13. County of Zadar |
| | 14. County of Osijek-Baranja |
| | 15. County of Sibenik-Knin |
| | 16. County of Vukovar-Snjern |
| | 17. County of Split-Dalmatia |
| | 18. County of Istria |
| | 19. County of Dubrovnik-Neretva |
| | 20. County of Medimurje |
| | 21. City of Zagreb |

Annex 5.3

Major Laws on Public Administration and Local Government

The following laws regulate public administration and local government in the Republic of Croatia:

1. On local government:
 - Constitutional Law on Human Rights and Freedoms and on the Rights of Ethnic and National Minorities (1991, modified 1992)
 - Law on Local Self-government and Administration (1992)
 - Law on Territories of Counties, Cities and Communes (1992, modified 1997)
 - Law on Election of Members of Representative Bodies in Local Self-government and Administration Units (1992, modified 1995 and 1997)
 - Law on the City of Zagreb (1992, modified 1995 and 1997)
 - Law on the Financing of Local Self-government and Administration Units (1993)
 - Law on the Determination of Affairs of Self-government Scope of Local Self-Government Units (1993)
 - Law on Referendums and Other Forms of Personal Participation of Citizens in Managing the Affairs of State Authorities and Local Self-government (1966)

2. On public administration:
 - Law on the Government of the Republic of Croatia (1990, modified 1998)
 - Law on the System of State Administration (1993)
 - Law on the Structure and Competence of Ministries and State Administrative Organizations (1994)
 - Law on State Civil Servants and Employees (1994)
 - Law on General Administrative Procedure (1991)
 - Law on Administrative Litigation (1992)
 - Government Decree on County Offices (1993)

Annex 5.4

Responsibilities of Administrative Tiers

Table 5A.5
Specific Functions of Local Government Units in Croatia

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government	Remarks
I. EDUCATION					
1. Preschool	X	X	X		M and RG
2. Primary	X	X	X		RG and C
3. Secondary	X	X	X		C
4. Technical	X	X	X		C
5. Universities	X				
II. SOCIAL WELFARE					
1. Nurseries	X	X	X		M and RG
2. Kindergartens	X	X	X		M and RG
3. Welfare Homes	X	X	X		
4. Personal Services for the Elderly and Handicapped	X	X	X		
5. Special Services (families in crisis, etc.)	X	X	X		
6. Social Housing	X	X	X		
III. HEALTH SERVICES					
1. Primary Health Care		X		X (CIHI)	
2. Health Protection		X	X	X (CIHI)	
3. Hospitals		X	X	X (CIHI)	
4. Public Health		X	X	X (CIHI)	

Table 5A.5 (continued)
Specific Functions of Local Government Units in Croatia

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government	Remarks
IV. CULTURE, SPORTS, LEISURE					
1. Theaters	X	X	X		
2. Museums	X	X	X		
3. Libraries	X	X	X		
4. Parks	X				
5. Sports, Leisure	X	X	X	X (COC)	
6. Maintaining Buildings for Cultural Events	X	X	X		
7. Other: Archives	X	X	X	X (CNA)	
8. Other: Technical Culture	X	X	X		
V. ECONOMIC SERVICES					
1. Water Supply	X				
2. Sewage	X				
3. Electricity				X (CEPI)	
4. Gas	X				
5. District Heating	X				
VI. ENVIRONMENT, PUBLIC SANITATION					
1. Refuse Collection	X				
2. Refuse Disposal	X	X	X		
3. Street Cleaning	X				
4. Cemeteries	X				
5. Environmental Protection	X	X	X		

Table 5A.5 (continued)
Specific Functions of Local Government Units in Croatia

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government	Remarks
VII. TRAFFIC, TRANSPORT					
1. Roads		X	X	X (CRA)	
2. Public Lighting	X				
3. Public Transport	X	X	X		
VIII. URBAN DEVELOPMENT					
1. Town Planning	X	X			M
2. Regional/Spatial Planning	X	X	X		RG and C
3. Local Economic Development	X	X			
4. Tourism	X	X	X	X (CTF)	
IX. GENERAL ADMINISTRATION					
1. Authoritative Functions (licenses, etc.)	X	X	X		RG and C
2. Other State Administrative Matters (electoral register, etc.)		X	X		
3. Local Police			X		
4. Fire Brigades			X	X (CFPA)	
5. Civil Defense			X		
6. Consumer Protection	X	X	X		C

NOTES: C = central or state territorial administration; CEPI = Croatian Electric Power Industry; CFPA = Croatian Fire Protection Association; CIHI = Croatian Institute for Health Insurance; CAN = Croatian National Archives; COC = Croatian Olympic Committee; CRA = Croatian Road Administration; CTF = Croatian Tourist Federation; M = all municipalities; RG = regional governments.

Chapter 6



Local Government in Macedonia

by
Ilija Todorovski

Local Government in Macedonia

Contents

1.	Legal and Constitutional Basis	245
1.1	Brief History of Local Self-government	245
1.2	Legal Basis of Local Governments	247
1.3	Status of the Capital	248
1.4	Territorial Self-governments below the Municipal Level	249
1.5	Relationship between State Administration and Local Government	250
1.6	Regionalization	252
2.	Local Politics, Decision Making	253
2.1	System of Elections	253
2.2	Forms of Direct Democracy	256
2.3	Internal Structure of Local Government Decision Making	257
2.4	Public Participation in Decision Making	260
2.5	Distribution of Power between Different Levels of Government	260
2.6	Ethnic Issues, Multicultural Government	261
2.7	Local Government Associations and International Contacts	262
3.	Local Administration, Service Provision	263
3.1	Structure and Operation of Local Administration	263
3.2	Local Service Delivery	265
4.	Local Finance, Economic Development	266
4.1	Revenues	266
4.2	Expenditures	269
4.3	Economic Development	270
5.	Next Steps in the Transition Process	271
	Postscript: Recent Local Government Developments	275

Recent Publications on Local Government in Macedonia 278

Contacts for Further Information on Local Government in Macedonia 278

Note 278

Annex 6.1: Major General Indicators 279

Annex 6.2: Population, Settlements and Administrative Units 280

Annex 6.3: Major Laws on Public Administration and Local Government 284

Annex 6.4: Responsibilities of Administrative Tiers 285

Local Government in Macedonia

Ilija Todorovski

1. Legal and Constitutional Basis

1.1 Brief History of Local Self-government

From 1974 to 1991, the Macedonian system of local government was highly decentralized and exhibited the following characteristics: (1) a broad range of local government competencies, including some not possessed by local governments in any other country, such as economic regulation and national defense; (2) almost complete financial autonomy of local government units; (3) an extensive system of administrative and executive bodies structured at the republic and federal (Yugoslav) government levels, each having separate competencies; (4) election of local representatives by popular vote and appointment of local officials and other staff by local authorities without interference from central authorities; (5) a single-tiered local government system; and (6) large municipalities.

One of the positive aspects of this system was that municipalities were engaged fully in the development of many social spheres, such as the economy, education, health, culture, social care, infrastructure, et cetera. This represented a dynamic transformation from the previously lethargic municipal system that existed under the highly centralized, postwar state in Yugoslavia. Consequently, the level of political culture among local populations rose, as did their familiarity with relevant data and knowledge of the situation and trends in the fields mentioned above.

However, the negative effects of the system proved stronger. Generally speaking, the transfer of power from central to local authorities was too drastic and failed to establish a working balance to enable the effective exercise of power. More precisely, state functions in local development were reduced dramatically, which caused many difficulties in the period prior to transition.

First, the extremely high level of local autonomy severely hampered the ability of the state to coordinate economic activities. Because municipalities pursued individual economic policies, many parallel enterprises were established throughout the Republic of Macedonia and the Federation of Yugoslavia. This in turn created slow and uneven economic development and unhealthy competition, especially in foreign markets. In addition, municipalities often undertook fiscal measures counteracting the effects of those issued by the central authorities. For instance, although republic or federal ministries decreased some taxes in order to stimulate exports, communal taxes were simultaneously raised, annulling any intended benefits.

Second, the almost complete financial autonomy of local governments deprived the state of efficient instruments to support underdeveloped municipalities or subdistricts. The philosophy of decentralization, carried to an extreme, implies local development without state interference, relying only upon local human, natural and economic resources. However, since municipal resources differed greatly from one other, local development was uneven, and the gap between developed and underdeveloped municipalities widened. The only resource available to address this problem was the federal Fund for Underdeveloped Municipalities in Macedonia, but even this contributed less than one percent to local budgets, which was insufficient.

Furthermore, the territorial conception of the municipality, composed of a town and its surrounding villages, caused development gaps within each municipality. The ratio of urban to rural population (55:45 or 60:40) was reflected in local legislative and executive bodies; hence urban projects and investments easily acquired the majority of votes and were given priority. The state did not intercede in the growing gap between urban and rural areas.

Third, because huge administrations were required to fulfill the broad range of competencies, large municipalities were created to incorporate more taxpayers and thus increase funding. Contact between local officials and ordinary citizens was poor, especially under the one-party system, where the status of local officials depended far more on loyalty to their party leaders than on popularity with the local population. Bureaucratization frustrated citizens into putting more of their energy into local development.

Large municipalities could not participate intimately in the lives of their citizens. An average municipality covered 750 square kilometers and included more than sixty thousand inhabitants. Having little in common with villages fifty kilometers away, the population from one area was indifferent to the initiatives of the population in another.

After the disintegration of Yugoslavia in 1991–92, Macedonia became a sovereign and independent state. The will to survive under the pressure of unfavorable domestic and external circumstances resulted in centralization and the dramatic reduction of local government competencies and autonomy. Local government units from 1991 to 1995 experienced a period of interregnum, since former laws were abolished and new ones had not yet been adopted. The process of codification started in 1995 with the Local Government Act and subsequently has continued with the adoption of several other laws dealing with the electoral system, new territorial division, et cetera. Recent changes have produced a system of local government with the following major characteristics.

1. *A reduction in local government competencies.* Most significantly, economic obligations were eliminated, as well as the territorial component of national defense. According to the new Constitution, local government competencies include urban planning, communal activities, culture, sport, social security and childcare, preschool education and other fields determined by law.
2. *Greater financial dependence of municipalities on central authorities.* As stipulated by the constitution and the Local Government Act, the state now can coordinate local government

development more efficiently and provides financial support for the most underdeveloped areas, regardless of their location.

3. *A dramatic reduction in the size and populations of municipalities through the redefinition of territorial boundaries.* In an effort to imitate the model of “social communities,” smaller units were created in which common interests may be identified more easily, resulting in better problem resolution and public involvement. As a result of the new territorial division, Macedonia now has 123 municipalities instead of the thirty-four that existed prior to 1996.
4. *A more streamlined organizational structure designed to reflect the reduction in both territorial size and competencies of local governments.* The collective executive body was replaced by the office of the mayor, and the three chambers of the municipal assembly (with between sixty to one hundred twenty delegates) were collapsed into one legislative body—the council—with no more than twenty-five councilors. The underlying goal was that the system should be simpler and lines of responsibility drawn more clearly.
5. *The introduction of a proportional voting system for local representatives.* The former majority electoral system was replaced in 1996, and councilors now are elected by proportional voting according to the D’Hondt method. Mayors are elected by majority vote.
6. *Clarification of the division of power between the legislative and executive bodies to achieve stronger political competition at the local level.* Both the council and mayor depend on popular vote, and a strict separation of functions ensures independence.
7. *Guarantees of minority representation in local government.* Minority nationalities comprise a third of the population in Macedonia; hence, interethnic relations are extremely important. Efforts to ensure sound interethnic relations in territories with mixed ethnic populations fall along three lines: (1) proportional representation of the different nationalities in the local government administration; (2) the establishment of a multiethnic commission, as provided in the Local Government Act; and (3) the use of minority languages and alphabets in addition to Macedonian.
8. *Promotion of urban planning through the new institution of chief municipal architect.* Due to the low level of urbanization in Macedonia, the chief architect undertakes planning and design for urban and architectural development.

1.2 Legal Basis of Local Governments

Macedonia has a single-tiered system of local government based on the municipality; currently, there are 123 plus the City of Skopje, a community comprising seven municipalities.

A municipality covers the territory of one or more settlements linked by the common needs and interests of the local population and possesses the capacity for economic and social development and citizen participation in the decision-making process. The territory of a municipality represents a natural, geographical and economic whole, with a communication network between settlements, gravitation towards a common center, and a developed infrastructure.

The division of the republic is defined by the Law on the Territorial Division of the Republic of Macedonia and Demarcation of the Municipal Boundaries. The founding of new local government units and alterations to existing territories or municipal seats must be enacted by law after prior consultation with the local population in the respective area through citizens' gatherings or referendums.

Local government units are classified as urban, composed of a single town and possibly a number of surrounding villages, or rural, made up of a single village or a group of villages. Thus, every settlement does not necessarily comprise a local government unit. The only administrative distinction between an urban and a rural municipality is the existence of a city architect in the urban municipal structure. The City of Skopje is a special type of local government and is regulated by a specific law, which is discussed below.

1.3 Status of the Capital

Skopje, as the capital of Macedonia, is the only city in the republic with special status or organization. Its local government is much larger than any other in Macedonia due to the size of its territory and population as well as the huge concentration of administrative, educational, cultural, economic and other institutions of national interest. In this unique case, responsibilities are distributed strictly between the authorities of the City of Skopje as a whole and those of its seven individual municipalities. The City of Skopje has no right to interfere in the activities of its municipalities.

Specific public services for which the authorities of the City of Skopje are responsible include:

- development programs;
- the budget and balance of payments;
- general urban planning after prior approval from the state urban authorities;
- programs regulating construction areas based on the municipal programs;
- administration of construction areas, collection of construction land use fees and their distribution among the municipalities;
- naming streets, squares, bridges and other infrastructure facilities in conformity with the law;
- construction, repair and maintenance of trunk and main streets;
- drinking water supply, rainwater drainage and sewerage;
- city cleaning and garbage collection;

- street lighting;
- maintenance of parks, forests and other recreational sites;
- maintenance of greenery, tree-lined paths, fountains and waters along the main streets;
- city transport, street and traffic signals and public parking;
- maintenance of the central city cemetery;
- maintenance and utilization of the Vardar River and reconstruction of the bridges within its territory;
- maintenance and operation of two large open-air markets.

The City of Skopje also:

- undertakes initiatives and offers opinions and proposals for the extension of institutional networks in the fields of culture, sport, social security protection and child care, preschool education, basic health care, protection of animals and plants and manmade environments;
- encourages and creates conditions for the development of handicrafts, tourism and catering;
- performs civil defense duties;
- establishes city administrative services;
- establishes city inspections;
- establishes public communal enterprises;
- determines sanctions when city regulations are violated.

The City of Skopje may establish mass media of city relevance. It also may supplement activities managed by the central government (particularly in the areas of culture, sport, social security, children's care, basic health protection and protection of the natural and manmade environment). This can be accomplished by financing construction, providing equipment and maintaining facilities in the respective fields. The City of Skopje also may cooperate with the capitals of other countries.

1.4 Territorial Self-governments below the Municipal Level

Local populations may establish communities or neighborhoods (usually a village or a city district) as territorial self-governments within the municipal structure. The terms and procedures of their establishment, program of activities and finances are regulated in detail by the appropriate local government statutes.

The local governments of these communities consist of the council as the decision-making body and the president as the executive authority. They also may have a secretary to carry out administrative and technical issues if adequate funds are available.

Citizens are allowed to make decisions on issues concerning their everyday lives and work. They may initiate construction or reconstruction of local infrastructure in the area of their local

community and organize local support in the form of money or labor. These communities are not political units; they cannot issue authoritative acts, conduct inspections, et cetera. Their competencies are limited to proposing actions to municipal authorities and participating in them on a voluntary basis in response to the expressed will of the local population.

Local communities are legal entities. They can be financed by the following sources:

- municipal grants;
- municipal funds for entrusted work;
- funds collected by the local population;
- sources from various legal entities and private individuals;
- donations, et cetera.

1.5 Relationship between State Administration and Local Government

The central authorities—the national government and assembly—are empowered to design and ensure the operation of the local government system. They are committed to set forth all basic principles, modes and legal instruments of local government operations and determine its legal framework. The central authorities organize and conduct local elections, oversee the development of the local government system and intervene when necessary to ensure proper functioning.

There are two different types of administrative-territorial divisions in Macedonia. The first consists of central governmental bodies and their local agencies. Administrative bodies subordinated to ministries (Ministry of Education and Physical Culture, Ministry of Health, Ministry of Labor and Social Policy, Ministry of Culture) are located in large municipalities. Some institutions within these ministries, like the Pedagogical Institute (a partially autonomous entity within the Ministry of Education), may also have local offices (see figure 6.1). The second type of administrative-territorial division is the system of municipal governments.

The ministries may entrust a part of their work to the local governments under the assumption that they will address such responsibilities in a more efficient manner. In these cases, it is the duty of the central authorities to provide the local authorities with sufficient funds for such projects. Central authorities also are involved in financing some projects in local government units in order to improve local living conditions, especially in underdeveloped areas.

Any local government has the right to perform its duties and select priorities as mandated by law without the interference of the central authorities. However, there is central control over local government units in the following respects.

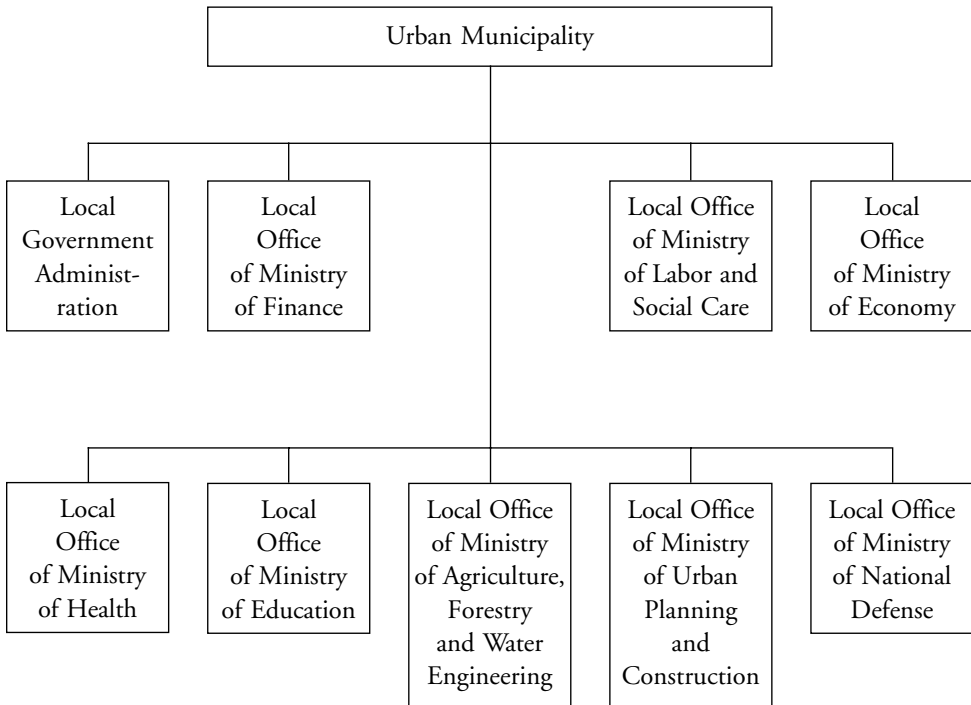
1. The local government must report its financial situation to the Ministry of Finance. Central authorities determine the size of local government budgets, taking into consideration the

level of development, the size of the population, et cetera. If a municipality provides more money from its own sources, then the “surplus” must be approved for local use by the central authorities or transferred to republic funds.

2. The central government or the respective ministries monitor the legality of local government activities. The government may suspend the implementation of any general act adopted by local authorities that is not in accordance with the Constitution and may initiate procedures before the Constitutional Court in order to determine if it complies with the Constitution and the law.
3. If the central government or ministry entrusts a task to a local authority, then it has the right to supervise the progress of that task and to provide instructions and guidelines to the local authority in charge of the project. Financial control over the project is exercised by the Ministry of Finance.

Figure 6.1

Local and State Administrations Located and Performing Activities in Urban Municipalities in Macedonia



There are several decentralized bodies of the central government, including the National Statistical Office, the Republic Hydrometeorological Institute and the Macedonian Archives. Their networks cover the largest, most populated municipalities throughout the country.

The government of the Republic of Macedonia has the right to dissolve the council of a local government unit that fails either to convene for a period of more than six months or to hold at least two sessions a year. It also may do so if the council fails to adopt a budget for the following year before 31 December. The government then is obliged to issue a notice on new elections; until these elections take place, the mayor assumes the council's functions. The local government council also may be dissolved if it adopts an act endangering the sovereignty and territorial integrity of the Republic of Macedonia, in which case the government reports the situation to the National Assembly.

If the mayor of a particular local government unit is not willing or is not in a position to perform his or her duties, the government appoints a commissioner until the next elections are held.

If a council or mayor believes that a particular regulation passed by the National Assembly or the central government violates the rights of the local government, procedures may be initiated before the Constitutional Court to decide if the regulation is in conformity with the Constitution and laws. If local authorities consider their rights to be violated by the activities of the government or its ministries, they can appeal to the regular courts.

A great variety of forms and means of cooperation exists between local authorities and the ministry agencies operating in the territory of a particular municipality. The most important are the following:

- the local offices of the Ministry of Finance collect taxes and fees on behalf of the local government units (with the exception of the municipal construction land fee) and ensure monetary transfers to local authorities and the periodical reporting of payment balances;
- local governments and the territorial public administration can exchange professional information, arrange joint meetings, prepare joint drafts, provide joint opinions, et cetera, and they may establish joint bodies to discuss or scrutinize long-term issues.

1.6 Regionalization

There are no regions in the Republic of Macedonia. The ethnic Macedonian politicians and public take the stance that the republic is too small to require regionalization. However, ethnic Albanians, the prevailing population in western Macedonia, tend to promote regionalization.

2. Local Politics, Decision Making

2.1 System of Local Elections

Every citizen of the Republic of Macedonia acquires the right to vote upon reaching eighteen years of age. A citizen must be a permanent resident in the municipality where he or she votes. Elections are free, equal, universal and by secret ballot.

Both mayors and local council members are elected by popular vote. The number of municipal councilors depends on the size of the local population and is determined by the Local Government Act (see table 6.1). The only exception is the council of the City of Skopje, which is comprised of thirty-nine members—twenty-five elected directly by citizens and fourteen delegated by the seven municipal councils (two from each) within Skopje's territory.

Table 6.1

Number of Local Council Members According to Size of Municipality in Macedonia

Number of Residents	Number of Councilors
0–10,000	13
10,001–30,000	17
30,001–50,000	19
50,001–100,000	23
100,000+	25

Both the proportional and majority electoral systems are applied in local elections. Councilors are elected by proportional vote according to the D'Hondt method. Officially registered political parties and groups of at least two hundred citizens may nominate lists of candidates. The candidates and their supporters must be Macedonian citizens and permanent residents of the municipalities in which they are nominated. Citizens do not vote for particular candidates, but rather for lists of candidates. In accordance with the D'Hondt method, the number of elected councilors of any particular list is proportionate to the votes cast for that list. So, for example, if thirty percent of the citizens in a particular municipality vote for the list of candidates nominated by the Liberal Party, then thirty percent of the candidates on the list are elected councilors.

The nomination procedure and legal conditions for mayors are identical to those regarding councilors. Thus, mayoral candidates must be Macedonian citizens and permanent residents in the municipalities in which they are nominated, and they may be nominees of officially registered political parties or groups of at least two hundred citizens. In these elections, however, the

majority electoral system is applied; a mayor is elected by majority vote, provided that half of the entire constituency in a particular municipality participates in the elections. If not, a second round of elections is held for those candidates obtaining more than ten percent of the total number of votes in the first round. If there is only one or no candidate with more than ten percent of the votes, then the two candidates receiving the highest number of votes in the first round participate in the second round of elections. The winner is the candidate who obtains the majority of votes in the second round of elections.

The bodies in charge of conducting local elections are the National Electoral Commission, municipal electoral commissions, the electoral commission of the City of Skopje and electoral boards.

The National Electoral Commission appoints the members of the municipal electoral commissions as well as those of the City of Skopje for a term of four years. Local commissions are comprised of five members each, with two representing the party in power and two representing the opposition parties that obtained at least five percent of the vote in the national elections (the most recent of which were held in 1994).

The municipal electoral commissions are charged with technical preparation. This includes preparing lists of candidates, appointing members to the electoral boards directly involved in the voting procedure, deciding on complaints by parties or citizens concerning the activity of a particular electoral board and verifying and publicly announcing the outcome of the municipal election.

The electoral boards are comprised of two members: one representing the ruling party (or coalition) and another representing the opposition party. They are responsible for the implementation of the voting procedure in each voting district; this involves both explaining the voting procedure to citizens and ensuring that voting rules are obeyed. The Local Election Law provides that the opposition parties are entitled to supervise directly the regularity of elections.

Table 6.2
Voter Response in Local Council Elections in Macedonia, 1996

	Number	% of Electorate	% of Ballots Cast
Total Electorate	1,498,653	100.00	
Voted	904,438	60.35	100.00
Valid Ballots	796,206		88.03
Invalid Ballots	108,232		11.97

SOURCES: *Bulletin of the State Electoral Commission* (Skopje: 1997); Stojmen Mihajlovski and Dushan M. Verigic, *Multiparty Elections in the Republic of Macedonia* (Skopje: Institute for Sociological, Political and Juridical Research, 1998).

Table 6.3
Results of Local Council Elections by Political Party in Macedonia, 1996

Political Parties	Number of Votes Received	%	Number of Councilors Elected	%
Social Democratic Alliance of Macedonia	203,084	25.51	554	29.45
VMRO-Democratic Party for Macedonian National Unity	152,591	19.16	370	19.67
Socialist Party of Macedonia	66,307	8.33	166	8.83
Democratic Party	66,532	8.36	131	6.97
Liberal Party	59,706	7.50	111	5.90
Party for Democratic Prosperity	78,944	9.91	205	10.88
Party for Democratic Prosperity of Albanians	56,175	7.05	147	7.82
VMRO-Democratic Party	12,385	1.56	5	0.26
Democratic Party of Turks	10,616	1.33	40	2.13
Others	89,866	11.29	152	8.09
Total	796,206	100.00	1,881	100.00

SOURCES: *Bulletin of the State Electoral Commission* (Skopje: 1997); Stojmen Mihajlovski and Dushan M. Verigic, *Multiparty Elections in the Republic of Macedonia* (Skopje: Institute for Sociological, Political and Juridical Research, 1998).

Table 6.4
Voter Response in Mayoral Elections in Macedonia, 1996

Total Electorate	First Cycle		Second Cycle	
	Voted	%	Voted	%
1,419,081, of which:	855,390	60.28	721,431	50.84
Skopje: 354,681	188,696	53.20	175,982	49.62

SOURCES: *Bulletin of the State Electoral Commission* (Skopje: 1997); Stojmen Mihajlovski and Dushan M. Verigic, *Multiparty Elections in the Republic of Macedonia* (Skopje: Institute for Sociological, Political and Juridical Research, 1998).

Table 6.5
Mayors of Municipalities by Party or Coalition Affiliation in Macedonia, 1996

Party Affiliation	Number	%
Social Democratic Alliance of Macedonia (coalition)	54	43.54
Coalition of VMRO-Democratic Party for Macedonian National Unity, Democratic Party, MAAK-Conservative	28	22.58
VMRO-DPMNE	1	0.81
Democratic Party	1	0.81
Party for Democratic Prosperity (PDP)	15	12.09
Socialist Party	10	8.06
Social Democratic Alliance of Macedonia, Socialist Party	1	0.81
Party for Democratic Prosperity of the Albanians (PDPA)	5	4.03
PDPA, NDP	3	2.42
PDPA, NDP, PDP	1	0.81
Democratic Party of Turks in Macedonia	2	1.61
Democratic Party of Serbs	1	0.81
Democratic Progressive Party of Roma	1	0.81
Independent Candidates	1	0.81
Total	124	100.00

SOURCES: *Bulletin of the State Electoral Commission* (Skopje: 1997); Stojmen Mihajlovski and Dushan M. Verigic, *Multiparty Elections in the Republic of Macedonia* (Skopje: Institute for Sociological, Political and Juridical Research, 1998).

2.2 Forms of Direct Democracy

Citizens participate directly in decision making on issues of local relevance through citizens' initiatives, gatherings and referendums.

Citizens have the right to propose or initiate the adoption of a certain act in order to resolve particular issues within the authority of the local council. If at least ten percent of the registered voters support a particular proposal, it must be discussed by the council within the term determined by the local government statutes (ninety days at most).

A gathering of citizens may be called for the entire municipality or for one of its subdistricts. The gathering is announced by the mayor on his or her initiative or upon the request of at least ten percent of the electorate in the area concerned. Such a gathering may adopt general guidelines regarding the activity of municipal bodies by a majority of votes of those attending the gathering. The local bodies are obligated to take these guidelines into consideration within ninety days.

The council may issue a referendum concerning matters within its sphere of competence on its own initiative or upon the request of twenty percent of the electorate as determined by the municipal statutes. The decision resulting from the referendum is adopted upon a majority vote (provided that more than one half of the electorate has participated) and is binding for the council.

2.3 Internal Structure of Local Government Decision Making

The municipal council is the legislative body of the local government unit. The council:

- adopts the municipal statutes and the rules of procedure for the council;
- adopts the budget and the annual balance of accounts;
- adopts working programs and plans;
- makes decisions within the competency of local government;
- establishes municipal administrative bodies and supervises their work;
- establishes commissions for the appointment and dismissal of municipal administrative officers;
- appoints and relieves of duty its president and secretary;
- establishes public services, institutions and enterprises, supervises their work and appoints and dismisses their managers on proposal of the mayor;
- oversees inspections on issues within the competence of the local government unit;
- determines sanctions when municipal regulations are violated;
- carries out other activities as determined by law.

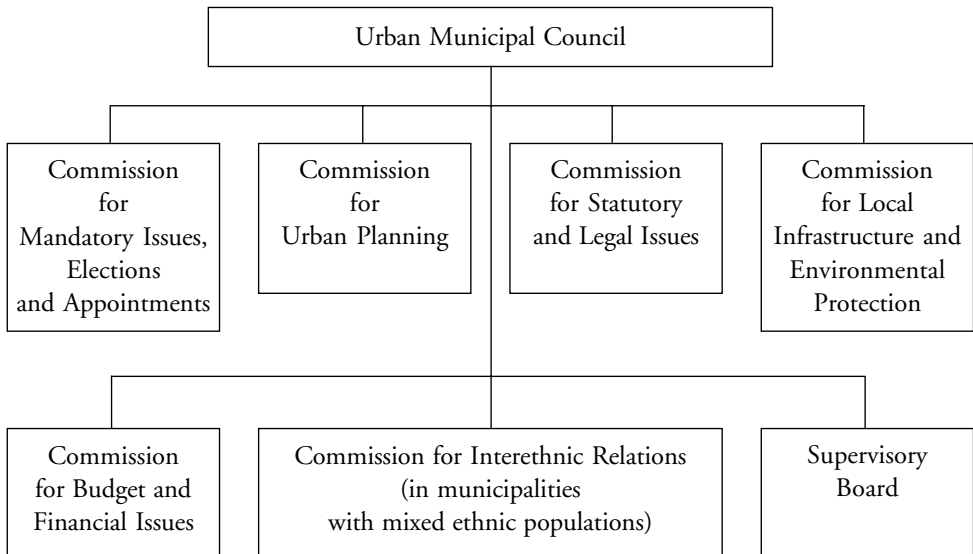
The council is entitled to utilize public goods and natural resources within its territory in carrying out its duties as entrusted by law.

Council sessions, which are open to the public, are convened by the president and must be attended by a majority of the total number of councilors. Decisions are made by a majority vote of the councilors attending unless determined otherwise by law or the municipal statutes. The statutes, rules of procedure, budget and balance of accounts are adopted by a majority vote of the total number of councilors.

Committees or commissions are established mainly in order to discuss the drafts of various acts and resolutions and to present them to the council. A local government council usually has

several commissions, each of which addresses one or two local unit competencies on either a standing or an ad hoc basis. The most common commissions are the following: statutes commission, finance and budget commission, commission for communal activities, commission for urban planning and commission for the protection of the natural and manmade environment. Their membership and responsibilities are regulated by the local government's statutes (see figure 6.2). The law also stipulates that a commission for interethnic relations be established in municipalities with mixed populations including representatives of all nationalities residing in the municipality.

Figure 6.2
Commissions of Urban Municipal Councils in Macedonia



The council elects the committees' members, choosing from councilors or from experts in a committee's particular field of activity. The committee chair acts as the link between the committee and the other local government bodies.

The president of the council is a councilor nominated by a special commission (elected by the council immediately after verification of the mandates of the councilors) and elected by a majority vote of the total number of councilors. The president:

- summons and leads the sessions of the council;
- organizes the work of the council;
- signs decisions and other acts passed by the council.

Councilors have the right and duty to participate in their council and commission meetings. They have the right to pursue initiatives and proposals and pose questions to the mayor.

Although the office of councilor is unpaid, expenditures incurred in order to attend meetings are reimbursed. The mandate of a councilor is terminated in the case of death, resignation, conviction for criminal charges, sickness for more than a year or absence from meetings for more than six months without justification. A councilor cannot be held to have committed a criminal offense or be detained owing to the views he or she expresses or to the way he or she votes in the council.

The office of mayor is a representative and executive organ in the local government unit. The mayor:

- represents the local government unit;
- implements decisions of the council;
- implements work entrusted to the local government unit by the central authorities;
- proposes to the council the adoption of decisions and other general acts within its competence and publicizes the acts and decisions passed by the council of the local government unit in the official municipal gazette;
- issues individual acts if specifically entitled to do so in conformity with the law and the statutes of the local government unit;
- manages the municipal administration and municipal property in conformity with the law and the statutes of the local government unit;
- appoints and dismisses the chief architect (in urban municipalities), the heads of the municipal administrative departments and the members of the town (city) council for architecture;
- hires and dismisses officers in the municipal administration after acquiring the opinion of a special commission of the local council;
- carries out other work as determined by law and by the statutes of the local government unit.

The mayor is obliged to call the council's attention to acts and decisions that do not comply with the Constitution or the law. In such cases, the council must review the act or decision within fifteen days. If the council fails to achieve conformity of the act with the Constitution or law, then the mayor is obliged to inform the government of the Republic of Macedonia.

The mayor performs his or her duties on a professional basis and is responsible to the citizens of the local government unit. A vote of no confidence may be initiated by at least twenty percent of the total number of voters and is adopted by a simple majority vote of all voters in the local government unit. The mayor's term is terminated in the case of resignation, death, illness longer than a year, absence longer than six months without a justifiable reason or conviction for criminal charges. The government of the Republic of Macedonia establishes the reason for and enacts the mayor's termination. The government then informs the National Assembly so that the latter may initiate new mayoral elections in the respective municipality.

The municipal office prepares drafts of acts and other resolutions in accordance with the recommendations and instructions of the mayor. After the approval of the draft by the mayor, it is distributed to committee members for discussion. Party groups also may initiate discussion if an act is of suitable importance. The last stage at which the draft may be radically changed or rejected is at the committee level. Committee members usually add their parties' opinions to the draft, which is then passed at a council assembly. While some drafts may inspire long debates by councilors, very seldom is the version adopted by the committee dramatically changed.

2.4 Public Participation in Decision Making

Public participation in decision-making is very limited. Local papers are published only in larger municipalities, where they mainly report information or provide expert opinions and academic discussions on local issues, but they are not strong enough to encourage public participation in the resolution of particular problems. The number of nongovernmental organizations (NGOs) has increased dramatically over the last three or four years, mainly through the support of foreign sponsors; however, they still are not influential enough to initiate major changes in the local decision-making process.

Both the administrative body and the mayor are authorized to issue individual administrative acts regulating particular rights of citizens. If citizens are not satisfied by first-instance decisions, they can lodge complaints with the mayor against the decisions of the administrative body and with the council against the decisions of the mayor. If citizens are not satisfied by second-instance decisions, they may defend their rights through the court system. In addition, the public attorney protects the constitutional and legal rights of citizens when they are violated by bodies of the state administration or by other organizations with public mandates.

2.5 Distribution of Power between Different Levels of Government

Ministries, through their territorial departments or offices, oversee maintenance, development, personnel and financing for the following areas: education, social welfare, health services, culture, sports, environmental protection, police and some economic services, such as gas and electricity. The local offices of the Ministry of Finance collect taxes and fees (with the exception of municipal construction land fees) on behalf of the local government units. Their duties include tax collection, transfers of money to local authorities and administration of periodical reports and payment balances.

Local governments are in charge of the maintenance, development, financing and, in some cases, the personnel for:

- local infrastructure (construction and maintenance of roads and streets, drinking water supply, drainage of rainwater and sewerage, cleaning and garbage collection, lighting, maintenance of parks and greenery, maintenance of public cemeteries, et cetera),

- local public transportation,
- municipal secondary vocational schools,
- programs establishing building zones within the municipal territory and the collection of construction land fees,
- general urban plans after the approval of the state urban authorities, detailed urban plans and urban documentation for the inhabited areas of the territory of the municipality after the approval of the state urban authorities.

Local authorities may participate in the work of the institutions administered and financed by the ministries in several ways:

- by submitting initiatives and opinions on all relevant issues concerning the functioning of institutions in the above fields, though the ministry has final decision-making power,
- by participating in the work of school boards, though all substantial decisions (staff salaries, curricula, et cetera) are made by the Ministry of Education or its institutes,
- by serving on school committees that propose candidates for headmaster positions to the Ministry of Education, although the minister makes the final selection,
- by contributing extra funding to ministry initiatives in fields of local interest.

One may conclude that local governments play very insignificant roles in these fields since their opinions and initiatives are not binding for central authorities and their poor financial revenues cannot substantially supplement state budget funds in the above fields. In fact, local government competencies in local service delivery are very narrow. In addition, municipalities are dependent on territorial public administration with respect to tax and fee collection. However, hierarchical relations between the central and local authorities do not exist. One possible exception could be the adoption of general and detailed urban plans, which necessitates the prior consent of local offices of the Ministry of Urban Planning and Construction.

2.6 Ethnic Issues, Multicultural Government

Local government units in which the proportion of inhabitants of other nationalities (ethnic Albanians, Turks, Serbs, et cetera) exceeds fifty percent of the total population according to the last census (currently 1994) are considered to have “a majority of other nationalities.” Territorial units in which representatives of other nationalities exceed twenty percent of the total population are considered to have “a considerable proportion of other nationalities.”

In such areas, the relevant languages and alphabets are officially used in addition to the Macedonian language and its Cyrillic alphabet. This applies to council sessions, other local government bodies, statutes, decisions and general acts, public services, institutions and enterprises established by the local government unit.

In a local government unit with a majority of non-Macedonian inhabitants, signs of the settlements, public services, institutions and other enterprises are written both in Macedonian and in the language and alphabet of the relevant nationality. This also may be decreed, at the discretion of the local council, in those areas with a considerable proportion of non-Macedonian inhabitants. Signs for institutions that serve to promote the cultural identity and education of ethnic minorities are written both in Macedonian and in the language and alphabet of the minority group, even if they are in areas where there is a small number of inhabitants of the respective nationality.

The Local Government Act states that efforts should be made to provide proportional representation of other nationalities in the election of and appointment to the bodies of local government units with mixed ethnic populations. The law stipulates the establishment of a commission for interethnic relations made up of representatives of all resident nationalities in municipalities with mixed populations. The statutes of these local government units create procedures to fulfill this legal provision regarding the composition and election of committee members, et cetera.

2.7 Local Government Associations and International Contacts

Membership in the Macedonian Association of Local Government Units is a mandatory form of cooperation among local governments. The association performs the following tasks:

- discusses the draft of any act or regulation concerning local government issues;
- promotes and organizes cooperation among local government units;
- represents local government interests before the state authorities;
- promotes cooperation between the local and central authorities;
- establishes cooperation with other national and international associations of local government units, et cetera.

There are two institutions in charge of education and training of local government staff. The first is the Law Faculty in Skopje, where local government is a subject in undergraduate and postgraduate studies. The second is the Institute for Sociological, Political and Juridical Research where local government is a subject of its M.A. program in political studies. Doctoral dissertations on this topic may be defended at both institutions. Both institutions also conduct short-term training courses with domestic and foreign experts.

The Institute for Sociological, Political and Juridical Research permanently carries out various fundamental, developmental or applied projects dealing with local government issues. In addition, some experts from law faculties, the Sociological Institute of the Philosophical Faculty, et cetera are involved in local government projects.

3. Local Administration, Service Provision

3.1 Structure and Operation of Local Administration

The municipal administration consists of inspectorates, offices, et cetera. Its responsibilities include:

- preparing drafts of acts to be passed either by the council or mayor of the local government unit;
- carrying out activities for the council and mayor requiring special expertise;
- issuing individual administrative acts;
- following and analyzing the situation in specific fields and suggesting initiatives and proposals either to the council or to the mayor;
- carrying out other work entrusted by the council and mayor;
- performing other technical administrative activities.

Both mayors and communal inspectors have authoritative power, allowing them to issue independent acts. Municipal inspectors have a limited range of powers and chiefly ensure that services (for example, water supply, sewerage, garbage collection, markets, et cetera) function in conformity with the appropriate regulations. If not, they may issue orders to a private individual or legal entity to correct the situation. Further noncompliance may result in a complaint to the mayor, whose decision can be challenged through the court system.

The mayor in executing the decisions of the municipal council is entitled to issue individual acts (for instance, the selection of enterprises dealing with local infrastructure services). Any unsatisfied parties may lodge a complaint against the mayor's decision with the municipal council. If they remain unsatisfied by the council's decision, they may initiate a lawsuit before the regular courts.

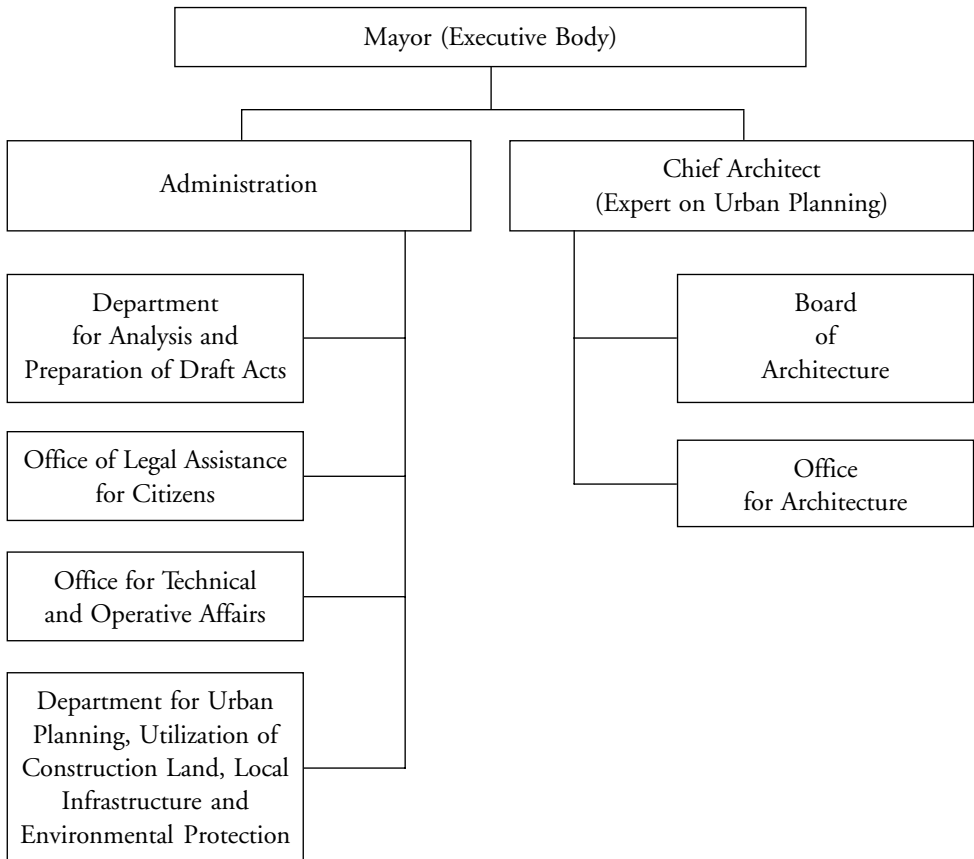
The mayor oversees a wide variety of managerial functions: organizing and managing the municipal administration, supervising municipal property and appointing all civil servants, experts and executive officers. In larger municipalities, the department heads and the chief architect are responsible for directing activities in their departments and for proposing staff to be appointed by the mayor. In rural municipalities, however, there are fewer departments and employees, and the mayor handles all managerial functions.

The Local Government Act stipulates that the administration be divided into two sectors: one dealing with analysis, expertise, draft preparation and inspection and one providing technical administrative services, such as issuing documents. Each of these sectors is further subdivided into various departments. For the time being, however, most local government units are dependent on budgets determined by the state and lack municipal property (the division of assets in newly established municipalities has not yet been executed). Consequently, they are not able to perform all administrative services needed, nor can they recruit appropriate personnel. As a result of this, many of them lack even communal (municipal) inspectors.

The personnel of local administrations includes civil servants or municipal officials and other employees or executives. In larger urban municipalities, the former category consists of the secretary of the municipality (who acts as legal adviser), the heads of administrative departments (legal, financial, et cetera) and the chief architect. At the top of the municipal administrative hierarchy is the mayor. All other officers, analysts, et cetera belong to the second category.

The mayor appoints the chief architect for a term of four years. He or she is assisted by the municipal board of architecture, comprised of distinguished architects and other professionals, and the office of the chief architect. The chief architect manages institutions and nominates their members, who then are appointed by the mayor (see figure 6.3). Rural municipalities have neither a chief architect nor an office for architecture.

Figure 6.3
**Administrative and Expert Bodies
 in Urban Municipalities in Macedonia**



The chief architect:

- undertakes initiatives for the modification, elaboration and design of detailed urban and architectural plans;
- gives expert opinions on detailed urban plans and architectural projects in order to preserve the ambient values of particular town areas or objects;
- gives consent for architectural projects of great importance to the town;
- proposes supplementary regulations and norms in the field of architecture;
- undertakes initiatives for the revitalization of particular town areas;
- preserves the cultural and architectural tradition of the town.

Local councils may establish public services, public institutions and public companies. Some examples include secondary vocational schools and communal companies for water supply, garbage collection, et cetera. The councils have the power to appoint managers to these institutions, request financial and work reports, and otherwise supervise their performance.

3.2 Local Service Delivery

Municipal service delivery is mandated by law or assumed voluntarily by the local government. Those functions that are mandatory include:

- adoption of developmental programs as well as general and detailed urban plans after the approval of the state urban authorities;
- adoption of budgets and balances of payment;
- determination of building zones within the municipal territory;
- collection of land fees;
- construction and maintenance of local roads and streets;
- maintenance of the drinking water supply, rainwater drainage, sewerage, street cleaning, garbage collection and public lighting;
- maintenance of parks, green areas and public cemeteries;
- provision of local transportation;
- maintenance and utilization of riverbeds;
- maintenance and use of markets;
- naming of streets, squares, bridges, et cetera;
- advice on the opening of primary schools (a responsibility of the Ministry of Education);
- guidance on and participation in the development of primary education, culture, sport, social security and child care, preschool education, basic health care, protection of the natural and manmade environments;
- encouragement of the development of handicrafts, tourism and catering;
- civil defense duties;
- establishment of municipal administrative bodies, inspections and public communal enterprises;
- determination of sanctions when municipal regulations are violated.

Municipalities may choose to undertake the following responsibilities at their own discretion:

- establishment of mass media of local relevance in conformity with the law;
- establishment of secondary professional schools;
- provision of supplemental funds to improve primary education, culture, sport, social security, childcare, health care and protection of the natural and manmade environment;
- financial support for economic enterprises;
- acceptance of projects entrusted by the central authorities.

Communal services (water supply, garbage collection, electricity supply, park maintenance, et cetera) may be provided by public companies and through concessions and licenses. Thus, private individuals or entities as well as public companies may provide communal services. Public companies may be established by the state or by municipalities as limited liability or joint stock companies with private investors.

Most public companies are traditional budgetary companies, meaning that relations between the company and the municipality remain unchanged. Some exceptions exist among newly established municipalities, which engage private companies through temporary contracts.

4. Local Finance, Economic Development

Financing for many areas is provided by the central government (see section 2.5). The bulk of local government funds is intended to finance local infrastructure and public transport. In addition, if local governments can afford to, they may finance municipal secondary schools and provide supplementary funds for infrastructure, facilities, equipment and staff in those areas supported by the central government. Thus, unlike their western or East European counterparts, Macedonian local governments do not have the obligation to finance development in these fields.

4.1 Revenues

Local government property consists of land, facilities and money. Municipalities may dispose of their assets in the same manner as any other economic subject. However, due to unsettled property disputes from the last territorial division in 1996, many municipalities, particularly newly established ones, are not yet in possession of their property.

Some legal controversy surrounds sources of local revenues. Although legal possibilities exist for municipalities to increase revenues, the current status of the law makes it impossible for them to be utilized. The Budget Law, passed in 1993, designates the following independent or original local revenues:

- taxes (on property, on the transfer of property, on copyrights and other rights, on inheritance and estates);

- communal fees;
- state grants;
- domestic and foreign donations;
- other revenues transferred to local governments in conformity with the law.

However, in 1995, the Local Government Act was adopted, stipulating the following expanded list of local revenue sources:

- a share of the sales tax on goods and services and of tax on economic activities (as shared revenue with the republic);
- taxes (on property, on the transfer of property, on copyrights and other rights, on inheritance and estates);
- land fees, communal fees and revenues from services;
- profits from municipal public enterprises;
- a share of the profits from public enterprises located in the municipality;
- fines for violations of municipal regulations;
- revenues from taxes granted by the central government;
- other sources in conformity with law.

Although local revenues should be regulated by the more recent Local Government Act, it has not yet been put into practice. This is partly because a special local finance law has not yet been passed to elaborate the above items, particularly the share of taxes on goods and services and on economic activities. Another factor is the yet incomplete division of assets among municipalities after the territorial division of 1996. Therefore, the former, more restrictive Budget Law is still effective, depriving local governments of very valuable independent or original local revenues.

For the time being Macedonian local governments utilize the following sources of revenue.

1. State grants or grants by the government and some governmental funds and agencies, such as the following:
 - *Fund for Economically Underdeveloped Areas.* This is administered by an agency within the Ministry of Development. According to a special regulation passed by the government, the beneficiaries of the fund can be either private individuals or legal entities in the underdeveloped areas. These include rural settlements in underdeveloped municipalities and other villages that are located in mountainous, border or other highly underdeveloped regions. This fund is mainly intended for investments in local infrastructure, such as construction and repair of roads, water pipes, electricity networks, postal facilities, primary schools, health centers, veterinarian hospitals, training, et cetera. The agency provides up to eighty percent of the value of any particular investment.
 - *Fund for Communal Activities and Roads.* This fund is intended mainly for the construction and repair of roads and streets in all local government units.
 - *Fund for Water Pipes and Sewerage.* This fund finances construction, repair and maintenance of water pipes or water supply systems and sewerage networks in all local government units.

- *Budget transfers.* These can be used primarily to strengthen the capacity of local administration.
2. Shared revenues currently do not exist.
 3. Independent or original revenues, including:
 - *Taxes.* These include taxes on property, on the transfer of property, on copyrights and on inheritance and estates. The amount of these taxes is determined by law, meaning the respective regulation is prepared by the government and passed by the National Assembly. They are collected by the local offices of the Ministry of Finance and afterwards are transferred to local government units.
 - *Communal fees.* No land designated as a building or construction zone in urban areas is privately owned. Thus, anyone wishing to erect buildings (private or public) in these areas must pay communal fees for the use of the land. Local authorities are entitled to determine the amount of the fees and are responsible for their collection. Other communal fees, such as those for public lighting and for street use paid by vehicle owners are determined and collected by territorial administrations and distributed to local governments according to criteria established by the state.
 - *Service fees.* Communal enterprises provide local service delivery for public transport, water supply, sewerage and garbage collection; consumers pay for these services directly.
 4. Foreign and domestic donations. Foreign donations are more numerous; some provide one-time funding, and others permanent, such as PHARE, Dialogue Development (Denmark), et cetera.
 5. Local contributions. Local authorities do not issue bonds, but they can mobilize the local population to donate money or participate in public works as a volunteer labor force.

Table 6.6
Structure of Local Government Revenue in Macedonia [%]

	1994	1995	1996	1997	1998
State Grants	22.2	30.4	27.7	48.9	42.2
Independent or Original Revenues	77.6	69.4	71.8	48.9	55.1
Local Contributions	0.1	0.1	0.2	1.3	0.7
Donations (foreign and domestic)	0.1	0.1	0.3	0.9	2.0

NOTE: Financial statistics are the mean values of a representative sample of four local government units in the period 1994–96 and nine local government units in the period 1997–98, covering about thirty percent of the Macedonian population.

Based on the data in table 6.6, the following conclusions can be drawn. First, the proportion of state grants is continually increasing in relation to independent or original revenues. This is due to the establishment of the Fund for Economically Underdeveloped Areas in 1994 and the specialized agency in charge of administering the fund plus increases in already existing funds. The territorial division of 1996 produced about ninety new municipalities, some with poor financial resources, which therefore rely much more on state grants than the former, larger municipalities. There also has been a substantial increase in donations, especially from abroad, in the structure of local government finances.

4.2 Expenditures

Table 6.7 shows that there has been a consistent increase in local government capital expenditures in an attempt to overcome unfavorable situations, primarily in the field of local infrastructure. This is due to the former state grants as well as legal restrictions on local administrative expenditures. Every year, national authorities pass laws limiting the amount of local finances that can be spent on staff and other administrative costs in each particular municipality.

Table 6.7

Distribution of Local Government Expenditures in Macedonia [%]

	1994	1995	1996	1997	1998
Current Budget	50.2	45.6	46.2	41.3	41.8
Capital Expenditure	49.5	54.2	53.5	58.1	56.8
Other	0.3	0.2	0.3	0.6	1.4

NOTE: Financial statistics are the mean values of a representative sample of four local government units in the period 1994–96 and nine local government units in the period 1997–98, covering about thirty percent of the Macedonian population.

As demonstrated by Table 6.8, most revenues are spent on infrastructure, since most local government competencies lie in this sphere. The high percentage of administrative costs compared to total expenditures demonstrates how small local budgets really are. Finally, the figures show that funds for local needs other than infrastructure and administration are symbolic, mainly coming from the Fund for Economically Underdeveloped Areas. Only the largest cities have the privilege of spending a small portion of their revenues on other needs.

Municipal borrowing is not widespread at the moment, as many municipalities have unsettled property claims, revenues are poor, and the loan capacities of Macedonian banks are very limited. No banks have been established by local authorities or for the special purpose of supporting local needs.

Table 6.8
Structure of Local Government Expenditures in Macedonia [%]

	1994	1995	1996	1997	1998
Administration	42.9	39.7	37.8	26.1	30.2
Infrastructure	52.4	55.3	57.1	66.6	60.3
Education	3.3	3.5	3.7	4.8	3.9
Health Care	0.1	0.2	0.1	0.2	0.3
Sport, Culture	0.4	0.4	0.5	0.5	0.5
Social Protection	—	—	—	—	1.7
Environmental Protection	0.2	—	0.3	0.5	0.9
Public Transport	—	—	—	—	0.2
Other	0.8	0.9	1.1	1.3	2.0
Total	100.0	100.0	100.0	100.0	100.0

NOTE: Financial statistics are the mean values of a representative sample of four local government units in the period 1994–96 and nine local government units in the period 1997–98, covering about thirty percent of the Macedonian population.

Laws dealing with the termination of companies include the Trade Companies Law and the Bankruptcy Law. The former stipulates the basic terms for both the establishment and termination of various types of companies (sole proprietors, publicly traded corporations, limited partnerships, limited liability companies, joint stock ventures, et cetera). The Bankruptcy Law deals with bankruptcy proceedings and its legal consequences, the management and disposition of property from the bankrupt estate, the bankruptcy plan, et cetera.

4.3 Economic Development

There is a rather unclear provision in the Local Government Act according to which the local units may encourage and create conditions for the development of handicrafts, tourism and catering. In general, national bodies are in charge of economic development, and the act does not clarify how local governments might participate in this process. In any case, municipalities, faced with budget restrictions, will continue to give higher priority to infrastructure problems at the expense of local economic development. The first initiative of any kind was a meeting to discuss the role of municipalities in local economic development supported by foreign sponsors in December 1999.

5. Next Steps in the Transition Process

The advantages of the local government system introduced in the transition period are outlined below.

1. The electoral system has established a democratic nomination procedure (candidates can be nominated by political parties or groups of two hundred or more citizens) and the right of all citizens above eighteen years of age to vote in free elections by secret ballot. The combination of two electoral systems—proportional for councilors and majority for mayors—is also a positive development. The former provides fair, proportional distribution of votes in accordance with the political strength of all participants, giving even minor political parties a voice in the local council. The two-round majority system for mayoral elections enforces legitimacy.
2. All local officials are elected and appointed by local bodies. The central authorities therefore cannot interfere in local personnel affairs, one of the basic prerequisites for real local autonomy.
3. Central authorities control only the legality of local decisions and not their merit. It is this discretionary right that gives local governments the freedom to make decisions in their own interests.
4. The organizational structure of local governments provides strict division between legislative and executive powers in a municipality. Because mayors owe their offices to popular vote rather than to the council, they have independent status vis-à-vis the local council. This, in addition to their right to appoint all local staff, encourages them to be more responsible and creative in overseeing local processes.
5. The chief architect also represents an important innovation in local government organization, since development of infrastructure absorbs almost all local attention and energy. Most places have experienced chaotic growth with many illegally built settlements, some of which have been erected on agriculturally fertile soil; lack water supply, waste disposal, et cetera; and are badly in need of urbanization. The chief architect, together with his or her office, addresses these problems and promotes programs that have changed dramatically the urban face of many communities.
6. The new territorial division, which reduced municipalities in size and population and created rural municipalities, had the positive effect of producing smaller territorial units with more common interests, a basic condition for solidarity and joint action. Furthermore, smaller local government units provide the opportunity to govern in a less bureaucratic manner, since people generally know each other and have better access to local institutions.

7. The creation of rural municipalities is a constructive step towards more even local development. After territorial division, rural areas had the historically unique opportunity to dispose of their own money. In contrast, under the previous regime, all local revenues were centralized by large municipalities and used mainly for urban areas, whose representatives dominated the municipal assemblies.
8. Great progress has been made in financing underdeveloped rural areas since 1994 by establishing the special national fund and agency for this purpose, determining criteria for financing and defining precisely which villages may be potential beneficiaries of this fund.
9. Forms of direct democracy allow inhabitants to participate in local processes. Although referendums are the only form practiced to date, raising political consciousness will pave the way for public gatherings and further initiatives by citizens.
10. Existing regulations endeavor to create sound interethnic relations through the proportional representation of nationalities in local governments, the establishment of local interethnic commissions and the official use of minority languages in municipalities with significant non-Macedonian populations. In spite of this, relations between ethnic Macedonians and ethnic Albanians in the western part of Macedonia are tense. The roots for ethnic Albanian discontent lie much deeper than the arena of local affairs. They are dissatisfied by their social status, lack job opportunities in governmental and social services and in other economic spheres, experience difficulty in enrolling in higher education institutions, et cetera. Ethnic frustrations arise mainly in the fields of state administration, police, army, economy and education—fields in which the local authorities and population have no real impact.

Among the basic shortcomings of the local government system are the following.

1. Local government competencies are too narrow to meet the requirements of the local population. Although the local government has almost full control over local infrastructure, it has very limited involvement in the fields of education, health, social security, culture, et cetera. This creates two problems. First, central authorities or particular ministries are involved in day to day local activities (such as appointing headmasters and providing teaching aids for schools) and neglect their strategic or conceptual tasks. Furthermore, since central authorities make all basic decisions in these fields, local authorities and citizens remain relatively inactive and indifferent to participation in these local spheres.
2. Local government financing is currently the most complicated and acute problem. First, the division of assets after the territorial division of 1996 is still incomplete. At that time, financial relations between the old municipalities and the Macedonian government or ministries were not settled, since many local government departments were transferred to the respective ministries without a precise division of assets or properties. A special law,

passed soon afterwards, stipulated that the division of assets between the central government and old municipalities be implemented in the following six months, and between old and newly established municipalities by June 1997. The former was done after a long delay, and the latter has not yet begun. Consequently, newly established municipalities have no concept of what their possessions actually are. As a result, they have very limited capacity to invest their own resources, even in the field of local infrastructure.

Second, municipalities have the right to collect construction land fees, but other taxes and fees are determined by law and collected by local departments of the Ministry of Finance. Because state tax collectors are not directly motivated to collect local taxes, they fail to identify all taxpayers, producing a shortage in local revenues. Also, local authorities depend on reports from these departments, but complain that they are never on time.

Finally, the Local Government Act of 1995 enumerates the sources of local revenues, one of which is the sales tax on goods and services or tax on economic activities (as shared revenue with the republic). But a subsequent law on local finance has not yet been passed, meaning that the Budget Act of 1993 is still in effect. Since the sales tax does not exist in the Budget Act, this limits potential local revenues.

Faced with so many financial restrictions, the central allocation of funds and central control, most local governments must reduce their activities to address only local infrastructure, and even in this field they cannot have a dramatic effect on development.

Laws on local government financing should be prepared, elaborating the financial provisions of the Local Government Act. They should introduce new sources of revenue, the most important being the tax on goods and services and on economic activities, as well as revenues from fines, property utilization, public companies, et cetera. This could dramatically improve the financial capacities of all local governments, especially those that currently depend on state grants. In addition, this will indicate which local government units are capable of surviving on their own financial resources and which will benefit from mergers with other local government units. Changes must be made in the existing regulations to allow local governments to collect additional taxes and fees in order to increase local government revenues and hence provide more independence from central authorities. This in turn will lead to higher creativity in the conceptualization and implementation of local policies.

3. Territorial division, although generally positive, was not realized to its fullest extent for extremely small municipalities. Although one of the basic goals of the territorial division was to separate villages from urban areas in order to provide them with more autonomy, this was inconsistently carried out, and many villages are still incorporated into urban municipalities. Additionally, no empirical research was performed prior to the territorial division in order to identify the financial and personnel capacities of the new municipalities.

Consequently, very tiny municipalities were established, some with less than one thousand residents. The capacity for these municipalities to provide normal local development was thus reduced to zero.

4. The institution of the chief architect was not introduced in rural municipalities, although their urban and architectural problems are much more acute.
5. The Macedonian Association of Local Government Units is inactive and lacks external assistance. Major efforts should be made to jumpstart local government associations by establishing new organizational schemes and expanding their activities. Such associations should consider creating various chambers to represent different needs of local government (for instance, one for old municipalities and another for newly established ones). In addition, data on local government units should be published and updated every year nationwide.
6. Under the former system of large municipalities, public services such as transportation and water supply served many settlements and were organized from one municipal center. The territorial reorganization raises the question of how to coordinate these activities among the municipalities, since they are not very precisely regulated in the existing Law on Communal Activities.
7. Local administrative staffs are not trained to adjust to the new social changes. Old municipalities work according to previous schemes and ignore the need for management training. Consequently, many of them are conservative and provide obstacles to accelerated local government development. Furthermore, staff members in newly established municipalities are inexperienced.

The Ministry of Local Government was established at the end of 1998 and was an important step towards resolving local government problems. But the new ministry will need time to design and carry out its conception of local government reforms. Generally speaking, local government development in the 1990s is characterized by strong centralization with primarily negative effects. Furthermore, the system of local governments is a part of the entire social system and thus depends on the functioning of the whole. Because the Macedonian economy is still in recession, its poor output greatly reduces opportunities for an effective local government system. Despite the reforms enacted, local governments have poor financial sources at their disposal and will likely achieve very humble results. In addition, the judiciary in Macedonia is undergoing a very deep crisis. Although there are many legal mechanisms to protect the rights of local governments and citizens against the central authorities, they cannot be exercised without efficient judicial protection. Finally, there are many problems with the cadastre in Macedonia. Ownership cannot be determined easily due to missing and contradictory records, and there are many unsettled lawsuits dealing with property relations that aggravate legal traffic and property transactions.

Postscript: Recent Local Government Developments

Two events in the year 2000 were of importance to the further development of local government in the Republic of Macedonia: local elections and the drafting of a new Local Government Act.

1. Local elections 2000

Both parliamentary and local elections are of great interest to the populace and serve as evaluations of the achievement of the central or local authorities. The populace, in this period of transition, is hopeful that the new authorities will dramatically change their unfavorable living and working conditions.

Elections took place for local councilors and mayors on 10 and 24 September (first and second rounds), and in voting districts where the election results were cancelled due to irregularities, on 8 October. The results, according to unofficial sources, are illustrated in tables 6.9 to 6.12.

Table 6.9

Local Council Election Turnout in Macedonia, 2000

Indicator	Number/%
Total Number of Councilor Mandates	1,625
Total Number of Registered Voters	1,634,859
Voter Response	58.95%

SOURCE: *The Future of Elections in Macedonia* (Skopje: IFES, USAID, 17–18 November 2000).

Table 6.10

Local Council Election Results by Party in Macedonia, 2000

Party/Coalition	Number of Councilors Elected
Coalition "For," including Social Democratic Alliance (SDS), Liberal-Democratic Party (LDP), League for Democracy, Socialist Party of Macedonia (SPM)	733
VMRO-DPMNE/Democratic Alternative (DA)	574
Party for Democratic Prosperity of Albanians (DPA)	213
Party for Democratic Prosperity (PDP)	82
Candidates Nominated by Groups of Citizens	10
Other Minor Parties	13

SOURCE: *The Future of Elections in Macedonia* (Skopje: IFES, USAID, 17–18 November 2000).

Table 6.11
Mayoral Election Turnout by Party in Macedonia, 2000

Party/Coalition	Number of Votes
Coalition "For," including SDS, LDP, League for Democracy, SPM	525,392
VMRO–DPMNE/DA	313,087
DPA	116,676

SOURCE: *The Future of Elections in Macedonia* (Skopje: IFES, USAID, 17–18 November 2000).

Table 6.12
Mayoral Election Results by Party in Macedonia, 2000

Party/Coalition	Number of Mayors Elected
VMRO–DPMNE/DA	57
Coalition "For," including SDS, LDP, League for Democracy, SPM	33
DPA	23
PDP	3
Candidates Nominated by Groups of Citizens	2
Other Minor Parties	3

SOURCE: *The Future of Elections in Macedonia* (Skopje: IFES, USAID, 17–18 November 2000).

The Coalition "For," including the Social Democratic Alliance (SDS), Liberal-Democratic Party (LDP), League for Democracy and Socialist Party of Macedonia (SPM) won the elections in terms of overall votes obtained, councilor mandates won in municipalities and mayoral mandates won in almost all larger towns and cities, including Skopje. This victory was not necessarily due to the councilors' and mayors' achievements in the municipalities, which are not very impressive due to the narrow range of local competences and restrictive local finances, but rather was a reflection of the overall economic and social failures of the ruling coalition to which the parties VMRO-DPMNE and DA belong.

2. Draft Local Government Act

The draft Local Government Act is still being considered by the government, but there are three points that distinguish it from the 1995 act.

1. *Scope of local competences.* The extension of local competences is proposed for the following:
 - Social care is delegated to local government. Line 22 of Article 17 dealing with local government competences includes the provision of social protection to the population (social assistance to the poor and socially endangered; lodging and care for the elderly; shelter, care and education for orphans);
 - The municipalities are entitled to establish and finance the construction and maintenance of facilities in the fields of preschool education, culture, sport, social security and child care, protection of animals and plants, protection and promotion of man-made environment, et cetera.
 - The municipalities make decisions on urban planning, conditions for construction and general planning in contrast to the existing act, which requires the consent of state urban planning authorities.
2. *Mayoral status.* According to the draft, the mayor can perform his/her duties only on a professional basis, as opposed to the existing Local Government Act (article 39).
3. *Existence of a joint administration.* The draft introduces joint administration for two or more municipalities elaborating its organs and basic relations.

Generally, the draft act represents a step toward decentralization, since some of the competences, especially in the fields of social care and urban planning, will be transferred from central to local authorities. But even if this act is adopted, the Republic of Macedonia will remain a centralized state, since many competences in education and health care that are the domain of local units in developed countries will remain that of the ministries. Furthermore, the Local Finance Act is not being drafted parallel to the Local Government Act, and it is not clear if sufficient amounts of funding will be provided for the increased number of local competences and activities.

Recent Publications on Local Government in Macedonia

Statistical Office of the Republic of Macedonia. *Statistical Yearbook of the Republic of Macedonia*.

Statistical Office of the Republic of Macedonia. *Macedonia in Figures*.

Contacts for Further Information on Local Government in Macedonia

Ministry for Local Government

Address: Veljko Vlahovic 9, 91000 Skopje, Macedonia

Phone: (389-91) 106-532

Fax: (389-91) 228-903

Ministry of Justice

Address: Veljko Vlahovic 9, 91000 Skopje, Macedonia

Phone: (389-91) 117-277

Fax: (389-91) 226-975

E-mail: mjustice@unet.com.mk

Association of Local Governments

Address: Zheleznichka bb., 91000 Skopje, Macedonia

Phonelfax: (389-91) 227-619

Law Faculty

Address: Bul. Krste Misirkov bb., 91000 Skopje, Macedonia

Phone: (389-91) 117-244, 117-155

Fax: (389-91) 227-549

E-mail: webmaster@pf.ukim.edu.mk

Institute for Sociological, Political and Juridical Research

Address: Bul. Partizanski odredi bb., 91000 Skopje, Macedonia

Phone: (389-91) 365-195, 258-222

Fax: (389-91) 361-282

Note

¹ The Future of Elections in Macedonia, IFES, USAID, 17/18 November, Skopje.

Annex 6.1

Major General Indicators

All basic statistical data used can be found in the *Statistical Yearbook of the Republic of Macedonia 1997* (Skopje: Statistical Office of the Republic of Macedonia, 1997); *Macedonia in Figures 1998* (Skopje: Statistical Office of the Republic of Macedonia, 1998); or Doncho Gerasimovski, *Demographic Characteristics of the Republic of Macedonia According to the New Territorial Division* (Skopje: Statistical Office of the Republic of Macedonia, 1997).

Size of territory	25,713 square kilometers
Population density	76 inhabitants per square kilometer
Population (1994)	1,945,932
Pensioners (1997)	167,057
Disabled pensioners	48,909
Old-age pensioners	118,148
School-age children (1996–97)	341,201
Primary school children (ages 7–15)	259,957
Secondary school students (ages 15–19)	81,244
Major ethnic divisions	
Macedonians	66.6 percent
Albanians	22.7 percent
Turks	4.0 percent
Roma	2.2 percent
Serbs	2.1 percent
Vlachs	0.4 percent
Per capita GDP (1996)	1,581 USD
State budget (1997)	
Education	17.7 percent
Health services	0.6 percent
Social security	25.4 percent
Housing and protection of urban environment	0.4 percent
Culture, sport, recreation	2.5 percent
All local government funds	1.1 percent
Public debt (31 December 1997)	1.1311 billion USD
Unemployment rate (1997)	36.0 percent
Inflation rate (annual, 1997)	4.4 percent

Annex 6.2

Population, Settlements and Administrative Units

All basic statistical data used can be found in the *Statistical Yearbook of the Republic of Macedonia 1997* (Skopje: Statistical Office of the Republic of Macedonia, 1997); *Macedonia in Figures 1998* (Skopje: Statistical Office of the Republic of Macedonia, 1998); or Doncho Gerasimovski, *Demographic Characteristics of the Republic of Macedonia According to the New Territorial Division* (Skopje: Statistical Office of the Republic of Macedonia, 1997).

Table 6A.1
Number of Settlements by Population Size Categories in Macedonia

Population Size Category	Number of Settlements	%	Number of Inhabitants	%
0–1,000	1,377	78.55	335,966	17.27
1,001–2,000	137	7.82	192,955	9.92
2,001–5,000	80	4.56	236,717	12.16
5,001–10,000	17	0.97	111,646	5.74
10,001–50,000	16	0.91	369,777	19.00
50,001–100,000	4	0.23	254,111	13.07
100,001–1,000,000	1	0.06	444,760	22.86
1,000,000+	0	0,00	0	0,00
Unsettled (deserted)	121	6.90	0	0,00
Total	1,753	100.00	1,945,932	100.00

Average population of a municipality 15,821

Number of local governments at each level

Municipalities	123
City of Skopje (community of 7 municipalities)	1
Total	124

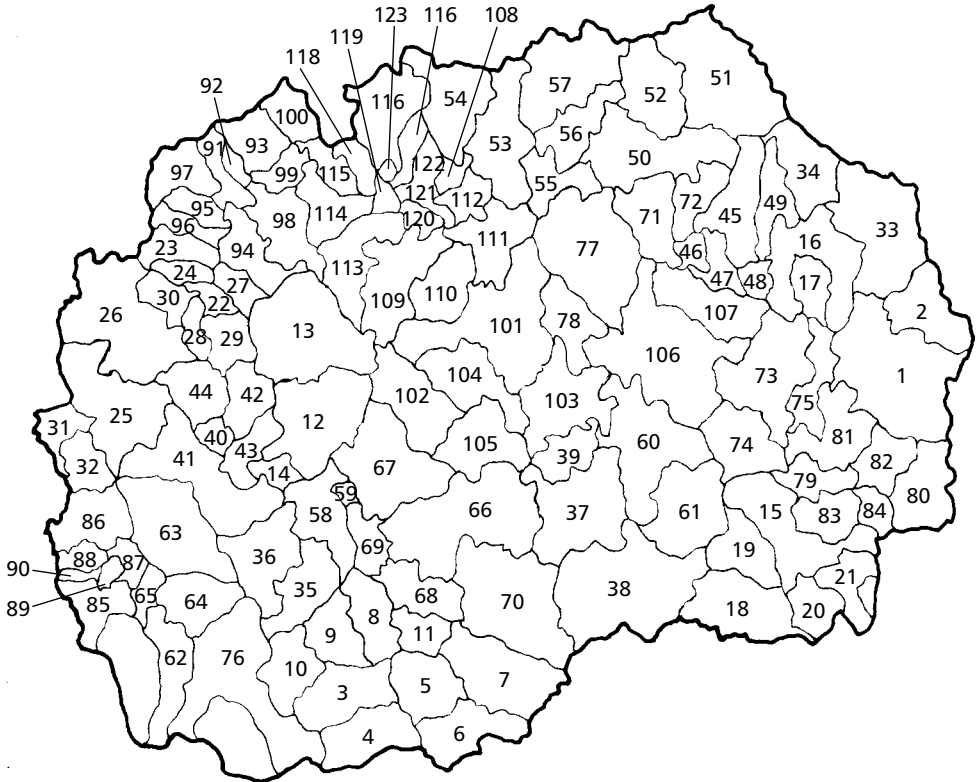
Number of civil servants and public employees (1996)

Employed by the state	13,088
Employed by local governments	2,127

Table 6A.2
Number of Municipalities by Population Size Categories in Macedonia

Population Size Category	Number of Municipalities	%	Number of Inhabitants	%
0–1,000	4	3.25	2,811	0.14
1,001–2,000	8	6.50	12,614	0.65
2,001–5,000	34	27.64	116,081	5.96
5,001–10,000	27	21.95	200,932	10.30
10,001–50,000	39	31.72	793,531	40.78
50,001–100,000	10	8.13	701,884	36.07
100,001–1,000,000	1	0.81	118,079	6.10
1,000,000+	0	0.00	0	0.00
Total	123	100.00	1,945,932	100.00

Figure 6A.1
Administrative Map of Macedonia



- | | | |
|---------------------|-----------------------|-------------------------|
| 1. Berovo | 15. Valandovo | 29. Srbinovo |
| 2. Pehchevo | 16. Vinica | 30. Vrutok |
| 3. Bitola | 17. Blatec | 31. Debar |
| 4. Bistrica | 18. Gevgelija | 32. Centar Zhupa |
| 5. Novaci | 19. Miravci | 33. Delchevo |
| 6. Bach | 20. Bogdanci | 34. Makedonska Kamenica |
| 7. Staravina | 21. Star Dojran | 35. Demir Hisar |
| 8. Mogila | 22. Gostivar | 36. Sopotnica |
| 9. Kukurechani | 23. Negotino–Poloshko | 37. Kavadarci |
| 10. Capari | 24. Vrapchishte | 38. Konopishte |
| 11. Dobrushevo | 25. Rostusha | 39. Rosoman |
| 12. Makedonski Brod | 26. Mavrovi Anovi | 40. Kichevo |
| 13. Samokov | 27. Chegrane | 41. Drugovo |
| 14. Plasnica | 28. Dolna Banjica | 42. Oslomej |

- | | | |
|-----------------------|------------------|----------------------|
| 43. Vraneshtica | 70. Vitolishte | 97. Shipkovic |
| 44. Zajas | 71. Probishtip | 98. Zhelino |
| 45. Kochani | 72. Zletovo | 99. Jegunovce |
| 46. Cheshinovo | 73. Radovich | 100. Vratnica |
| 47. Obleshevo | 74. Konche | 101. Veles |
| 48. Zrnovci | 75. Podaresh | 102. Bogomila |
| 49. Orizari | 76. Resen | 103. Gradsko |
| 50. Kratovo | 77. Sveti Nikole | 104. Chashka |
| 51. Kriva Palanka | 78. Lozovo | 105. Izvor |
| 52. Rankovce | 79. Strumica | 106. Shtip |
| 53. Kumanovo | 80. Novo Selo | 107. Karbinici |
| 54. Lipkovo | 81. Vasilevo | 108. Arachinovo |
| 55. Orashac | 82. Bosilovo | 109. Studenichani |
| 56. Klechovce | 83. Kuklish | 110. Zelenikovo |
| 57. Staro Nagorichane | 84. Murtino | 111. Petrovec |
| 58. Krushevo | 85. Struga | 112. Ilinden |
| 59. Zhitoshe | 86. Lukovo | 113. Sopishte |
| 60. Negotino | 87. Delogozhdi | 114. Saraj |
| 61. Demir Kapija | 88. Labunishta | 115. Kondovo |
| 62. Ohrid | 89. Veleshta | 116. Chucher–Sandevo |
| 63. Belchishta | 90. Vevchani | 117. Gazi Baba |
| 64. Kosel | 91. Tetovo | 118. Djorche Petrov |
| 65. Meshishta | 92. Dzepchishte | 119. Karposh |
| 66. Prilep | 93. Tearce | 120. Kisela Voda |
| 67. Dolneni | 94. Brvenica | 121. Centar |
| 68. Topolchani | 95. Kamenjane | 122. Chair |
| 69. Krivogashtani | 96. Bogovinje | 123. Shuto Orizari |

Annex 6.3

Major Laws on Public Administration and Local Government

The following laws regulate public administration and local government in Macedonia:

- Constitution of the Republic of Macedonia, published in the *Macedonian Official Gazette*, Skopje, 52/1991, articles 114-117
- Local Government Act, *Macedonian Official Gazette*, Skopje, 52/1995
- Law on Local Elections, *Macedonian Official Gazette*, Skopje, 46/1996
- Law on Territorial Division of the Republic of Macedonia and Demarcation of the Municipal Boundaries, *Macedonian Official Gazette*, Skopje, 49/1996
- Law on the City of Skopje, *Macedonian Official Gazette*, Skopje, 49/1996
- Law on the Voters' Lists and Voter's Identity Card, *Macedonian Official Gazette*, Skopje, 49/1996
- Primary Education Act, *Macedonian Official Gazette*, Skopje
- Secondary Education Act, *Macedonian Official Gazette*, Skopje
- Budget Law, *Macedonian Official Gazette*, Skopje, 79/1993
- Public Enterprises Act, *Macedonian Official Gazette*, Skopje, 38/1996
- Decision on Establishment of Public Enterprise Designing Territorial and Urban Plans, *Macedonian Official Gazette*, Skopje, 30/1996
- Law Regulating Relations among the Existing and Recently Established Municipalities, *Macedonian Official Gazette*, Skopje, 59/1996
- Law on Voting Districts, *Macedonian Official Gazette*, Skopje
- Law on the Government of the Republic of Macedonia, *Macedonian Official Gazette*, Skopje, 38/1990
- Law on General Administrative Procedure, *Yugoslav Official Gazette*, Belgrade, 32/1978
- Law on Communal Activities, *Macedonian Official Gazette*, Skopje, 45/1997
- Law on Incentives for Development of Economically Underdeveloped Areas, *Macedonian Official Gazette*, Skopje, 2/1994
- Law on Criteria, Amounts, Conditions and Purposes for Distribution of the Resources Serving as Incentives for Development of Economically Underdeveloped Areas, *Macedonian Official Gazette*, Skopje, 33/1994
- Decree for Determination of Economically Underdeveloped Areas in the Republic of Macedonia in the Period 1994-98, *Macedonian Official Gazette*, Skopje, 16/1994
- Decree for Distribution of Resources for Water Pipes Construction in the Republic of Macedonia in 1994, 1995, 1996, etc.
- Law on Construction Land, *Macedonian Official Gazette*, Skopje, 10/1979, amended 21/1991
- Law on the Public Attorney, *Macedonian Official Gazette*, Skopje, 7/1997

Annex 6.4

Responsibilities of Administrative Tiers

Table 6A.3
Specific Functions of Local Government Tiers in Macedonia

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government Format	Remarks
I. EDUCATION					
1. Preschool		X			
2. Primary		X			
3. Secondary (common-gymnasium)			X		
4. Secondary Technical	X		X		
5. Other (especially secondary medical and artistic)	X		X		
II. SOCIAL WELFARE					
1. Nurseries		X			
2. Kindergartens			X		
3. Welfare Homes			X		
4. Personal Services for the Elderly and Handicapped			X		
5. Special Services (for the homeless, families in crisis, etc.)			X		
6. Social Housing			X		
7. Other (especially for the homeless and orphans)			X		

Table 6A.3 (continued)
Specific Functions of Local Government Tiers in Macedonia

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government Format	Remarks
III. HEALTH SERVICES					
1. Primary Health Care			X		
2. Health Protection			X		
3. Hospital		X			
4. Public Health			X		
5. Other (especially for drug addicts, alcoholics)			X		
IV. CULTURE, LEISURE, SPORTS					
1. Theaters		X			
2. Museums		X			
3. Libraries		X			
4. Parks	X				
5. Sports, Leisure			X		
6. Maintaining Buildings for Cultural Events			X		
V. ECONOMIC SERVICES					
1. Water Supply	X				
2. Sewerage	X				
3. Electricity		X			
4. Gas		X			
5. District Heating	X				
VI. ENVIRONMENT, PUBLIC SANITATION					
1. Refuse Collection	X				
2. Refuse Disposal	X				
3. Street Cleaning	X				
4. Cemeteries	X				
5. Environmental Protection	X		X		

Table 6A.3 (continued)
Specific Functions of Local Government Tiers in Macedonia

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government Format	Remarks
VII. TRAFFIC, TRANSPORT					
1. Roads (local)	X				
2. Public Lighting	X				
3. Public Transport (local and in wider area)	X				
VIII. URBAN DEVELOPMENT					
1. Town Planning	X				after consent of respective ministry
2. Regional/ Spatial Planning	X				
3. Local Economic Development			X		
4. Tourism	X		X		role of local authorities is not clearly defined
IX. GENERAL ADMINISTRATION					
1. Authoritative Function (licenses, etc.)	X		X		
2. Other State Administrative Matters (electoral register, etc.)			X		
3. Local Police			X		
4. Fire Brigades			X		
5. Civil Defense	X				
6. Consumer Protection			X		

Chapter 7



Local Government in Moldova

by

Liubomir Chiriac

Igor Munteanu

Victor Popa

Victor Mocanu

Local Government in Moldova

Contents

1.	Legal and Constitutional Basis	293
1.1	Brief History of Local Self-government	293
1.2	Legal Framework of Local Public Administration	295
1.3	Relationship between State Administration and Local Government	300
1.4	The Introduction of Regions	302
2.	Local Politics, Decision Making	303
2.1	System of Local Elections	303
2.2	Forms of Direct Democracy	307
2.3	Internal Structure of Local Government Decision Making	308
2.4	Public Participation in Decision Making	311
2.5	Ethnic Issues, Multicultural Government	313
2.6	Local Government and NGOs, International Contacts	315
3.	Local Administration, Service Provision	316
3.1	Structure and Operation of Local Administration	316
3.2	Local Service Delivery	321
4.	Local Finance, Economic Development	326
4.1	Structure of Local Public Finances	326
4.2	Taxes	327
4.3	Revenues	328
4.4	Expenditures	330
4.5	Municipal Borrowing	332
4.6	Economic Development	333
5.	Next Steps in the Transition Process	334
5.1	Transformation of Local Governments	334
5.2	Main Problems to be Resolved	335
5.3	Civil Society and Reform	335
	Contacts for Further Information on Local Government in Moldova	336

Recent Publications on Local Government in Moldova 336

Notes 338

Annex 7.1: Major General Indicators 341

Annex 7.2: Population, Settlements and Administrative Units 343

Annex 7.3: Major Laws on Public Administration and Local Government 346

Annex 7.4: Responsibilities of Administrative Tiers 347

Local Government in Moldova

Victor Popa, Igor Munteanu, Liubomir Chiriac, Victor Mocanu

1. Legal and Constitutional Basis

1.1 Brief History of Local Self-government

Since its declaration of independence in 1991, the young Moldovan state has taken significant steps to establish a modernized and reformed local government, unfettered by the dogmatism and other ideological constraints that characterized the former party state of the USSR.

From a chronological point of view, one can identify three distinct stages of continuous exploration in the field of local public administration reform.¹ The first stage, from December 1990 to December 1994, was initiated by a decision of the Supreme Soviet Committee on Local Self-administration and Local Economy of the MSSR to create an independent group of experts charged with the revision of local government laws and regulations. This legislative initiative met resistance from the administrative and Communist Party nomenclature, which interpreted it as an attempt to split the rayon branches of the communist organization; however, in spite of vehement opposition, the parliamentary committee succeeded in preparing a set of new draft laws: Regarding the Territorial-administrative Organization, stipulating the liquidation of the former forty rayons under a new system of regional government to include between seven and nine units, and Regarding Local Public Administration, conceived in the best western traditions, including recommendations set forth in the European Charter of Local Self-government as well as the Universal Declaration on Human Rights. Further, the committee prepared a draft Law on Local Elections. Despite this good start, the Moldovan Parliament failed to discuss the new legislative drafts, and after shocking political and ethnic conflicts in 1992–93, the issue simply was swept from the legislative agenda. Parliamentary parties decided to participate in the anticipated elections, and as a consequence, the newly created ruling coalition, Democratic Agrarian Party and Socialist Unity, which emerged after the February 1994 general elections, decided to freeze the process of local government legislation adjustment, using the excuse that it was too costly and there was no time for experimentation in Moldova. As a result, the initiation of regional development and local autonomy was simply forgotten; high officials stated that “the existing network of small rayons suits the needs of the population entirely.”

The second stage was initiated on 29 July 1994, when the first Constitution of the Republic of Moldova was adopted by Parliament, and ended in December 1998 with the adoption of the

most recent legislation in the sphere of local government. The new Constitution embodied many fundamental principles and procedures of territorial-administrative reform, stipulating the basic principles of the newly emerging system of local government: administration by local self-government units, the territorial-administrative organization of the country, the structure of village and city representative bodies and the functions to be performed by the district administration. Of specific importance are those provisions referred to in article 109, which articulate the pillars for genuine reform: (1) local autonomy, (2) decentralization of public services, (3) election of local public authorities and (4) citizen consultation on all public issues of local interest. Based on this conceptual framework, the Parliament of the Republic of Moldova agreed to revise the entire legislative framework for local government, establishing the prerogatives, powers and specific competences introduced by the Constitution in accordance with the norms of a rule-of-law state. The objective of this reform was to enhance the capacity of local public authorities to react to growing economic challenges and to involve the populace in exercising its rights and freedoms within an environment governed by law.

In December 1994, Parliament adopted laws that literally paved the road for the implementation of a new system of local public administration, although they embodied several ambiguities that in fact conflicted with the principles of the Constitution. For instance, the law stipulated that “chairs of the rayon executive committees and mayors of the existing municipalities are elected by their corresponding local councils on proposal by the government from their memberships and are confirmed in their positions by the president of the country.” In addition, a provision of the same article stipulated that “if the second candidate is not accepted by the council, the chair of the rayon executive committee or the mayor of the municipality is appointed after ten days by the president of the Republic of Moldova on recommendation by the government.” Due to the existence of such provisions, many political parties denounced the 1995 Election Law as “undemocratic,” and the Constitutional Court of Moldova as unconstitutional. Thirty-seven rayon councils, 835 communal councils, 28 city mayors and 766 communal mayors were voted into office in April 1995. Ninety-two of them were nominated after the local elections and retained their positions until the subsequent elections. The government appointed some mayors in communities where the Central Election Commission invalidated elections on the grounds that “the second turnout registered less than fifty percent voter participation in the elections.”

The lack of clarity on specific competences produced confusion and frustration among local public officials, resulting in a situation in which they represented dual status: as officers, appointed by superior authorities, and as locally elected independent authorities. As a result, the nonelected officials and local councils were treated as “subordinated bodies” by rayon executive committees and by their constituencies; they were regarded as puppets of superior bodies and not as the true expression of popular will.² Of course, this also created a divergence from the expectations of the local and regional officials, who felt themselves incapable of acting as the “real local power.”

Allowing rayon executive committees to impose restrictions on the work of local councils was commensurate to dissolving these governments. Real decentralization hardly could be effected under such circumstances. The statute on local government had little if any practical resemblance to the principle of effective administrative decentralization and local autonomy, and it diverged from the main values and practices necessary for local self-government: full administrative responsibility, financial independence and representative authorities. Legal contradictions and pressure imposed by the rayon level infused the work of local governments with a deep crisis of authority. Most were perceived to be weak and unable to run local affairs “on their own” or to defend the interests of the local communities.

Later, the Constitutional Court declared these provisions as unconstitutional, and the adoption of a new Election Code before the subsequent local elections held on 23 May 1999 introduced significant improvements in local government legislation, to a large extent redressing the conflict between local and regional representative bodies.

The third stage of the legal consolidation of local government in Moldova began in December 1998 with the adoption of two fundamental laws that reshaped the former system of local public administration: the Law on Territorial-administrative Organization and the Law on Local Public Administration. According to the new territorial arrangement, the country was organized into nine territorial-administrative units of the second level, which allowed the new regions to strengthen their relative significance in accordance with the trend toward regional development throughout Europe, as well as to foster the economic and social potential of their local components: communes and municipalities. The new Law on Local Public Administration aimed to enforce principles and techniques that would ensure an effective delimitation of power among various levels of public administration in the Republic of Moldova.

1.2 Legal Framework of Local Public Administration

In contrast to most of the Central and East European countries, which preserved some elements of democratic traditions existing prior to the imposition of authoritarian regimes after World War II, Moldova started to build new democratic institutions practically from scratch. With no valid historical prototype, the reform initiated in the 1990s conditioned a strong belief that the new institutions of local government would foster democratic mentalities and support for the creation of a civil state. Different patterns of statehood competed on the political stage after Moldova’s declaration of independence, nurturing intensive domestic disputes among the emerging ethnopolitical “entrepreneurs” who split Moldovan society into numerous ideological camps. The reformation of the former public administration system was perceived mainly as a political stake: for some, as an attempt to modernize the state (and society) according to European norms and democratic values, and for others, as a strategy to reverse previous socialist practices and habits.

The new state—the Republic of Moldova—inherited from the former regime an old-fashioned and largely ineffective local government system organized into forty rayons that represented the second level of local administration, ten cities of republican subordination and more than 1.8 thousand villages.³ The large number of rayons was used mainly as leverage to control the population through a wide and omnipotent party nomenclature, traditionally more powerful than the locally elected officials. It was recognized that the central government should transfer a large part of the duties it previously supervised to regional and local public authorities, individual firms, social groups and other voluntary associations in order to facilitate the transition to the market economy. This strategy aimed to forge commitment to the specific interests of local communities on a national level, requiring flexibility in implementing fiscal and social policies, as well as a new role for the newly emerging entrepreneurial class.

With the adoption of the Law on Territorial-administrative Organization on 30 December 1998, Parliament transformed the old system of public administration into nine second-level territorial-administrative units called *judets*.⁴ Generally, the need for such reform derived from the necessity to rebuild and improve the existing decision-making institutions of the first and second levels coterminous with macroeconomic reforms and the need to ensure a necessary level of public services to all localities. According to the new legislation, the administrative organization of the territory in the Republic of Moldova is instituted on two distinct levels:

- first level: villages (644 communes), 51 cities and 14 municipalities;
- second level: 10 districts (*judets*), Gagauz Autonomous Territorial-Administrative Unit (UTAG) and the Municipality of Chisinau.

In Moldova, the “village” is a territorial-administrative entity encompassing a rural population united by geographical, economic, social and cultural links. Two or more villages may join to create a larger territorial-administrative entity—the commune (*comună*). A “municipality” is an urban locality that plays an important role in the economic, social, cultural, scientific, political and administrative life of the country, as it oversees considerable properties, economic resources and social structures in the fields of education, health, civil protection and culture in a correspondent territory. There are fifty-one urban localities in the Republic of Moldova that have the status of “cities.” The *judet* is a territorial-administrative unit of the second level, consisting of a large number of communes and municipalities and satisfying the role of a distinct regional entity.

The new Law on Local Public Administration adopted on 6 December 1998 attempted to resolve the duplicity of previous legislation by developing the constitutional principles for decentralized and autonomous local government. A specific provision of the law stipulated a sharp reduction in the number of communes, establishing the required average number of inhabitants as two thousand five hundred. The main reason for this revision was that several localities in the Republic of Moldova (around four hundred) had populations of less than one thousand inhabitants, which was considered too small for the maintenance of a reasonable system of economic and social services at the local level. Thus, the new law reduced the number of communes from 925 to 644.

A new innovation of the law was the installation of the prefect, representing the government at the regional level. The reason for this amendment was that the national government was repeatedly unable to monitor the implementation of national legislation at the regional and local levels. In principle, the new institution of prefect was empowered with a clear mandate to supervise the fulfillment of decentralized services at the regional level. Conversely, the prefect is delegated to foster administrative decentralization and has no power to interfere in the affairs of local government. The law stipulated the right of the prefect to oversee the legality of decisions taken by regional and local officials but not to undermine the prerogatives of the local public authorities to make decisions independently. Despite fears expressed concerning the creation of this new institution, the prefects have accommodated themselves well to the task of observing the implementation of legislation without interfering with the operations of local government.

One of the most important issues on the agenda of reform was the implementation of quick administrative decentralization and deconcentration, which in practical terms meant the clarification of the prefect's tasks (deconcentration) and the transfer of assets and services to the local and regional government (decentralization). Ascribing local public authorities with specific competences is not, however, an easy task, as it encompasses principles and mechanisms stipulated in the Constitution (local autonomy and decentralization of public services), as well as the principle of deconcentration, established by the Law on Local Public Administration, and the competences of prefects as representatives of the state in the regions.

An additional incentive for administrative reform is the delimitation of competences. Article 13 of the Law on Local Public Administration enumerates all competences of the commune, city and municipality, including construction and maintenance of local roads, highways, bridges and bus stations; construction and maintenance of water supply systems, sewerage and potable water supply; local transportation; sanitation and hygienic services; social assistance, including insurance and unemployment centers; construction and maintenance of housing facilities; administration of educational institutions, cultural institutions, sport and training facilities; and assistance to young families, mothers and children. The second paragraph of the same article stipulates the competences of the judets and Chisinau Municipality: social and economic development; maintenance of public roads of judet and municipal importance; organization of inter-judet transportation; construction of hospitals, schools, roads, et cetera; health care; maintenance of sanitation and social institutions; assistance to young families, mothers and children; ensuring equal opportunities for employment, including social protection to the unemployed; ensuring public order and environmental protection; development of youth and sporting activities; general secondary education and secondary professional education.

The theory of "reflexive rights" (or self-limitation of the state) is applied in the sphere of specific delimitation of the local councils,⁵ which means that the state may transfer public services controlled by state agencies to the local authorities. In order to describe the dynamic of responsibilities and the efforts that are enforced by the respective authorities, these attributes are classified in

eight distinct groups, creating an approximate design of the powers effected by local representative bodies.

1. Internal organization:
 - nominate, at the suggestion of the mayor, the secretary of the council;
 - appoint from among its members various committees with specific profiles to address particular local needs;
 - adopt local statutes on the basis of the framework and regulations adopted by Parliament.

2. Executive structure of the mayoralty:
 - approve, at the suggestion of the mayor and following a standard register of positions adopted by the government, the executive structure and appoint public servants of the mayoralty;
 - nominate, at the suggestion of the mayor, a vice-mayor.

3. Locally based public services, institutions and agencies:
 - approve the executive structure and nominal list of autonomous structures and public services of the local council;
 - nominate, at the suggestion of the mayor, the heads of the municipal police and the police office who enter into service after confirmation by the head of the judet police office;
 - nominate and dismiss, in accordance with specific legislative provisions, leaders of economic agencies and public institutions of local interest;
 - organize and ensure the satisfactory functioning of public communal services, local transportation and buildings of public utility.

4. Local public finances:
 - approve the local budget, manage its execution and the transfer of bank loans and/or subsidies from the central government and prepare the final budgetary report;
 - establish, in accordance with specific legislative provisions, local taxes and fees as well as mechanisms for their collection;
 - establish and standardize the use of various public funds and private donations, procedures for attracting investment, joint-companies, insurance companies and municipal goods.

5. Social and economic development:
 - approve studies of and programs for social and economic development and the organization of the territory;
 - establish and ensure the functioning of charity funds at the local level, register nongovernmental associations and other noncommercial organizations of local interest;

- establish public institutions and economic agents of local interest, decide upon the lease and rent of various goods or public services and participate, with goods and capital, in the statutory capital of trade societies in order to perform objectives that are entrusted to the managing bodies;
 - approve, in accordance with legislation, regulations for municipal economic agents and public institutions;
 - approve, in accordance with legislation, urban planning and plans for and the application of territorial arrangements and public works;
 - approve projects to improve employment.
6. Human rights and environmental protection:
- approve local programs for environmental protection and rehabilitation; contribute to the protection and conservation of historic and architectural monuments, parks and natural reservations;
 - establish local natural reserves and preserve natural monuments;
 - approve limits for the utilization of natural resources and pollution of the environment;
 - ensure public order, the observation of human rights and freedoms and the implementation of such legislation;
 - approve gender equality programs.
7. Honorary titles and cooperation with other localities:
- approve, in accordance with legislation, association with other authorities of local and regional governments and cooperation with national and foreign firms to achieve the realization of projects and services of common public interest;
 - award national or foreign citizens the title of honorary citizen of the commune or municipality.
8. Control:
- examine proposals of individual councilors and make decisions on their implementation; discuss evaluation reports presented by the mayor, councilors, agencies, firms and other public institutions subordinate to the mayoralty;
 - suspend the mandate of councilors.

The activities of representative local public authorities are determined by the Law on Territorial-administrative Organization and the Law on Local Public Administration, as well as others, such as the Land Code, Law on Local Taxes, Law on the Budgetary System and Budgeting Process, Law on the Statute of the Local Council, et cetera. For instance, the Land Code stipulates that the local public authorities establish land committees including local councilors, experts of the state deconcentrated agencies, representatives of privatization organs, representatives of agricultural firms and inhabitants of the respective territorial-administrative bodies to perform tasks determined by the local council. Thus, local authorities have general and territorial competences on almost all issues of substance to local self-governance.

From a functional perspective, the responsibilities of a prefect may be divided into two main categories.

1. *Acting as head of public services provided by ministries and other central government agencies within the territorial-administrative unit.* The prefect is entrusted to ensure the realization of national interests through analysis of legislation, protection of public order and nomination and dismissal of the heads of public services of the ministries, departments and other central governmental agencies. The prefect is entitled to monitor the implementation of contracts concerning those services under his or her jurisdiction. He or she also serves as legal representative in organs that benefit from state participation at the judet level. The prefect is responsible for all procedures related to military conscription and other military and civil protection measures.
2. *Acting as an administrative trustee over local communities.* The prefect exercises control of legality over all decisions and acts of the local and regional governments, which are obliged by law to communicate such decisions to the prefecture. The prefect is entitled to request reexamination of local decisions that are illegal. In the case that the local public authority refuses to do so, the prefect may dispute it in court.⁶ The delimitation of competences is based on the principle that each public authority is endowed with a specific set of prerogatives and with a statute of autonomy, excluding subordination of any kind but promoting coordination in upholding the constitutional principles of local autonomy and decentralization.

1.3 Relationship between State Administration and Local Government

In Moldova, local government is performed by representative authorities (councils) and executive bodies (mayors). Representative authorities establish executive organs to perform economic, technical, cultural and educational tasks.

The constitutional regulation of local authorities stipulates that they are representative bodies and have considerable functions and tasks to perform in the practical sphere regulated by legal norms. Following from this, elected local public authorities have a precise and stable position within the constitutional hierarchy of authorities. According to the Constitution, the political regime is enforced by central ministries and other national agencies in cooperation with local public authorities organized as regional and local governments. As noted earlier, the Constitution also stipulates territorial criteria for local government, distinguishing among districts (judets), cities (municipalities) and villages (communes), as well as the administrative organization of the territory, which is divided into two levels: villages and cities on the first and districts on the second.

According to the new Law on Local Public Administration, the territorial-administrative units have the status of legal persons and are granted financial autonomy in all matters that pertain to

the management of local affairs. The law also clarifies the relationship between public authorities of different levels: “the relations between the judet and local public authorities are based on the principles of autonomy, legality and cooperation on the resolution of common issues.” The principle of autonomy means that both levels are guided by specific prerogatives stipulated by legislation, and each is to solve those issues that are assigned to it without the interference of other authorities. “Legality” means that local authorities are restricted only by compliance with provisions of the law. All steps and actions not explicitly regulated by legislation cannot counter the norms of these laws or of other administrative decisions. As many communal interests may run counter to those of the judets, the law emphasizes cooperation among authorities. This principle represents, in fact, the basic pillar in relations between different levels of authority, the judets being an ensemble of territorial collectives, which implies that a considerable part of judet activities is limited to assuring cooperation among local authorities in the implementation of their specific functions. Cooperation also implies that local councilors and mayors are invited to all sittings of the judet council on local issues, such as the elaboration of common projects for the development of the territory and the sustenance of local and judet initiatives that affect local affairs administration.

The same principle regulates the relationship between the prefect and both the local and judet authorities. The law stipulates that the prefect is entitled to supervise the implementation of legislation, presidential decrees, government decisions and other normative acts of the central government at the local level. As a result, the relationship between the elected bodies and the prefect is not one of cooperation, as local councils and mayors are obligated to forward all acts and decisions to the prefect for legal consultation. The public authorities of different levels are bound to “coadministration” of various public interests, each having clearly defined functions and the prerogative to accomplish such functions. In summary, the relations among different levels of public authority may be structured as follows.⁷

1. *Center-region relations.* There are several central authorities that are represented in the system of local administration. Their responsibilities include the control of legality of actions undertaken by the territorial entities, but they may not infringe upon the specific powers of local authorities.
2. *Relations between local authorities of different levels,* including the communal, city and judet authorities and the office of the prefect. The relationship between the autonomous territorial units (Gagauz Yeri) and the central government also should be included, but vagueness in certain laws still persists (for instance, the need for or absence of a prefect in the Gagauz Yeri, participation of the head of the Gagauz Yeri—an elected official—in the activities of the government, et cetera).
3. *Relations between local public authorities of the same level.* This category addresses coordination through the conclusion of agreements among local authorities, intercommunal agreements or intercity agreements in the organization and management of common public services.

Under the provisions of current legislation, prefects are appointed by the prime minister and are dismissed when the prime minister steps down. Due to the fact that governing coalitions in Moldova have been weak and unstable since 1994, several officials were inclined to amend the law in order to allow the mandate of prefects to be unaffected by the appointment of the Cabinet. The president, Petru Lucinschi, addressed this issue in March 1999 by sending a draft amendment to the Law on Local Public Administration to Parliament, arguing that this arrangement would ensure continuity and stability in the administration of the districts. The proposal also included the right to allow the prefect to appoint a representative when necessary “to ensure the normal work of the local public authorities.”⁸ Although the issue obtained coverage in the local press and public support, Parliament rejected the initiative on the grounds that prefects would become politically dependent on the president of the country, which contradicts the current principle of the division of powers of the Moldovan Constitution.

Regulations regarding the organization and functioning of the prefecture are generally compatible with the European Charter of Local Self-government concerning the protection of local authorities from government interference.⁹ Despite fears expressed during the creation of this institution, the prefects have accommodated themselves well with the task of observing the legality of local decisions, although some cases of disagreement between the prefects and judet councils have been reported. Most complaints are related to the imposition of various instructions on communal mayors, forcing them to collect taxes, join various campaigns launched by the central government or accept or dismiss office staff of their mayoralties.¹⁰ Prefects also have blocked initiatives of local mayors to associate, which clearly infringes upon the provisions of the Charter.

1.4 The Introduction of Regions

Genuine regional development in Moldova did not exist before 1998, as the former rayons were too small to fulfill the role of regional coordination. According to data of the Finance Ministry for 1996, only four of the former thirty-two rayons were financially independent of subsidies from the center. The most obvious discrepancy among the regions was a sharp inequality in the distribution of national wealth. During the soviet regime, the MSSR was divided into seven industrial zones—Tiraspol, Rabnita, Dubasari, Bender, Chisinau, Balti and Cahul—which represented specific demographic areas that registered record figures of migrants during World War II (primarily ethnic Russians and Ukrainians).¹¹ It is therefore not surprising that most investments between 1950 and 1970 shifted to construction in the left-bank Dniestrian rayons, endowed with the largest plants in the MSSR, many of which belonged to the soviet military-industrial complex and were subordinate solely to the soviet center. Similar to most of the industrial conglomerations in the USSR, the populations of these highly industrialized regions saw themselves in the cultural context of Russia rather than that of their own republic. Nationalist agitation in Moldova prior to the collapse of USSR occasioned great anxiety among Russian speakers and other minorities, including the Gagauzi, who inhabit a region in southern Moldova. Therefore, regional elites embarked on a strategy for complete separation from the Republic of Moldova.

Violent conflict in 1992 enabled Dniestrian leaders to rely exclusively on financial, military and economic support from Russia, which made the task of the Chisinau government for the cessation of the region difficult. A memorandum between Chisinau and Tiraspol signed in 1997 has not succeeded in resolving the present stalemate, as the two sides define the notion of a “common state” differently. Tiraspol insists on the recognition of such status de facto, while Chisinau sees this step as a tactical trap: if it admits to considering the “Dniestrian Republic” an equal part of the state (federation or confederation), the latter immediately will join other states (especially the Russian-Belarus Union) and accomplish final separation from the Republic of Moldova.¹² Some argue that Moldova is too small to become a federation, and the majority of the population and political forces is against such a proposal, as it will create additional strains within the country. In fact, Dniestrian regionalism is still too politicized and confrontational to result in the improvement of the quality of life in the region. Hence the leadership of Moldova maintains the integrity of the country and attempts to resolve the conflict by granting special status to its eastern districts without violating international legislation that has been backed by a number of organizations (the Organization for Security and Cooperation in Europe, the United Nations and the European Community).

The reform of Moldova’s territorial-administrative organization was supposed to improve economic growth and introduce a genuine system of regions. Unfortunately, the republic has not yet passed a special law on regions, and they are not referred to in the Constitution, which would assist adaptation to various forms of transborder and interregional cooperation and improve the current relationship with central authorities, which are perceived as replicating the paternalist model of state administration.

2. Local Politics, Decision Making

2.1 System of Local Elections

The right to run for local councilor is granted to all citizens of the Republic of Moldova who have reached twenty-one years of age by and including election day and who have resided within the respective territory for at least two years. The right to run for mayor is granted to citizens eligible to vote who have reached twenty-five years of age by and including election day. The right to vote is granted to every citizen of the Republic of Moldova from the age of eighteen who is a resident of the territorial unit in which elections are to be conducted.

The fluid and contradictory nature of legislation on local elections is frequently mentioned as one of the most important difficulties facing the new Moldova state. Although elections served as a tool to rejuvenate the political structure of the regional and local governments, much of the burden of preserving social order throughout the transition and of interpreting, explaining and implementing reform falls on local authorities, which themselves suffer from uncertainty as to how to proceed. Both elections testified clearly that the perception of the nature and success of the democratization of society is to a large extent influenced by the ability of local authorities to

apply the lofty concepts of democracy to everyday life. As a result of the 23 May 1999 local elections, 644 mayors head communes and cities in Moldova (compared to the 941 mayoralties existing until 1 January 1999). Among the newly elected mayors, 25.4 percent are teachers, 22.3 percent are engineers, 18.0 percent are agricultural specialists, and 11.0 percent are lawyers and economists.¹³ A resolution of the Central Election Commission (CEC) of the Republic of Moldova, based on provisions included in the Electoral Code, the Law on Territorial-administrative Organization, the Law on the Special Status of Gagauz Yeri and a resolution of Parliament on the introduction of elections (No.293-XIV), confirmed the foundation of twelve judet councils: Balti, Cahul, Chisinau, Edinet, Lapusna, Orhei, Soroca, Tighina, Ungheni, Chisinau, Gagauz Yeri and a special electoral district for the localities of the left bank of the Dniester River.

According to the Election Code adopted on 21 November 1997, the members of the representative bodies of communes, municipalities, judets and the Municipality of Chisinau are elected at direct, universal, equal elections by secret ballot and for a term of four years. The exact number of members of these representative bodies is established by provisions of the Law on Local Public Administration, which stipulate that a communal council may have seven councilors for a constituency of 2,500 or less; nine for a constituency of 2,501 to 5,000, and twenty-three for a constituency of more than 100,000.

According to the Electoral Code, the mayors of municipalities and communes and the councilors of judets, municipalities and communes are elected by universal, equal, direct, secret and freely expressed vote for a four-year term that begins from the date of election. For the election of councilors and mayors, each judet, special status autonomous territorial unit, municipality and commune constitutes one electoral district.

Candidates for membership to representative bodies may be proposed by registered political parties and by voters. A special requirement states that "each citizen may propose him- or herself as an independent candidate for election to local council, provided he or she is supported by two percent of the district voters, divided by the number of positions available to be filled through the election, but not less than fifty percent, and for election as mayor, provided they are supported by five percent of the district voters, but not less than one hundred fifty individuals and not more than thousand individuals." Council seats are distributed proportionally among parties, sociopolitical organizations and electoral blocs through the sequential division of the number of valid votes cast for each group among the number of seats established for the respective electoral district. Accordingly, council seats are distributed to candidates in the order they appear on registration lists, beginning with the list that received the most votes. The law envisions that the votes will correspond to the number of seats due to each group, but mandates are awarded by lot if there is more than one candidate with the same number of votes for the last nondistributed seat, and if a party, sociopolitical organization or electoral bloc wins a number of seats higher than the number of candidates on its list, the extra seats are filled by other electoral contestants in declining order. The councils are considered legally constituted when the mandates of at least two-thirds of the total number of councilors are validated.

An independent candidate is considered elected if the number of votes cast for him or her is high enough on the seat distribution list. It should be stressed however that this method is clearly advantageous to political parties and blocs at the expense of independent candidates, who threatened to boycott the election process if the Constitutional Court did not recognize the illegality of these provisions. Despite the growing chorus of dissatisfied competitors (especially among independent candidates), elections were held according to the existing system.

Candidates running for mayor are elected if they receive more than half of the valid votes cast. If neither candidate receives a majority of votes cast, a second-round election is held within two weeks in accordance with the Election Code, and the candidate who obtains the greatest number of votes is considered elected.

Table 7.1
Results of Local Elections in Moldova, 16 April 1995

Name of Party, Organization or Electoral Bloc	Number of Votes Obtained	% of Total	Number of Mandates Won
Alliance of Democratic Forces (ADF)	230,775	19.67	252
Communist Party (PC)	184,627	15.74	206
Social-Democratic Party (SDP)	4,183	3.56	39
Socialist Party and Edinstvo Movement (SPUEM)	84,130	7.17	82
Economic Revival Party (ERP)	1,957	0.17	2
National Youth League (NYL)	1,028	0.09	1
Women's Association (WA)	7,806	0.67	9
Democratic Agrarian Party (DAP)	551,014	46.97	643
Independent Candidates	70,065	5.97	28

There are more than fifty political parties on the current Moldovan political landscape; however, not all registered parties enjoy much public support. Only four gained a sufficient number of votes to sit on the Moldovan Parliament in the 1998 elections, but their internal fragmentation and resuscitation create instability and confusion even among the most careful observers and political analysts. Only 28.2 percent of the respondents to a recent survey believe that parties and political movements have influence on the public's sociopolitical involvement, and 68.1 percent say that they have no influence.¹⁴ According to the same survey, thirty-six percent of the respondents thought it would be better to have only one political party in the country, twenty-three percent advocated several parties, and seven percent claimed that there is no need for any parties. The artificial agglomeration of the political stage is confirmed by the fact that

only thirteen of the twenty-six parties participated in parliamentary elections in February 1994, and eight out of the thirty parties and movements registered by the Ministry of Justice participated in the April 1995 local elections.

Due to growing social tensions and economic hardship, political analysts registered an obvious change in electoral preferences for left-wing parties. For instance, in the 1994 elections, 72.9 percent of all voters voted for left-wing parties, and in 1995, 76.5 percent, which confirms a strong belief in the authority of the state and the slogans of the former communist regime. In fact, political life in the Republic of Moldova is largely overpersonalized; political parties identify themselves mostly with prominent officials, many carrying strong preference for the communist nomenclature. Often, they assume that the introduction of real democracy should be postponed until people's stomachs are filled with food and invoke many other reasons for putting off the day when subjects are "ready" for, or are in a position to "afford," democracy. The results of the May 1999 local elections strengthened the dominance of these parties under the umbrella of the reunited left.¹⁵ Right-wing parties gained a slight percentage of votes; hence they were forced to form coalitions with the center and center-right parties. In the 1999 local elections, the role of coalition building was particularly high, proving that in spite of the difficulties facing local economic development, local politics began to play an important role in national policy as well.

Table 7.2
Results of Local Elections in Moldova, 23 May 1999

Name of Party, Organization or Electoral Bloc	Number of Mandates Won in Judet and Chisinau Councils	Number of Mandates Won in Local Councils	Number of Mandates Won in Mayoral Posts
Communist, Agrarian and Socialist Bloc (CASB)	118	2,235	124
Centrist Alliance (CAM)	64	1,214	93
Democratic Convention (DCM)	42	859	87
Christian Democratic Popular Front (CDPF)	24	505	51
Party of the Democratic Front (PDF)	24	341	24
Furnica-Speranta Social Democratic Union (FSSDU)	16	249	18
National Liberal Party (NLP)	11	227	21
National Peasants Party (NPPM)	4	102	5
Socialist Party of Moldova (SPM)	2	40	13
Democratic Popular Party (DPPM)		25	—
Ravnopravie Republican Sociopolitical Movement (RRSPM)	1	4	—

The party spectrum in Moldova shows different levels of political sophistication and maturity. In breaking away from the totalitarian past, it maintained many features common to the polarization of the late 1980s and the remnants of soviet-era institutions and attitudes, proving discrepancies in individual parties, with some moving closer to western models in doctrine and party organization and others resorting to old-fashioned models and slogans of the past regime. It is not easy to classify the political parties according to a classical western left-right political typology, because history, culture and regional developments are distinctive to a party's previous traditions, and there are significant differences in access to financial support and political experience. On a political continuum, however, the Moldovan political landscape is represented by three distinct groups: (1) a Christian-democratic and liberal right, (2) a center consisting of center-left and center-right clientele parties and (3) a socialist-communist left.

Of course, cultural division influences the political players, linking the right with Europe, Euro-Atlantic security organizations and anticommunist stances and the left with ties to the soviet system and nostalgia for the previous bipolar world. Trying to classify these parties according to an ideological (left/right) and cultural (East/West) pattern, one would include CDPF and DPF on the right, favoring rapid European and NATO integration. The right is characterized by the steady development of regional and local autonomy, prompt land reform, industrial reorganization and integration with the world market. The extreme left retains a strong pro-Russian philosophy and an overarching reluctance toward every step that would modify the former regime's administrative arrangements within a renewed or rejuvenated union of former Soviet republics. As a rule, the left attempted to increase its electorate with slogans that denounced privatization and reform of formerly collective property, favoring social-protective measures that were contiguous with a strong paternalist ideology similar to that of the former Soviet Union. The whole picture will not be definite, however, if one neglects the "quicksand" effect of preelectoral or postelectoral partitions, and particularly during local elections, the searching for allies and reporting of "local victories" were especially important to elections at the national level.

2.2 Forms of Direct Democracy

The transition from the "rule of man" to the "rule of law" was perhaps the most crucial stage of the democratization process in Moldova. As local governments are entrusted with immediate contact with the local public, it is within their power to give substance to, as well as to discredit, the entire process in the eyes of the population or even to formulate public opinion against the systematic changes assumed by the central government. There are several forms of direct democracy assigned to local self-government units, including local referendums, citizens' meetings and petitions.

There are no restrictions on the scheduling of a local referendum at any level of self-administration by the representative body of a judet, municipality or commune. A local referendum is conducted on those issues for which public opinion is considered to have great impact on the scope

of self-government activities and for which representative bodies can garner support for their decisions. The Election Code stipulates that a referendum may be scheduled by one-half of the number of councilors, by the mayor—except in the case that a referendum is proposed for the recall of the mayor—or by ten percent of the registered citizens who have permanent residence in the territorial-administrative unit. If an initiative derives from a group of citizens of at least twenty individuals, the initiators must register their request, official protocol and the sample of questions to be addressed by the constituency. When the scope of the referendum is to recall the incumbent mayor, a higher self-administrative unit registers the initiating group. The registration procedure stipulates the term for collecting signatures (not less than thirty or more than sixty days), as well as the questions to be addressed by a local referendum.

According to the statutes of a commune or city, meetings of citizens are organized in villages in rural areas and in sectors or streets in urban areas after announcement by the mayor or the local council, which are obliged to publish in advance the scope, location and time of the meeting. Such formalized contact between local public officials and their communities aims to allow citizens to express their opinions, concerns and suggestions on issues of local significance. Although citizen meetings do not directly impact the policies implemented by local authorities, their worth is obvious, and they often radically reshape the profile of the local government. The Regulation on Public Meetings stipulates that a meeting is valid when more than half of the total number of registered voters participates, and a decision is taken by a simple majority of votes of those in attendance. The council of the territorial committee or the council of a city district may initiate local hearings in accordance with its statutes. Local hearings involve a large audience in discussing issues significant to a particular commune or municipality.

2.3 Internal Structure of Local Government Decision Making

Commune, municipal and judet councils are the representative organs of local government in Moldova. Elected through free and universal elections, representative bodies have preeminence in formulating the priorities of development for the corresponding units. The structure of local government is based upon the number of inhabitants to be served. Tables 7.3 and 7.4 indicate the number of representatives to be elected to local and judet councils, based upon the number of inhabitants of the territorial-administrative unit by 1 January of the year in which elections are scheduled.

All representative bodies are entitled to manage the affairs of their respective territorial-administrative units in accordance with their status as set forth in the Law on Local Public Administration. They are delegated the following competences: (1) appointment of the vice-chair and secretary on suggestion of the mayor; (2) adoption of the statutes of the commune or municipality and regulation of the functioning of the respective local council; (3) approval of studies, preliminary estimates and programs addressing socioeconomic development and territorial arrangement; (4) adoption of the structure of public administration of the mayoralty and public

services; (5) adoption of the local budget, its administration and execution and approval of the receipt of loans and manner of employing budgetary reserves; (7) introduction of taxes and revenues; (8) establishment of public institutions and economic subjects of local interest. The Law on Local Public Administration lays down the basic governmental structure of a representative body: a chair, a vice-chair and a permanent bureau of five to seven councilors.

Table 7.3
Number of Local Councilors by Size of Unit in Moldova

Number of Village, Commune or Municipal Inhabitants	Number of Councilors
0–2,500	7
2,501–5,000	9
5,001–7,000	11
7,001–10,000	13
10,001–20,000	15
20,001–50,000	17
50,001–100,000	19
100,001+	23

Table 7.4
Number of Judet Councilors by Size of Unit in Moldova

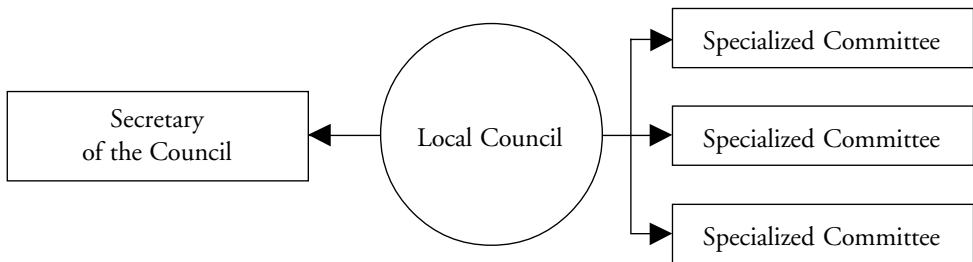
Number of Judet Inhabitants	Number of Councilors
0–200,000	27
200,001–300,000	29
300,001–400,000	31
400,001–500,000	33
500,001+	35

Local councils make decisions by majority vote if a majority of members are present at the session. An exception is the adoption of decisions concerning public issues, territorial organization, development of the respective self-government unit and association with similar units, for which the majority vote of all councilors is required. Moreover, the adoption of decisions regarding local taxes and revenues are valid only by approval of two-thirds of the total number of

councilors. In Moldova, elected members of the local council do not receive remuneration; rather, their involvement is honorary even though their participation in meetings is compulsory. If a councilor fails to attend at least three meetings, he or she can be sanctioned in accordance with the statutes of the local council. The law stipulates that if the local council does not function for six months or if the number of local councilors drops to half the required number, it is legally dismissed.

The internal structure of a local council is quite simple and is coterminous with the size of the respective local communities, the volume of properties and the annual budget. In this respect, the Law on Local Public Administration only gives a local council the right to nominate its secretary and to establish various committees according to the profile and needs of the correspondent community. The functional structure of the local council is demonstrated in figure 7.1.

Figure 7.1
Structure of the Local Council in Moldova

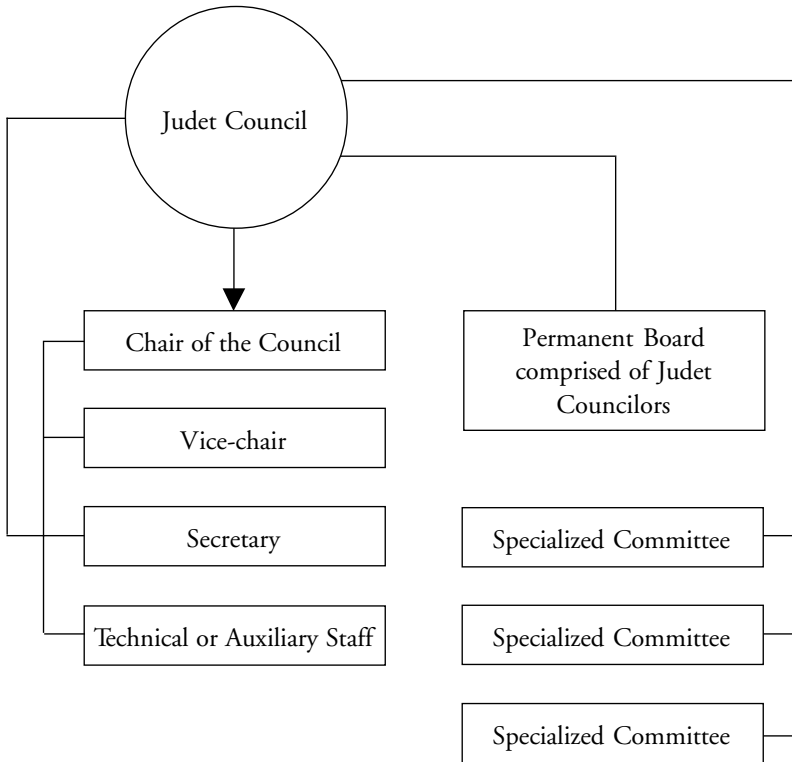


Under the current system of public administration, the local council does not have its own leadership—the chair is elected at each sitting from among the councilors—or a technical staff at its disposal. The legislators initially thought that these technical services would be provided entirely by the mayoralty staff; therefore, the mayor calls the sittings of the local council. The council is the decision-making body, and the mayor is the chief executive authority. There is no subordination between them; the mayor is empowered only to implement the council's decisions, and thus, his or her influence over the council is minimal.

The mayor represents the executive staff of the commune or municipality. Mayors of communes and municipalities are assisted by a vice-mayor; mayors of judet centers appoint two vice-mayors; the Balti, Bender and Tiraspol municipalities have three vice-mayors apiece; and the general mayor of Chisinau Municipality (with special status) has four vice-mayors. The local council during its mandate creates a mayoralty as an executive body, comprised of the mayor, vice-mayors, secretary, praetors,¹⁶ head of the public administration and other persons who exercise leadership in public affairs of the municipality.

In contrast with the functional structure of the local councils, judet councils have a sophisticated internal structure due to their new and increased public service and economic responsibilities. According to the Law on Local Public Administration, the judet council sets up a permanent board as a working body and executive authority, comprised of the chair of the judet council, a vice-chair and five to seven members of the council.

Figure 7.2
Structure of the Judet Council in Moldova



2.4 Public Participation in Decision Making

The logic of administrative decentralization supports the idea that radical reform of local government in Moldova cannot register positive outcomes without citizen participation in local affairs. A friendly institutional environment that ensures useful, well-addressed and innovative participation aims to supplement a radical redefinition of the statute of local public officials.

Furthermore, public participation can assist in fostering the integration of experiences, encouraging community interest and pioneering communal initiatives.

There is however a very low level of transparency in the activity of local organizations of self-administration in Moldova that hinders the functioning of local governments. Most of the information diffused by local authorities is formal and does not represent a real assessment of the local situation. Radio networks are used inefficiently rather than supporting local government strategies of development. The *Monitorul Oficial*, in which laws and government decisions are published, is distributed at high commercial prices, which considerably reduces public access to the information and normative acts that it contains. Insufficient copies of a specialized journal of the Academy of Public Administration are printed to meet the informational needs of local public authorities and communities. Due to an acute deficit of financial means, the government does not publish any informational or scientific materials on the problems of public administration. Mayoralties do not even possess copies of the laws that provide the legal basis for their authority and activities.

NGOs can have a great role in identifying obstacles in communication and influencing the adoption of more effective mechanisms of cooperation pertaining to the self-administration of government. Local NGOs can apply for funding sources from outside the communities they represent and direct them in solving local problems.

The Law on Local Public Administration (1998) lists the principles of citizen participation.

- *Transparency of decisions.* Public awareness of problems that have to be addressed by local government is an important step in community participation. Without the necessary elements of local culture, citizens cannot be involved in solving problems, being alienated from the decision-making process. Free access to information on local administrative activities and development programs as well as evaluation of the impact of administrative decisions is a necessary condition for the functioning of a modern public administration.
- *Public agenda.* To enhance the quality of communication between local officials and the community, open hearings and posted announcements commonly are used. Some local governments are inclined to employ existing radio or television programming in order to maximize exposure of their campaigns or to mobilize community support for developmental projects. An efficient local public administration shares decision-making power with the citizens it represents, increasing efficiency through the delegation of responsibilities for achieving goals of public interest.
- *Public meetings.* Local councils are obliged to announce the agendas of their meetings to the public, but public access to such meetings is not permitted, except in cases in which the local council considers it necessary to invite "useful attendants." The secretary is entitled to communicate all decisions made by the local council and the mayor to the public. Generally, mayors used to have regular meetings with their constituencies, although there is no clear distinction if formal agendas for such meetings are necessary, if public meetings must be convoked or if these responsibilities should be delegated to the secretary.

- *Surveys.* Surveys and opinion polls represent an exact and professional instrument of assessment of public opinion in matters of local interest. Unfortunately, the use of such tools is at a rudimentary stage, and legislation does not stipulate expressly the need to consult the population on questions of public interest.

2.5 Ethnic Issues, Multicultural Government

Soon after the disintegration of the Soviet Union, almost all former soviet republics were challenged by emerging nationalism. Most faced the difficulties of determining the most adequate tools to define criteria for inclusive citizenship, and this issue raises questions about the relevance of ethnicity and nationality throughout the region. In Moldova, the Constitution recognized from the very beginning that all citizens are equal before the law, “regardless of their race, nationality, origin, language, religion, sex, social status, political affiliation and patrimony.”¹⁷ Nevertheless, the Constitution provides special procedures for the articulation of minority interests, including the granting of special status to some regions of Moldova. Furthermore, the Constitution stipulates that international treaties on fundamental human rights, to which Moldova is a signatory, have priority over domestic legislation. The Citizenship Law adopted on 5 June 1991 was far more liberal than its counterparts in other former soviet republics, automatically granting Moldovan citizenship to legal inhabitants of Moldova and avoiding any provision that might link citizenship with ethnicity or command of the state language.¹⁸

Separatism in Moldova took root in the power vacuum created by the collapse of state socialism; ethnic populism became the most convenient and most appealing ersatz-ideology of what has been perceived to be an external threat. Ethnic activists divided themselves along prowestern and pro-CIS orientations, widening a symbolic dividing line for politicized voters. Hence, the declaration of independence marked a new stage in the republic’s internal disputes through the formation and ascent of two separatist movements: the PMR, located on the eastern bank of the Dniester River, and the Gagauz Republic, consisting of five rayons in the southern region of the Republic of Moldova.

Since 1991, the Republic of Moldova has faced increasing antagonism between the idea of a national state and its nonhomogenous regions, which made the accommodation of divergent ethnic aspirations a strong priority for internal and foreign policy. Bot, Dniestria and Gagauzia have backed each other since 1991 in opposition to the Chisinau government according to the principle “the enemy of my enemy is my friend.” While it is recognized that Dniestrian secession represented a case of politicized regionalism,¹⁹ the other two regional conflicts were largely ethnic, and therefore, it is necessary to describe the tools that were employed to ease group tensions.

National awakening among the Gagauz and Bulgarians followed the general political movement in Moldova at the end of perestroika. Their activists claimed safeguards for their national culture, but with different degrees of insistence. On 19 August 1990, a self-proclaimed Gagauz

Republic was declared in Comrat, and although Chisinau annulled it, it gave the Gagauz minority²⁰ a greater sense of its corporate identity. After three years of economic and military conflict, however, the more moderate Gagauz leaders prevailed over the hard-liners in Comrat, and thus, after the adoption of the first Moldovan Constitution and parliamentary elections, a tangible rapprochement between the Gagauz leaders and Chisinau finally took place. Although Chisinau recognized national Gagauz autonomy, which is entitled to have its own legislative and executive bodies, the Gagauz had to give up their demand for separate statehood and accept the addressing of their ethnoterritorial interests exclusively within the constitutional framework of an integrated Moldovan Republic. The Law on Gagauz Yeri defines it as a “national-territorial autonomous formation,” and a referendum held in spring 1995 aimed to unite those settlements in which Gagauz inhabitants represented less than fifty percent of the population. Although Gagauz territorial autonomy initially was met with resistance in Chisinau, the fact that the agreement guaranteed Moldova’s territorial integrity while promoting decentralization and pluralism at the regional level led to a general positive change in attitudes toward this territorial autonomy.

A *bashcan* (head) and *Halk Toplushu* (Popular Assembly) were elected in 1995 to represent the autonomous region ex officio to the government in Chisinau. Concomitant with the implementation of autonomy, some Gagauz leaders complained that the single-chambered Parliament of the Republic of Moldova did not reflect their concerns and demanded help from the Moldovan president to secure more seats for Gagauz deputies. These claims neither specified in what way this could be accomplished nor clarified the situation of those ethnic Gagauz not living in the autonomous unit after the recounting of ethnic quotas in all branches of the central government and in Parliament. In fact, the representation of the Gagauzi in the central government is proportional to and even higher than their percentage in the total populace.²¹ Another concern of the Gagauz leaders is that the recent reform of local government may undermine their self-territorial-administrative advantage as compared to other territorial units in Moldova. The paradoxical stance of the newly adopted Popular Assembly in 1999 was conditioned by the fact that the old-guard leaders of the former Gagauz Republic gained again in the 1999 local elections, and that the most popular assumption among the new majority of the Gagauz Assembly is that “Comrat will not accept equal treatment with the rest of the districts of the Republic of Moldova.”²² Although they agree that the Republic of Moldova is not a federation and that a bicameral Parliament is always more rigid on legislative affairs, Comrat leaders argued that “the Founding Act of the UTAG (Ulojenie) is a real local Constitution prevailing above all other laws adopted by Parliament (with the exception of the Constitution of Moldova).” Generally, economic hardships in the region and a relative weakness of civil society allow regional leaders to engage in permanent competition with the central government, because it objectively proves to be the sole permanent “reactive” that might assist people in forgetting their real problems.

In contrast with Gagauzi and Dnestrian elites, the Bulgarian community did not adopt irredentist or separatist claims.²³ In fact, this loyal stance was recognized by the tolerant position of Chisinau in regard to the Bulgarian ethnic community. Since 1998, with the relaunching of discussions for the adoption of a new Law on Territorial-administrative Organization, a vociferous

initiative for the maintenance of a separate Taraclia District was placed on the agenda of public dispute. Blaming the central authorities for granting autonomy to the Gagauz community while ignoring the loyalty of the Bulgarian community to the principle of unity and indivisibility of the country,²⁴ rayon officials orchestrated a campaign to discourage the inclusion of Taraclia City and other localities within a larger Cahul District. In fact, the rayon administration enjoyed the support of the local population (including Ukrainians, Russians and Gagauzi) in claiming a form of administrative self-rule rather than a form of ethnoterritorial autonomy, which would be difficult to achieve and to justify.²⁵ The hidden reasoning for such an administrative distinction is explained however by a complex interplay of economic, political and social interests that forged, by the end of 1998, a strong impetus for the existence of a separate territorial-administrative unit. The new judet was supposed to protect the statute of the Tvarditsa and Taraclia economic zones, located in a strategic position along the border with Ukraine and having a very generous framework for business operations (sometimes illegal). The social interests of the Taraclia inhabitants were compared to the “wealthy” quality of life of the population of Cahul District and of Gagauz Yeri,²⁶ which the Taraclia rayon administration frequently explained was the result of the maintenance of collective farms (in contrast to Cahul District where collective farms disappeared as a result of land privatization). Despite the stance of the ruling coalition (ADR) not to allow the creation of a new “ethnic enclave,” international pressures and internal political *raison d’action* were complementary, resulting in an amendment to the Law on Territorial-administrative Organization of the Republic of Moldova and the creation of a separate Taraclia District.

2.6 Local Government and NGOs, International Contacts

The soviet break-up resulted in the proliferation of nongovernmental organizations (NGOs). Benefiting from democratization, hundreds of NGOs were registered by the Ministry of Justice. Most economic theories on the voluntary sector suggest that the demand for these organizations represents the failure of the market and government to provide quality services.²⁷ From this point of view, such demand in Moldova is especially high and, particularly in the field of local and regional government, the emerging noncommercial sector is expected to play a critical role. Local and central authorities neither possess resources nor are used to responding to the growing variety of citizens’ needs. In fact, the role of NGOs remains precarious due to the brittleness of civil society, the everyday frustrations of the populace and a lack of resources.

More than one thousand four hundred NGOs currently are registered in Moldova, but less than two percent of them focus on local government issues. The development of the voluntary sector responds to a vital need of postcommunist societies. The state does not differentiate in tax laws between not-for-profit NGOs and for-profit businesses,²⁸ which allows fiscal departments to close down or freeze the bank accounts of NGOs without any special court ruling. The legal regulation of nongovernmental activity in Moldova is neither complete nor permits NGOs to work out common projects with local public authorities. In January 1996, a new Law on Nongovernmental, Noncommercial Organizations was submitted to Parliament, which quickly

approved it, and the president promulgated it without any discussion. While the new law seemingly overcomes several gaps in the previous legislation, several debates emerged due to stipulations that were perceived as burdensome for local NGOs.

One of the major weaknesses of this legislation is the scarcity of resources provided to this sector and unsettled disputes on property and philanthropy. Moldovan law on philanthropy and sponsorship regulates only the activity of philanthropic and charity organizations, while a law on public organizations has yet to be promulgated. Another concern of the noncommercial sector is related to an “overpolarization” of NGOs; some allow themselves to be manipulated by the state or by the ruling party, pursuing political goals and taking advantage of preferential treatment by state structures expressed through financial support, easier access to information, et cetera. Reportedly, approximately twenty-five percent of NGOs are “quasigovernmental.”²⁹ A similar situation is evident with NGOs representing elected local public officials; about fifteen are at both the regional and national levels. While some aim to represent elected officials, others simply attempt to provide assistance to the reform of local public administration. Conflicts of interest occur frequently, as the scarcity of resources and political affiliations divide them into antagonistic camps, but generally, it is commonly perceived that all of them have a role to play in implementing the new legislation on local government.

Local governments have the right to establish various forms of partnership, cooperative initiatives and twinning projects with foreign localities. All partnerships are designed according to real need through contractual agreements with similar bodies in the fields of urban planning, territorial organization, communal management, transportation and communication, environmental protection, trade, education, health, culture and the arts, tourism and sports, construction and infrastructure, public services and other domains of common local interest.

3. Local Administration, Service Provision

3.1 Structure and Operation of Local Administration

The implementation of a new system of local public administration needs new functional mechanisms. The Law on Local Public Administration confers to the local council the right to approve statutes and other regulatory acts necessary for the functioning of local government. This procedure is usually initiated by the mayor, and modes of implementation depend upon the particular administrative structure adopted, based upon forms and models approved by the government, including staff organization of the mayoralty and other autonomous executive structures or public services supervised by the local council.

According to the provisions of the Law on Local Public Administration, local councils are entitled to appoint a secretary upon the suggestion of the mayor. The same is true for the judet council, which also approves the payroll and number of employees of the judet and nominates heads of

the judet divisions of finance, economy and reform, education, health, culture, social protection and other services under the jurisdiction of the council. The secretary of the local council simultaneously performs the functions of the secretary of the commune or municipality, and the secretary of the judet council is simultaneously the secretary of the permanent board. Secretaries of the local and judet councils enjoy the rights of public officials in accordance with specific legislation and must have earned a legal or public administration degree. As secretaries fall under jurisdiction of the Civil Service Law, they cannot be members of any political party or organization. The Law on Local Public Administration confers many prerogatives upon the secretary, including:

- responsibility for ensuring the legality of all decisions of the council;
- supervision of the departments and staff of the mayoralty;
- preparation of all materials necessary for council sessions;
- publication of decisions of the local council and mayor;
- fulfillment of the role of public notary;
- organization and coordination of all local government institutions.

The personnel of the mayoralties and the judet council staff form two distinct categories: (1) public officials, which fall under the civil service, and (2) technical personnel, the relations with which are regulated by labor legislation. The central government established and recommended to the local councils a staffing scheme that is not compulsory but defines the maximum number of technical staff of communes and cities.

Table 7.5

Number of Local Government Personnel in Moldova, 1999

Unit	Number of Units	Number of Personnel
Mayoralties of Communes and Municipalities	158	7,000
Judet Councils	10	450
Prefectures	10	225

The size of the executive staff is determined by several factors, including:

- size of the population of the territorial-administrative unit;
- degree of socioeconomic development of the territorial-administrative unit;
- financial resources available in the budget of the territorial-administrative unit for staff;
- territorial size of the territorial-administrative unit.

In accordance with the law, all these factors are scrutinized by the council when approving the staffing scheme and personnel. The central government recommendations could be considered an infringement upon the initiative of the local council by imposing a scheme inspired from the top.

Staff expenses of judet councils and their departments and directorates as well as those of the mayoralties are calculated according to normative acts issued by the government (statutes of 15

June 1999 and 22 July 1999, as well as decision No. 139 of 9 February 1998 regarding the salaries of public officials and technical personnel of public authorities). This unique system is a relic of the old regime. The same can be said of the emolument system for public officials and executive personnel of the mayoralties, the salary levels and social benefits of which are set by the Ministry of Finance. Uniform salaries for public officials should be established, but it is not necessary for these limits to be determined by the central authorities. Under such conditions, the state may establish unique tariffs for positions subsidized from the state budget. Concerning the remuneration of public officials, salaries and the approval of payrolls is a competence belonging to the elected authorities, whose activity is based on the principle of full administrative and financial autonomy. Any interference of the state in this field is a direct infringement on local government affairs. The state may intervene only in cases in which it provides additional incentives for certain categories of local officials. For instance, it may stipulate salary increases for employees who fall under the provisions of the Civil Service Law; such salaries are based upon the level of responsibility of the position and the qualifications of the public official. Therefore, public officials may profit from:

- qualification degrees;
- length of service;
- academic degrees;
- knowledge of two or more foreign languages used in the workplace.

Some additional payments to public officials may include financial awards for outstanding performance or goals achieved. The government establishes the level and type of award.

Figure 7.3
**Organizational Structure of Local Authorities in Moldova
 with Populations of Less than 10,000 Inhabitants**

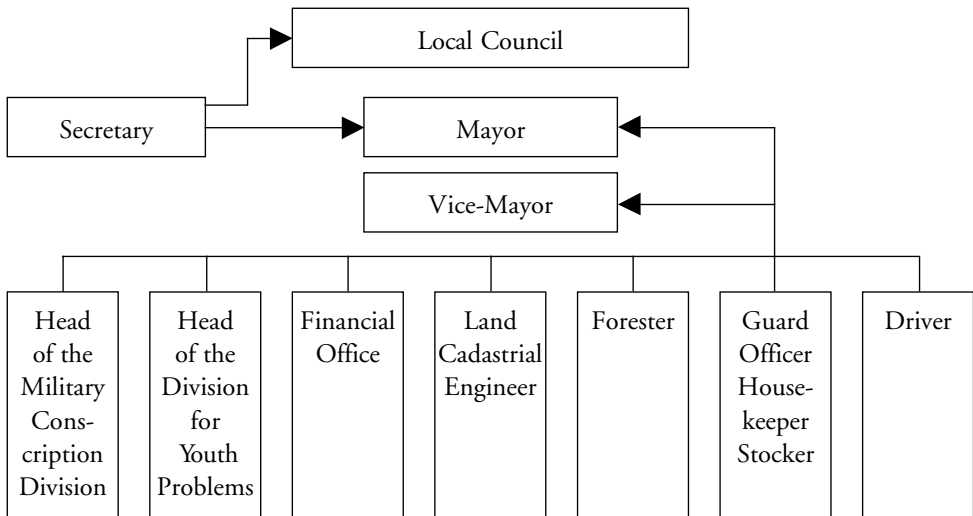
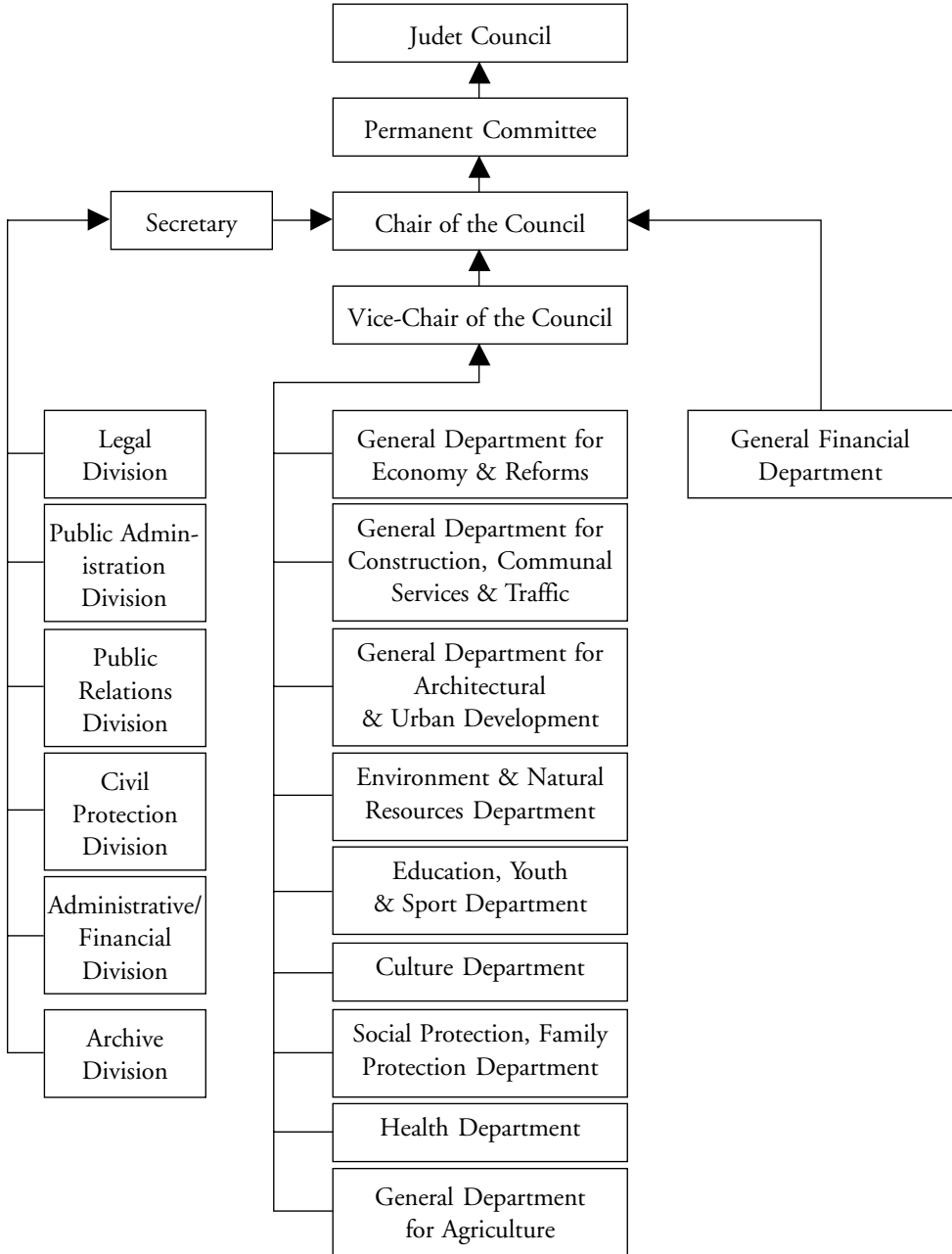


Figure 7.4
Organizational Structure of Judet Authorities in Moldova
with Populations of More than 40,000 Inhabitants



Effective management of the public domain requires a competent staff, adequate training and professional commitment. On 20 March 1998, the government approved a unique register of all public positions, according to which officials of mayoralty staffs were organized by rank of importance:

- the second rank includes secretaries, department heads and their deputies, division heads and their deputies;
- the third rank includes consultants, public relations specialists, coordinators and other technical specialists.

Local and judet councilors do not have public official status; nor do mayors, whose legal status is guaranteed by the Constitution, the Law on Local Public Administration and the Law on Elected Officials.

Among the most important issues of the civil service, the following will be emphasized: (1) recruitment, (2) training and professional development and (3) career advancement and promotion.

The Law on Civil Service stipulates that public jobs are filled through nomination and appointment or through open competition. The law stipulates that the assigning of public jobs by appointment may be accomplished only by the hierarchical authority or by a person expressly delegated with such duties. The filling of public jobs through election or competition is effected by the public authority, which then is entitled to employ the respective official. It should be stressed that these regulations do not clarify the method to be used to fill each position, leaving the final decision to the highest body of the respective public authority. This is an undesirable situation due to a long history of recruiting personnel according to the sole criterion of loyalty rather than on the basis of professional skills. Another personnel policy problem is the political affiliation of public officials, whose professional destiny is tied to that of a specific party. Recruitment for and appointment to public jobs should be pursued only through direct competition.

The management of local tasks and the execution of local and regional policy require a competent and trained staff. Currently, the training and professional development of public officials is offered by the Academy of Public Administration, which was established by the government in 1993 with the specific task of providing postgraduate education (a two-year program for full-time students and a three-year program for part-time students). The Academy provides applied and conceptual training in history, public administration theory and practice, jurisprudence, economics, social sciences, international relations theory and practice, public and private management, information systems and modern languages. The Academy's graduates also have access to information in the field from other countries. To date, 517 persons have graduated from the Academy, of which 192 are now employed in central state bodies and 325 in local public administration authorities.

Since the 1997–98 academic year, a graduate studies program in public administration has been offered at the Academy.³⁰ Several other universities also offer special courses in public administration for students who wish to compete for public jobs upon graduation. Professional devel-

opment for public officials is a legal duty as stipulated by the provisions of the Civil Service Law; every public servant must complete requalification training at least once every four years. Requalification is the duty of the state Department for Personnel Policy and the Academy of Public Administration. From 1994 to 1998, 1,767 elected representatives and civil servants benefited from short- and medium-term professional development courses offered at the Academy.

Specific provisions of the Law on Civil Service stipulate career advancement of public officials. Those who advance quickly report considerably better results in their activities, author initiatives that are held in high esteem by their hierarchical superiors and devote effort to upgrading their professional skills. In order to improve the quality of the civil service, to upgrade the process of recruitment and education and to stimulate professional growth, public servants are obligated to pass examinations at least once every three years. Local governments are entitled to create special committees for such professional certification that evaluate the activities, skills, legal competence, capacity to work with the public and conformity with the position of all local public officials. In accordance with such evaluations, the respective public authority decides upon the granting of new civil ranks, salary increases or decreases, recommendations for qualification courses and inclusion in the state reserve personnel database.

3.2 Local Service Delivery

Decentralization is often regarded as a key element for effective public affairs management and is the fundamental principle for local public administration as established by the Constitution of the Republic of Moldova. The Law on Local Public Administration further develops this principle through the definition of the competences of the commune, municipality and judet, defining decentralized services as “those delegated from central government subordination and organized autonomously by conferring the correspondent territorial-administrative unit with patrimony and the right to self-management.” Local public services in each domain of activity are established by the local council upon recommendation of the mayor and address specific local needs within the limits of the financial resources at their disposal. The mayor is responsible for defining the public services that are expected by the population and submits proposals to the local council for the creation of new public services. Public need is determined through personal interviews, local polls, public hearings, council meetings and the involvement of NGOs.

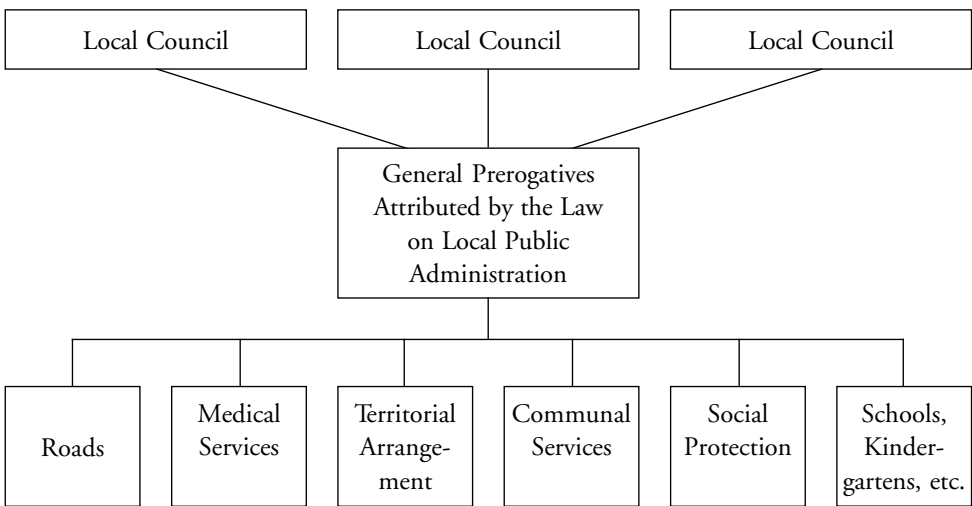
The main prerogatives of the local council in the field of public services organization include:

- approval, upon recommendation of the mayor, of the structure of personnel for all agencies and public services supervised by the local council;
- approval of the local budget and the implementation and management of expenditures for public services;
- creation of public institutions and local companies, approval of the leasing and renting of property and local public services that are entrusted to its authority and contribution to statutory funds of commercial societies for the realization of public works and services;

- ensuring all necessary conditions for the functioning of education, cultural and health institutions under its subordination;
- nomination and dismissal of the heads of companies and public institutions under its jurisdiction;
- organization and maintenance of public communal services, including local transportation and housing;
- maintenance of public order, protection of the human rights and freedoms and appointment of the head of the municipal police and sector police (upon confirmation by the judet police head);
- establishment of various donor organizations of local interest;
- approval of association with other local and judet public authorities for the realization of services of public interest and of cooperation with national and foreign companies that aim to work for public benefit.

The local council also plays a considerable role in establishing the cost and fees for public services provision. Thus, councils can establish tariffs for services provided, establish tariffs to cover expenses for the creation and maintenance of public services and determine prices to be paid by service users. The local council also is entitled to determine the use of such tariffs collected: it can transfer revenues to the local budget, direct them to the development of a certain service or supplement these resources with local budget funds to support other projects. Legislation stipulates that all decisions adopted by the local authorities affecting the distribution of tariff resources must be posted by the mayoralty and publicized by the media.

Figure 7.5
Local Government Competences and Powers in Moldova



The mayor is the sole authority that exercises the management of local public services and ensures the functioning of civil protection and social services. The mayor is expected to propose to the local council the appointment and dismissal of heads of local companies and public institutions under the jurisdiction of the local council. The local council statutes regulate the activities of all local public services. Several stipulations regulate the hiring, emolument, dismissal, rights and duties of the officials involved, which are derived from the Civil Service Act.

Due to growing economic disparities, services provided by communes and municipalities depend upon the economic growth and potential, social infrastructure, demographic indicators and number of taxpayers in each territorial-administrative unit. Obviously, opportunities for budgetary transfers, mobilization of local resources and mobilization of the private and noncommercial sector are fewer in small communes than in large cities. Generally, communes are expected to provide civil protection, social protection for the elderly and invalids, territorial planning and sanitation, maintenance of preschools and schools, maintenance of health care institutions, cemetery maintenance, potable water supply, anti-fire protection and local road maintenance.

Judet councils are entitled to coordinate local councils in order to ensure and to guide the provision of public services of judet interest, to approve their correspondent regulations and to provide technical and legal advice to the local councils, mayoralty personnel and public service organizations. At the judet level, the following public services are provided: civil acts registration, trusteeship, youth protection, archival services, construction, road maintenance of judet importance, construction and urbanization, coordination of business activities, communal services of judet interest, social and family protection, health care and assistance to health care institutions and hospitals, education and coordination of educational institutions, other activities related to youth and sports, coordination of agricultural development and environmental protection. All these services should be fully decentralized, since their organization and regulation are legally the responsibility of the judet council and financial resources to perform them are provided by the judet budget. Recently, the government compelled the ministries of finance, economics, education, health, labor, social protection and family, transportation and communication, territorial development, and construction and communal services to provide methodological support to the newly created departments, divisions and public services of judet interest.

Some prerogatives for fulfilling general public needs cannot be transferred to local public authorities, as they are of interest to the national community; these are the state's responsibility and require broader participation of the central government and its territorial representatives. The central government brings such services closer to the population through its deconcentrated departments in judets, municipalities and communes. To ensure the effective supervision of these deconcentrated services, the state delegates its representatives—prefects—to the judet level. As a head of deconcentrated public services, the prefect suggests the appointment or dismissal of heads of public services provided locally by various ministries, departments and other central authorities (see table 7.6).³¹ The mechanisms of decentralization and deconcentration of public services is demonstrated in figure 7.6.

Table 7.6
Deconcentrated Public Services of National Agencies in Moldova

Central Authority	Deconcentrated Public Service Agency
Economic Ministry	Territorial Agency for Privatization
Finance Ministry	Local Fiscal State Inspectorate Territorial Control and Revision Division Territorial State Cashier (Trezorerie)
Territorial Development, Construction and Communal Services Ministry	Territorial Construction Inspectorate
Agriculture and Local Industry Ministry	Veterinary Inspectorate Inspectorate for Selection and Reproduction in Animal Breeding State Inspectorate for Vegetation Protection State Inspectorate for the Supervision of Equipment "Interagro"
Environment Ministry	Territorial Ecological Agency
Labor, Social Protection and Family Ministry	Inspectorate for the Protection of Labor Labor Forces Office
National Security Ministry	Territorial Division for National Security
Defense Ministry	Territorial Military Center
Ministry of the Interior	Police Inspectorate
Ministry of Justice	Territorial Office of the Chamber of Registration
Statistical and Sociological Department	Division of Statistics
Civil Protection and Extraordinary Situations Department	Civil Protection Division and Defense against Calamities
National Agency of Land Resources, Cadastre and Geodesy	Service for the Regulation of the Property Regime of Land

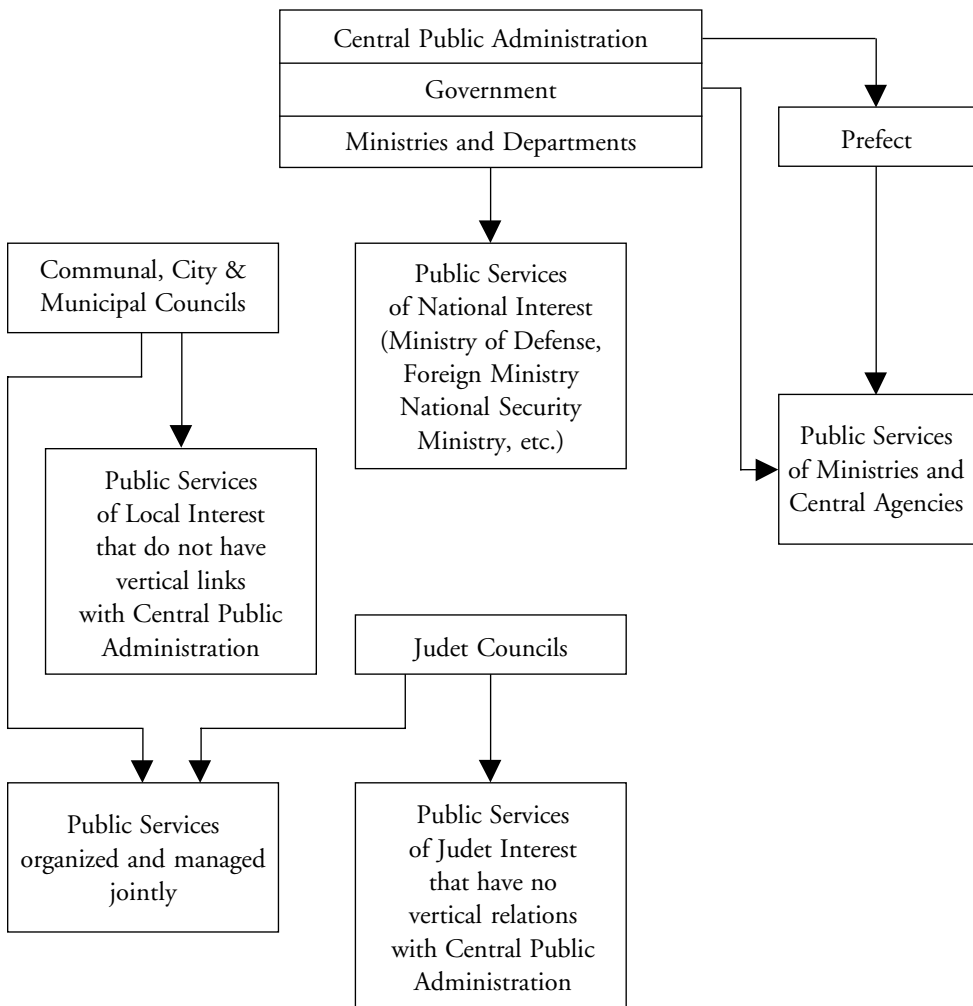
Although radical steps towards more decentralized and effective local public administration have been confirmed in Moldova, current legislation has several drawbacks that nurture continuous conflicts between various authorities.

1. The law does not provide a clear delimitation of competences between the local public administration and prefects. Defining the competences of local governments and not those of prefects, there is a practical discrepancy in the established forms of local autonomy.

2. The law does not provide a clear delimitation of responsibilities between local communities at the communal level and at the judet level.
3. The law does not stipulate compulsory and facultative competences of local public administration. Therefore, the cost of providing public services cannot be covered by local budgets. In order to avoid conflicts in this field, a new law on the organization of public services or of the decentralization of public services is needed.

Figure 7.6

Structure of Decentralization and Deconcentration of Public Services in Moldova



In accordance with legislation, public services are organized in the Republic of Moldova on the basis of the following legal-organizational forms:

- leasing of a public service or of public patrimony to a private subject for a maximum term of thirty years, which is expected to perform this service at its own risk;
- renting part of the municipal patrimony to a physical or legal entity in order to ensure the provision of certain public services (especially water management and parking lots);
- creating small enterprises to self-manage public services;
- cooperating with the noncommercial sector to provide social or educational services, stimulating the participation of citizens;
- associating with other communes to provide services that benefit all associated communities.

4. Local Finance, Economic Development

4.1 Structure of Local Public Finances

The adoption of new legislation on local government has not yet succeeded in solving the discrepancy between the level of administrative responsibilities, competences and tasks entrusted to local public authorities and the restrictive nature of the financial resources at their disposal.³² An attempt to overcome this fundamental inequity was accomplished by the newly adopted Law on Local Public Finances. This law was viewed as a decisive step in clarifying competences in effecting public expenses, delimiting revenues among various budgets of the territorial-administrative units, providing a more balanced distribution of revenues, improving budgeting procedures, et cetera. Generally, the law aims to sanction the right of local governments to use their financial resources freely and in accordance with their individual competences within the framework of the national economy.

A large proportion of local resources are collected from taxes. The local councils in accordance with their needs may establish the amount of such taxes. Alternatively, efforts have to be made to assist local and judet councils that have low individual earning potential. The process of adapting the national fiscal system to the needs and degree of competence of local governments is necessary as budgetary expenses currently exceed revenues. The budget deficit comprised approximately 4.7 percent of overall GDP in 1994; 4.7 percent in 1995; 4.9 percent in 1995, 3.3 percent in 1996; 3 percent in 1997; and 3.5 percent in 1998. As a result, local economic development investment is nonexistent. According to the new legislation, the structure of local public finances in Moldova is as follows:

1. judet and territorial autonomous unit (Gagauz Yeri and the Municipality of Chisinau) budgets;
2. local budgets representing the revenues and expenses of communes and municipalities;

3. extrabudgetary funds, the sources and destination of which are approved by the councils of the territorial-administrative unit, being accumulated from voluntary donations of economic subjects and citizens to resolve particular public goals; revenues collected from local lotteries and competitions; and other resources that are not transferred to the central budget.³³

The clear delimitation of revenues among the budgets of the territorial-administrative units includes:

1. *Judets, autonomous territorial units and Chisinau Municipality:*
 - income tax on entrepreneurial activities—at least fifty percent;
 - value-added tax on local production—at least ten percent;
 - taxes on roads collected from automobile owners registered in the Republic of Moldova—at least fifty percent;
 - tax on natural resources;
 - other taxes and revenues stipulated by law;
2. *Local budgets (communes, cities and municipalities):*
 - share of the tax on revenues from entrepreneurial activities;
 - value-added tax on local production (established by the judet financial authorities);
 - income tax on physical persons;
 - tax on real estate and land;
 - taxes and local revenues as established by legislation.

The new legislation on local finances has several innovative elements that are expected to substantially improve the financial situation of local governments. It allows two types of transfers: (1) financial assistance and (2) special destination for the execution of functions delegated by the government.

4.2 Taxes

The collection of taxes and other local revenues is regulated by Fiscal Code No. 1163-XIII (24 April 1997) and the Law on Local Taxes and Revenues No. 186-XIII (19 July 1994). The current fiscal system includes the following taxes: land, real estate, the use of natural resources, territorial organization, the organization of various local tenders or lotteries, hotels, advertising, local symbols, the placement of commercial units, markets, car parking, climatic treatment, domesticated animals, television, state border crossings, the right to sell in the customs zone and passenger transportation services.

After the adoption of the Law on Local Taxes and Revenues, local budget revenue totaled about 12 million lei. According to data provided by the Local Taxes and Revenues Department of the Ministry of Finance, about 40 million lei were collected by fiscal agents in the territories. From

the total number of 644 mayoralties of the Republic of Moldova, only eighty-one percent of them have adopted specific local taxes in accordance with the new financial legislation. Thus, of the eighty-two mayoralties of Balti Judet, only sixty-eight have introduced local taxes; only forty-one of seventy-three mayoralties of Edinet Judet followed their example; and forty-six out of seventy-two in Orhei Judet did the same. The fact that about nineteen percent of the existing mayoralties has not succeeded in introducing new local taxes and other duties can be explained primarily by a lack of specific abilities in this field. More than sixty percent of the elected mayors have no previous experience in local public administration. Frequently, even if the mayoralties succeed in adapting to the new rules imposed by financial legislation, new taxes are set up by the mayors rather than through council decision, and as a result, these taxes often exceed the limits imposed by Parliament. In Moldova, the system of national taxes and state charges include the following: (1) income tax, (2) value-added tax, (3) border tax, (4) private tax, (5) customs tax and (6) road tax; these comprise about two-thirds of all revenues.

The total share of all direct taxes in the state budget dropped 1.7 times in 1997, while the share of indirect taxes rose 1.4 times. The prevailing proportion of some taxes was collected through administrative procedures, such as sequestration of production, appropriation to offset debts to the state budget and social fund, bank account freezes, et cetera. Of course, such administrative leverage cannot be used continuously without harming the real interests of enterprises. As the state budget is the main pocket to which revenue is collected, many rayons and municipalities negotiated directly with politicians in the previous governments in order to get additional funds. Sometimes they were very successful, although the political implications for local and national finances were acute. The equality of all territorial-administrative units before the law will become an unavoidable principle for the whole system of local finances in the future.

4.3 Revenues

Table 7.7
Structure of Local Government Revenues in Moldova, 1995–98 [%]

Type of Revenue	1995	1996	1997	1998
Taxes and Surtaxes	68.8	68.4	54.0	55.3
Transfers from the State Budget	22.8	18.9	28.3	37.9
Loans from the State Budget	7.9	12.7	10.1	1.2
Bank Loans	0.5	—	7.6	5.6
Total	100.0	100.0	100.0	100.0

SOURCE: Ministry of Finance of the Republic of Moldova, 10 November 1999.

Revenues collected from local taxes and surtaxes dropped dramatically from 68.8 percent in 1995 to 55.3 percent in 1998, reflecting the evolution of processes of local economic development. Transfers from the state budget increased slightly from 22.8 percent in 1995 to 37.9 percent in 1998. According to data provided by the Department of Statistics, the state budget collects between seventy-two and seventy-five percent of all revenues, raising continuous protest from local governments. The natural reaction is to claim new transfers from the state budget. Bank credits assimilated by local governments have little significance, primarily due to the very high interest rate set by the banking sector (from thirty-five to forty percent per year), while economic potential is not increasing.

Table 7.8
**Summary of External Assistance Disbursements
by Donors [thousands of USD]**

Donor	1995	% change (96/95)	1996	% change (97/96)	1997	% change (98/97)	1998	1999 (planned)
Multilateral: 18 institutions (UNDP, UNESCO, UNICEF, IDA, IAEA, WHO, etc.)	2,429	41.4	3,435	832.8	32,042	14.8	36,796	41,623
Non-United Nations System (CE, EBRO, EU, OSCE)	12,355	-71.0	3,578	9.6	3,920	138.2	9,336	7,697
Bilateral: 15 countries (US, Sweden, Romania, etc.)	56,539	-28.6	40,366	2.5	41,378	26.3	52,256	57,806
NGOs: 20 organizations (Soros Founda- tion, Salvation Army, etc.)	3,072	11.2	3,417	59.9	5,464	78.1	9,731	1,136
Total	74,395	-31.7	50,796	63.0	82,804	30.6	108,119	108,562

SOURCE: Development Cooperation, Republic of Moldova, *1998 Report* (UNDP, 1998).

Finally, public accounting is organized according to the mechanisms of budgetary bookkeeping of the old regime. Unlike public institutions directly subordinated to the state, local institutions are not funded through local financial chambers (*trezorerii*) but by the financial divisions of the city, municipal and judet offices. Therefore, local public institutions, being entirely funded by the local budget within limits established at the highest level, have to transfer all taxes from the salaries of their employees to the local budgets. Thus, local budget payments of employee income taxes represent a hidden repayment of a share of funding from the state budget, and simultaneously a fictitious revenue source for the local budget.³⁴ Of course, these are not the only negative elements inherited from the former bookkeeping system, but the implementation of the new legislation on local public finances should carefully bridge the existing gaps in this field.

Table 7.8 demonstrates that external credits are growing annually in the Republic of Moldova. Many new programs suggested by donors are oriented toward local government, ensuring sustainable development, improving the managerial capacity of local public authorities, increasing the flexibility of social protection institutions, et cetera. Thus far, donations in these vital domains are quite limited.

4.4 Expenditures

Table 7.9 indicates that the proportion of capital expenses to total expenses is rising consistently, from 2.9 percent in 1995 to 11.6 percent in 1998. Despite this rise, capital expenses are estimated at only 11 percent of total expenses, which do not cover the needs of local development as a whole. Current expenses comprise the largest part of total expenses. Expenses related to the reimbursement of foreign credits vary between seven and twelve percent per year. The distribution of expenses by field is indicated in table 7.10.

Table 7.9
Distribution of Local Government Expenditures in Moldova, 1995–99 [%]

Type of Expense	1995	1996	1997	1998
Current Expenses	89.2	85.2	86.4	76.6
Capital Expenses	2.9	5.2	6.5	11.6
Reimbursement of Foreign Credits	7.9	9.6	7.1	11.8
Total	100.0	100.0	100.0	100.0

SOURCE: Ministry of Finance of the Republic of Moldova.

In the structure of local budget expenses, social and cultural costs comprise almost sixty-five percent of the total. The transition imposed several dramatic social costs resulting from economic

decline, inflation, unemployment and poverty. The number of citizens requiring social assistance is on the rise, while financial resources are obviously inadequate to cover demand.

The declared propensity of the central government to introduce more effective social assistance policy and to compensate, to a certain degree, the worsening of the material situation of the population led to the rise in social expenses. It is obvious that the current tools for the resolution of poverty are not effective and that local development is most affected by the lack of progress in social assistance. It is imperative that local public authorities promote a more effective social policy established on a radically different principle. In brief, its scope should create a new labor market at the local level, allowing citizens to achieve a decent level of life through their own efforts, and provide social assistance according to nominative principles and targeted beneficiaries.

Table 7.10

Distribution of Local Government Expenditures in Moldova by Sector, 1995–98 [%]

Type of Expense	1995	1996	1997	1998
Economy	9.1	6.5	5.83	8.6
Social and Cultural	63.4	66.7	76.5	68
Local Government Administration	4.0	3.4	4.89	8.3
Other	23.5	23.4	12.78	15.1
Total	100.0	100.0	100.0	100.0

SOURCE: Department of Statistics.

Table 7.11

Local Government Expenditure Assignment in Moldova, 1995–98 [%]

Type of Expense	1995	1996	1997	1998
Public Order	2.2	2.3	2.5	2.7
Education	40.9	44.5	43.9	39.9
Culture, Arts, Sports	1.5	2.1	2.4	2.3
Health Protection	26.3	26.7	25.7	21.2
Social Protection	6.2	7.6	5.4	5.3
Other Expenses	22.9	16.8	20.1	28.1
Total	100.0	100.0	100.0	100.0

SOURCE: Ministry of Finance of the Republic of Moldova.

Generally, most local government expenses address education and health protection, which remained largely ignored in this period of transition. Social protection expenses were maintained in practice at the same level in 1997 and 1998, but during this period of time, the level of poverty rose significantly compared to 1992, creating major arrears in pensions and salaries. In addition, the function of a salary as a main source of personal income decreased dramatically from 71.6 percent in 1992 to about 34 percent in 1997 and, especially after the Russian financial crisis, the respective percentage dropped again.

Table 7.12 shows that state budget expenditures have increased from 52.1 percent in 1996 to 63.2 percent in 1998. Local government expenditures decreased in the same period of time from 47.9 percent in 1996 to 36.8 percent in 1998, showing a critical decrease. The expenses of the state budget are more important for local governments than some years ago.

Table 7.12
Local Government Expenditures to GDP in Moldova [%]

Year	%
1995	17.6
1996	20.9
1997	15.7
1998	12.65

SOURCE: Department of Statistics of the Republic of Moldova

Table 7.13
Share of Local Government Expenditures to State Budget Expenditures in Moldova [%]

	1995	1996	1997	1998
State Budget Expenditures	59.3	52.1	61.1	63.2
Local Government Expenditures	40.7	47.9	38.9	36.8
Total	100.0	100.0	100.0	100.0

SOURCE: Ministry of Finance of the Republic of Moldova.

4.5 Municipal Borrowing

Municipal borrowing is not very common in the Republic of Moldova due to the high interest rates established by commercial banks. As a result, almost all municipalities in the country have huge debts for their consumption and social fees. It should be noted however that there is only

one municipal bank, which was created on the initiative of the largest city, the Municipality of Chisinau, in 1999. This fact demonstrates that local public authorities can be good managers of their own finances and that banks should be involved in the process of addressing local development issues in each territorial-administrative unit. Accordingly, the Municipality of Chisinau is quite successful in paying all salaries, pensions and other social benefits, which experience delays in other regions of the country, on time.

According to the Department of Statistics, in order to strengthen the development of the private sector, about forty percent of all industrial plants and factories and about eighty percent of all former collective farms were reformed and reorganized in 1997. Unlike the agricultural sector, the privatization of industrial plants failed to establish real owners who are involved in controlling investment and administrative decisions. In fact, most current managers do not address strategic problems of their enterprises, which accumulates debts and creates frustration among employees. According to the data provided by ARIA (a restructuring agency in the industrial sphere), about ninety percent of all industrial plants in the Republic of Moldova (excluding those located in Transnistria) are bankrupt based on international economic and financial criteria. Laws regulating bankruptcy in the Republic of Moldova include the Law on Entrepreneurship³⁵ and the Law on Bankruptcy.³⁶ The first draft of the Law on Bankruptcy was adopted in January 1992, but at that time, it was considered to be rather declarative and difficult to implement. Parliament succeeded in revising another draft of the law and adopting it in 1996.³⁷

4.6 Economic Development

It is widely known that the development of the national economy directly influences the development of local economy and vice versa. This situation is mainly due to the particular efforts made by local communities in creating their own development strategies. Despite the severe limitations of the current economic transition, several communities in the Republic of Moldova have succeeded in achieving considerable results, including the attraction of foreign investment, developing a sensitive community of local entrepreneurs, creating and enhancing strategic partnerships in various sectors with the private sector and with other communities, adapting economic priorities to create comparative advantages in the locality, et cetera. Of course the market economy has made increasingly acute the disparity between comparatively “wealthy” and “poor” communities. But there is a very important lesson to be learned about how some communities become successful while others do not. Why did some local governments know how to use their local resources more properly and how to implement the process of strategic planning, which is fundamental to the advancement of the whole concept of local development in the Republic of Moldova?²²

The concept of local economic development refers to efforts to increase the quality of life for all citizens of a community. Of course, patterns of local development cannot be applied blindly as communities are increasingly different one from another, but the adoption of strategies to the local particularity requires an effectively functioning government and participation of the community.

Local economic development represents a process of modernization in the way the social community satisfies its growing needs. Local communities can achieve this aim through assuming some essential priorities: assistance to the private sector, optimal utilization of local resources, creation of new workplaces. Without doubt, the local public authorities represent the institutional ground of any project of change, being a decisive factor in the elaboration of policies of local development. They also remain the main initiator of programs of local development and are delegated the administrative power to manage and regulate the implementation of these programs. Moreover, the local public administration can and must employ private initiatives in economic development. This alliance between the local public authorities and the private sector represents a common responsibility of the country to solve problems and achieve common goals, including those of maintaining a positive social, political and economic environment at the community level. Designing an individual strategy of local development may be seen only in the context of political and economic reforms carried on in the country

5. Next Steps in the Transition Process

5.1 Transformation of Local Governments

Adapting to an emerging market economy and the rule of law, the Republic of Moldova is adjusting its legal framework on local and regional governments. The normalization of the system of local public administration needs practical solutions and models. However this has not been the case for small, especially rural, communities where economic and social development stagnated before 1991 and therefore that were transformed as “local complexes” with chronic difficulties: lack of adequate infrastructure, economic dependence of local producers on monopolistic enterprises, reduced capacity of tax collection, lack of human and institutional resources sufficient to solve the crisis and quasi-existence of local budgets. Reform could not evolve without a radical redefinition of the status of local public administrators, employed for executive functions or designated for eligible functions by the electorate of local communities. Finally, the reform of the local public administration system in Moldova can register positive outcomes only if it can stimulate and integrate innovative experiences combined with responsibility for the interests of the community. Only through the effort of local authorities, established on respect for free initiative and private property, can most of the problems of local interest be solved. An efficient local public administration has to know how to share decision-making power with the citizens it represents and to increase efficiency through the delegation of responsibilities. The involvement of local communities in the process of decision making at the local level is multidimensional and complex. Participation of the population contributes to: (1) increasing the degree of transparency of administrative decisions, (2) improvement of the process of consultations with the population on the priorities assumed by elected local authorities, (3) consolidation of a better understanding of the most important problems of the community and even of a particular identity of citizens from a certain locality, (4) improvement of living conditions.

5.2 Main Problems to be Resolved

The experience of institutional reform of local government demonstrates that not only positive achievements are at stake during the transformation of the old institutions, and therefore, reform should take into consideration the negative impact of the dissolution of old institutions (of control, supervision and mobilization). Most of the current drawbacks are due to imperfect legislation, slow adaptation to the existent standards in local and regional development, and incoherent politics followed by obedient (or not very capable) executive bodies.

One of the first issues to be addressed is the adoption of the Law on Decentralization of Public Services, which is supposed to determine clearly the priorities of the state and local governments, measures to be taken for the adjustment of local budgets to reflect real expenses of the local public domain and local resources to be directed according to the individual legal competences of the correspondent local governments. A second problem is represented by regional development, which requires special legal regulation that would establish the degree of administrative autonomy of each regional authority, fields in which the state can intervene freely to realize regional interests through the prefectures, and relations between the respective authorities. A third problem is protection of local autonomy from central government interference.

A Law on Administrative Responsibility (*Contenciosul administrativ*) is required that must institute a new body entitled to resolve disputes and to defend local and regional entities from interference. In addition, there is a need to ensure a more strict delimitation of responsibilities between the various public authorities. A separate law could be adopted to regulate various types of responsibilities—civil, administrative and disciplinary—especially for public officials representing authorities that deal with the administration of the public domain at both the central and local levels.

5.3 Civil Society and Reform

Passage to a democratic society cannot be properly conducted without the active and educated participation of civil society. An efficient administration finds it necessary and useful to share responsibility and decision-making power with the citizens of the community, thus amplifying efficiency in achieving targeted goals. To concentrate local energy and initiative on solving such social problems, many NGOs encourage and support the establishment of local branches and volunteer networks that are supposed to represent local interests and disseminate models of social modernization for the largely rural population. In Moldova, rural NGOs represent groups of citizens that can operate more independently than the governmental agencies, approaching problems that local public authorities cannot due to a lack of time, interest or resources. The organizations formed from bottom to top are generated by local interest to explore possibilities of association or financing. In such a way, their success can substitute the deficiencies of a local community and may bring services that local authorities cannot offer to the people that they represent.

Contacts for Further Information on Local Government in Moldova

Parliament of the Republic of Moldova

Contact: Dumitru Diacov, Chair of the Moldovan Parliament
Phone: (373-2) 23-35-28

Constitutional Court, Public Relations Department

Contact: Ion Sofronii, Secretary
Phone: (373-2) 24-46-94

Department for Local Public Administration of the Government, State Chancellery

Contact: Pavel Balmus, Head of the Department
Phone: (373-2) 23-40-14

Viitorul Foundation

Contact: Igor Munteanu, Project Coordinator
Phone: (373-2) 24-75-40

Soros Foundation, Program on Local Public Administration

Phone: (373-2) 27-00-31

Chisinau Municipality

Contact: Iulia Esanu, Head of the Local Public Administration
Phone: (373-2) 22-35-13

National League of the Associations of Mayors

Contact: Victor Mocanu, Secretary
Phone: (373-2) 24-90-08

Recent Publications on Local Government in Moldova

Chiriac, Liubomir. *The ABCs of Local Development*. Chisinau: Cartier, 1999.

Mocanu, Victor. *Local Public Services*. Chisinau: Cartier, 1999.

Popa, Victor. *Local Council in Action*. Chisinau: Cartier, 1999.

Munteanu, Igor. *Regional Development in the Republic of Moldova*. Chisinau: Cartier, 2000.

Manole, Tatiana. *Local Public Finances*. Chisinau: Cartier, 2000.

LADO, IFES, Chisinau Mayoralty. *The Guide of the Public Official*. Chisinau: Publishing House "Chisinau-Prim," 2000.

Orlov, Maria Gh. *Administrative Law*. Chisinau: "Elena VI.," 2000.

Notes

- ¹ Victor Popa, Igor Munteanu, Victor Mocanu, *De la centralism spre descentralizare* (Ed. Cartier, 1998), 5.
- ² “Report on the Statute of Local and Regional Autonomy in the Republic of Moldova,” presented to the Council of Europe by George Lycourgos (Cyprus) and Xavier Muller (France). *Newsletter of the Information and Documentation Center in the Republic of Moldova* (Chisinau) 2–3 (1998): 14.
- ³ Some of these villages have populations of two to three hundred inhabitants, although their legal status was equivalent to that of villages with more than fifteen thousand inhabitants.
- ⁴ On 22 October 1999, the Parliament of the Republic of Moldova, under pressure by the Bulgarian ethnocultural minority living in the southern region of the country, created a new judet on the borders of the former Taraclia Rayon, the population of which has the right to fulfill ethnocultural and social demands. It should be emphasized, however, that the population (forty-four thousand people) and the overpoliticized character of the decision to set up Taraclia District was criticized sharply by almost all political parties, which regarded it as a bad precedent for other regions in the Republic of Moldova.
- ⁵ Antonie Iorgovan, *Tratat de drept administrativ*, Vol. II (Ed. Nemira, 1996), 568.
- ⁶ Victor Popa, *Consiliul local în acțiune* (Chișinău: Ed. Tiș, 1999), 32.
- ⁷ Jacques Ziller, *Administrations Comparees* (Montchrestien: 1993), 214–227.
- ⁸ BASA-Press (Chisinau), 19 February 1999.
- ⁹ Regulation Regarding the Organization and Functioning of the Prefecture, Decision No. 287 of 9 April 1999.
- ¹⁰ In 1999, the chairs of almost all judets in the Republic of Moldova received repeated warnings regarding the rapid collection of taxes and other fees.
- ¹¹ In 1991 the population of the MSSR reached 4,366.3 million (approximately 1.5 percent of the total population of USSR), of which 47.5 percent represented the urban population and 52.2 percent, the rural. The rate of rural-urban migration from 1959 to 1982 tripled (with 63 percent as mechanical growth and only 37 percent as natural growth), which made the former MSSR a region with a very high rate of immigration. According to official statistics, from 1966 to 1970, 21 immigrants per 1,000 inhabitants arrived in

- Moldova (as compared to Ukraine—9, RSFSR—12, and Belarus—3). *Naselenie Moldavskoi SSR* (Chisinau: Cartea Moldoveneasca, 1982), 92.
- ¹² Although initially, in 1990, Dnestrian leaders claimed more economic autonomy, the civil war of 1992 pushed them to increase their demands. After 1994, Tiraspol demanded full recognition from Chisinau, as a premise to build a confederation of two equal parts, and argued that they “already have all state structures in place,” still unrecognized but strongly supported by the Russian Duma.
- ¹³ *Moldova Suverana*, 18 September 1999. Interview with Pavel Balmus, Head of the Local Government Department of the Moldovan government.
- ¹⁴ Survey conducted by the Viitorul Foundation, November–December 1999.
- ¹⁵ After the Moscow coup d’état, the Moldovan Supreme Soviet abolished the Communist Party in Moldova as a sign that it would like to break with the past. Once the Democrat Agrarian Party gained power during the 1994 parliamentary elections, they canceled the previous interdiction on the activities of the communist parties by resorting to the “freedom of conscience” principle and the irreversibility of changes.
- ¹⁶ The praetor is the head of public administrative affairs in a corresponding sector of the Chisinau Municipality, appointed through the decision of the general mayor. The Municipality of Chisinau is divided into five distinct sectors.
- ¹⁷ Constitution of the Republic of Moldova, Chapter II, Article 16 (2).
- ¹⁸ The CSCE Mission to Moldova praised the legislation on citizenship as “very liberal” (Mission Report of 30 January–4 February 1993).
- ¹⁹ Pal Kolsto, *Russians in the Former Soviet Republics, Irredentism and Separatism: Moldova* (London: Hurst & Company), 158.
- ²⁰ The Gagauzi comprise 153,300, or about 3.5 percent of the total population of Moldova, being the fourth largest ethnic group.
- ²¹ Figures provided by the Department of State Statistics of the Government of the Republic of Moldova, February 1998, No. 01-11/32.
- ²² Interview with Mihail Kendighelian, Comrat, 23 December 1999, Basa-Press.
- ²³ Ethnic Bulgarians in Moldova comprise about 88,400 persons (or two percent of the total population).

- ²⁴ Declaration of the Meeting in Taraclia, 7 November 1998, which was addressed to the president, chairman and deputies of the Parliament of the Republic of Moldova.
- ²⁵ Declaration adopted by the Taraclia Rayon and Local Councilors, 2 November 1998.
- ²⁶ In fact, this economic advantage kept the Bulgarians and Gagauzi from claiming unification with Gagauzia, which reflects an obvious social background of inequities in southern Moldova.
- ²⁷ H. Hausmann, *Non-profit Sphere: A Study* (New Haven, Conn.: Yale University Press, 1987).
- ²⁸ For instance, NGOs are forced to pay monthly taxes to the social fund; employer's taxes; taxes on water, ecology and equipment; and to trade unions (even if the employers are not associated).
- ²⁹ According to the results of a questionnaire prepared in July 1995 by the IFES-Moldova Foundation on a sample of one hundred twenty NGOs.
- ³⁰ "Public Administration Programs in the Republic of Moldova," prepared in November 1999 for NISPAcee Research Program, *Evaluation of Academic Programs in the Field of Public Administration and Their Degree of Europeanization*.
- ³¹ The list of deconcentrated local public services of Cahul, as stipulated in the Decision of the Prefect of the Cahul Judet, no. 29, din 14 iunie 1999.
- ³² Currently, financial relations between central and local governments are regulated by the Law on the Budgetary System and Budgeting Process (No. 847-XIII, adopted in May 1996), the Law on Local Public Administration and the Law on Local Public Finances, adopted in 1999 (No. 490-XIV) and implemented on 1 January 2000.
- ³³ The budget of each territorial-administrative unit includes the budgets of all public institutions of the respective territory that receive financial assistance from the respective public authority.
- ³⁴ Mihai Nani, Contabilitatea decontărilor, în revista "Contabilitate și audit", Nr 7-8 1999 (Republica Moldova), 50.
- ³⁵ *Monitorul Oficial*, 1994, Nr 2.
- ³⁶ Legea cu privire la faliment, *Monitorul Oficial*, din 5 septembrie 1996.
- ³⁷ "Buhgalterskie i Nalogovîe Konsultatsii," Nr 11, 1999, 57.
- ³⁸ Liubomir Chiriac, *The ABCs of Local Development* (Editura TISH SRL, Tipografia Centrală, 1999), 63.

Annex 7.1

Major General Indicators

Sources: Department for Statistical and Sociological Research of the Republic of Moldova, *Statistical Reports 1995, 1996, 1997, 1998*; *National Human Development Report: Republic of Moldova* (UNDP, 1996, 1998); *Development Cooperation: Republic of Moldova* (UNDP, 1998).

Size of territory	33,844 square kilometers			
Population density (1998)	127.4 people per square kilometer			
Population (1 January 1998)	4,304,700			
	1995	1996	1997	1998
Pensioners	781,000	784,000	786,000	788,000
%	18	18.2	18.3	18.8
School-age children	766,500	778,000	786,500	n/a
%	17.7	17.9	18.2	n/a
University students	54,800	58,300	65,600	72,700
%	1.26	1.35	1.5	1.7
Major ethnic divisions (1989)				
Moldovans	66.5%			
Ukrainians	13.8%			
Russians	13.0%			
Gagauzi (Christian Turks)	3.50%			
Bulgarians	2.00%			
Jews	1.50%			
Belorussians	0.50%			
Other	1.20%			
GDP (1998)	1630 million USD			
	1996	1997	1998	
Per capita (lei)	2,128	2,441	2,441	
Per capita (USD)	463	494	454	

Structure of budget expenditures (1998, without Transnistrian region)

State budget expenses	53.4%
Local budget expenses	21.0%
Social Fund	25.6%
Extrabudgetary funds	0.0%
Total	100.0%

	1995	1996	1997	1998
Unemployment rate (%, without Transnistrian region)	1.4	1.5	1.5	2.0

	1995	1996	1997	1998
Inflation rate (%, without Transnistrian region)	21.6	14.4	10.8	18.3

Annex 7.2

Population, Settlements and Administrative Units

Table 7A.1
Number of Settlements by Population Size Categories in Moldova

Population Size	Number of Settlements	%	Number of Inhabitants	%
0–1,000	770	45.9	355,508	7.44
1,001– 2,000	411	24.5	586,525	13.0
2,001–5,000	372	22.0	1,120,599	24.83
5,001–10,000	82	4.9	539,010	11.95
10,001–50,000	40	2.4	737,576	16.35
50,001–100,000	1	0.1	62,000	1.37
100,001–1,000,000	4	0.2	1,131,100	25.06
1,000,000+	—	—	—	—
Total	1,680	100.0	4,512,318	100.00

SOURCE: Department for Statistical and Sociological Research of the Republic of Moldova, *Statistical Report* (14 November 1998).

Table 7A.2
Number of Municipalities by Population Size Categories in Moldova*

Population Size	Number of Municipalities	%	Number of Inhabitants	%
0–1,999	440	14.93	658,180	2.92
0–1,000	3	0.47	2,488	0.06
1,001–2,000	30	4.66	50,227	1.28
2,001–5,000	459	71.26	1,468,527	37.38
5,001–10,000	111	17.24	742,641	18.92
10,001–50,000	38	5.90	719,779	18.32
50,001–100,000	—	—	—	—
100,001–1,000,000	3	0.47	944,720	24.04
1,000,000+	—	—	—	—
Total	644	100.00	3,928,432	100.00

NOTE: Without Transnistrian region.

Table 7A.3
Number of Local Governments by Level in Moldova^a

Local Unit	Level	Number
Commune, city, municipality	first	643
Municipality of Chisinau ^b	first and second	1
Judet (county)	second	10
Autonomous Unit Gagauz Yeri	second	1
Transnistrian Region ^c	n/a	n/a

- NOTES: a. Without Transnistrian region. The term “local government” in this outline indicates municipal and any other regional government (district, county, etc.) together.
 b. Special status.
 c. Juridical status is not defined yet.

Table 7A.4
Structure of Judets in Moldova

Judet	Settlements	Municipalities	Cities	Communes
Baltsy	251	1	6	75
Cahul	106	1	1	42
Chisinau	178		5	86
Edinet	157	1	7	65
Lapusna	151	1	4	59
Orhei	190	1	3	68
Soroca	178	1	4	57
Taraclia	26	1		9
Tighina	81	2	2	43
Ungheni	150	1	3	51
Chisinau Municipality	33	1	6	11
Autonomous Unit Gagauz Yeri	32	1	2	23
Transnistrian Region	147			
Total	1,533	12	43	589
				644

NOTE: Without Transnistrian region.

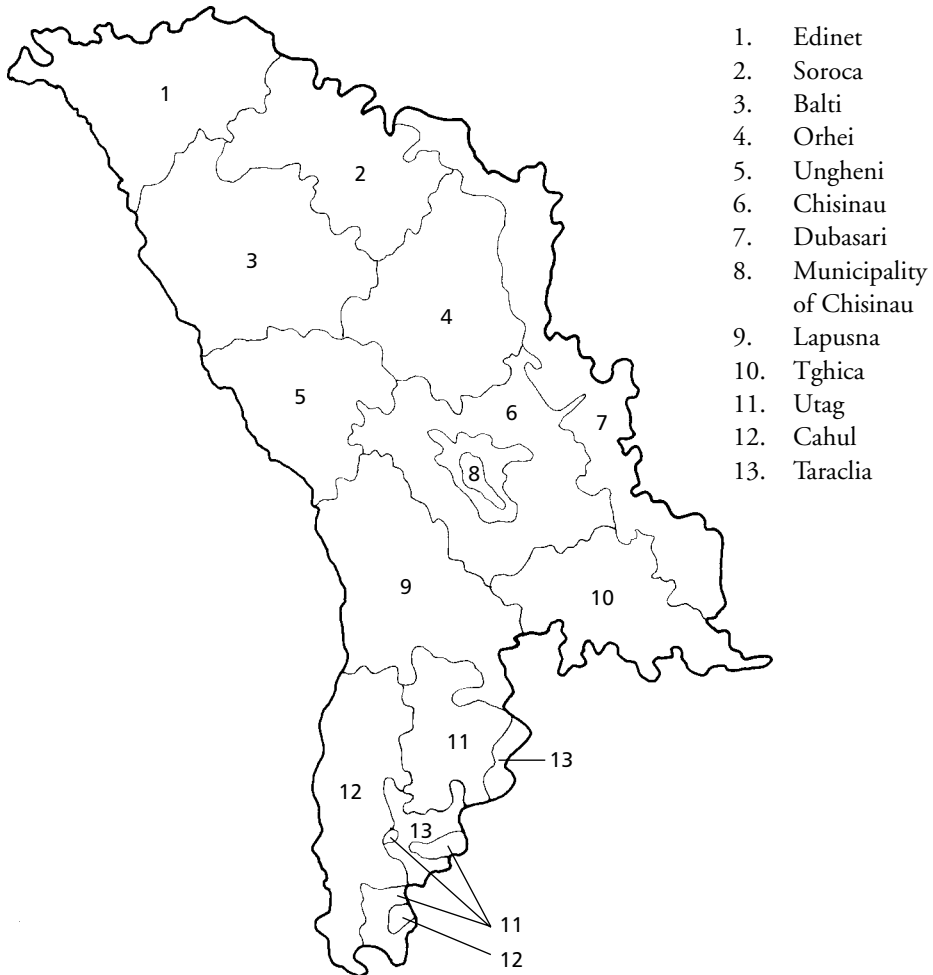
Number of civil servants (1 July 1999, without Transnistrian region)

Employed by the state	11,004
Employed by local governments	7,447

Number of public employees (1998, without Transnistrian region)

State government and defense,	196,185
compulsory social insurance, education, public health and social services	

Figure 7A.1
Administrative Map of Moldova



Annex 7.3

Major Laws on Public Administration and Local Government

The following laws regulate public administration and local government in the Republic of Moldova:

- Law on Local Public Administration (186-XIV, 6 November 1998)
- Law on Territorial-administrative Organization (191-XIV, 12 November 1998)
- Law on Civil Service (443-XII, 4 May 1995)
- Land Code (828-XII, 25 December 1991)
- Fiscal Code (1163-XIII, 24 April 1997)
- Law on the Budget System and Budgetary Process (847-XIII, 24 May 1996)
- Law on Local Taxes and Fees (186-XIII, 19 July 1994)
- Law on Local Public Finances (481-XIV, 9 June 1999)
- Law on Public Property of Territorial-administrative Units (523-XIV, 16 June 1999)
- Lege pentru aprobarea “Regulamentului-cadru privind funcționarea consiliilor locale și județene (554-XIV, 29 July 1999)
- Legea privind statutul municipiului Chișinău (431-XIII, 19 April 1995)
- Legea privind statutul alesului local (aprobată de parlament în prima lectură)
- Legea contenciosului administrativ (aprobată de parlament în prima lectură)

Annex 7.4

Responsibilities of Administrative Tiers

Table 7A.5
Specific Functions of Local Government Units in Moldova

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government Format	Remarks
I. EDUCATION					
1. Preschool	X				
2. Primary	X				
3. Secondary	X	X			
4. Technical		X			
5. High, Colleges, Universities			X		
II. SOCIAL WELFARE					
1. Nurseries	X				
2. Kindergartens	X				
3. Welfare Homes		X			
4. Personal Services for the Elderly and Handicapped	X	X	X		
5. Special Services (for the homeless, families in crisis, etc.)	X	X			
6. Social Housing	X	X			
III. HEALTH SERVICES					
1. Primary Health Care	X	X			
2. Health Protection		X	X		
3. Hospitals	X	X			
4. Public Health		X	X		

Table 7A.5 (continued)
Specific Functions of Local Government Units in Moldova

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government Format	Remarks
IV. CULTURE, LEISURE, SPORTS					
1. Theaters	X				
2. Museums	X	X			
3. Libraries	X	X	X		
4. Parks	X				
5. Sports, Leisure	X	X	X		
6. Maintaining Buildings for Cultural Events	X	X	X		
V. ECONOMIC SERVICES					
1. Water Supply	X				
2. Sewage	X				
3. Electricity		X			
4. Gas		X			
5. District Heating	X		X		
VI. ENVIRONMENT, PUBLIC SANITATION					
1. Refuse Collection	X				
2. Refuse Disposal	X				
3. Street Cleaning	X				
4. Cemeteries	X				
5. Environmental Protection	X	X	X		

Table 7A.5 (continued)
Specific Functions of Local Government Units in Moldova

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government Format	Remarks
VII. TRAFFIC, TRANSPORT					
1. Roads X	X	X			
2. Public Lighting	X				
3. Public Transport	X	X			
VIII. URBAN DEVELOPMENT					
1. Town Planning	X				
2. Regional/Spatial Planning	X	X			
3. Local Economic Development		X			
4. Tourism	X	X			
IX. GENERAL ADMINISTRATION					
1. Authoritative Functions (licenses, etc.)	X	X	X		
2. Other State Administrative Matters (electoral register, etc.)	X	X	X		
3. Local Police	X	X			
4. Fire Brigades	X	X			
5. Civil Defense	X	X	X		
6. Consumer Protection			X		

Chapter 8



Local Government in Romania

by

Pena Coman

Eugen Crai

Monica Radulescu

Gabriella Stanciulescu

Local Government in Romania

Contents

1.	Legal and Constitutional Basis	355
1.1	Brief History of Local Self-government	356
1.2	Territorial Structure	357
1.3	Status of the Capital	358
1.4	Regionalization	358
1.5	Relationship between State Administration and Local Government	358
1.6	Development of the Transition Process in the 1990s	360
2.	Local Politics, Decision Making	362
2.1	System of Local Elections	362
2.2	Forms of Direct Democracy	365
2.3	Distribution of Power among Different Levels of Government	365
2.4	Internal Structure of Local Government Decision Making	367
2.5	Public Participation in Decision Making	373
2.6	Ethnic Issues, Multicultural Government	373
2.7	Local Government Associations and the NGO Sector	374
2.8	Local Government Training	375
3.	Local Administration, Service Provision	376
3.1	Structure and Operation of Local Administration	376
3.2	Local Service Delivery	380
3.3	Cooperation with the NGO Sector	381
4.	Local Finance	382
4.1	Legal Framework	382
4.2	Revenues	383
4.2.1	Local Autonomy	384
4.2.2	State Transfers	385
4.2.3	Structure of Revenues by Type of Local Government	386

4.3	Expenditures	388
4.3.1	Structure of Expenditures	388
4.3.2	Structure of Expenditures by Type of Local Government	388
4.3.3	Expenditures and Revenues in the Structure of GDP	391
4.4	Loans	391
5.	Next Steps in the Transition Process	393
5.1	Administrative Reform Achievements	393
5.2	Administrative Reform Shortcomings	394
5.3	Critical Issues	396
	Recent Publications on Local Government in Romania	397
	Contacts for Further Information on Local Government in Romania	398
	Notes	399
	Annex 8.1: Major General Indicators	401
	Annex 8.2: Population, Settlements and Administrative Units	406
	Annex 8.3: Major Laws on Public Administration and Local Government	412
	Annex 8.4: Responsibilities of Administrative Tiers	413

Local Government in Romania

Pena Coman, Eugen Crai,

Monica Radulescu, Gabriella Stanciulescu

1. Legal and Constitutional Basis

From 1992 to 1996, institutions of public administration in Romania experienced stabilization, consolidation and a continuation of the democratization process. On an operational level, however, public institutions and civil servants were confronted with difficulties and problems. At the same time, the pace of economic reform was slow, and the results were far from meeting the expectations of the population.

Nonetheless, civil society began to take shape through a growing number of increasingly professional nongovernmental organizations (NGOs) and through the substantial modification of attitudes, options and mentalities as local government professionals attended training programs or took part in externally financed programs. A significant ratio of the population directly or indirectly benefited from international assistance programs, with favorable effects upon the building of democracy and a free market economy and the dissemination of European ideas. The strengthening of independence and the diversification of mass media had great impact on the democratization process; however, the tendency of the media to focus on scandals meant that important issues of public administration were not always addressed.

The 1991 reform of local public administration (which was initiated with the adoption of Law No. 69/1991 on Local Public Administration and Law No. 70/1991 on Local Elections) was carried out only partially. For some time, reforms have been restricted mainly to administrative reorganization: that is, to establishing the authorities and institutions needed for a decentralized administration. The adoption of key complementary reforms, especially those pertaining to financial autonomy, lagged behind.

In 1996 the Romanian Parliament passed amendments to both the Law on Local Public Administration and the Law on Local Elections. The amendments primarily developed administrative procedures and provided a more transparent and predictable framework for litigation among various actors at the local level. The most important improvements were the introduction of provisions regulating the accountability of prefects for inappropriately suspending the acts of local governments, direct universal vote in county council elections and a clearer definition of the powers of local authorities.

In the last four years emphasis in local development has shifted toward regionalization and regional development policies. This has happened due to both the desire to harmonize with the European Union's systems and structures as a prelude to integration and efforts to address development problems that resurfaced after 1989.

1.1 Brief History of Local Self-government

Although issues of local governance existed before modern times, it was after 1830 that significant changes began to take place. Cities were granted autonomy, the two Romanian principalities (Moldavia and Montana) were united, and French-inspired legislation was introduced to remove organizational differences between them. The period from 1866 to 1923 witnessed the most important advances in local governance, as the principles of decentralization and local autonomy were enforced and Romanian provinces were harmonized. Between 1929 and 1944, several administrative measures were taken to create a higher degree of administrative decentralization and to establish territorial units, local services and county associations. Under the influence of the Soviet Union after 1944, the bureaucracy was a strict and total hierarchy both vertically and horizontally. Law No. 5 (September 1950) established a soviet territorial organization for Romania, introducing the district and the region as new administrative units. Between 1950 and 1989 the administrative and political systems were developed to incorporate every public institution and economic unit into a unique network based on subordination, control and coordinated relations centrally managed by the Communist Party.

Restructuring of public administration began immediately following the removal of the totalitarian regime in December 1989. The transition from communist structures to an executive-appointed government took place gradually, governed by decrees providing for the transfer of activities by the National Salvation Front (Decree-Law No. 2/December 1989) and appointing provisional authorities to administer counties, municipalities, towns and communes until elections were held (Decree-Law No. 8/7 January 1990 and Law No. 5/1990). With the adoption of the Law on Local Public Administration, the Law on Local Elections and articles 119 and 120 of the new Constitution in 1991, the necessary framework was created to begin administrative reform, transferring much of the power to manage local interests from the central to the local level.

Both the constitutional regulations and the subsequent Law on Local Public Administration are based on the following fundamental principles of the European Charter of Local Self-government.

1. Local autonomy and decentralization of public services are set forth in article 119 of the Constitution of Romania and article 1 of the Law on Local Public Administration. Financial autonomy (as defined by articles 9 and 114 of the Law on Local Public Administration) was carried out only partially, due to the introduction of the Law on Local Taxes (Law No. 27/1994) and the Law on Local Finance (Law No. 189/1998), which generated difficulties for local communities.

2. Eligibility for local office is defined by article 120 of the Constitution and was put into practice by the Law on Local Elections. These provided the framework for the 1992 local elections.
3. Citizen participation is defined in the Law on Local Public Administration (articles 10 and 43), which requires the representation of collective local interests in matters such as local budgets, urban and regional planning, environmental protection and local infrastructure.
4. The appropriateness and lawfulness of decisions made by local governments are elaborated in the Law on Public Administration (as amended in 1996).

1.2 Territorial Structure

The structure of the new local governments is defined by the Law on Local Public Administration, and the structure of public administration by articles 119–120 of the Constitution. The new local authorities were established by the elections of February 1992, the first to be held in Romania following the collapse of the communist regime. After the four-year mandate of local authorities expired, elections were held again in 1996.

Romania is divided into counties, towns and communes, the boundaries of which are established by law. A county consists of a capital, several additional municipalities and all towns and communes within that county's territorial limits. Certain towns are classified as municipalities. Although the distinction between municipalities and towns has not yet been legally formalized, it traditionally has been based on factors such as territorial size, number of inhabitants and historical, social, economic and cultural importance. Unlike towns, municipalities may have subdivisions (districts), each of which can elect district councils and mayors to act as semi-autonomous units. One or several villages and hamlets may form a commune.

As of 1998, Romania was divided into 42 counties (including the municipality of Bucharest,¹ which has county status), 262 towns and 2,686 communes. The territorial limits of each county and its cities, towns and communes are defined by the Law on Local Public Administration. The communes together comprise 13,000 villages, with populations of up to five thousand inhabitants each. Of the towns, eighty are considered municipalities, with populations of more than eighteen thousand; the remaining 182 are towns, each with a population of five to forty thousand.

According to Romanian legislation, communes, towns, municipalities and counties are legal entities that may own and dispose of public and private property and have full authority and responsibility in all matters related to the administration of local public interests within their established territorial units. In order to ensure local autonomy, public authorities of communes, towns and counties determine and approve revenue and expenditure budgets and are entitled to institute and collect local duties and taxes.

1.3 Status of the Capital

Currently, the municipality of Bucharest has no special status. Bucharest differs from other municipalities in that it is combined with a county and thus has local public authorities at the county level, as well as a prefect. The municipality elects a general council and a general mayor, assisted by four deputy mayors. In addition, each of Bucharest's six districts elects a local council, a mayor and two deputies. Confusion over the actual distribution of responsibilities and tasks between the general council and the district councils in legal provisions results in endless disputes.

1.4 Regionalization

Due to the existence and location of compact zones with similar development characteristics and problems,² there has been a call for new problem-solving tools. In response to this need as well as the desire to harmonize with EU structures, emphasis in development has shifted toward regionalization and regional development policies.

The Regional Policy was proposed by the *Green Paper for Regional Policy in Romania* published by the Romanian government and the European Commission in May 1997. It designates eight macroregions and priority problem areas as basic regional policy units. Region formation is used as a development tool rather than an administrative structure, since the institutional structure is oriented mainly to help improve the competitiveness of the regions. The regions have been delineated not in terms of similar levels of development, but as potential functional units containing several counties; however, they are divided into subregions according to different developmental characteristics.

The Law on Regional Development of 1998 establishes the institutional framework, principles, purposes, jurisdiction and specific instruments necessary for regional development. At the national level, the National Council for Regional Development (NCRD) is headed by the prime minister. The promotion and coordination of regional development policies are provided by the National Agency for Regional Development (NARD) and financed by the National Fund for Regional Development (NFRD). At the regional level, the Council for Regional Development (CRD) is comprised of the presidents of county councils and representatives of local town councils for the duration of their mandates.

1.5 Relationship between State Administration and Local Government

Public administration in Romania consists of central and local administrations. The central administration oversees activities of national interest and is comprised of the government, ministries, central authorities subordinate to the government or ministries, central autonomous

bodies and deconcentrated territorial bodies (the prefect and the specialized deconcentrated services of the ministries, usually at the county level). Local administrations conduct matters of local importance within the administrative territorial units and are comprised of the local council, the mayor and the county council.

The central and local public administration work together through the prefect, established by the Law on Public Administration, while harmonization between national and local policies is coordinated by the administrative commissions. The Department of Local Public Administration, directly subordinate to the prime minister, ensures the accomplishment of government initiatives concerning local public administration. Deconcentrated ministry agencies subordinated to the central ministries usually are established at the county level as divisions, agencies or inspectorates. Differences of opinion between county government authorities and the deconcentrated ministry or central government services are mediated by the central government. Ministries and other central bodies are obliged to communicate to the prefects any orders transmitted to the deconcentrated services.

The prefect is an appointed representative of the central government in each county and in the municipality of Bucharest. The prefect, assisted by a subprefect (two in Bucharest), coordinates public services provided by ministries and other central government authorities in the territorial unit, addressing public safety, agriculture, health, education, culture, environment and social protection services. In their capacity as central government representatives, prefects supervise the activities of mayors and local and county councils, primarily by reviewing the legality of their decisions.

An administrative commission is established under the office of the prefect in each county and in Bucharest, comprised of the prefect, who acts as chair; the president of the county council (in Bucharest, the general mayor); the mayor of the county seat; and the directors of any deconcentrated ministry or central government services operating at the county level. The commission draws up an annual program of the main projects and activities of the county, which it then communicates to central government agencies in the territorial unit as well as to local and county public administration authorities. Decisions taken by the administrative commission then are implemented by the staff of the prefect's office.

Due to the few powers devolved to local authorities and limited local financial autonomy from 1992 to 1996, prefects became the most powerful figures in the local landscape. Subjective criteria for the transfer of funds to local authorities, political interference and abuses by the prefects accounted for the turbulent development of local democracy in Romania during the first term of the newly elected local governments.

Questions also have been raised concerning the costs incurred by the prefecture. However, no cost analysis of an alternative system (for example, a general audit) has been made. It also was argued that maintaining the prefect system might mask excessive control of the central government

over local governments. However, the prefecture system plays a necessary role in the present state of transition in Romanian local government. Not all local authorities have a complete understanding of their powers and duties or of their capacity to exercise them. Currently, the best functional system to provide support for these local authorities is that of the prefecture. If local authorities require the support of the central government, they can approach the prefect. When more complex problems or legislative issues are raised, the Department for Local Public Administration takes responsibility for their resolution.

Effective local self-government and financial autonomy gradually and continuously have been consolidated since 1996. The powers of the prefects were limited and the means for accountability in cases of abusive behavior were instated. The restricted intervention of the prefect in local affairs led to the metamorphosis of the administrative commission. The Law on Local Public Administration, currently being drafted, likely will change the name and role of the administrative commission to that of a territorial consultative committee. Its main task will be to debate “the mission of the prefect and of the county council in order to harmonize sector policies with local policies for sustainable local economic development” (article 146, draft Law on Local Public Administration).

1.6 Development of the Transition Process in the 1990s

The major transformations that took place in the 1990s include a fundamental reformation of the nature of authority, the adoption of a democratic constitution, the formation of political parties, free elections and orderly changes of government and the proliferation of both private and public mass media. This process can be defined by the following periods:

- *1990–92:* Significant institutional changes appeared as early as 1990 with the adoption of measures for the establishment of the rule of law, including a democratic constitution respecting fundamental political and civil rights, free elections and the creation of public authorities on the central and local levels. The Constitution of 1991 included provisions for the devolution of powers and responsibilities to local governments, and subsequent laws have developed these initiatives further. The Law on Local Public Administration and the Law on Local Elections established the basic legal framework for local government. The system adopted in 1991 represents a return to the traditional French-inspired administrative system that was in effect until shortly after World War II. In February 1992, the first local elections after the collapse of the communist regime were held, in which many towns and municipalities were won by the opposition.
- *1992–96:* Stabilization and consolidation in the realm of public institutions and the continuation of the democratization process (in particular the strengthening of independence and the diversification of mass media)³ were pursued. Admission to the Council of Europe in 1993 and the declaration of intent to pursue European Union (EU)

integration and NATO membership reinforced the options available for reform. Between 1992 and 1995, nine percent (264) of the mayors elected handed in their resignations, and an additional 4.8 percent (133) were dismissed.⁴ Only 26 of the 133 mayors dismissed were convicted by the courts,⁵ which indicates a malfunctioning of local democracy. The legal framework for local autonomy was insufficiently developed, the powers of the prefects too broad, their lack of accountability too great, and the delegation of responsibilities among various public authorities too unclear. All of these pointed to the need to amend the Law on Local Public Administration. In 1996 the Romanian Parliament passed the first major amendments to this law and that on local elections,⁶ which primarily developed administrative procedures and provided a more transparent and predictable framework for administrative litigation among various actors at the local level. The most important improvements were the introduction of provisions regulating the accountability of the prefects; direct, universal vote in county council elections; and a clearer specification of the powers of local authorities.

- *1996–99*: Predominantly influenced by the change in government, this period demonstrated the need for firm reform action and greater emphasis on the development of several areas in public administration. Although the European Charter of Local Self-government was signed in 1993, it was only in 1997 that the Romanian Parliament ratified the charter as Law No. 199/1997. Local democracy was consolidated and the legal framework of local public administration was improved. In the following year, Law No. 189/1998 on Local Public Finance was approved, establishing the basis for financial autonomy of local governments; the regulation of local revenues and expenditures; the process for formulating, approving and executing local budgets; and financing for public services and institutions. Although financial and fiscal decentralization became more of a reality after the adoption of this law, its implementation raised serious concerns about the financial sustainability of local authorities. The impact of the law was felt most negatively by communes, especially those that lacked any industrial or tourist base. A new law on local succession of public and private property also has been approved, but implementation is not expected to commence before the end of 1999, as the deadline for the inventory of public administration assets was the end of October 1999. A new Law on Local Public Administration is presently under debate. Finally, the Law on the Status of Civil Servants (No. 188/1999) recently was approved by emergency procedure, which will establish a professional body of civil servants protected from political interference and develop the organizational capacity of local governments. This new legal framework will strengthen the independence of local authorities and necessitates considerable organizational change.

A PHARE program of five million Euros was launched to strengthen local public administration in Romania, focusing on developing organizational and human resources and building local government capacities, public training centers and local government associations.⁷ A separate component of this program targets reforms in the Department for Local Public Administration within the Romanian government.

2. Local Politics, Decision Making

After the 1996 general elections the nature of county and local councils changed with respect to the number of political parties represented, the number of members representing each party and the effectiveness of the decision-making process. This was the first time that members of county councils were elected directly by the voters and not by the elected members of a county's local councils. In an effort to develop self-sustaining services during the 1996–2000 electoral mandate, the distribution of various ministries among the counties (deconcentrated public services) tended to be more flexible and responsive to community needs. The ministries encouraged this process by issuing new procedures and by implementing new managerial techniques. For instance, citizens were able to attend both the ordinary and special meetings of city and county councils and address the meetings if the council permitted. Moreover, mayors, deputy mayors and secretaries of city councils and the presidents and vice-presidents of county councils held public hours to meet with citizens and to consider their proposals, requests, claims and complaints. "Public consultation" as provided by the Law on Local Public Administration consists of soliciting the participation of inhabitants of a city, town or commune in the resolution of a problem facing that particular settlement by means of referendum.

2.1 System of Local Elections

The Romanian electoral system is regulated by the Law on Local Elections, which stipulates legal and technical procedures for local council, county council and mayoral elections; their funding, settlement and validation; infringements and offenses; and other provisions.

Mayors and local and county councilors are elected through universal, direct, individual and free ballot every four years. The local councils are elected by candidate lists, and mayors of villages and towns are elected by individual vote. In order to be eligible to run for mayor or for local council, a candidate must be a Romanian citizen of at least twenty-three years of age and a resident of the village, commune, town or municipality in question.

Political parties or alliances nominate council candidates by submitting lists signed by the leaders of the party's county organization. The distribution of the mandates takes place in two stages. First, the county electoral office establishes the number of mandates for each list of candidates and of independent candidates based on an electoral coefficient.⁸ Second, the county electoral office registers the number of unused votes for each political party, political alliance, electoral alliance or independent candidate. The unused mandates are distributed in decreasing order: one for each political party, political alliance, electoral alliance and independent candidate until all votes are allocated.

Mayors are elected by majority through universal, equal, direct, individual and freely expressed vote. The mayors of villages, towns and cities are elected in city, town and village electoral constituencies and in city districts or subdivisions.

Candidates for mayor may run as independent candidates or as nominees of political parties or political alliances established according to the Political Parties Law. The candidate receiving the majority of ballots cast is elected mayor. If none of the candidates obtains a majority, a runoff election between the top two candidates is arranged two weeks later. If both candidates receive the same number of votes, they compete again after another two weeks.

After the elections of 1996, the political profile of local councils changed, depending on the community. For example, in some communities (Bistrita, Resita, Cluj, Iasi, Tg. Mures, Oradea, et cetera), the composition of local councils was simplified and fewer political parties were represented, resulting in an easier decision-making process. Other communities (Brasov, Timisoara, Baia Mare, et cetera) experienced the opposite situation, with more political parties and fewer members elected per party (usually one to three). The diversity of individual and group interests and the resulting political struggles hampered the efficiency of the decision-making process.

Table 8.1

Results of Mayoral Elections in Romania by Party and Coalition, 1996

Political Party	Number of Mandates	% of Total Number of Mandates
Romanian Social Democratic Party (PSDR)	928	31.42
Social Democratic Union (FSN)-Democrat Party (PD)-PSDR	475	16.08
Romanian Democratic Convention (CDR)	355	12.02
Independent Candidates	273	9.24
Romanian Agrarian Democratic Party (PDAR)	199	6.74
Romanian National Unity Party (PUNR)	147	4.98
Democratic Alliance of Hungarians in Romania (UDMR)	139	4.71
Socialist Labor Party (PSM)	120	4.06
Liberal Party 1993 (PL 1993)	61	2.07
Greater Romania Party (PRM)	57	1.93
Civic Alliance Party (PAC)	44	1.49
Socialist Party (PS)	43	1.46

Members of county councils are elected directly for a four-year term. Candidates of political parties or alliances as well as independent candidates are eligible to run for county office. The elections of 1996 marked the first time that members of the county councils were elected directly by residents rather than by members of the local councils countywide. Council members elect a president and two vice-presidents by simple majority.

It was presumed that the new political structure of county councils would significantly increase the efficiency and effectiveness of decision making, facilitate the development of coherent county development policies and improve communication with and support to county cities, towns and communes. As in local councils, representation of a large number of political parties in the county councils inhibits the decision-making process. Furthermore, each political party represented in the county council tends to support communities with mayors from the same party. This is the main cause of most conflicts related to county council activities.

Table 8.2
**Results of Elections for County Council Presidents in Romania
by Party and Coalition, 1996**

Political Party	Number of County Council Presidents Elected
Romanian Social Democratic Party (PSDR)	19
Democrat Party (PD)	10
National Farmers Party (PNT)-Christian Democratic Party (CD)	6
National Liberal Party	1
Democratic Alliance of Hungarians in Romania (UDMR)	2
Romanian National Unity Party (PUNR)	1
Romanian Agrarian Democratic Party (PDAR)	1
Socialist Labor Party (PSM)	1
Civic Alliance Party (PAC)	1

The entire population of Bucharest elects a general council (equivalent to the county council) and a general mayor, who acts as head of the general council. In addition, each of the six districts elects a district council and district mayor. The six district councils are subordinate to the general council concerning decision making and finances. District councils are required to integrate their decisions with the general development plan, and district budgets are distributed through the city budget. Similar to the counties, Bucharest also has a government-appointed prefect and a corresponding executive body.

Bucharest's most recent elections were held for the office of general mayor in November 1998. These elections were organized in three stages by secret ballot (25 October, 1 November and 8 November 1998). In the first round, twenty-two candidates ran for office (among them, two independent candidates, who continued to the next round in accordance with article 76 of the Law on Local Elections). The statistics presented in table 8.3 were issued in a report on the 25 October election results, most notably demonstrating low voter participation.

Table 8.3
Results of Mayoral Elections in Bucharest, 1998

Indicator	Number	%
Qualified Voters in Electoral Constituencies	1,712,830	100.00
Majority (50% plus one)	856,416	50.00
Actual Voters	588,297	34.35
Valid Votes	579,658	98.53
Disqualified Votes	8,481	1.44
Minimum Number of Valid Votes Necessary	289,830	50.00

2.2 Forms of Direct Democracy

Referendums can be organized to address issues affecting the community as a whole. Public consultation by referendum is stipulated in the amended Law on Local Public Administration (article 10), while procedures for organizing referendums on national issues are addressed by the Constitution. The president can request that citizens express their will on issues concerning national interests through the referendum process and in such cases proposes that Parliament issue an organic law⁹ to organize a referendum on a specific problem. Referendums also may be used by local authorities to gauge community approval for particular projects or measures.

Both the Chamber and Senate of the Romanian Parliament began to debate the Referendum Law in separate sessions in 1999. This process was halted by a decision of the Constitutional Court (Decision No. 70/5 May 1999), which declared some articles in the proposed law to be unconstitutional. A new debate is anticipated after the changes required by the Constitutional Court have been incorporated.

2.3 Distribution of Power among Different Levels of Government

Parliament is the central decision-making body in Romania. It is divided into two chambers: the Chamber of Representatives, with 341 members, and the Senate, with 142 members. The laws issued by Parliament are implemented by the central government, which consists of ministries and government agencies. The Romanian government is composed of the following ministries: trade and industries, agriculture, transportation, public works, water and environmental protection, education, health, culture, youth and sports, labor and social assistance, finance, foreign affairs, internal affairs, justice and national defense. These are joined by the agencies of telecommunication and national tourism.

The government also has the following internal departments:

- Legal Division, responsible for the legal content and framework of laws being drafted by Parliament;
- European Integration Department, responsible for promoting Romania's image and interests in accordance with EU standards;
- Public Administration Department, responsible for public administration reform;
- Nongovernment Organizations Relations Office, responsible for developing partnership projects between local governments and NGOs in order to support civil society development and to arrange specific services for communities that local governments are unable to provide.

Policies are implemented at the county level by divisions subordinate to each ministry. Central government policies are carried out at the county level by the prefectures, which coordinate the county divisions of the ministries. The Romanian government acts as mediator in disputes between county governments and the decentralized ministry services or other central administrative authorities. Ministry offices and other central bodies are required to advise prefects regarding any directives from the central offices to the decentralized public services. During the 1996–2000 mandate, county divisions of the ministries became more independent and more flexible in addressing individual community needs and tried to develop services to support self-sustainability. The ministries have encouraged their efforts by issuing new procedures and by implementing new managerial techniques.

The prefect, as the representative of the government, exercises the following main rights and duties:

- to ensure the protection of national interests and the observance of law and order;
- to monitor the legality of administrative documents issued by local and county public administrative authorities;
- to appoint and dismiss heads of deconcentrated ministry or other central government services in the county;
- to order legally constituted bodies to take adequate measures to prevent infringement of the law and protect citizens' rights;
- to ensure the fulfillment of nonmilitary defense;
- to present an annual report to the government on the general, economic, social, cultural and administrative status of the county;
- to present an annual account to the county council regarding the activities of the deconcentrated ministry and other central government services operating in the county;
- to exercise other powers as established by law or entrusted by the government.

The prefect may issue orders according to the terms of law. Orders requiring technical or specialist opinions are issued after consultation with specialized bodies or services and are countersigned by their managers. An order of the prefect is in effect only after its announcement to the public by posting and publication in the case of normative provisions and from the date of communication in all other cases.

The prefect may institute proceedings against unlawful acts adopted by local authorities through the Administrative Disputed Claims Court. Acts thus challenged are suspended *de jure*. Ten days before such a challenge is made, the prefect requests that the public authorities (local and county) review and analyze the acts in order to modify or revoke them.

The prefect's office has a technical body, the structure and obligations of which are established by governmental decision. The prefect, the subprefect(s) and technical body work in the prefecture, an institution situated in the county seat.

Collaboration among authorities of various levels and with the central authorities is based on the local autonomy principle; local authorities are not subordinated to the central government. Similarly, local councils are not subordinate to their respective county councils.

The Local Public Administration Department ensures the implementation of government obligations with respect to local governments, oversees the execution of mayoral duties and may recommend appropriate measures to the government. Internal control of legal matters is provided by the legal department and by the secretary, and external control by the legal department of the prefect's office. Financial control is exercised by the Court of Accounts.

2.4 Internal Structure of Local Government Decision Making

Local authorities at the communal or municipal level are the local council, as the deliberating authority, and the mayor, as the executive authority; both are elected in accordance with the Law on Local Elections for a term of four years.

Generally, each commune or town has one mayor and one deputy mayor. However, county capitals and the districts of Bucharest¹⁰ have two deputy mayors each, while the municipality of Bucharest as a whole has a general mayor and four deputy mayors. As the heads of local governments, mayors are responsible to the local council for the functioning of the administration. In addition, the mayor represents the commune or the town in interactions with natural or legal persons of the country and abroad, as well as in court.

The mayor (and the general mayor in Bucharest)¹¹ has the following rights and duties:

- to ensure the observance of the fundamental rights and freedoms of citizens, the Constitution, national laws, decrees of the Romanian president, government decisions, documents issued by ministries and other official boards of central administration, and county council decisions;
- to execute local council decisions and inform the prefect if he or she finds a decision to be *ultra vires* or otherwise improper;
- to propose referendums to the local council, organize such public consultations at the request of the council and take measures concerning the organization of public meetings;

- to forward reports on the economic and social status of the commune or town to the council;
- to formulate a draft budget and final closing accounts and submit them for approval to the local council;
- to fulfill the office of principal accountant of credits;
- to exercise the rights and ensure the fulfillment of all obligations that are incumbent upon the commune or town as a civil legal person;
- to take measures to prevent or reduce the consequences of catastrophes, epidemics and other threats to health and property in cooperation with specialized state bodies;
- to coordinate and supervise the activities of public security guards, custodians and caretakers;
- to monitor the hygiene and sanitation of public premises and of food products for sale to the population;
- to ensure the elaboration of local urban regulations and plans;
- to elaborate the draft framework for local personnel and submit it for approval to the local council, setting forth the organizational structure, the number of employees and their salaries; to appoint the staff of local public services, excluding the secretary; and to monitor their activities;
- to supervise the inventory and administration of assets belonging to the commune or town;
- to exercise any other powers granted by the local council.

In exercising his or her authority, the mayor issues depositions and may delegate powers to the deputy mayors, the secretary or other officials under the provisions of the law.

The secretary of the local council has the following responsibilities:

- to attend council meetings;
- to coordinate and supervise the activities of the legal department;
- to review drafts of council decisions from a legal perspective;
- to receive and distribute correspondence, supervise administrative work and organize council meetings;
- to prepare documents submitted for debate to the council and to communicate council decisions and mayoral directives to the authorities concerned;
- to provide information to the public on decisions and discussions of general interest.

The prefect appoints the secretary of the local council, and the public administration department appoints the secretary of the county council. Secretaries are required to have a degree in law or public administration, as is the director of the public administration division (for those local governments that have such a division; see figure 8.1), and may not be members of political parties. The mayor has the power to delegate some of the secretary's responsibilities to the director of the public administration division.

The local council is comprised of elected representatives. The number of local council members is established by order of the prefect according to population and may range between eleven and

thirty-five. The only exception to this is the council of Bucharest, which is comprised of sixty-five elected councilors.

According to the Law on Local Public Administration, if a village is part of a commune but does not have an elected representative in the local council of the commune, it is represented by a delegate elected by the village assembly in the presence of the mayor or deputy mayor of the commune. The council is obliged to invite the delegate to any discussions regarding the village; however, the vote of the delegate is advisory only.

The local council of a commune or town is responsible for all matters of local interest not delegated by law to other public authorities and is charged with the following rights and duties:

- to elect the deputy mayors;
- to approve the council's statutes, based on guidelines elaborated by the government;
- to approve studies, projections and socioeconomic development;
- to establish, on proposal of the mayor, the public administration's organization and staff;
- to approve the formulation and execution of the local budget, credit transfers, use of budgetary reserves, loans and closing accounts;
- to establish local taxes and duties and special duties for a limited period in accordance with the law;
- to administer the public and private domains and municipal companies of the commune or town;
- to found institutions and economic agents of local interest;
- to decide on the concession of public services to trading companies;
- to establish regulations for self-managed public companies or trading companies;
- to appoint and dismiss the administrative boards of municipal companies and council members to trading companies of local interest established with integral state capital;
- to review quarterly reports of state representatives sitting on the boards of local trading companies;
- to ensure the functioning of the administration's communal services, local transport, municipal networks and of institutions addressing education, sanitation, culture and youth;
- to implement public works;
- to ensure public service delivery in a timely manner;
- to create recreational facilities and ensure the provision of opportunities for scientific, cultural, artistic, sporting and other activities;
- to restore and protect the environment and to preserve historic and architectural monuments, parks and natural reservations;
- to implement social security programs;
- to ensure free trade and fair competition and stimulate free initiative;
- to organize fairs, markets, cattle markets, parks and entertainment;
- to establish local charity institutions;
- to ensure the maintenance of public order and the observance of the fundamental rights and freedoms of the citizenry;
- to confer the title of honorary citizen on Romanians or foreigners of special merit;

- to collaborate with other local councils or economic agents at home and abroad to address common interests;
- to exercise other powers established by law or by the statutes of the town or commune.

The local council meets regularly for monthly sessions as determined by the mayor. Extraordinary sessions are convened whenever necessary, upon the mayor's request or at the request of at least one-third of the council members. The agenda is announced to the inhabitants in the local press or by other means. Sessions of the local council are legally constituted if a majority of the council members is present. Attendance is obligatory for council members; more than two consecutive absences are sanctioned under council orders. If the council fails to meet a quorum during three consecutive meetings, it dissolves itself by law. The dissolution is communicated to the prefect, and new elections are subsequently organized.

The local council adopts decisions by a simple majority vote of the members present at the meeting, except when a council order stipulates otherwise. A majority vote of two-thirds of the council members is required on decisions regarding the local budget, the establishment of local duties and taxes, administration of public domains,¹² organization and urban development of localities and association with other councils or economic agents in the country and abroad. Matters regarding private individuals always must be decided by secret ballot; other issues to be decided by secret ballot may be established at the council's discretion.

Draft decisions may be proposed by councilors or by the mayor. Local council decisions are signed by the chair of the respective session, countersigned by the secretary and communicated to the mayor. Normative decisions are in force from the date of public announcement, and decisions affecting individuals from the date of their communication to the individual concerned. In territorial units where national minorities represent a significant percentage of the population, decisions also must be announced in their respective language.

In order to ensure independent voting, the Law on Local Public Administration stipulates that council members in office may not be legally prosecuted for the expression of their opinions in public or the manner in which they vote. Prefects may challenge local council acts in the Disputed Claims Administrative Office and order the suspension of a councilor upon the recommendation of the Prosecutor's Office.

The Law on Public Administration provides the general framework for organizing council committees. The local and county council statutes, approved by each council according to its particular interests, address the following topics:

- number of committees;
- procedures for electing members of the council committees;
- maximum number of committee members (usually five to seven);
- procedures for solving community problems in the committees;
- procedures for reporting committee proposals, solutions and requests to the council.

City councils designate committees to oversee particular areas, and council members may choose the maximum number of committees in which they would like to participate. The number and purpose of council committees are left to each council to determine. For example, the Municipality of Bucharest (1.9 million inhabitants) has ten committees, each of which has six to twenty members. These include the Committee on Economic Affairs, the Committee on Finance and Budget, the Committee on Public Health and Quality of Life, the Committee on Environmental Protection, the Committee on Urban Planning and the Committee on Land Development. In comparison, the City Council of Brasov (350,000 inhabitants) has six committees, each with five to seven members. Each committee elects a chair from its members and appoints a secretary.

Local government at the county level is responsible for coordinating commune and town councils in the performance of those public services that are of countywide interest. The county government deals with economic development activities and establishes the general orientation of spatial planning, environmental policies and county fees and taxes. The county council supports local councils by providing technical, juridical or other forms of assistance upon their request. Specifically, the county council exercises the following powers:

- to coordinate the activity of the local councils, with a view to providing public services of county interest;
- to organize and manage county public services and to approve their standing orders;
- to analyze economic and environmental protection proposals made by communes and towns;
- to adopt programs for the socioeconomic development of the county and supervise their implementation;
- to adopt the county budget and the final closing accounts;
- to establish general guidelines for town and county planning;
- to manage the public and private domains of the county;
- to ensure the construction, maintenance and modernization of county and intercounty roads;
- to elect a president, vice-president and permanent delegation from the members of the county council;
- to adopt the council's statutes;
- to approve regulations governing the staffing of county public services, including the number of employees and the related organizational chart;
- to establish county taxes and rates;
- to decide upon the establishment of institutions and economic agents of county interest, the concession and the leasing of county public services;
- to appoint and dismiss councils of authorized representatives of economic agents to manage assets of county interest and to supervise the activities of these councils by analyzing their quarterly reports;
- to institute guidelines for self-managed public companies and trading companies;
- to set up sociocultural and sanitation institutions and ensure their functioning;
- to ensure necessary conditions for the conduct of scientific, cultural, artistic, sport and youth activities;

- to name streets, markets and other places of local interest;
- to exercise any other powers established by law.

The county council is the legislative body at the county level. The number of councilors is established by order of the prefect; depending on the population of the county, it varies from thirty-seven to forty-five. The president, vice-president and the five- to seven-member permanent delegation of the county council are elected by and from among the council's membership. The president and the vice-president of a county council have executive powers to implement council decisions and are president and vice-president of its permanent delegation. The permanent delegation of the county council is responsible for the following:

- to finalize decision drafts to be discussed and approved by the council;
- to prepare council meetings and documents;
- to suggest convening extraordinary sessions to the county president;
- to submit statutes of the council for approval;
- to establish the measures necessary to implement council decisions and to analyze progress periodically.

The functioning of the permanent delegation is elaborated by the council statutes. The secretary of the county is also the secretary of the permanent delegation. The prefect or his or her representative may participate in permanent delegation sessions.

The president of the county council, as the head of county public administration, is responsible for the functioning of the administration and represents the county in its relations with the natural or legal persons of the country and abroad as well as in court. Internal statutes regulate the number of votes required to pass a council decision, according to the importance of the issue. The president exercises the following rights and duties:

- to preside over the county council sessions and permanent delegation sessions;
- to ensure the execution of county council decisions;
- to support the activity of institutions and self-managed public companies of county interest;
- to exercise the powers that are incumbent on the county as a legal person;
- to fulfill the office of chief accountant of credits;
- to draw up a draft county budget and the final closing account and submit them for approval to the council;
- to appoint the personnel of the county public administration;
- to submit reports to the council annually or as necessary on state and administrative activity and the social and economic status of the county.

The president issues depositions that become executory after being announced to the persons concerned.

Each county also has an administrative commission, which includes the prefect as chair, the president of the county council and the mayor of the county's capital city. The county adminis-

trative commission draws up an annual program of the main projects and activities in the county and communicates the plan to the deconcentrated public services as well as to the local and county public administration authorities. The commission is summoned quarterly or whenever necessary by the prefect or the president of the county council. Debates may be attended by all mayors within the jurisdiction of the county, as well as by other persons whose presence is deemed necessary. The administrative commission supports public services of the ministries and the county public administration.

2.5 Public Participation in Decision Making

Local and county councils ordinarily meet on a monthly basis and convene for exceptional meetings when emergencies arise or when special issues need to be addressed. All meetings are open to the public, and any citizen may speak at such meetings with the council's permission.

If a citizen has an issue to present to the council, he or she must first submit it to a council committee. For example, if a citizen encounters difficulties in getting a building permit and is dissatisfied with the solution proposed by the planning department, he or she can present the problem to the local committee on urban planning and land use. The committee then decides if the citizen will be invited to present the issue at the council meeting or if it will be handled by the civil servants responsible for that area. Committee meetings, unlike council meetings, are not public.

Local councils can hold public hearings on citizens' problems. These hearings can be called on the initiative of a council member or by a decision of the council as a whole. There also have been cases in which the executive staff of the town hall has requested that the local council hold meetings with the parties they represent.

Local government officials (the mayor, deputy mayors, secretary of the local council and president and vice-presidents of the county council) hold public hours to meet with citizens and to hear their requests, complaints, proposals, suggestions and claims.

2.6 Ethnic Issues, Multicultural Government

After 1996, radical reforms in the protection of national minorities were initiated. Most significantly, the Democratic Alliance of Hungarians in Romania became part of the governing coalition.

However, much remains to be achieved in the effective protection of national minorities, especially for traditionally disadvantaged groups (such as the Roma). Outbursts of open ethnic conflict in Romania have decreased significantly since the early 1990s. Although several NGOs have

launched initiatives to establish an ethnic conflict mediation center, they have not yet been successful.

The central government has established a Department for the Protection of National Minorities (DPNM). The department has five regional offices, located in Arad, Cluj-Napoca, Constanta, Suceava and Turnu-Severin. Each of these offices monitors the implementation of legal provisions on the protection of national minorities by local authorities. The regional offices of the DPNM work in close cooperation with the regional commissions of the National Minorities' Council, an NGO comprised of representatives from national minority organizations. The regional commission establishes working groups to monitor local mass media and act as facilitators between the national minority groups and the officials of the regional office.

The new draft Law on Local Public Administration establishes the legalization of bilingualism or multilingualism in local public administration, provided that a national minority forms more than twenty percent of the population in the territorial unit.

2.7 Local Government Associations and the NGO Sector

One of the objectives of the government coalition in 1996 was to optimize its relationship with civil society by developing partnerships based on efficient cooperation. The first phase in carrying out this objective was the creation of structures to interface with civil society at both the central and local levels. Although the process is still underway, departments have been established at the central level to work with NGOs in the Office of the President, the central government and the Chamber of Deputies.

Local administrations have made better use of the present legislative framework by designing projects in partnership with NGOs when budgetary resources are insufficient. Areas in which such relationships exist include personnel training, environmental protection, social insurance, housing for persons with special needs and childcare (especially orphans and homeless children). NGOs also have had influence on public policies through consultancies and by creating coalitions for lobbying and advocacy campaigns.

Local government associations play a crucial role in public administration development in Romania, as they provide a key link between the central and local government and a forum for discussion of common interests. The following associations were established in the 1990s.

1. The Federation of Cities was created as an NGO in 1992. All cities with municipal status are members of the federation. Within the federation, the Association of City Council Secretaries and the Association of City Economic Directors were established in 1998. They are separate nongovernmental professional organizations dealing with specific topics of local government legislation and economic management.

2. The Association of Romanian Towns was created as an NGO in 1993; small cities and towns are members.
3. The Association of County Council Presidents was created as an NGO in 1992. All forty-two county council presidents are members of the organization.
4. In 1999 the Federation of County Councils was created as a result of internal disagreement in the Association of County Council Presidents.

Except for the Federation of Cities, these associations have neither the physical nor financial capacity to perform the tasks they wish to undertake. Needs and tasks vary according to the association. For example, it is important for the Association of County Council Presidents to sensitize its members to EU preaccession strategies; the Association of Romanian Towns, on the other hand, faces the issue of “limited visibility”: that is, the fact that municipalities are more important than towns and thereby win a large majority of international technical assistance programs. Not all municipalities, towns and villages have joined an association thus far. Recently these organizations have decided to join forces to create a strong, common executive office.

2.8 Local Government Training

Local government training needs are considerable. There are three thousand mayors, three thousand deputy mayors, forty thousand local councilors and twenty-five thousand technical specialists in Romania.¹³ In the villages only twenty-five percent of the secretaries of local councils have the required university degree. For the training of these officials, territorial centers were established in 1995 (Government Decision No. 542/1995). These fall under the direct supervision of the Scientific Council for Strategy and Evaluation of Training Centers under the Ministry of Education. In 1998, reform of this system was initiated with the adoption of Government Decision No. 850/1998.

The National Center for Local Public Administration Training in Bucharest is at the top of the training hierarchy. This center primarily provides training for prefects, subprefects and the staffs of prefectures. It caters to the training needs of local administration civil servants as well as elected officials.

The territorial training centers are administratively and financially autonomous and are governed by a board with representatives of the Ministry of Education and the Department for Local Public Administration. Their actual training capacity differs considerably. Each strives to establish its own area of delivery and its own courses and curricula. Many of them collaborate with other training institutions, trainers and NGOs.

3. Local Administration, Service Provision

The structure of each municipality reflects the local council's programs for community development. The county council executive body has the same standard structure, but reflects county management. Flexibility in defining structure, tasks and positions to accomplish its tasks allows the local government to be more responsive and responsible to community needs and expectations. As the city manager position does not exist in local government organization yet, the division directors and the department heads perform these managerial functions. Work effectiveness and efficiency control is arranged according to organizational hierarchy (the manager evaluates his/her subordinates' work), and the Court of Accounts provides financial control of local government activity and of each specific department.

3.1 Structure and Operation of Local Administration

The guidelines for the organizational structure of towns and communes are general, containing only the indispensable divisions and services for normal community management (see figure 8.1). Local governments adopt a public administration structure that reflects their public policy and human and financial resources. Small towns and communes often have a much simpler organization, as some divisions become offices, while others are performed entirely at the county level, for example, issuing building permits or land-use planning.

Figure 8.1
Typical Local Administration Structure in Romania

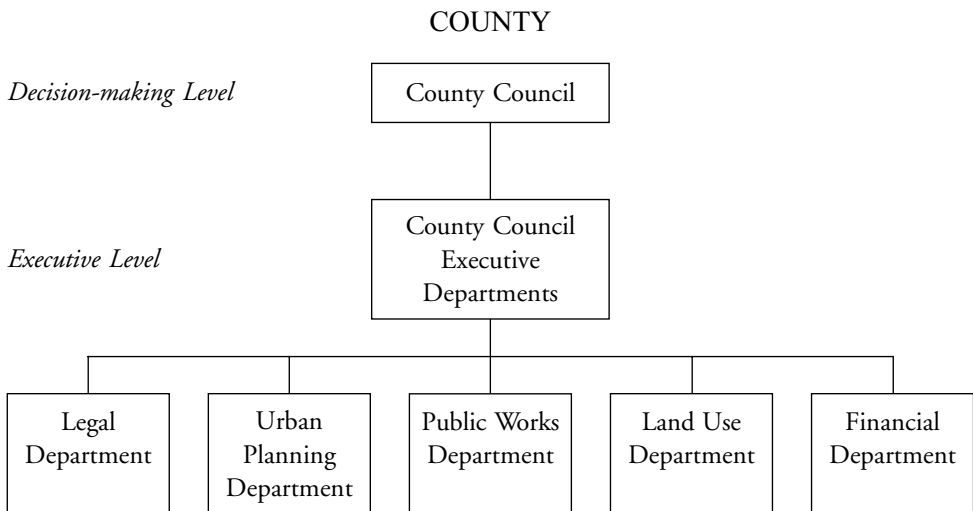
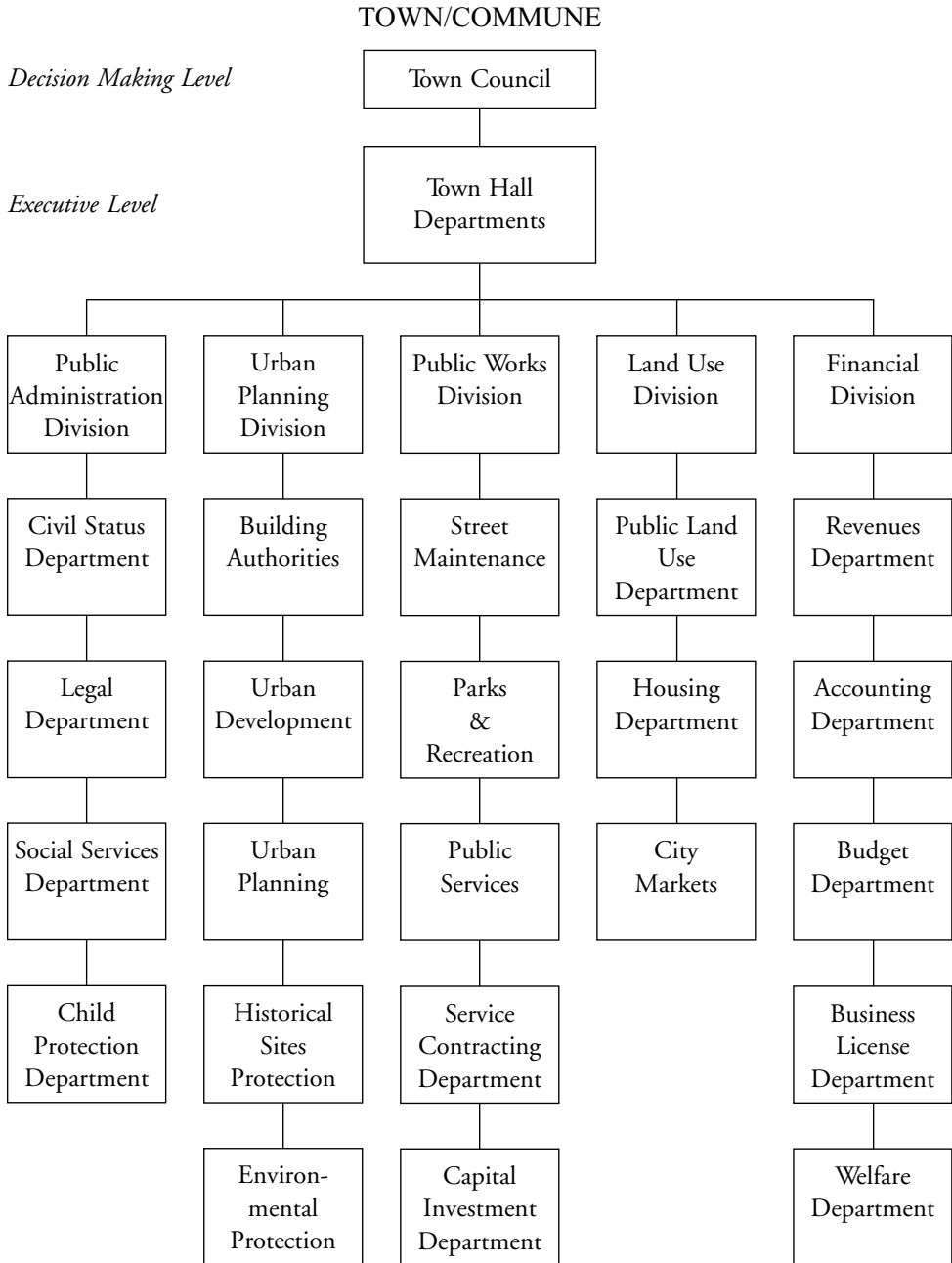


Figure 8.1 (continued)
Typical Local Administration Structure in Romania



3.2 Local Service Delivery

The primary goal of local governments is to provide services to the community. The main industrial and commercial public services are sewerage and water supply, electric power and gas distribution, central heating distribution, communication networks and local transportation. The main administrative public services are educational (schools, colleges, nursery schools, kindergartens, et cetera), cultural and sport activities and road maintenance.

County councils provide public services for:

- small communities within the county that cannot afford to have their own specialized departments (such as issuing building permits, land use planning, operating landfills shared by several communities, et cetera);
- county infrastructure (such as the construction and maintenance of county roads).

Table 8.4

Functions of Levels of Government in Romania

Function	Central Government	County Council	Local Council
Education	Salaries of teachers and professors, buildings and property of schools and universities	—	Maintenance of schools and high schools
Transportation	Ownership and maintenance of national and European roads	Ownership and maintenance of county roads	Ownership and maintenance of local roads
Public Transportation	International airports not yet privatized	Domestic airports	Local public transportation
Infrastructure	—	Ownership and maintenance of county infrastructure	Ownership and maintenance of local infrastructure
Child Protection	—	Child protection, specialized county public service	Child protection, specialized local public services
Social Assistance	Unemployment assistance	County social assistance	Homes for the elderly and handicapped, soup kitchens

Table 8.4 (continued)
Functions of Levels of Government in Romania

Function	Central Government	County Council	Local Council
Civil Protection	Fire brigades (coordinated by the Ministry of National Defense)	County civil protection	Local civil protection
Housing	A National Housing Agency has been established as an autonomous central organization coordinated by the Ministry of Public Works and Territorial Arrangement	Financing, investments and maintenance	Financing, investments and maintenance
Culture	—	Museums, county libraries, theaters and concert halls	Museums, public libraries, theaters and concert halls
Health Services	Emergency health services, hospitals, et cetera (coordinated by county directorates for public health)	—	—
Sanitation	—	—	Sanitation services

Private companies provide public services on a contractual basis. In 1990, state-owned service providers were reorganized as public service operators and service provider companies according to Law No. 15/1990. In 1997, these companies became private companies, with the central/local authority as a shareholder (Government Ordinance No. 30/16 June 1997). If the central/local authority chooses to sell its shares, the revenues are distributed as follows: twenty percent to the central budget, twenty percent to the government's Special Development Fund and sixty percent to the company to cover debts and penalties from the reorganization process, current capital investment funding, et cetera.

After 1992, local councils made decisions on the means of future service provision, with the vast majority retaining traditional, large service-providing departments for services such as water distribution, central heating, garbage collection, landfill management and social housing. After

1994, new laws provided the possibility for the creation of state-owned companies subordinate to the local councils. The formerly large service divisions split into specialized companies. These companies are contracted by the municipalities to provide such services, which are paid for directly by the consumers (individuals or associations). The local council remains the primary shareholder in water and heating supply companies and consequently is responsible for approving company budgets and subsidizing thermal energy and water. However, both electricity and natural gas distribution remain national monopolies, as do state-owned enterprises like Romanian Water.

The relationship between local councils and public service-providers as well as private and state-owned companies is generally contractual in nature. In many cities, however, there is no competition for services, and public service-providers are still subordinated to the local councils.

There is no strict rule regarding the subordination of companies to the local or county council. In some cases, water supply companies are subordinated to the local council, in other cases to the county council (for example, Brasov). Central heating supply companies are usually responsible to the local council, as they tend to operate in a specific municipal area.

Some Romanian local governments have privatized certain public services. Different types of private service provision include:

- *Private service delivery on a market basis.* The first and the most successful services to be contracted out to private companies on a competitive basis were waste collection and landfill management. City districts organized bids. Some large Romanian cities, such as Timisoara and Brasov, have experienced the benefits of competitive service delivery since 1993.
- *Public-private partnerships.* In Bucharest, a joint company for waste management services was formed (REBU), with over fifty percent of the shares held by the municipality and the rest by a German private partner. The company held a monopoly position. After four years, it was overwhelmed by work, a lack of equipment and difficulties related to financial clauses in the contract.
- *Concession.* Market management services became competitive as town markets were privatized on the basis of concessions. The local government collects concession fees, and the contractor manages the market as a for-profit enterprise.

National reserve companies manage national services such as gas and electricity. State-owned companies that operate as national monopolies still exist.

Any citizen may file a complaint against a service provider with the Consumer Protection Agency, a national network with forty county offices. The office then may take measures such as fining the company, closing down the business, initiating a lawsuit, et cetera. The county consumer protection offices administer national consumer protection policies. They organize campaigns

at the national level on topics such as quality control of meat-based foods, toys, vegetable markets, small food producers, fast-food companies, et cetera. On occasion, the county offices may organize campaigns at the request of local companies or private cities. Consumer protection offices could have an important impact on economic development and health protection but are not yet effective due to weaknesses in promotion and management procedures.

3.3 Cooperation with the NGO Sector

The emergence of NGOs was made possible by Decree-Law 8/31 December 1989 concerning political parties and public organizations and Law 21/1924 regarding associations and foundations, reinstated a few months later. The development of civil society has been strengthened in recent years due to financial, logistical and technical support from international foundations.¹⁴ Through programs launched by these organizations, the role of NGOs in the democratic process is being reconsidered. In addition to becoming increasingly involved in advocating human rights and reforming public policies and legislation, NGOs offer alternative models for social services both through the promotion of fundamental concepts to express the new political, social and economic realities and through the production and dissemination of information in various fields.¹⁵ At present, NGOs respond to needs not yet met by state policies and resources. Among the beneficiaries of NGO programs are local public administrations, which depend on the competence and experience of local political actors to make use of existing and potential resources.

Nongovernmental organizations provide services that the local government cannot, either due to a lack of funds or because they are not permitted by law to do so. NGOs can obtain funding from donor organizations and/or from the local budget (according to the Law on Local Public Finance No. 189/1998). However, funding is unevenly distributed to NGOs, which find themselves unable to develop full-scale programs due to lack of resources. Table 8.5 demonstrates the spheres in which NGOs are currently active in Romania.

NGO activity has tended to develop along the following lines: NGOs usually concentrate on social services, particularly those targeted at economically or socially vulnerable groups. They also have sought to increase their methods of self-financing: for example, through volunteerism, contracts with private partners, et cetera. Finally, NGOs have diversified their activities, with only nine percent of NGOs specializing in a single activity.

The main areas of service supplied by NGOs that directly responded to community needs and that are addressed in cooperation with local authorities include civic, cultural, economic, environmental, social development and capacity building issues (the last being the area of most interest to public administrations).¹⁶ Although the necessity and utility of training has been acknowledged, clients prefer to participate in projects organized and funded by national and international programs rather than paying for these services offered by NGOs.

Table 8.5
NGO Involvement by Sector in Romania*

Sector	%
Social Services	16
Culture and Arts	17
Education and Research	18
International Cooperation	10
Health	8
Human Rights	7
Economic Development	6
Ecology	6
Philanthropy	5
Business and Professional Interests	3
Religion	3

NOTE: Variance to 1996 data = 3 percent.

4. Local Finance

The Law on Local Public Finance introduced modifications to the financing system by increasing the responsibilities of local authorities in settling, controlling, receiving and monitoring income through specialized departments and planning budgetary expenditures. This was the first time, after a long period, that local public financing was dealt with specifically by a separate legislative act. The aim of the new law was to eliminate the dependency of local budgets on the state budget, to establish the financial resources of territorial administrative units and to increase the competence and responsibilities of local administrations. The possibility for local administrative authorities to enter into loan agreements is the newest and most radical provision of the Law on Local Public Finance. The pre-1998 financing system was based on state budget transfer payments and created difficulties for local authorities in managing their budgets due to delays in approving the state budget and in the actual transfer of moneys to local budgets.

4.1 Legal Framework

The Law on Local Public Finance together with amendments to the Law on Taxes and Contributions No. 27/1994 (republished) and the government Emergency Decree No. 85/1997 regarding taxation of personal income (amended by Law No. 246/1998) represent important

steps for the local public administration reform process by putting into practice the principles of decentralization and local autonomy and mark the first time in recent history that local public finances have been addressed by a unified legislative act.

The Law on Local Public Finance encourages financial responsibility. By establishing a legislative framework, it enables local authorities to plan for the long term and provide efficient local public services, thus encouraging the adoption of a managerial attitude. Following are the principal changes established by the law:

- competence of local authorities to establish, monitor and collect taxes and local contributions (before, this fell under the provenance of the Ministry of Finance);
- receipt of a share of income tax as a source of financing for the local budget (thirty-five percent allocated to local councils and fifteen percent to the county council);
- introduction of the concept of “additional quotations” for some state budget revenues, the exact ratio to be provided by the annual budgetary law;
- repeal of special destination transfers for thermal energy and urban transportation, upholding only those financed by external credit guaranteed by the government;
- introduction of three-year budget forecasts;
- regulations concerning loans and local credit;
- introduction of the “association principle” for two or more local authorities to participate in trading companies for the provision of public services or capital investment;
- introduction of “special destination” income and expenses from taxes and special funds to local budgets;
- realization of the functional autonomy of local and county councils and mayors in matters of local interest, without the involvement of other central authorities;
- autonomy in the administration of the public and private patrimony of the local council, as well as of the local resources to be used by the local budget.

4.2 Revenues

According to the Law on Local Public Finance, the following categories of revenue comprise the financial resources for territorial units: taxes, duties, other fiscal revenues, nonfiscal revenues, capital revenues, special destination revenues, grants from the state budget, shares of revenues to the state budget and special destination transfers.

Local revenues are those that can be mobilized at the local taxpayer level and are distinguished as (1) current (fiscal and nonfiscal), (2) capital and (3) special source.

Of these, current revenues are the most important and are represented by taxes on buildings, land and transportation vehicles. Although these are the most predictable income sources for the local budget, their structure varies among areas of the country or even within a given territory, depending on the economic development of the area and capacity to cover budget deficits.

Nonfiscal revenues form a significant share only of developed urban local budgets and include:

- payments from public institutions financed by the local budget;
- miscellaneous revenues (penalties, deductions, compensations, confiscations and revenues from concessions¹⁷ and rents).

Capital revenues are of an erratic nature, since they are collected when the assets of local public institutions are capitalized. Privatization has provided new sources of capital revenues.

Revenues from special sources are the newest addition and include special funds, taxes and unused expense allocations that are carried forward to the following year. Every category of specific purpose revenue is regulated by law, and several are administered by the ministries (for example, public road financing is allocated by the Ministry of Transportation, and the Intervention Fund is administered by the Local Public Administration Department to address the effects of natural catastrophes).

4.2.1 Local Autonomy

The extent of local autonomy depends on the power of the local authority to establish taxes and duties, determine its tax base, create new sources of revenue and ensure tax collection.

1. *Establishing tax bases.* The local authorities do not have the power to establish new categories of taxation, but they may decide on payment exemptions, postponements and installments.
2. *Determining the rates of local taxes and duties.* Local authorities have little competence concerning tax rates: they may apply additional quotas for certain local and state taxes, and duties may be adjusted for inflation. The Law on Local Public Finance stipulates the local governments' competence to request increased shares of state taxes, which are established annually by the state budget. For 1999 additional shared taxes were not stipulated and therefore were not applied. Local authorities may impose local fiscal policy by increasing or decreasing taxes by up to fifty percent of the legally established rate by 31 October of each year. For instance, tax on buildings may vary from 0.5 percent to 1.5 percent, since the law stipulates a rate of one percent on the building's insurance value. Local authorities are permitted to adjust all taxes to compensate for inflation if the rate of inflation increases at least five percent over a twelve-month period.
3. *Creating new revenue sources.* Local revenues in Romania are regulated by law; hence, local authorities have the power to refund special taxes, tariffs and levies only for public services. Other sources may be acquired that are not in the competence of local authorities, such as:
 - budget balances established by the county council and central authorities;
 - loans, which are subject to agreement with credit organizations.

4. *Collecting local revenues.* The Law on Local Public Finance stipulates the creation of special departments to monitor the collection of local revenues. This was originally intended to take effect 1 November 1999 but was postponed to 1 January 2000; in many cases, it is more of a constraint than a factor for autonomy.

4.2.2 State Transfers

Local budgets receive transfers in the following forms:

- partitioned taxes (for example, shares of the central income tax);
- transfers for investments financed by external credits with state guarantees;
- balance amounts (deducted from income tax).

As well as making structural modifications to the local budget, the Law on Local Public Finance provided new ways to solve vertical or horizontal imbalances. According to this law, the central government may offset budget deficits by the following means:

- issuing a new tax;
- transferring public services (for example, health costs) from a local administration to another administrative body;
- sharing a portion of federal taxes;
- increasing the shares of local and central taxes.

Although these methods should be applied in a unitary and global manner, the first two are implemented inconsistently, and the last is still not utilized due to the failure of the annual budget to foresee such initiatives. Consequently, the only feasible way to offset vertical imbalances is through revenue transfers from the centrally administered income tax, applying the local community's contribution in the following proportions: thirty-five percent to the local administration, fifteen percent to the county council and fifty percent remaining in the state budget. The annual budget may modify such ratios, and hence the final transferred amounts are unpredictable.

The current economic crisis has had the greatest impact in underdeveloped rural areas, the economies of which are based on rudimentary, low-scale agriculture and produce little income. These communal local governments are usually poorly organized, have limited access to information, funding and training, and provide only a minimum number of basic services related to agriculture, social assistance and veterinary medicine. In order to rectify horizontal inequalities generated by the unequal distribution of financing among jurisdictions, the Law on Local Public Finance stipulates the allocation of amounts deducted from income tax as equilibration funds and special purpose transfers. The annual state budget provides mechanisms for the distribution of funding to the county. The county council may retain at most twenty-five percent for its own budget, the rest of which is divided among its local councils after consultation with the local department of the Ministry of Finance. Allocations are made according to criteria stipulated by

the Law on Local Public Finance. However, vagueness and subjectivity cause problems in the distribution process.

Special purpose transfers have diminished to such an extent that only those dedicated to investments and to external government guaranteed credits are still enforced. This has resulted in the increased power of local authorities to distribute financial resources.

4.2.3 Structure of Revenues by Type of Local Government

Between 1998 and 1999, own revenues increased dramatically as a percentage of total revenues: on average, from 24.75 percent to 51.55 percent. Own revenues in communes increased to 75.24 percent of total revenues, in towns they approximated the country average, and in counties they increased slightly to 36.25 percent. Figures on sources of revenue reveal the importance of the newly introduced shares of income tax in local financing. The direct allocation of these produced an increase in the percentage of local budget revenues from 25.29 percent in 1998 to 92.50 percent in 1999 and generated an increase in local autonomy.

Table 8.6

Structure of Revenues by Type of Local Government in Romania, 1998 and 1999 [%]

Type of Revenue	Counties		Municipalities		Towns		Communes		Total	
	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999
Local Government Revenue Sharing	0.00	35.17	0.00	43.29	0.00	36.98	0.00	13.41	0.00	40.60
Equalization Grants	36.07	21.59	33.35	1.57	46.62	8.74	43.81	10.79	37.15	5.21
State Budget Investment Subsidies	51.46	6.82	25.12	1.35	30.32	0.00	20.93	0.00	37.56	2.29
Own Revenues	12.25	36.25	40.80	53.35	22.25	54.08	33.38	75.54	24.75	51.55
Loans	0.21	0.17	0.73	0.44	0.81	0.19	1.88	0.27	0.54	0.35
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Revenues from income tax represent 40.6 percent of total revenues. However, their distribution reflects the criterion of contributions to the collection of income taxes; thus, the developed territorial units benefit from greater grants, while poorer jurisdictions, usually those with high

unemployment rates, receive smaller amounts. Hence, these revenues comprise 43.29 percent of the total in towns, but only 13.41 percent in communes. Overall, the amount of equilibration grants from income tax has decreased from 37.15 percent to 5.21 percent, with part of the equalization being directed to deducted revenues. Specially designated transfer payments have almost disappeared, with the exception of those directed to financing investments, which represent 2.29 percent of total income.

Table 8.7

Income Tax Collection and Transfer to Local Governments in Romania, 1994–99

	1994	1995	1996	1997	1998	1999
Macroeconomic Indicators [billions of lei]						
GDP	49,773	72,560	109,515	249,570	338,670	474,830
General Government Expenditure ^a	16,892	25,061	36,810	85,568	131,122	170,243
Salary Tax Collection	3,221	4,583	6,656	13,946	18,577	22,966
Local Government Expenditure	1,735	3,265	5,109	10,468	13,454	19,169
Local Government Revenues Transferred from State Budget ^b	1,431	2,403	3,822	8,435	10,052	9,327
Ratios [%]						
Salary Tax Collection/GDP	6.5	6.3	6.1	5.6	5.5	4.8
Salary Tax Collection/General Government Expenditure	19.1	18.3	18.1	16.3	14.2	13.5
Transfers to Local Governments/Salary Tax Collection	44.4	52.4	57.4	60.5	54.1	45.1

SOURCES: *Romania: Country Report, 1st Quarter 1999* (The Economist Intelligence Unit, Ministry of Finance Budget Department).

NOTES: a. Including local government revenues.
b. Shared salary tax, investment, social protection revenues and equalization grants.

4.3 Expenditures

4.3.1 Structure of Expenditures

The Law on Local Public Finance of 1999 stipulates two distinct kinds of local budgets: one for county councils and one for municipalities, towns and communes. Their structures are similar, but they accomplish different tasks. In Romania the most important public tasks are still financed by the central government by means of specific departments (health, higher education, public security). Other public services are financed with local administration participation (education, buildings, transportation), and some are supported entirely by the local administration (culture).

The delegation of responsibilities from the central to the local level without financial support (such as agriculture, social assistance in special institutions) has generated a few highly controversial problems. These situations occur, for instance, when persons receiving social assistance supported by the local administration in fact belong to other territorial units. As the problem of social assistance is considered to be of national rather than local importance, the fact that local authorities must cover the functioning costs of these specialized institutions is perceived to lack any legal basis.

The functional distribution between the two categories of budgets (presented in table 8.8) is as follows:

- local budgets of municipalities, towns and communes cover services targeted directly at their populations;
- county council budgets cover services to more than one jurisdiction.

4.3.2 Structure of Expenditures by Type of Local Government

As current and capital expenditure were more stable in 1999 than in 1998, only one-third of local sources were allocated to increase the public and private assets of local administration.

In 1999, the greatest part of total expenditures was on public services (38.4 percent), representing a slight decrease from 1998 (41.34 percent). This could be due partially to the cancellation of investment and social protection transfers, but local administrations were not able to cover such expenditures on their own, with the exception of cities, which benefited most from the new rules of vertical equilibration.

Changes in the public administration salary law, which established higher salary limits, increased local administration expenditures by about two percent. In communes, salaries represent almost half of total expenditures.

Table 8.8

Structure of Expenditures by Type of Local Government in Romania, 1998 and 1999 [%]

Type of Expenditure	Counties		Municipalities		Towns		Communes		Total	
	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999
Local Administration	9.52	11.78	9.10	8.62	21.51	32.45	37.16	45.54	13.43	15.37
Education	0.00	0.00	16.21	12.47	16.41	14.65	12.56	14.44	9.04	9.29
Health	0.00	0.00	1.28	0.83	0.11	0.12	0.00	0.00	0.15	0.54
Culture, Religion, Sports, Youth	6.12	20.65	1.31	5.33	4.66	5.36	5.60	5.92	4.89	4.31
Social Assistance	23.66	16.77	7.52	5.17	8.74	2.36	2.46	3.02	9.30	7.40
Public Services	32.44	31.98	51.54	58.16	46.02	41.37	27.10	24.57	41.34	38.40
Transportation, Communications	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Economic Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Activities	28.26	18.82	12.41	8.80	2.54	2.27	14.12	4.14	21.68	24.28
Interest Payments	0.00	0.00	0.02	0.16	0.00	0.03	0.03	0.08	0.02	0.06
Principal of Loan Payments	0.00	0.00	0.61	0.46	0.00	1.39	0.96	2.29	0.15	0.35
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Education still represents less than ten percent of total expenditures. Although new expenditures (capital expenditures, grants for students, books and publications) were called for in 1999, the amount for total expenditures on education rose only slightly (from 9.04 percent to 9.29 percent).

In general, health expenditures are not significant, since this function has been mainly transferred to the National Health Home, except for a small part concerning kindergartens and blood collection centers.

Table 8.9
Macroeconomic Indicators for Local Governments
in Romania, 1994–99

	1994	1995	1996	1997	1998	1999
Macroeconomic Indicators [billions of lei]						
GDP	49,773	72,560	109,515	249,750	338,670	474,830
General Government Expenditure ^a	16,892	25,061	36,810	85,568	131,122	170,243
Central State Expenditure	10,930	15,858	23,732	52,897	77,617	93,384
Local Government Expenditure	1,735	3,265	5,109	10,468	13,454	19,169
Local Government Revenues Transferred from State Budget ^b	1,431	2,403	3,822	8,435	10,052	10,367
Equalization Grant Revenues to Local Governments ^c	—	—	—	—	—	1,065
Ratios [%]						
Local Government Expenditure/GDP	3.5	4.5	4.7	4.2	4	4
Local Government Expenditure/General Government Expenditure	10.3	13	13.9	12.2	10.3	11.3
Local Government Expenditure/Central State Government Expenditure	15.9	20.6	21.5	19.8	17.3	20.5
Transfers to Local Government/Central State Expenditure	13.1	15.2	16.1	15.9	13.0	11.0
Equalization Grants/Central State Expenditure	—	—	—	—	—	1.1

SOURCE: *Romania: Country Report, 1st Quarter 1999* (The Economist Intelligence Unit, Ministry of Finance, Budget Department).

- NOTES:
- a. Including local government revenues.
 - b. Shared income tax, investment, social protection revenues and equalization grants.
 - c. Equalization grants were introduced in 1999 as a subset of national transfers to local governments.

Social assistance has been transferred to local governments from the central government without any additional financial support. Most local administrations are not equipped to handle this responsibility. Only 8.3 percent of total expenditures goes to the resident population, with the rest covering the operating expenses (materials, capital and salaries) of specific institutions.

4.3.3 Expenditures and Revenues in the Structure of GDP

Revenues transferred from the central government to local administrations decreased both in absolute terms (725 billion lei) and as a percentage of the gross domestic product (GDP) (from 2.97 percent in 1998 to 1.96 percent in 1999). The predicted local administration expenditures for 1999 represent approximately 4.8 percent of GDP, a decrease of 20 percent from 1998, when they represented 5.5 percent of GDP.

4.4 Loans

The most revolutionary change effected by the Law on Local Public Finance was to give local councils the power to contract medium or long-term loans for public investment of local interest or to refinance the local public debt. Previously, such investments were financed solely from own revenues and state budget transfers, which created difficulties due to delays in approving and transferring funds from the state budget to local budgets. The new law aimed to eliminate the dependency of local budgets on the state budget.

According to the Law on Public Debt No. 81/1999, loans contracted by local administration authorities are part of the Romanian public debt. However, such loans are not the responsibility of the central government, and they must be paid from the incomes with which they were guaranteed by local administrative authorities.

Local administrative authorities can contract internal loans without government guarantee, provided that the Ministry of Finance has been notified beforehand. External loans can be contracted only with the approval of the Authorization Commission, which is formed by representatives from the local administration, the central government and the National Bank of Romania.

Loans may be taken on the internal capital market by issuing local government bonds and from commercial banks and other credit institutions. Local governments may issue bonds either directly or through agents. Obtaining funds by this method, however, is conditional upon the development of a secondary capital market.

The decision to contract a loan requires a majority vote by two-thirds of the local council members. The proposed investments must have technical and economic documentation that has been approved by the county or local council. Loans must be guaranteed by tangible municipal assets or future revenue, excluding state budget transfers for investment. However, as article 11 of the Law on Public Property (No. 213/1998) prohibits credit guarantees with public property, loans may only be guaranteed with private assets, in which creditors are not interested. As a result, loans comprise only 0.35 percent of total annual revenues in 1999. The servicing of debt cannot exceed twenty percent of the total current income of the local budget.

In spite of reservations expressed by the National Bank of Romania due to macroeconomic conditions and the weakness of the Romanian banking system, the Romanian government agreed to create a credit bank for local authorities, as elaborated by Government Decision No. 563/1999.

Despite the benefits conferred by the Law on Local Public Finance, many obstacles are yet to be overcome, such as the following:

- logistical difficulties encountered by local governments in controlling, monitoring and collecting taxes, which resulted in a postponement of the original deadline for the transfer of these responsibilities to 1 January 2000;
- the creation of local fiscal divisions with highly qualified personnel and an efficient structure, while remaining within budgeted personnel costs;
- a lack of regulations on methodological standards, which have not been issued by the Ministry of Finance as stipulated by the Law on Local Public Finance;
- a lack of accompanying legislation to address local credits, the application of additional shares of state taxes and cofinancing by physical or judicial persons;
- ineffective, nonobjective and nontransparent criteria for the distribution of shares of state income tax;
- dependence of equalization allocations based on economic factors rather than population size;
- lack of alternative sources to replace the elimination of special destination transfers for investment in thermal energy and urban transportation; especially at the commune level, this has resulted in the termination of most investments in water supply. Due to heating problems during the winter of 1999 the government adopted solutions that circumvented the Law on Local Public Finance—for instance, funds were deducted from the income tax and allocated to thermal energy, thereby acting as direct transfer payments.

5. Next Steps in the Transition Process

5.1 Administrative Reform Achievements

Elections. The general and local elections in 1992 and 1996 were democratically held and citizens were able to express their choices freely and without constraint. At the national level, citizens voted for their individual choice of president and members of parliament, and at the local level, for mayors and county and local council members.

In 1997 the Pro Democracy Association, a nationally organized civic NGO, gathered citizens' signatures in an attempt to promote a new law on "nominal" voting—that is, voting for individuals as opposed to party lists—in both general and local elections. The association failed in its attempt due to a lack of funds for organizing the signature campaign and of interest on the part of the population. However, the situation is quite different in the run-up to the general and local elections in 2000. Changes in the choices with which voters are presented have resulted in a different attitude towards democracy.

Legislation. Parliament has now passed the majority of laws necessary for reform on Building Permits (No. 50/1991), Local Public Administration (No. 69/1991), Local Taxes and Levies (No. 27/1994), Welfare (No. 67/1994), Housing (No. 114/1996), Public Property (No. 112/1998), Concessions (No. 119/1998), and Public Finance (No. 117/1998). Moreover, a draft Law on Local Public Administration is currently being studied, and if approved, will apply to the mandate commencing in 2000. The bill proposes the following principal changes:

- the number of local council members will be reduced from 11–31 to 9–25;
- the number of local council members will be reduced from 37–45 to 35;
- secretaries of local councils will be appointed on a competitive basis and not by the prefect with local council approval, as is the current practice;
- the number of city deputy mayors will be reduced from two to one;
- the right to vote in local council decisions shall be granted to mayors and deputy mayors, both of whom currently do not vote because they are considered to be representatives of the executive;
- city managers will be included in local government executive structures, and a master's degree in public administrative management will be a prerequisite for the position.

Procedures. There is a collaborative relationship between county and local councils and their respective executive bodies, which include the executive staff of town halls and county offices. Cities are not subordinated to their respective county administrations. Rather, the two levels complement each other in providing services to their citizens. Moreover, county and local councils are to cooperate in joint programs and projects: for example, in the construction of regional landfills and in the construction and restoration of major roads.

The Federation of Romanian Cities, Association of Romanian Towns and Association of County Council Presidents represent the interests of and lobby on behalf of their members and promote legislative initiatives. Other professional organizations, such as the Association of City Hall Economic Directors, the Association of City Hall Architects, and the Association of City Council Secretaries, strive to improve the work environment of their members, promote a new style of management in public administration and introduce new laws or amend to existing ones.

The Law on Local Public Finance gives greater power and responsibility to county and local councils to use their funds for the benefit of their respective communities. In time, the financial management of local governments should improve considerably as they become more aggressive in collecting taxes, more creative in attracting new financing sources, and more vigilant in their spending. This will remain a real challenge for Romanian local government.

Management. County and local councils make decisions in the best interests of their communities and free from central government control. The organizational charts of most local councils are becoming increasingly flexible and reflect county and local council policy. During their terms in office, both elected officials and their executive staffs are changing their attitudes and demonstrating increased responsibility with respect to their constituencies. Members of county and local councils are becoming increasingly aware of the fact that voter support depends upon the work they do. Executive staffs are beginning to realize that they are responsible to the electorate and elected persons for the quality of various services and that their work therefore must be efficient and competitive. In other words, they are beginning to understand that they work in a market environment where quality is important.

As mayors and county presidents are responsible for implementing their respective council decisions, they perform the dominant executive roles in local government. Both mayors and county council presidents are politicians. They may, and usually they do, according to law, delegate some of their responsibilities to their subordinates. While delegation is a difficult management tool for the politician, they do understand its usefulness and are applying it.

Prospects for the development of modern management in Romanian public administration are good. To name a few, there is a need for programs for elected officials and executive staff; study tours organized by international funders like the Foundation for an Open Society, USAID and PHARE; the development of computer networks with money from local budgets; and the establishment of county and local council citizen information centers.

5.2 Administrative Reform Shortcomings

Elections. Romanian politicians, whether they represent the government in power or the opposition, do not agree with the idea of a nominal vote, but rather support a candidate list vote, arguing that citizens are not prepared for such a democratic process. However, it is quite

possible that political parties are afraid they cannot find enough competent, efficient and charismatic people within the party to promote for political office. In addition, officials elected individually are not as likely to be obedient to political party command.

Legislation. Many important laws have yet to be adopted by Parliament. Some relate directly to the public administration sector, and others to the reform process in general (for example, property laws for land and housing and the Law on Bankruptcy). Legislative procedures move forward fairly slowly, and cooperation between Parliament and the government is not always effective due to political debate and a general lack of consensus on national development plans.

There is often a gap between the spirit of a law and its actual implementation. For example, when the Public Property Law was issued in 1998, it was not followed by regulations for implementation and therefore cannot be put into practice. In another example, the Housing Law contains a section concerning the organization and management of owners' associations—replacing the former tenant association and identifying legal persons that are then in charge of managing common property. Apartment owners did not receive adequate information on the content of the law, and county judges were not involved in the law's implementation. As a result, implementation was delayed by three years and is still not accomplished at the national level.

The laws themselves are amended often and thus are difficult to implement. For example, the Law on Public Finance distributed the income tax as follows: fifty percent to the central budget, forty percent to the local budgets and ten percent to the county budgets. After the law was issued, county leaders protested and the percentage was changed by government ordinance to thirty-five percent for local budgets and fifteen percent for county budgets. Despite discontent among local councils, the original proportions have not been reinstated.

Procedures. Local governments face a number of difficulties in implementing laws. For example, while the Law on Public Finance empowers local governments to impose taxes and levies, it is difficult for them to recover tax debts owed by numerous delinquent state-owned companies. Moreover, while laws might be detailed in their substantive content, they are weak in implementation procedures. For example, the Law on Public Finance allows local governments to develop their budgets based on programs rather than a series of expense categories. County and local council executive staffs are unfamiliar with program budgeting that involves the techniques of modern financial management.

Finally, public administration reform is dependent on the economic situation. If the economy is not improving and the reform process is put on hold, public administrations are held back from improving management by both financial and bureaucratic barriers.

Management. At the beginning of their terms in office, county and local councils lack clearly defined and written statements on the public policies proposed for the duration of their mandate.

It is therefore difficult for county and local executive staff to know what they are supposed to implement. Both elected officials and executive staffs are unfamiliar with modern public management. For example, they do not distinguish between urban planning and the development of community programs. Medium- and long-term planning receive little attention because investments and other funding are undermined by the unstable economy. Moreover, there is little financial motivation for county and local council executive staff employees, and this results in a lack of professionalism at all levels. The Law on the Status of Civil Servants is expected to change the current situation and to attract young professionals to local government management.

5.3 Critical Issues

This section is based on information gathered from a training program developed by the Romanian Partners Foundation. Between 1995 and 1999, over one thousand local government officials participated in more than fifty training programs. During the sessions, surveys and assessments of Romanian local government performances were gathered for use in program design.

Human Resources. Critical problems for elected officials include a lack of management skills (especially related to decision making, communication and time management) and of public administration knowledge in general (legislation, functioning and organization). Because of the absence of a civic culture, they sometimes subordinate public interests to political ones by bringing political competition into the administrative process. Finally, it is often difficult to access needed data or information in general.

Shortcomings among civil servants include low professional and managerial skills, the lack of a training system (both for elected officials and for technical staff) and poor communication and teamwork skills. These problems are exacerbated by bureaucratic routine (a lack of incentives and material, professional or social motivation; the monotony of tasks; and poor information technology); the absence of personnel policies regarding the recruitment, promotion and training of employees; and a lack of criteria for performance assessment.

Public Sector Organizations. The lack of communication between public institutions, both horizontally and vertically, is one of the most important problems, together with the ambiguous delineation of roles within and between organizations. The inadequacy of structures, poor correlation between responsibilities and resources (human, financial, physical) and insufficient transparency and delegation of responsibility also are considered critical. Other problems include the lack of effective decentralization of public services and the ambiguous role of the state in the management of public services; low efficiency and effectiveness; passivity in support, elaboration and implementation of public and development policies; difficult procedures for developing collaborative relations with other sectors; the lack of participative planning; a lack of structured and compatible databases for data transfer between various sectors and of a system for automatic processing; and the lack of transparency in defining municipal ownership

Relations between Society and the Public Sector. Insufficient communication between the local and central levels of public administration and representative associations is one of the most important issues to be addressed in the future. Others include improving transparency; encouraging communication and collaboration between the sectors of society (public authorities, the private sector, the nonprofit sector and civil society in general); developing the public sector's ability to respond to community needs; a low level of interest in the public sector and difficulty in involving intellectual resources from the private sector, academic groups and the nongovernmental sector in local development programs; a lack of partnership in relations with the other segments of society; a lack of concrete programs to support the development of civil society; and passivity of local communities in elaborating, supporting and implementing public policies.

Recent Publications on Public Administration in Romania

Alexandru, I. *Theories Concerning Public Administration* (Curențe de gândire privind administrația publică). Editura Economica, 2000.

—. *Public Administration. Theories, Reality and Perspective* (Administrație publică. Teorii, realități, perspective), Editura Lumina Lex, 1999.

City hall newsletters (monthly, weekly or daily).

Economy and Public Administration (monthly).

Forum (monthly).

Matei, L. and Matei, A. *Public Administration and the Acquis Communautaire* (Acquis comunitar și administrație publică). Editura Economică, 2000.

Popescu, C. L. *Local Autonomy and European Integration* (Autonomia locală și integrarea europeană). București: Editura All Beck, 1999.

Popescu, I. *Public Function Theory* (Teoria funcției publice). Brăila: Editura Evrika, 1999.

Santai, I. *Administrative Law and Administrative Science* (Drept administrativ și știința administrației), Unio. Sibiu: "Lucrări Blaga," 1998.

Contacts for Further Information on Local Government in Romania

Government of Romania (Guvernul României)

Address: Palatul Victoria, București, Romania

Phone: (40-1) 614-3400

Division	Phone	Fax
<i>Ministry of Finance</i>		
State Minister	(40-1) 410-17-84	(40-1) 312-16-30
Secretary of State	(40-1) 410-09-10	
<i>Ministry of External Affairs</i>		
Minister of External Affairs	(40-1) 230-75-70	
Secretary of State	(40-1) 230-76-02	(40-1) 230-30-42
<i>Ministry of Reform</i>		
State Minister	(40-1) 222-36-87	(40-1) 222-46-86
Secretary of State	(40-1) 222-59-73	(40-1) 222-36-91
<i>Ministry of Industry</i>		
State Minister	(40-1) 650-26-57	(40-1) 312-05-13
Secretary of State	(40-1) 650-74-41	(40-1) 650-65-45
<i>Ministry of Research and Technology</i>		
Minister	(40-1) 650-06-90	(40-1) 312-14-10
Secretary of State	(40-1) 659-48-86	(40-1) 312-66-17
<i>Health Ministry</i>		
Minister	(40-1) 614-15-26	(40-1) 12-49-16
Secretary of State	(40-1) 613-98-41	(40-1) 311-24-98
<i>Ministry of Culture</i>		
Minister	(40-1) 222-33-38	(40-1) 223-49-51
Secretary of State	(40-1) 222-71-47	(40-1) 659-49-55
<i>Ministry of Youth and Sport</i>		
Minister	(40-1) 211-11-41	(40-1) 211-17-10
Secretary of State	(40-1) 211-10-40	(40-1) 210-24-84
<i>Government General Secretary</i>		
Delegate Minister	(40-1) 230-13-82	(40-1) 223-29-98
<i>Department for European Integration</i>		
Delegate Minister	(40-1) 222-36-80	

Department of Public Information

Delegate Minister	(40-1) 222-36-19	(40-1) 222-60-88
Secretary of State	(40-1) 222-42-86	(40-1) 312-69-32

Council for Minorities Protection

Delegate Minister	(40-1) 222-36-20	
-------------------	------------------	--

Prime Minister Control Department

Secretary of State	(40-1) 230-19-41	(40-1) 312-10-05
--------------------	------------------	------------------

Notes

- ¹ All references to counties in this chapter may be assumed to include the City of Bucharest. Similarly, the term county council refers also to the Bucharest City Council.
- ² This is particularly the case in counties of northeast and southern Romania with populations overwhelmingly employed in agriculture or mountain economy.
- ³ By the end of 1997, fifty-nine private television stations and one hundred forty radio stations were broadcasting. Over one-third of all households were connected to cable television, and about ten percent had satellite dishes allowing access to foreign television channels.
- ⁴ Complaints by Romanian local authorities to the European Council regarding the state of local democracy resulted in the *Report of the Local and Regional Authorities Congress in Europe*. The reasons for the dismissal of mayors were highlighted, including abuse of power by prefects and an insufficiently developed legal framework.
- ⁵ Ibid.
- ⁶ In 1997, the Romanian Government passed Emergency Ordinance No. 22/1997, which was rejected by Parliament. An amendment to the Law on Local Public Administration is the Emergency Ordinance of the Romanian Government No. 107/1999, dealing with the tutelary rights and responsibilities of mayors. The Law on Local Elections was amended by Law 164/1998, which elaborates the provisions of the mandate distribution system, electoral lists, voter identity cards, et cetera.
- ⁷ The PHARE Program on Romanian Local Public Administration Development (RO907) was officially launched on 1 August 1999.
- ⁸ An electoral coefficient is a formula set forth in the Law on Local Elections, whereby the total number of valid votes for all lists and independent candidates is divided by the number

of council seats available. The Electoral Commission assigns each list a number of seats equal to the number of votes for that respective list, divided by the electoral coefficient.

- ⁹ Organic laws, as opposed to constitutional and ordinary laws, deal with the organization of the government, the National Supreme Defense Council, the electoral system, political parties, the educational system, civil service, local government and referendums. Because of their importance, they require a majority vote of two-thirds in Parliament.
- ¹⁰ Bucharest has six districts that are defined as territorial administrative units, each with its own distinct administration subordinated to the city administration.
- ¹¹ Unless otherwise indicated, all references to mayors include the general mayor of Bucharest.
- ¹² Local government property in the public domain is property that is subject to public law after meeting criteria established by the Constitution or other organic laws. Property in the private domain of a local government is property that is subject to private law and therefore may be alienated.
- ¹³ PHARE Program: Romanian Local Public Administration Development, Terms of Reference.
- ¹⁴ PNUD, UNICEF, the United States Agency for International Development, the World Bank, the Foundation for an Open Society and the Open Society Institute, among others.
- ¹⁵ American donors have financed NGOs specializing in human rights, ethnic conflict, civil education, public administration and environmental issues, while European donors have tended to support activities pertaining to social services.
- ¹⁶ Presented at a forum on NGOs in 1997.
- ¹⁷ In Romanian law, a concession is the right to use property without actual ownership.

Annex 8.1

Major General Indicators

SOURCE: *Statistical Year Book 1998* (year of data: 1997).

Size of territory	238,391 square kilometers			
Population density	94.58 inhabitants per square kilometer			
Population	22,545,925			
Pensioners	8,336,000			
School children (all levels)	4,643,351			
Major ethnic groups				
Hungarians	1,624,959			
Roma	401,087			
Germans	119,462			
Jews	8,955			
Per capita GDP	1994	1995	1996	1997
In lei, current prices	2,189,697	8,180,444	4,794,441	11,007,398
In USD, at purchase power parity	3,790	4,070	4,244	3,975
State Budget (millions of lei)	1996		1997	
Revenue (total)	18,372,803		43,834,512	
Current revenues	18,267,548		41,496,668	
Fiscal revenues	17,522,973		40,050,978	
Direct taxes	8,532,626		20,516,729	
Tax on profit	3,517,257		10,638,919	
Income tax (total)	6,656,288		13,945,648	
• Amount of income tax from local budgets	-1,972,609		-4,644,558	
Other direct taxes	331,690		576,720	
• Tax on profit from illegal commercial activities or against the law on the consumer protection	913		8,719	
• Tax on dividends from commercial companies	329,822		563,763	

• Tax on lawyers and public notary fees	1,539	
Other receipts from direct taxes	955	2,699
Indirect taxes	8,990,347	19,534,249
Value-added tax (VAT)	5,359,350	11,681,267
• VAT cashed	7,149,480	15,555,134
• VAT returned	-1,790,130	-3,873,867
Excises and tax on circulation	1,485,343	4,288,688
• Excises	1,091,784	2,906,572
• Tax on domestic crude oil and natural gas	393,559	1,382,116
Customs duties	1,673,683	3,352,728
• Customs duties from legal persons	1,596,974	3,261,919
• Customs duties and other revenues from natural persons by customs units	76,709	90,809
Other indirect taxes, of which	471,971	211,566
• Delay increases and penalties for term unpaid revenues	73,756	32,129
• Tax for releasing functioning licenses and patents	391,921	34,010
• Compensation tax	42	
• Other receipts from indirect taxes	6,252	33,664
Nonfiscal revenues	744,575	1,445,690
Payments from the National Bank of Romania's net profit	71,166	
Payments from autonomous bodies' net profit	185,377	268,243
Payments from public institutions	179,930	307,378
Various revenues	308,102	831,900
Payments from dividends received by State Ownership Fund		38,169
Capital revenues	105,255	2,284,913
Revenues from state goods	105,255	2,284,913
Receipts from repayment of loans	52,931	

Expenditures (total)	23,731,998	52,896,585
General public service	881,073	1,857,866
State administration	881,073	1,857,866
Defense, public order and national security	3,689,969	7,542,187
National defense	2,078,241	4,738,946
Public order and national security	1,611,728	2,803,241
Social and cultural	6,977,088	16,626,251
Education	3,280,879	7,156,599
Health	2,008,461	4,418,811
Culture, religion, sport and youth	429,063	853,765
Social assistance, allowances, pensions, aid and indemnities	1,258,685	4,197,076
Services and public development, dwellings, environment and waters	399,181	560,828
Services and public development and dwellings	215,376	401,690
Environment and waters	183,805	159,138
Economy	6,111,171	7,778,909
Industry	2,016,837	1,930,195
Agriculture	2,667,802	3,664,560
Transport and communications	1,088,396	1,770,887
Other economic activities	338,136	413,267
Other activities, including:	589,999	1,056,932
Scientific research	440,893	762,549
Other activities	105,464	269,478
Transfers	3,041,794	6,862,070
Transfers from state budget	3,041,794	6,862,070
Loans	297,066	1,396,907
Interest payments and other expenditures related to public debt	1,744,657	9,214,635
Surplus (+)/Deficit (-)	-5,359,195	-9,062,073
Local Budgets (millions of lei)	1996	1997
Revenues (total)	4,998,504	10,468,498
Current revenues	1,081,678	1,914,827
Fiscal revenues	873,017	1,522,937
Direct taxes	826,400	1,416,267
• Tax on profit	30,586	140,681
• Taxes and duties from the population	283,740	489,188
• Tax on agricultural revenue	55,668	20,735

• Other direct taxes	103,708	299,471
• Tax on revenues of natural and legal nonresident persons	50,348	196,869
• Other receipts from direct taxes	53,360	102,602
Indirect taxes	46,617	106,670
Tax on shows	3,151	6,178
Other indirect taxes	43,466	100,492
Stamp tax for legal persons	34,172	96,538
Late fees and penalties for unpaid revenues	7,035	—
Other receipts from indirect taxes	2,259	3,954
Nonfiscal revenues	208,661	391,890
Payments from net profit of autonomous bodies	15,605	29,520
Payments from public institutions	95,343	191,835
Other revenues	97,713	170,535
Capital revenues	48,729	69,337
Revenues from state goods	48,729	69,337
Shares of income tax	1,972,609	4,644,559
Subsidies from state income budget	1,848,506	3,790,234
Donations	88	144
Loans	46,894	49,397
Expenditure (total)	4,955,180	10,370,483
General public services	340,566	822,247
Public authorities	340,566	822,247
Social and cultural	1,677,241	3,332,518
Education	590,358	1,040,997
Health	615,725	1,324,979
Culture, religion, sport, youth	156,565	486,997
Social assistance, allowances, pensions, aid and indemnities	314,593	479,545
Services and public development, environment and waters	1,864,805	4,042,500
Economy	986,664	2,041,022
Transport and communications	985,261	2,034,496
Other activities	75,325	91,530
Payments and interest	408	3,056
Loan repayments	10,171	37,610
Surplus (+)/Deficit(-)	43,324	98,015

Unemployment rate	8.9 percent
Inflation rate	
1998	40.6 percent
First half of 1999	30.8 percent

Annex 8.2

Population, Settlements and Administrative Units

Table 8A.1
Settlements by Population Size in Romania*

Population Size	Number of Settlements	%	Number of Inhabitants	%
0–1,999	440	14.93	658,180	2.92
2,000–4,999	1,674	56.78	5,581,663	24.76
5,000–9,999	607	20.59	3,981,735	17.66
10,000–19,999	117	3.97	1,546,527	6.86
20,000–49,999	63	2.14	1,984,219	8.80
50,000–99,999	23	0.78	1,778,327	7.89
100,000–199,999	12	0.41	1,744,535	7.74
200,000–999,999	11	0.37	3,243,227	14.38
1,000,000+	1	0.03	2,027,512	8.99
Total	2,948	100.00	22,545,925	100.00

NOTE: 42 counties, 260 towns (including 82 municipalities) and 2,686 communes.

Table 8A.2
Municipalities and Towns by Population Size in Romania

Population Size	Number of Settlements	%	Number of Inhabitants	%
0–1,999	1	0.4	1,854	—
2,000–4,999	10	3.8	38,174	0.3
5,000–9,999	57	21.7	437,127	3.5
10,000–19,999	84	32.1	1,149,715	9.3
20,000–49,999	63	24.0	1,984,219	16.0
50,000–99,999	23	8.8	1,778,327	14.3
100,000–199,999	12	4.6	1,744,535	14.1
200,000–999,999	11	4.2	3,243,227	26.1
1,000,000+	1	0.4	2,027,512	16.4
Total	262	100.0	12,404,690	100.0

Table 8A.3
Communes by Population Size in Romania

Population Size	Number of Settlements	%	Number of Inhabitants	%
0–999	52	1.9	38,782	0.4
1,000–1,999	387	14.4	617,544	6.1
2,000–4,999	1,664	62.0	5,543,489	54.6
5,000–9,999	550	20.5	3,544,608	35.0
10,000+	33	1.2	396,812	3.9
Total	2,686	100.0	10,141,235	100.0

Table 8A.4
Average Population of Municipal Governments in Romania

Settlement	Number of Inhabitants	Number of Settlements	Average Population
County	22,545,925	42	536,807.74
Municipality/Town	12,404,690	262	47,346.15
Commune	10,141,235	2686	3,775.59

Table 8A.5
Number of Local Governments in Romania

County Councils	41
Municipal Councils	80*
Town Councils	182
District Councils (Bucharest)	6
Commune Councils	2,686
Total	2,995

NOTE: Including the Municipality of Bucharest.

Table 8A.6
Local Governments by Type and Population Size in Romania, July 1999

Type and Population Size	Number
County	41
Less than 500,000	22
More than 500,000	19
Municipality	81
Less than 50,000	34
50,000 to 100,000	23
More than 100,000	24
Town	181
Less than 10,000	63
10,000 to 20,000	81
More than 20,000	31
Commune	2,686
Less than 1,000	52
1,000 to 3,000	1,040
3,000 to 5,000	1,006
More than 5,000	588
Total	2,989

Number of public employees (1997) 130,000

Figure 8A.1
Administrative Map of Romania



Figure 8A.2
Structure of the Romanian Government I

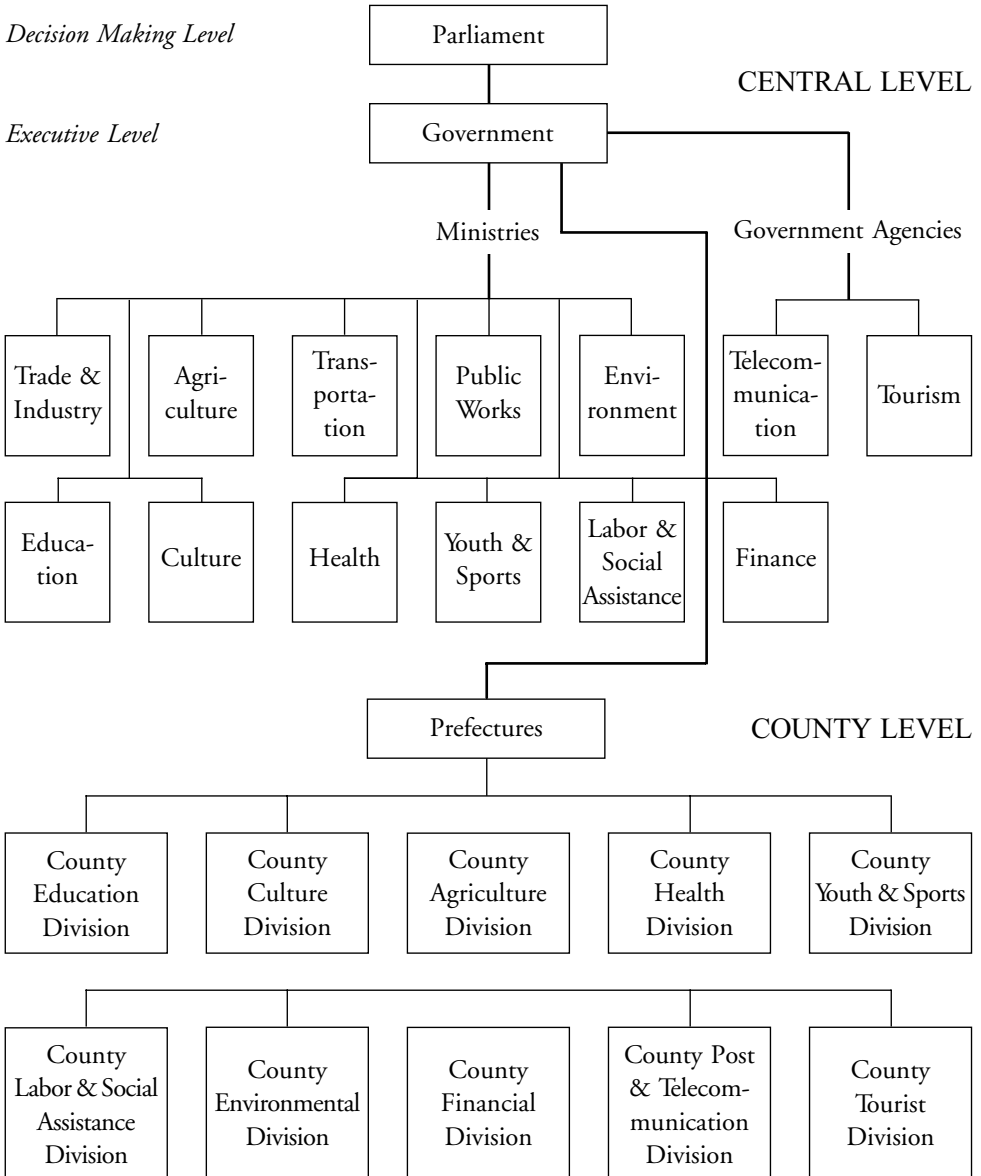
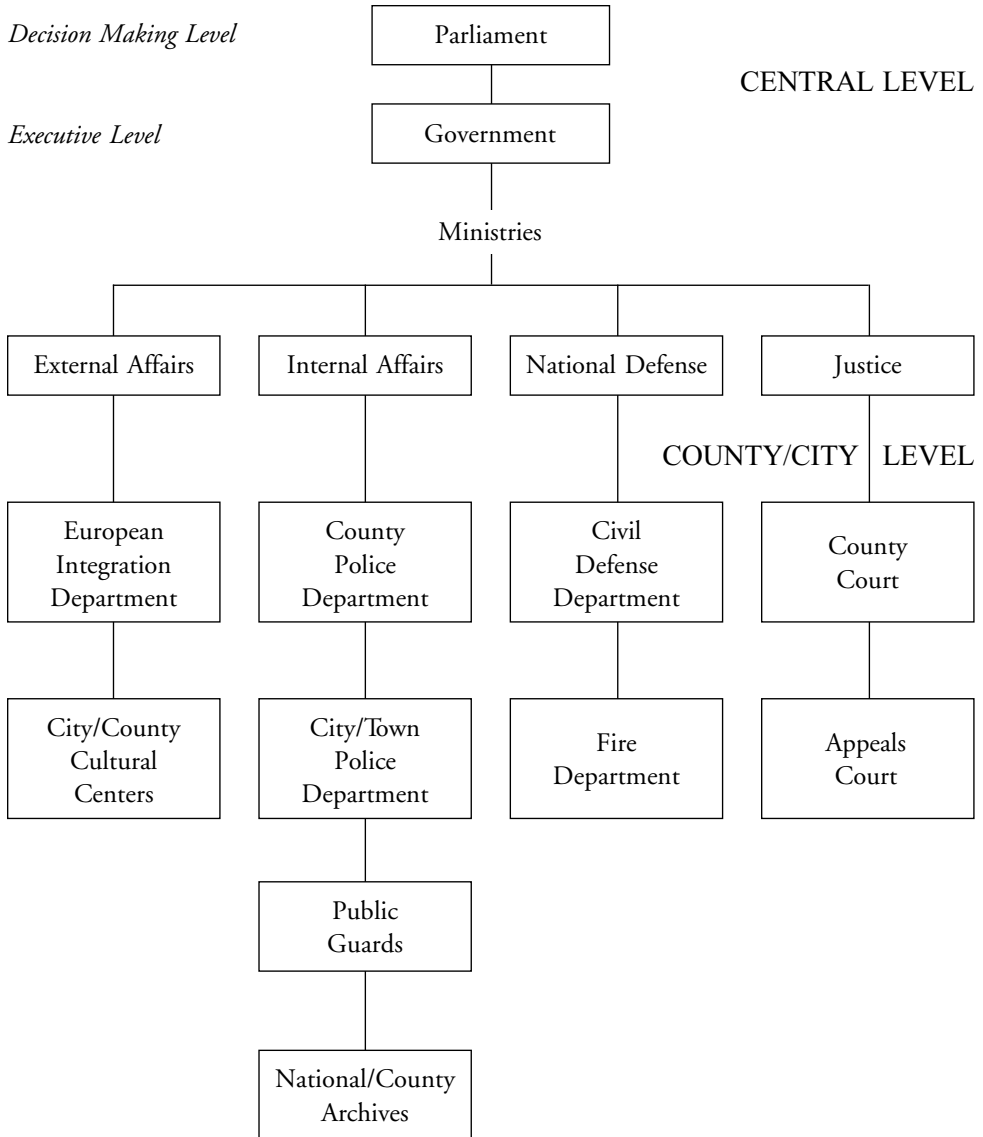


Figure 8A.3
Structure of the Romanian Government II



Annex 8.3

Major Laws on Public Administration and Local Government

The following laws regulate public administration and local government in Romania:

- The Constitution of Romania
- Law No. 69/1991 on Local Public Administration (republished)
- Law No. 70/1991 on Local Elections
- Law No. 29/1990 on Administrative Litigation
- Law No. 72/1997 on Public Finance
- Law No. 27/1995 on Local Taxes
- Law No. 189/1998 on Local Public Finance
- Law No. 154/1998 on Civil Servants Salary System
- Law No. 151/1998 on Regional Development
- Law No. 129/1998 on the Romanian Social Development Fund
- Law No. 199/1997 – The European Charter of Local Self-government
- Law No. 213/1998 on Public Property and Its Regime
- Law No. 219/1998 on the Regime of Public Concessions
- Romanian Government Decision No. 106/1998 on the Department for Local Public Administration
- Romanian Government Ordinance No. 12/1993 on Public Procurement
- Romanian Government Ordinance No. 120/1998 for the Ratification of the European Framework Convention on Transboundary Cooperation
- Romanian Government Decision No. 383/1997 on the Organization and Functioning of Prefectures
- Building Permit Law No. 50/1991
- Public Property Law No. 112 /1998
- Concession Law No. 119/1998
- Housing Law No. 114/1996
- Welfare Law No. 67/1994
- Local Taxes and Fees Law No. 27/1994
- Public Finance Law No.117/1998.

Annex 8.4

Responsibilities of Administrative Tiers

Table 8A.7
Specific Functions of Local Government Units in Romania

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government Format	Remarks
I. EDUCATION					
1. Preschool	X		X		a
2. Primary			X		a
3. Secondary			X		a
4. Technical			X		a
5. Other			X		b
II. SOCIAL WELFARE					
1. Nurseries	X		X		c
2. Kindergartens	X		X		c
3. Welfare Homes	X				c
4. Personal Services for the Elderly and Handicapped	X		X		e
5. Special Services (for homeless, families in crisis, etc.)	X		X		e
6. Social Housing	X				c
III. HEALTH SERVICES					
1. Primary Health Care			X		d
2. Health Protection			X		d
3. Hospitals			X		d
4. Public Health			X		d

Table 8A.7 (continued)
Specific Functions of Local Government Units in Romania

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government Format	Remarks
IV. CULTURE, LEISURE, SPORTS					
1. Theaters	X				f
2. Museums		X			g
3. Libraries		X			g
4. Parks	X				c
5. Sports, Leisure			X		h
6. Maintaining Buildings for Cultural Events	X				c
V. ECONOMIC SERVICES					
1. Water Supply	X				i
2. Sewage	X				c
3. Electricity			X		j
4. Gas			X		j
5. District Heating	X				c
VI. ENVIRONMENT, PUBLIC SANITATION					
1. Refuse Collection	X				c
2. Refuse Disposal	X				k
3. Street Cleaning	X				c
4. Cemeteries	X				c
5. Environmental Protection	X		X		l
VII. TRAFFIC, TRANSPORT					
1. Roads	X	X			m
2. Public Lighting	X				c
3. Public Transport	X	X			m

Table 8A.7 (continued)
Specific Functions of Local Government Units in Romania

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government Format	Remarks
VIII. URBAN DEVELOPMENT					
1. Town Planning	X	X			m
2. Regional/Spatial Planning	X	X			m
3. Local Economic Development	X	X			m
4. Tourism	X	X			m
IX. GENERAL ADMINISTRATION					
1. Authoritative Functions (licenses, etc.)	X				k
2. Other State Administrative Matters (electoral register, etc.)	X				c
3. Local Police			X		n
4. Fire Brigades			X		o
5. Civil Defense			X		o
6. Consumer Protection			X		

- NOTES:
- a. Ministry of Education county division; maintenance financed by municipality
 - b. Ministry of Education
 - c. Municipality
 - d. Ministry of Health county division, maintenance financed by municipality
 - e. Ministry of Social Protection county division and municipality
 - f. Ministry of Culture county division, maintenance financed by municipality
 - g. Ministry of Culture county division, maintenance financed by county
 - h. Ministry
 - i. Municipality or county
 - j. National state-owned company
 - k. Municipality and county

- l. Municipality and environmental protection agencies
- m. City and county
- n. Ministry of Internal Affairs
- o. Ministry of Defense

Chapter 9



Local Government in Yugoslavia

by
Zeljko Sevic

Local Government in Yugoslavia

Contents

1.	Legal and Constitutional Basis	417
1.1	Brief History of Local Self-government	417
1.2	Territorial Structure, Levels of Self-government	418
1.3	Relationship between State Administration and Local Government	421
1.4	Status of Cities and Capitals	423
1.5	Territorial Self-government below the Municipal Level	424
1.6	Legal Reforms in Progress	425
2.	Local Politics, Decision Making	426
2.1	System of Local Elections	426
2.2	Forms of Direct Democracy	431
2.3	Distribution of Power among Different Levels of Government	433
2.4	Internal Structure of Local Government Decision Making	435
2.5	Public Participation in Decision Making	437
2.6	Ethnic Issues, Multicultural Government	438
2.7	Local Government Associations and the NGO Sector	439
3.	Local Administration, Service Provision	440
3.1	Structure and Operation of Local Administration	440
3.2	Local Service Delivery	444
4.	Local Finance	446
5.	Next Steps in the Transition Process	449
	References	451
	Recent Publications on Local Government in Yugoslavia	452

Contacts for Further Information on Local Government in Yugoslavia 453

Annex 9.1: Major General Indicators 455

Annex 9.2: Population, Settlements and Administrative Units 457

Annex 9.3: Major Laws on Public Administration and Local Government 460

Annex 9.4: Responsibilities of Administrative Tiers 463

Local Government in Yugoslavia

Zeljko Sevic

1. Legal and Constitutional Basis

1.1 Brief History of Local Self-government

Local government—that is, local self-government (*lokalna samouprava*)—has a long history in Serbia and Montenegro, dating back to the years under the Ottoman Empire. During Ottoman rule the self-government (self-management, in fact) unit in Serbia was a village that elected an elder who acted as mayor (*knjaz*, and later, *knez*). These officers led the Serbs into two uprisings against the rule of local Turkish officials. The Turks never wholly occupied Montenegro and maintained a primary tribal organization, which remained the skeleton of the Montenegrin state after its independence was confirmed in 1878. This self-governing tradition, which required wide people's participation through “village assemblies,” created an obstacle to the establishment of a modern state as late as the early 1880s. The Progressive Party government, which was in power from 1880 to 1883 and aimed to create a modern state in Serbia, encountered fierce opposition from locally elected officials and rural village assemblies when attempting centralization on the state level and the incorporation of a unique civil service [Sevic 1999]. The tradition of local government was practiced in the Kingdom of Yugoslavia even after 1929, when King Aleksandar I proclaimed a dictatorship, banned the activities of political parties and limited constitutional rights.

After 1945 (de jure 1946) the very nature of the Yugoslav state changed, as the country was transformed into a federation. In the period of strict centralization exercised immediately after World War II, the municipality lost many of its local self-government functions. Rather, citizens encountered the first layer of state power when submitting applications or requesting the recognition of their rights. With the introduction of social self-management (*društveno samoupravljanje*) in the 1950s, the situation was reversed yet again, as the municipality regained its self-government functions and its powers and authority constantly increased until the dissolution of the second Yugoslavia, the Socialist Federate Republic of Yugoslavia. Though supervised by the republican (a federal unit) or provincial bodies, a municipality in fact had many original powers during this period. However, the very nature of this type of self-government was destroyed by the political supremacy of the Union of Communists, the only political party allowed, which was fully centralized up to the republican/provincial level. In the Yugoslav concept of federalism, there was very little, if any, formal difference between republics and provinces; even from 1974 the provinces were constituent parts of the federation.

The Federal Republic of Yugoslavia (*Savezna Republika Jugoslavija*), de jure incorporated in May 1992 on the foundations of the previous federation, also inherited its administrative structure. After the introduction of the new Constitution of the Republic of Serbia in 1990, a series of laws were enacted modernizing and reforming the system of public administration, including local government. As Yugoslavia maintained the Serbian civil service tradition, many changes were required, such as reintroducing the hierarchy principle in civil service relations and abandoning the remnants of the socialist period. The idea of cooperation of administrative bodies at different levels of government made the entire system of local government fairly inefficient and bureaucratic. The reintroduction of hierarchy certainly contributed to the system's overall efficiency.

Like all other Balkan countries, the federal republics of Yugoslavia—Serbia and Montenegro—pursued a process of high centralization in the early 1990s, and many powers were consolidated by the state. The municipality remained the main form of local government, but with very little formal authority in contrast to other formerly socialist countries that introduced decentralization programs as a component of the overall social transition. Serbia and Montenegro as former Yugoslav republics were fairly decentralized; hence, the implementation of the centralization process came as a surprise. This process was viewed by all the former Yugoslav republics as a nation-state building process. Consequently, national euphoria supported the execution of centralization. Some recent government drafts of law and documents argue in favor of granting more powers to the municipality and increasing the ability of the municipality to finance its activities from current revenue or by issuing long-term securities. However, due to the fairly unfavorable economic situation of the country, it is most unlikely that local self-government will finance its activities with borrowed money in the foreseeable future.

In both republics, government and opposition parties contemplated the introduction of new local self-government laws for a long time. While the government was interested in cosmetic changes, the opposition parties advocated substantial amendment of the division of authority between municipalities and the republic. However, even the current opposition prefers centralization when (and if) in power. Some degree of decentralization and an increase in municipal authority is likely, but this requires better training and the improvement of municipal appraisal procedures, which are poorly developed at present. In Montenegro discussion on a law on local self-government is not as intensive anymore, while in Serbia the National Assembly adopted a new Law on Local Self-government (*Zakon o lokalnoj samupravi*) in November 1999. The government draft of the law was endorsed with minor changes.

1.2 Territorial Structure, Levels of Self-government

The two federal units of Yugoslavia have rather substantial differences. Serbia occupies more than ninety percent of the state's territory and contributes over ninety-five percent of the country's entire population. Consequently, Serbia dominates the federation to a great extent, although

the federal chamber of republics and the federal government are comprised on the basis of the parity principle. The municipality is the only local government unit in both republics. Serbia, as a much larger republic, also is divided into twenty-nine districts. These, however, are not units of local government but rather the mode of execution of state (republican) power. Consequently, districts do not have autonomy or separate staffs but receive funding directly from the state budget to perform their duties. In Serbia municipal bodies maintain close contacts with the detached offices of the various republican ministries, which are grouped under district head supervision. In contrast to the district, which is not a separate legal entity, the municipality has full legal powers. Districts do not own any property; the premises and resources used for the execution of entrusted duties are government property. Municipalities can acquire and dispose of property without any limitation or influence from the government.

Autonomous provinces (*autonomne pokrajne*), a level of local government in the Republic of Serbia, are listed as specific territories recognized by the Law on Territorial Organization of the Republic of Serbia and Local Self-government. In a short article the law lists all municipalities that create autonomous provinces. The Autonomous Province of Vojvodina has forty-five municipalities including the City of Novi Sad, while the Autonomous Province of Kosovo and Metohija (Kosmet) consists of twenty-nine municipalities including the City of Priština. Although the provinces have their own organs and organization, it is fairly questionable what their real role is, since districts exist in the territories of both provinces. There is also a big difference between the two. While Vojvodina is the most developed and culturally tolerant part of Serbia, with almost no social exclusion, Kosmet has proven to be a blatant example of different types of majorization. In the period prior to 1990 the majorization of the Albanian national minority systematically was exercised at the expense of all other nations, national minorities and ethnic groups, while after 1990, when the Albanian national minority embarked upon a collective boycott of the Serbian state and began to exercise conscious self-isolation, the members of the local Serbian community began to exercise not the majorization of Serbs and others, but the minorization of Albanians in revenge for years of maltreatment during communist rule. Currently, there is a special UN mission in Kosmet—UNMIK, supported by the NATO-led KFOR forces.

It is very difficult to assess in which direction the autonomous provinces will progress. Certainly, they have a particular role, but it is questionable to what degree they support the execution of citizens' rights and harmonization within the country. Constitutionally they have a fairly clear role—the provision of territorial autonomy due to specific historical, demographic and cultural considerations. But in a country with a high level of centralization, like all Balkan republics, it is questionable to what extent the provinces can perform their roles while avoiding state prerogatives and conflicts with state authorities.

Municipalities—that is, local self-governments—do not maintain any direct contact with the federal level of government, with the exception that detachments of the Federal Ministry of Defense are located in each, performing recruitment, civil defense procurement, et cetera. All formal contact is maintained between the municipality and the republican government or its detached agencies.

The number and territories of municipalities are clearly defined by republican law. The republic has the authority to create new municipalities and to change the names, territories and headquarters of existing municipalities, but only after obtaining the opinion of the municipalities concerned. Any of these changes requires prior amendment to the Law on Territorial Organization and Local Self-government.

A municipality is defined as a territorial unit in which citizens exercise self-government in affairs defined by the Constitution, laws and the statutes of the municipality. Municipalities and the local government system are not mentioned explicitly in the Yugoslav Federal Constitution of 1992; rather, a republic-member is defined as a state in which power belongs to the citizens. The republic is sovereign in all matters not regulated by the federal Constitution. Consequently, regulating the local government system is within a republic's jurisdiction. The republican constitutions mention local self-government and the rights and duties of a municipality, though very briefly. Since both republican constitutions supported high centralization at the state level, the issue of municipal self-government was not regarded with great importance.

According to the Constitution of the Republic of Serbia of 1990, a municipality has the following rights and duties:

- to enact development programs, urban plans, local budgets and final accounts;
- to regulate and provide communal services;
- to regulate and maintain urban building sites and office space;
- to manage construction, maintenance and use of local roads, streets and other public premises of municipal interest;
- to address citizens' needs in the fields of culture, education, health and social care, child and family care, physical culture and sports, public information, tourism and restaurant management protection, improvement of the environment and other fields of immediate interest to citizens;
- to implement laws, other legal acts and general acts of the Republic of Serbia, the enforcement of which is entrusted to the municipalities, and to enforce its own local acts;
- to incorporate bodies, organizations and services to meet municipal needs and to regulate their internal organization;
- to perform other duties as stipulated by the Constitution, laws and the municipal statutes.

The Constitution of the Republic of Montenegro regulates local self-government to an even lesser extent. It guarantees the right to self-government, which is executed through municipalities and the capital (Cetinje). Citizens decide on all issues of local self-government directly or through elected representatives. The republic supports local self-government, the bodies of which are the municipal assembly and "the president of the municipality." The Law on Local Self-government of the Republic of Montenegro is somewhat more extensive than that of Serbia, but in fact the powers of a municipality are the same. While Serbian law lists the fields in which the municipality has some authority, the Montenegrin law enumerates particular rights and duties. Since the law explicitly lists the powers of a municipality and stipulates that the republic can entrust some

authority to the municipalities, it is assumed that municipal powers are fairly limited. The Constitution and laws generally insinuate that all authority belongs to the state (republic) unless otherwise stipulated. Therefore, it is less likely that a conflict of interests will occur between republican and municipal jurisdictions. If such conflict arises, the government's Administrative Commission rules in the first instance, while the government acts in the grievance procedure. The law requires municipalities to cooperate with republican bodies and other municipalities in performing their duties. Law promotes the principle of "voluntarism, mutuality and solidarity" when regulating municipal cooperation.

The new Law on Local Self-government of the Serbian Republic defines municipal duties in greater detail, but none of the prerogatives of state authority are transferred to the municipalities. The municipality has substantial powers in the following fields: (1) urban planning and building; (2) communal activities; (3) maintaining roads, streets, squares and public transport; (4) culture; (5) education; (6) health care; (7) social care as a whole and for children and youth; (8) sports; (9) tourism, hotel and restaurant management, handicrafts and trade; (10) protection of natural resources and the environment; (11) public information; (12) natural disaster contingency planning and management; and (13) legal aid. In legal terms this list should be final, as there is a general assumption that all duties and rights that are not entrusted to other organizations belong to the state. The law more precisely regulates the process of entrusting republican authority to a municipality. Only the law can perform such delegation, and there are a couple of issues that must be taken into consideration before doing so: the type, content and volume of activity; the possibility of more efficient, direct and expedient ways of performing citizens' affairs on the local level; the size of the municipality, its economic strength and number of citizens; and the readiness of the local administration to cope with delegated duties. The republic is obliged by law to provide the resources to finance the execution of delegated duties.

The new law defines the sources of finance for a municipality. Inheritance tax, tax on agriculture and forestry, tax on the transfer of nonmovable property rights and land tax belong in full to a municipality. A municipality also can levy user charges, fees, surcharges, et cetera. A portion of the taxes collected by the republic on the territory of a municipality also remains in the hands of the municipal government. The municipality is authorized to charge municipal administrative fees; local communal fees; user charges for communal property; building site charges; charges for the use, maintenance and building of local roads and streets; fines for offenses regulated by municipal by-laws; et cetera. However, granting concessions is the exclusive right of the republic and cannot be delegated. The law details the possible cases in which local taxes can be introduced, but it does not set limits, so each municipality can decide on the level of charges.

1.3 Relationship between State Administration and Local Government

In order to provide law enforcement and exercise executive powers, twenty-nine districts are organized in Serbia. Montenegro does not have any middle-tier government level, as the republic

is fairly small. The districts (*okruzi*) are not equally staffed; the more prestigious employ many, while others are served by a very small group of civil servants. Districts do not employ their own personnel, but rather have a number of civil servants who are dispatched to the districts from the various ministries. The ministerial headquarters in Belgrade perform supervisory and controlling functions within the civil service structure, but supervision over “public services” (education, health services, social care, et cetera) is exercised at the district level. The district alone cannot entrust any duty to a municipality; solely the central government has this right. Such delegation usually is performed on a case by case basis. Thus, some activities can be undertaken directly by a republican body in one municipality, while in another, the municipal bodies apply republican laws on behalf of the republic. It is not legally possible to delegate federal authority to the municipal level. As previously stated, contact stops on the republican level and does not exist between the federation and municipalities.

There is strict division between the authorities, rights and duties of local self-government (municipal administration) and district administration. However, as some responsibilities are shared, such as primary and secondary education and social care, there is a fairly high level of cooperative behavior demonstrated by both sides. For instance, the republic (the Ministry of Education) directly funds the salaries of teachers, while the municipalities cover the material costs of schools. While the salaries are defined by a national scale (in agreement with the unions) material costs differ greatly, as more developed municipalities invest more in education. Another important factor that influences cooperation between regional bodies and municipalities is that district civil servants usually are recruited locally, rarely are transferred from their hometowns, and until 1990 most worked in the local municipal or district administration. Regions (*regioni*)—cooperative communities of a number of neighboring municipalities with common characteristics—existed prior to 1991. Although regarded as “sociopolitical communities” (*društveno-politička zajednica*), a generic socialist term that described all levels of government and self-government, in fact they were coordination and cooperative bodies. The regions de jure were called “inter-municipal regional communities” (*medjuopstinska regionalna zajednica*).

The ministries in Belgrade formally employ personnel in the district bodies. District heads are appointed by the government and have the status of lower-tier senior civil servants. They coordinate the work of detached government bodies, but their orders come directly from the respective ministries. If the head of a district is not satisfied with the performance of these bodies, he or she can lodge a complaint only with the respective ministry. The assistant minister who heads the appropriate department within the ministry addresses the issue. To a great extent, though not in all cases, the heads of districts are protocol positions. Some district heads are simultaneously leaders of the local organization of the ruling party, and they exercise more power than stipulated by law due to their political prestige. However, this latter practice is *stricto lege* forbidden.

On principle, a clash between municipal governments and the republican government and its detached bodies cannot arise. The law assumes that all rights and authority belong originally to the republic, which delegates them if appropriate on a case by case basis. A municipality as a

basic form of self-government should not assume that it has any rights but those explicitly granted by law. A municipality acts with authority when deciding about civil rights and duties, certifying documents, encouraging small business development and allocating land and building sites. In the final instance the forceful enforcement of these decisions is guaranteed by the state.

Montenegrin law stipulates which republican rights and duties may be transferred to the municipalities in a more general manner. In Montenegro the government—in general terms—is not entitled to delegate its authority on a case by case basis. The Law on the Transfer of Public Service Affairs to the Bodies of Self-government of 1992, a very short law with only three articles, explicitly lists the republic's duties that are to be transferred to the municipalities on a ministry by ministry basis. This law also allows the transfer of some republican powers to municipalities by other special laws.

1.4 Status of Cities and Capitals

The Constitution of the Republic of Serbia of 1990 stipulates that law can define “city municipalities” (*gradske opštine*) within a city's territory. The city statutes make a clear delineation between the rights and duties of the city and of those of the city municipalities. The capital, the City of Belgrade, is regulated by a different constitutional category. It performs the duties of a municipality as stipulated by the Constitution and other duties that are transferred to it by the republic. The delegation of republican rights and duties to Belgrade and the definition of its territory must be enacted by law. The Constitution stipulates that the city has its own revenues plus grants from the republic to finance the enforcement of the republican rights and duties entrusted to it. The City of Belgrade is authorized to enact statutes that delineate the duties of the city and its city municipalities. Belgrade assumes some duties that previously were performed by “regular” municipalities, while some authority remains with these municipalities (which became city municipalities). The statutes of the City of Belgrade are enacted by the city assembly, which is comprised of representatives who are elected directly by the citizens on the majority principle. Local elections in Belgrade are performed on two levels: inhabitants elect representatives to both the municipal assembly and the city assembly. In practice the republic transfers to Belgrade, to a large extent, the rights that are in other areas of the republic “decentralized” to the regional level.

The Constitution of the Republic of Montenegro differentiates between the “capital” (*prestonica*) and the “main city” (*glavni grad*), terms that are linguistically synonymous in Serbian. The capital is Cetinje, a small town on the mountain Lovcen, which historically was the seat of the Montenegrin rulers, while the main city is Podgorica (formerly Titograd), the capital during the socialist period. The Montenegrin Parliament enacted the Law on the Capital in 1993. However, the law does not define the difference between the capital and the main city. It seems that the promotion of Cetinje as the capital was entertained mainly for historical and traditional reasons.

The first session of the Montenegrin Parliament was convoked in the capital and some of the ministries and government bodies have their seats in Cetinje. In practice the law did not change much, except that some enterprises and properties of local importance were transferred to the republic. To a large extent the Law on Local Self-government applies as a *lex generalis* to Cetinje, as the new capital. The law only regulates the relationship between the republican and capital's bodies in more detail.

In Serbia four municipalities in the former law were reorganized into cities: Kragujevac, Niš, Novi Sad (capital of the Autonomous Province of Vojvodina) and Priština (the capital of the Autonomous Province of Kosovo and Metohija). However, in the newly promulgated law all these cities lost their status. Niš, Kragujevac and Novi Sad are required to reorganize within a year, while Priština will be reorganized "within a year after the completion of the UN mandate." The most probable reason for this change is that opposition parties hold power in these cities. Strangely enough, these legal provisions were added to the law in "Transitional and Concluding Provisions."

1.5 Territorial Self-government below the Municipal Level

Municipalities organize "local communities" (*mesne zajednice*) on their territories. Local communities are remnants of the socialist past, and the law actually does not regulate them, although they are mentioned in the Law on Territorial Organization and Local Self-government of the Republic of Serbia. Local communities can be founded in both urban and rural areas as a forum for the expression of common interests of citizens in a defined territory. If article 26 is analyzed linguistically, it seems that the legislator tacitly assumed that local communities would be formed in all municipalities: "a local community's citizens can satisfy *even* some common interests that they define on their own." In practice almost all municipalities have organized local communities. However, the Serbian Radical Party (SRS), a coalition partner in the republican government that was the main proponent of a patriarchal, closed society [Sevic 1998], is opposed to local self-organization of citizens, which can lead to "civil disobedience." Usually, a local community has one full-time employee who performs the duties of the secretary. But the employer is, as a rule, the municipality through its department for general administration. Current law also regulates the fiscal status of the local community and potential revenue sources. It is assumed that the citizens on their own will support the fulfillment of their interests in a local community. It also is stipulated that enterprises can support local communities and can charge for services provided to citizens. The municipalities can transfer funding to the local communities, and individuals can sponsor them.

If organized, a local community becomes a legal entity with rights and duties as stipulated by its statutes and articles of incorporation (*odluka o osnivanju*). Draft versions of the new Law on Local Self-government paid more attention to the local communities. All the norms of the existing law were incorporated, but the local community was much more institutionalized. All voters

directly elect the council—the ruling body of a local community—concurrent with local municipal elections. Municipalities are authorized to set up local communities, but they can be abolished only if the majority of all citizens vote in favor of such a proposal through local referendum. However, under the influence of the Radicals, who are in coalition with the Socialist Party of Serbia (*Socijalistička partija Srbije*—SPS) and Yugoslav United Left (*Jugoslovenska udružena levica*—JUL), these legal provisions were withdrawn. Montenegrin law does not regulate local communities, but in practice they exist. It seems that they are viewed as a municipal right, exercised to define its municipal organizational structure. Local communities in Serbia and Montenegro have the same or similar powers, rights and duties, despite differences in the general legal regime.

Serbian and Montenegrin local organization follows the principle of integrated structure local government, as municipalities are usually larger settlements, while villages of decent size are local communities. The Serbian Law on Territorial Organization and Local Self-government lists all municipalities in Serbia and the settlements that belong to each of them. A similar approach has been applied in Montenegro, although its list of settlements is not as detailed. Montenegrin law only includes the names of settlements that belong to each municipality, while Serbian law refers to land registers. One of the reasons for this difference may be that in Montenegro the system of land registers is not well developed.

1.6 Legal Reforms in Progress

While the current Law on Self-government was in parliamentary procedure, other drafts and proposals were in circulation as well. New Democracy (*Nova Demokracija*—ND), a political party that was a coalition partner of the Socialists and of JUL in the last republican elections, sent its proposal for the Law on Local Self-government to the Republican Peoples' Assembly (Parliament) in mid-1997. The proposal was stalled somewhere in a fairly complicated legal procedure, favoring the government's legal incentives and proposals. There were a couple of points in this proposal that differ from the government draft. First, it promoted the role of the federation and the reestablishment of ties between it and the municipalities. Second, it favored the establishment of regions (*regioni*) as forms of local self-government, replacing the current regions (*okrugi*), which are forms of administrative decentralization and detachments of the republican bodies. Third, it went even further in providing the municipality with secure and sufficient revenues to operate independently. Finally, it supported the systematic legal delegation of republican powers to the municipalities.

At the time the proposal was sent to the People's Assembly, New Democracy was a coalition government partner of the SPS; hence it could and did use legal expertise provided by the civil service. However, the differences listed in the two drafts represented not just cosmetic but substantial changes in the position of municipalities. With clear financial independence a municipality would be able to pursue its own local policy and meet the local demands of citizens more directly. In many respects, financial independence would lead to political independence

from the overpowering republican government. A direct link with the federal-level government would promote the common states and, to some extent, would change the balance of power on both federal and republican levels. But in our view, the republican elite would never allow this to happen without a long and exhausting political fight. Finally, the current position of this legal initiative clearly supports this claim. A proposal of similar nature, prepared by the Association of Free Towns and Municipalities of Serbia, also was circulated for a while. This proposal stressed the autonomy of local self-government bodies from the republic and required substantial fiscal decentralization within the republic itself [Glasnik 1997]. However, the proposal was not supported by any of the major parliamentary political parties.

2. Local Politics, Decision Making

Serbia and Montenegro traditionally have supported direct democratic elections for all holders of public posts from the municipality to the central government level. In Serbia, which had a small number of noble families, this was much easier than in Montenegro, where a tribal style of ruling the small principality and later kingdom was enforced almost until its unification with Serbia in 1918. The basic principles of democratic government were observed in the early years of the new country, but the introduction of the “January’s Dictatorship” by King Aleksandar I Karadjordjevic on 6 January 1929 created a serious setback. The situation generally changed when the Communist Party assumed power in 1945. It practiced “socialist democracy,” which meant more candidates than places, but all candidates were representatives of the Communist Party or its satellite organizations, such as trade unions, the Socialist Union of Working Peoples, Socialist Youth and the Veterans of the Peoples’ Liberation War. This was the case at all levels of government and self-government, from the local community to the federation. The dismantling of the one-party monopoly and socialist regime allowed the reinstatement of generally accepted democratic principles.

The first multiparty elections organized in 1990 after the adoption of the new constitution in Serbia meant that citizens actually had a choice when they voted. At the first elections, the Socialist Party of Serbia (the reformed Union of Communists of Serbia) led by Slobodan Milosevic, then president of the Republic of Serbia, won a substantial majority, as was expected at the time, even by many foreign analysts. Under the “soft socialism” practiced in the former Yugoslavia, especially from the mid-1960s, people did not suffer from a highly sup-pressive regime, as was the case in the USSR and other socialist countries that followed the soviet blueprint. Although the Socialists won the first republican and local elections by a vast majority, their popularity has fallen steadily since. At the local elections held in December 1996 they lost power in almost all urban settlements of importance, including the capital. Experience in Serbia has shown that at the general elections people usually vote for a political party, while at local elections they are interested in the quality of the proposed candidates, regardless of the political party they represent. This is even more common in rural areas where, due to the traditional structure of a village, the citizens know each other very well. Thus a political party can win republican elections in a given municipality, but lose the local elections.

2.1 System of Local Elections

The process of local elections mimics that of general parliamentary elections. This is also one of the remnants of the past, as in the socialist period the municipality had the same administrative structure as a city, province, republic and the federation. Of course, the volume of activities was smaller. Even the term used to describe elected officials—delegates (*delegati*)—was the same. Now there is a linguistic difference between members of parliament (*narodni poslanici*) and local councilors (*odbornici*). In fact, *odbornik* can be translated as a member of the board, council, et cetera. But despite terminological change, the structure remains almost the same.

Republican law and municipal acts regulate local elections in both federal units. The mandate of councilors is four years, and they can be re-elected without limitation. Elections must be held at least thirty days before the end of the current mandate. The requirements are the same for general, federal, republican and local elections: a citizen must be over eighteen years of age, be recognized as a subject of law (not under trusteeship) and have registered residency in the territory of the municipality. A candidate for councilor must be a citizen who lives in the territory of the municipality.

Citizens choose councilors through local elections by voting freely, immediately, secretly and in person. Nobody can force another person to vote or to disclose how he or she voted, or prevent a citizen from exercising the right to vote. The municipal assembly forms constituencies for local elections through general legal acts. As a rule, local constituencies are of similar size.

Local elections in the republic are exercised simultaneously and are scheduled by the president of the Peoples' Assembly (the speaker of the republican parliament). From the announcement until the actual date of elections, at least forty-five and not more than ninety days must pass. During this period, political parties pursue local election campaigns. The Peoples' Assembly has the right to schedule early local elections in all or only some of the municipalities in the republic. Decisions on the elections must be published in the *Official Gazette of Serbia (Sluzbeni glasnik Republike Srbije)* in order to enter into force.

Election campaigning via the mass media and at public gatherings must cease at least forty-eight hours before the elections. From the day of scheduling until the closure of voting, it is forbidden to report on the results of past elections or to make estimates of the election results. The municipal electoral commission and election boards supervise the elections at every voting point. A general norm is stated by law that every government body and organization must provide all necessary assistance to election bodies. Under no circumstances may a political party hold more than one-third of the seats on the electoral commission or voting board. Both the president and secretary of the municipal electoral commission must be persons with law degrees.

Political parties, other political organizations, groups of political parties (election coalitions) and qualified groups of citizens propose candidates for election. Political parties must collect at

least thirty signatures of eligible voters in order to support their candidacies. A group of thirty citizens also can nominate a candidate who is usually known as “independent” or as a “candidate of a group of citizens.” Each voter can sign a supporting statement for only one candidate, and an individual can be a candidate in only one election unit (constituency). The nominated person must accept the candidacy and sign a statement acknowledging this before the electoral commission. All documents must be filed with the commission at least fifteen days before the election. After the submission of candidacy, the commission examines all legal issues concerning the candidacy and within twenty-four hours notifies the relevant party of its decision. If any shortcomings are detected, the nominator is required to put the proposal in order within forty-eight hours. If the corrections are not made, the nomination is dismissed.

Ten days before the elections the commission makes final lists of candidates ranked in alphabetical order by their surnames and indicating the political organization or group of citizens that nominated each. The candidate may withdraw his or her nomination not later than fifteen days before the elections. Citizens are informed of all candidates by media that are founded and/or funded by the municipality. In publicly owned media it is forbidden to favor some candidates over others.

The legislator stipulates the details of the voting process. Regulation of the voting process is in many cases excessive (fifty-three articles), but such detail has proven to be useful, as in the past there have been many arguments over the legality of elections. A voter, candidate or nominator can file a complaint with the municipal electoral commission if a breach of legality in the process is alleged. The deadline for such complaints is twenty-four hours after the closure of voting or twenty-four hours from the time an illegal act is committed. The municipal electoral commission can cancel any illegal acts and order the repetition of certain procedures. Unsatisfied parties can appeal to the municipal court within twenty-four hours, which must reach a decision within forty-eight hours. The municipal electoral commission must submit all documents on the case to the court within twelve hours of the time of notification.

A municipality must finance elections through the municipal budget. The local election procedure stipulated for a municipality is used in the City of Belgrade (*Grad Beograd*) as well. The law also stipulates that a person who prevents someone from voting, erases him or her from the electoral register or does not allow an adult voter to register can be imprisoned for up to one year. The same punishment is stipulated in the case of election fraud or the use of force and/or blackmail in order to influence the election outcome. A full list of punishable election offenses is listed in the Law on Local Self-government, some of which can be enacted in conjunction with the criminal code. In the case of international misinterpretation of election results (“theft of votes”) an offender can be imprisoned for up to three years. However, practice has shown that it is extremely difficult to prove electoral criminal offenses. Local elections are completed when the local voting board issues the elected candidate a statement confirming his or her election and the municipal electoral commission publishes a full list of elected councilors.

Table 9.1
Local Election Results in the Federal Republic of Yugoslavia

Political Party	Councilors	%
SERBIA		
SPS	3,784	51.15
Zajedno	1,818	24.00
JUL	458	6.05
SRS	305	4.03
Lista za Sandzak	106	1.40
SVM	99	1.31
SPS and JUL	79	1.04
DSS	63	0.83
DZVM	49	0.65
Koalicija Vojvodina	43	0.57
Udruzena opozicija	31	0.41
PDD	31	0.41
SVM and RDSV	24	0.32
SPS and ND	23	0.30
Nova demokratija	20	0.26
DPA	9	0.12
Demokratski blok	9	0.12
Vojvodjanska stranka	7	0.09
NSS	6	0.08
Parlamentarna	6	0.08
Savez gradjana Subotice	6	0.08
DSHV	4	0.05
SSJ	4	0.05
DRSM	3	0.04
Independent (total)	470	6.21
Other Nominees	24	0.32
Total	7,574	100.00

Table 9.1 (continued)
Local Election Results in the Federal Republic of Yugoslavia

Political Party	Councilors	%
MONTENEGRO		
DPS	450	62.9
Narodna sloga	121	16.9
SRS VS	6	0.8
LSCG	15	2.1
Strpski savez	4	0.6
Narodna stranka	13	1.8
SDP	20	2.8
DSCG	16	2.2
DUA	10	1.4
SDA	8	1.1
Komunisti CG	3	0.4
SDA and LSCG	9	1.3
Cetinjska sloga	14	2.0
Kotorska sloga	10	1.4
Total	716	100.0

SOURCE: Republican Electoral Commissions.

Political parties in Serbia are primarily interested in the republican election, which carries effective power. Local elections are somewhat neglected. This is not, of course, the case with the Socialist Party of Serbia, which due to its long ruling experience is interested in retaining a wide social base. For smaller and newer parties it is of great importance if local elections coincide with the republican and/or federal elections, as they are able to merge campaign activities. Most large parties try to develop infrastructures from the municipal to the republican level. According to some estimates, only SPS and JUL are represented in all municipalities, while most of the other parties are represented in more than fifty percent of the municipalities. Some political parties have a clear regional focus and are fully represented within a region, but not outside of it.

The network of local party boards is very important for classical political campaigning (putting up posters, distributing flyers, organizing local political promotions and conventions, et cetera). Well-developed parties organize the municipal board, while smaller ones appoint representatives. Some marginal parties, like the Civic Alliance, that are not very active on the ground aim to attract mainly intellectuals and the urban middle class. Their political marketing is rather different

from that practiced by major nationally represented parties. Following state decentralization, the parties also try to organize regional boards that do not have particular responsibility for the election campaign, as there are no regional elections. However, the regional boards coordinate activities of municipal boards and play an important role in the preparation and execution of republican and federal elections, as the regions are usually the electoral units.

A serious problem of the Serbian (or even Yugoslavian) legal system is that there is great discrepancy between the legal system, as an organized set of norms, and the legal order, which comprises human behavior in relation to enacted legal norms. Laws in Yugoslavia are technically perfect to the level of bureaucratic perversion, but in practice the law often is not applied effectively or the right of discretion is so widely defined that it contradicts the very spirit of the law. Thus, situations can arise whereby local elections promulgated by the Republican Electoral Commission are changed and amended by a special law (*Lex Specialis*) enacted by the Serbian Republican Parliament. In light of this problem, many factual data reported on local elections and the status of local self-government must be carefully analyzed.

Municipalities try to provide some financial resources to the political parties for pre-election campaigns. Due to the very unfavorable economic situation, the sum of money granted is usually only symbolic. For major parties funding from public sources covers less than one percent of total spending. Since in Serbia there is no legal (or moral) requirement for political parties to report their pre-election campaign spending, political analysts make estimates that, as can be expected, range widely. Although companies can enjoy tax relief if they support political parties, they do not report such donations in their tax return forms. All political parties incorporate companies that are engaged in regular business and indirectly support their activities. Major political parties also have established enterprises at the local and regional levels or have placed them under a formal holding structure (“umbrella”). Political parties try to attract local sponsors to fund their political campaigns for local elections. Small businesses usually opt to support one party, although recently, with the decreasing popularity of the ruling parties, they have tried to diversify their “political portfolios.” As a rule, those parties with better organizational structures pay more attention to intensive “on the ground” promotions. Small or “exclusive” parties usually opt for advertisements and electronic media coverage. The successful parties in rural areas are usually those that visit people in their homes, arrange small local conventions and gatherings, et cetera. A traditional rural voter pays particular attention to the standing, social abilities and reputation of a candidate. Interestingly, SPS has won a large number of votes in rural areas, while the opposition parties take urban places.

2.2 Forms of Direct Democracy

Direct participation in decision-making has a long history in Serbia. Village assemblies in the nineteenth century included all adult men who made decisions that were compulsory for the whole village. In the socialist period a referendum, as such, was not an important institution, as

people were (theoretically) able to express their opinions through the regular channels of the “socialist democracy.” The referendum is now a very important democratic institution in Yugoslavia. Serbia enacted the special Law on Referendum and Peoples Initiative in 1994. Citizens can decide by referendum all issues defined by the Constitution and other laws and those in the jurisdiction of the Peoples’ Assembly and the assemblies of the provinces, cities and municipalities, if the assembly considers it opportune to do so. Regardless of the level at which the referendum is to be executed, republican law applies.

The exercise of people’s rights to initiate changes in the Constitution, laws and other general legal acts that fall under the jurisdiction of the Peoples’ Assembly—that is, assembly at the other levels of government—is regulated by law. A referendum, as the main form of people’s participation in political decision making, must be scheduled if proposed by a minimum of fifty members of the Peoples’ Assembly, the government or at least one hundred thousand citizens (voters). The assemblies of provinces, cities and municipalities define the conditions under which a referendum can be scheduled. The referendum must be held thirty to ninety days from the day of scheduling. The act that specifies the question on which people will express their opinions must be published in the *Official Gazette* in order to be valid. If the referendum is of republican importance, then all municipalities, cities and provinces organize commissions for its execution. Previously, the question had to be posed in such a way that a citizen could vote “for” or “against.” However the law was changed in 1998, and now the answer also can be “yes” or “no.” The referendum is valid if fifty percent of all citizens vote, and the decision is made if one of the alternatives presented gets more than fifty percent of the votes cast. If citizens refuse the proposal, the referendum cannot be repeated for six months. If citizens do not confirm the act, it means that the act never was enacted. If the act is confirmed, the referendum results are promulgated through publication in the *Official Gazette*.

Citizens have the right of appeal against the decision of the referendum commission at any level of government through the Supreme Court. Only the Supreme Court is authorized to act in referendum matters, and its decisions are final.

The law also regulates people’s initiatives. If citizens want to organize a people’s initiative they have to create a committee of at least three members to act in such matters. The initiative committee may establish subcommittees to oversee the collection of citizens’ signatures. A proposal backed by a people’s initiative must clearly state the direction of desired change and propose solutions to the authorities. The initiative committee delivers the proposal to the authorized bodies, notifying them that the signatures back the proposal. The committee also notifies the municipal police (a detachment of the Ministry of Internal Affairs) as to where (at which exact points) signatures will be collected to support the proposal. The Ministry of Internal Affairs cannot forbid the collection of signatures. At this point the law is rather excessive, as it requires the committee to list the measures that will be applied to prevent eventual fraud and the misuse of signatures. Support only can be sought for seven days, beginning from the date stated as the day of notification

submitted to the police. When the signatures are collected, the initiative committee submits the petition to the authorized body, which investigates if the process was executed according to the law. If everything is in order, the policy authority decides upon the proposal in accordance with the Constitution and the law. However, the law seems to be based on the assumption that a proposal always will be rejected, stipulating that when “the authorized body does not accept the proposal it must notify the initiative committee.” Nothing is mentioned concerning the next step in the process if the authorized body accepts the proposal. If the members of the initiative committee think that the authorized body acted illegally, they can appeal to the Supreme Court, which must act within forty-eight hours. In the case of a referendum all related articles of the law on the election of peoples’ deputies are applied accordingly.

Referendums have been used a couple of times in recent Yugoslav history. In most cases they were designed so poorly that they represented little more than a waste of money. Although the best indicator on current government popularity, referendums as such have many shortcomings. First, people have problems understanding the question if it is too complicated. Second, the question in theory cannot be ambiguous, but this happens in reality and too often. Third, when nationally burning questions are on a referendum, advocating “minority opinion” can be viewed as national treason. Namely, if the referendum is scheduled at the request of the government, it is quite likely that the publicly owned press will support the cause of referendum providing unanimous support. This is, however, not the case when the referendum is a citizens’ initiative. In such instances, the government may even advocate an adverse proposal, and consequently the government-inclined media “Satanizes” the people’s proposal.

The Law on Local Self-government regulates issues of referendum and people’s initiatives, but not in great detail. A municipal assembly regulates all important issues regarding these two democratic institutions. Importantly, if the municipal assembly rejects a people’s initiative, it must organize a local referendum on the issue within ninety days. However, the municipal assembly is authorized to prescribe the number of signatures that must be collected in order for a people’s initiative to be valid.

2.3 Distribution of Power among Different Levels of Government

Both Yugoslavian federal units are highly centralized states in which general legal assumption of jurisdiction favors the republic and its bodies. The duties of all other types of government and self-government are listed explicitly. A municipality is fairly autonomous in performing its rights and duties. Districts are detached central government bodies, and as such do not have any autonomy, but rather support the execution of state power in legally defined areas. Therefore, the districts directly exercise a vast majority of state functions. Consequently, municipalities face the district in the first instance. Only in the territory of the City of Belgrade does a district not exist, but state functions are either transferred to the city (to be performed by the city administration) or are

enforced directly by the republican bodies. All four former cities are simultaneously seats for the districts.

Although there is no formally stipulated hierarchical principle, a citizen can appeal against a municipal administration decision to the city, provincial or republican administration, depending on the position of a particular municipality. This is a consequence of the constitutionally guaranteed right of appeal. Territorial public administration does not act upon appeals but forwards them to the relevant ministry through the district office. District administration only acts as the first instance in affairs in which the republic has full or partial jurisdiction. The ministerial headquarters office acts in the second instance. This is particularly the case with inspection organizations. De jure, local communities are supervised directly by republican bodies only if they are entrusted with performing some activities on behalf of the republic. In this case the responsible republican ministry provides the necessary assistance in performing delegated duties, supervision and control, financial and other material resources necessary for the successful completion of delegated duties and oversees the ways in which public money is spent. As mentioned previously, delegation is justified by increased efficiency and effectiveness. Since the republican government is primarily responsible for the overall social situation of the country (political, economic, social, defensive, et cetera), it may initiate the dismissal of a local government, appointing an interim municipal council. In practice this has been applied a couple of times, and in each case the bodies were dominated by government supporters. But the government takes into account the expressed will of the voters and appoints the temporary council based on the results of the previous local elections. Although the rights of the municipality are temporarily limited, the general political will of local voters is properly expressed.

Yugoslavia chose the classical continental European model of public administration [Sevic and Rabrenovic 1999b] and consequently does not incorporate quasi-governmental organizations into the civil service system. However, some public enterprises perform particular activities of public service. For instance, controllers employed by the City of Belgrade are authorized to fine a person caught travelling without a valid ticket. They directly apply the city's decision and impose the fine on behalf of the city. Technically, the police apply this type of local regulation with the aid of controllers. The municipality performs its duties and exercises its rights directly and without delegation; local communities cannot act on behalf of the municipality or exercise its powers.

Municipal public administration mimics civil service at the republican and even federal levels. Legally, a municipality is entirely free to organize its own bodies as it wishes, of course, following the compulsory provisions of the Constitution and other laws. City municipalities in Belgrade and other cities must respect the city regulations in the first instance. The Law on Local Self-government clearly stipulates that if a municipal organ does not perform its duties for more than three months or performs them in a way that jeopardizes constitutional and legal citizen rights or heavily damages the public interest (*opšti interes*), the government issues a warning to the municipal assembly. If the assembly does not act as required, the government or a body established by the government can take over the execution of these duties.

2.4 Internal Structure of Local Government Decision Making

The municipal bodies, as stipulated by law, are the following:

- municipal assembly;
- executive board of the municipal assembly;
- municipal administration.

In earlier laws the “president of the municipal assembly”—the mayor—was listed as a body (organ) of a municipality. For some unknown reason the current law embraced the collectivist manner of ruling and omitted regulation of the mayoral position. At the same time, under the principle of “professionalization,” the relative power of the municipal administration unnecessarily increased.

An assembly of the municipality (*skupština opštine*) is the most important municipal body. It consists entirely of elected representatives—the councilors. The law stipulates that the number of councilors should range from twenty-five to ninety (seventy in the previous law). The assembly of the City of Belgrade can have up to one hundred city councilors (in the previous law, one hundred ten). However, even the largest Yugoslav municipality (New Belgrade, a city municipality) does not appoint the highest number of councilors, as this could reduce the assembly’s efficiency and raise the question of a quorum.

The assembly is charged with the following:

- to enact the municipal statutes, rules of procedure, development program, budget and final accounts;
- to enact local urban plans and regulate city building sites;
- to regulate general conditions for the organization of settlements in its territory;
- to regulate the conditions and manner of building or installation of objects in public places;
- to organize the communal system;
- to fix communal fees and charges for the use of civil building sites;
- to regulate the conditions of building and maintaining streets and squares, local roads, et cetera;
- to regulate public transport, including the conditions and modes of transport of pupils to schools;
- to regulate building, reconstruction and care of primary and secondary schools;
- to organize institutions of social care and care for children and youth;
- to mark the location of and conditions for cemeteries;
- to enact programs for the protection of agricultural land and the environment;
- to regulate the general conditions and maintenance of water supply systems in rural areas;
- to organize municipal referenda and decide on people’s initiatives;
- to organize municipal bodies, to appoint and dismiss the president, vice-president, secretary of the municipal assembly, president and members of the executive board and members of the ruling and supervisory boards of public enterprises;

- to control the activities of the municipal administration;
- to promote tourism;
- to establish the working hours of restaurants and other small service businesses;
- to enact rules for keeping domestic animals;
- to enact natural disaster contingency plans;
- to provide protection of cultural heritage and to support the building, reconstruction and maintenance of cultural objects and sport facilities on its territory;
- to establish libraries;
- to perform all other business as regulated by law and the municipal statutes.

The president and vice-president of the municipal assembly are elected from among the councilors. The president organizes the work of the assembly, chairs its sessions and performs other duties as required by the assembly. The vice-president assists the president, acts on his or her behalf when he or she is absent and can perform duties independently if authorized to do so by the president or the assembly. The municipal assembly makes decisions if more than half of the councilors present vote for the proposal when the session is attended by more than half of all members. The assembly has the right to schedule a referendum in matters of its jurisdiction; the municipal statutes list all issues that must be decided exclusively by referendum.

The municipal assembly can organize an unlimited number of commissions and councils to analyze and address particular issues within its jurisdiction. The members of commissions and councils may be both citizens and councilors, but the president of each must be a councilor. Members are appointed for a period of four years (the mandate of the assembly) but can be released before the end of the mandate. The municipal assembly also may form a number of ad hoc working groups and committees.

The executive branch of municipal local self-government is the executive board. The executive board is charged with:

- executing decisions and other acts of the municipal assembly;
- deciding on issues as authorized by the municipal assembly;
- proposing solutions for issues in the jurisdiction of the municipal assembly and drafting municipal acts;
- controlling the work of the municipal administration and canceling acts that are not in accordance with the law, municipal statutes and municipal acts;
- enacting decisions on behalf of the municipal assembly during a state of war, which must be ratified later by the municipal assembly;
- appointing officials when the municipal assembly is not in session (which must be confirmed by the municipal assembly at a later date);
- performing other duties as enacted by the municipal statutes and other acts.

Members of the executive council can be appointed equally from both councilors and citizens. The council consists of “a certain number of members” and the president. The president of the

council at the same time can be the president of the assembly. However, in practice these two posts are filled by two individuals. The mandate of the members of the executive board is four years, but they can be released from duty before the end of that period.

The municipal administration directly enforces legal acts adopted by the assembly, republican laws and other legal acts, the execution of which is entrusted to the municipality; prepares drafts of decisions and other municipal legal acts; and performs professional and other activities entrusted to it by the assembly. The law promotes professionalism; all employees must be properly educated, complete specific civil service examinations and in most cases have a number of years of experience. Conflicts of interest between the municipal administration and other local bodies, enterprises, et cetera are addressed by the executive board. The secretary of the assembly, who is ex officio the head of the municipal administration, resolves conflicts of interest between organizations within the municipal administration. The secretary of the municipal administration must have a law degree, three years of professional experience and successfully completed the civil service examination. If necessary an employee of the municipal administration can be excused from acting in a particular case by the secretary, and the executive board can excuse the secretary. The executive board considers appeals against decisions made by the municipal administration.

2.5 Public Participation in Decision Making

Citizens in both Yugoslav federal units can influence decisions of the state and local self-government bodies through people's initiatives and referendums as described in section 2.2. Additionally municipalities often organize meetings of local officials with the general public. Usually these focus on a particular topic, though broader issues also may be addressed. This informal means of contact with the public provides an indication of public support for municipal policies throughout the term of office. Public hearings of an American type are not practiced, although municipalities may establish "open commissions," the members of which can be councilors and citizens. Usually such citizens are political party nominees, but if the issue is of a professional nature, independent experts also are called to join the commission. Laws on local government do not prohibit other forms of local direct participatory democracy.

The newly promulgated Law on Local Self-government stipulates a slightly different structure of the municipal assembly in some municipalities in Kosovo and Metohija. In Vitina, Vucitrn, Glogovac, Gnjilane, Gora, Decani, Djakovica Zvecan, Zubin Potok, Istok, Kacanik, Klina, Kosovo Polje, Kosovska Kamenica, Kosovska Mitrovica, Leposavic, Lipljan, Novo Brdo, Obilic, Orahovac, Pec, Podujevo, Prizren, Srbica, Suva Reka, Urosevac, Štimlje and Štrpce (and the former city of Priština) the municipal assembly will have two houses: the house of nationalities (*veca nacionalnosti*) and the house of "nationally nondeclared citizens" (*vece nacionalno neopredeljenih gradjana*). The municipal statutes must stipulate the number of councilors in each house, which may not be less than three nor more than twenty. Each house will elect a president and a vice-president for a mandate of four years. The municipal assembly will make decisions

on joint sessions of the houses, but each house will vote separately. If a decision cannot be made unani-mously by both houses in the assembly, an ad hoc reconciliatory commission is to be established. Each house appoints two councilors to the commission, and the majority of the commission must vote for the decision. If a decision cannot be reached the government can make temporary provisions for up to a year, at which time the municipal assembly will be forced by law to repeat the whole procedure. In these municipalities leadership of the assembly will be performed by the presidents of both houses. The municipal executive board will be organized on the parity principle. Appropriate national representation is required in the municipal administration and in all other organizations established by the municipal assembly. However, the law leaves these issues to be regulated precisely by the municipal statutes and other municipal acts. These legal provisions are to be applied when the mandate of UNMIK is over, which does not seem likely in the foreseeable future.

2.6 Ethnic Issues, Multicultural Government

Yugoslavia is not a nationally homogeneous country. In Serbia over one-third of the population is not Serbian. In such a situation, it is important that the civil service and municipal administration pay attention to sensitive national issues. Serbia is proclaimed a secular, multinational country, with the central role of the citizen defined by law. National affiliation is not stated in any official document.

There are a number of municipalities in which national minorities dominate. In Vojvodina many municipalities exist in which local minorities run the local self-government bodies and do so well. In contrast, the Albanian minority group in Kosovo and Metohija has not accepted the jurisdiction of the Republic of Serbia since 1990, and many left their local self-government administration posts. A small number of these were still working in local administration but were molested by the majority who clearly boycotted the state. Currently UNMIK, a UN-led mission in Kosovo, assisted by KFOR, the NATO-led military force, is trying to recreate local government there, but it will be difficult, if not impossible, due to severe national separation between different ethnic communities in Kosovo and Metohija. Resolution No. 1244 (1999) of the Security Council of the United Nations clearly reaffirms the commitment of all UN Member States to the sovereignty and territorial integrity of the Federal Republic of Yugoslavia, and the UNMIK is to secure substantial autonomy and self-government in Kosovo and perform basic civilian administrative functions where and as long as required. However, many actions taken by UNMIK are not in line with the resolution, such as the appointment of (rather than democratically elected) civilian bodies, the formation of Kosovo's Protection Corps, an independent banking authority, et cetera. It is very difficult to assess the current activities of UNMIK and what the long-term consequences of its actions will be. According to many recently published reports, it approaches its regular duties with the routine characteristics of a civil administration in a very organized western-style state, which is certainly not the case in Kosmet. Many of the activities that UNMIK undertakes directly undermine the sovereignty of the Federal Republic

of Yugoslavia (separate vehicle registration, issue of special ID cards, public tender for separate mobile phone providers, et cetera).

In contrast to Kosmet's situation where the young Albanian generations do not speak Serbian—the official language of the country where they live (at least for the time being)—in Vojvodina all local officials must be bilingual in mixed communities. In Kosmet it is very difficult to exercise this due to the mentioned language barrier. The mutual cooperation that works fairly well in Vojvodina completely failed in Kosmet. It is very hard to believe that even the international community will succeed in promoting mutual tolerance in this historically intolerant region.

2.7 Local Government Associations and the NGO Sector

Municipalities in Yugoslavia are organized into a nongovernmental organization (NGO) called the Association of Municipalities and Cities of Yugoslavia (*Savez opština i gradova Jugoslavije*), which existed in the socialist era. The organization, which in the former Yugoslavia was fairly active, promoting city and urban management and pursuing research in fields of interest to cities and municipalities, now exists only formally. In Serbia a new NGO emerged—the Association of Free Towns and Municipalities of Serbia (*Savez slobodnih gradova i opština Srbije*), the members of which are cities and municipalities in which power was won by the opposition parties (the so-called “democratic opposition”). The organization coordinates the activities of its members, acts as a pressure and lobbying group, promotes issues of common interest to its members, initiates the drafting of legal acts, organizes conferences and workshops, et cetera. It has held two congresses at which the burning issues of local self-government were discussed, with the participation of politicians from the opposition parties.

The third sector is growing rapidly in Yugoslavia. A large number of organizations are interested in different issues of civic development. Environmental issues are particularly attractive, including environmental protection, management and the sociolegal implications of pollution practices.

The relationship between the municipalities and the media cannot be assessed satisfactorily. However, a number of municipalities are interested in establishing local radio stations (if they do not already have one) and newspapers. Usually, this is not a problem in provincial cities, while local newspapers barely survive in large urban cities. In both Yugoslav republics there are a large number of private local TV stations that try to make locally oriented programs.

National newspapers do not cover local issues unless there is a major scandal. This is a problem that affects the transparency of local government in both republics, but even republican governments do not promote the transparency principle. The overall situation with the media currently cannot be assessed as positive, although new press and media houses are established almost daily. Licensing procedures are still very complicated, bureaucratic and divided between the federal and republican level. The aspiring publisher or media tycoon must apply for a number

of licenses concurrently, and in many cases one license is a prerequisite for the issue of another. Consequently, an applicant can find him- or herself in an endless circle. There were many promises that the regulatory framework would change for the better, but the issue has been postponed many times.

As in many other European transitional countries, corruption is a big problem that needs serious public policy action. Low wages, almost systemic failure of public services and a general state of social depression is the best environment for the creation of rent-seeking society and corruption. No studies have been undertaken in corruption practices at the local self-government level, and it is very difficult to estimate their extent. But certainly corruption is a serious problem in a country that has faced international isolation for the last eight years and has many economic and social problems to address concurrently. With an extremely large number of refugees from the territories of the former Yugoslavia, high unemployment, bankrupt factories and an almost publicly recognized black and gray economy, the country must face the problems of corruption. However, the common people now recognize corruption as a serious social problem. The issue may be a very important point in the campaign platforms for the next election.

3. Local Administration, Service Provision

3.1 Structure and Operation of Local Administration

Local administration is organized to execute the decisions and other acts of the municipal assembly. The executive board of the municipal assembly, acting as a “municipal government,” supervises the daily work of local administration and provides regular feedback on its activities. Prior to the recent changes, the members of the executive board headed municipal administration departments. The executive board now consists mainly of politicians, and no local civil servants may sit on the board. The executive board communicates with the municipal administration through the secretary of the municipal assembly, who is at the same time the secretary of the municipal administration. The municipal administration is structured into a number of departments that perform particular functions. There is no general rule concerning which departments must be organized. Usually in urban areas there are more departments, as de facto municipalities perform more complex functions. City municipalities also have a developed structure, but city authorities supervise the departments. The municipal assemblies usually apply clear functional division, and consequently the departments cover similar groups of jobs.

Local civil servants are employed by the municipal administration, and their status generally is regulated by the Civil Service Act (the Law on Labor Relations in State Administrative Bodies). Usually municipalities opt for job security, and a civil servant can maintain employment for life. The position of a local civil servant is basically the same as a republican civil servant [see Sevic and Rabrenovic 1999a]. Employees of the government with nontechnical duties are considered

civil servants: those with the aim to spend their careers in the civil service. Those who would be considered senior civil servants in the UK, for instance, are regarded as “appointed personnel” in Yugoslavia; they are appointed to their posts by the government of the day, and they remain in office for the term of the government. From the 1960s people who worked in “public enterprises” (enterprises in the utilities industry) were not regarded as state employees, but were employed directly by each company. Concerning educational quality, that of the local administration is lower than that of the republican civil service. Municipal administrations work directly with citizens, and their employees usually have a technical secondary education rather than a degree.

Most current republican officers employed in detached bodies previously worked for the municipalities. The best example is the Public Revenue Administration, which previously was organized on a “federal basis”; the municipal administration was autonomous, yet supervised by the republican administration. From 1991 this administration was centralized. The former municipal administrations were transformed into the territorial units of the Republican Public Revenue Administration, which operates as an independent government agency outside the Ministry of Finance. The same happened with environmental, health and trade inspections. These previously municipal bodies were transformed into detached units of the respective ministries, but the personnel in the vast majority of cases remained the same.

In implementing local decisions and regulations the municipal administration is granted all necessary rights, including law enforcement. The Ministry of Internal Affairs is charged with assisting all government bodies (including local self-government) with enforcement of the law if such assistance is required. Especially in performing communal and urban planning duties, the municipality can order the removal of illegally constructed buildings, close retail shops, confiscate goods that fail Yugoslav universal standards, et cetera. The municipality also regulates the personal status of citizens (birth, marriage, death, et cetera), notification of citizenship changes, et cetera. However, through centralization, local self-government lost a significant part of its authoritative functions. For instance, before the changes a municipality was charged with preserving peace and public order. Now it is the duty of the republic to provide security. Even if functions are shared between the local government and the republic, the latter is charged with performing authoritative functions, while the municipality assists and provides basic material requirements. Municipal administration as such in the Yugoslav case never had significant management functions.

Yugoslav administrative law always has distinguished between “administrative acts” (*upravni akti*) and “acts of the administration” (*akti uprave*). The former are usually acts in which power is exercised fully, while the latter are those not connected directly with pure administrative functions. Usually, in performing its communal and urban planning duties, the municipality indirectly provides water supply, local transport, sewage, garbage collection, road and street maintenance, et cetera. The postal service, electricity and gas supply are centralized at the republican level, although daughter companies cover lesser territories, such as the City of Belgrade

(*Elektro distribucija Beograd*—Electrical Distribution Belgrade) and some regions and provinces. The municipality also has to provide management of children's care (kindergartens), homes for the elderly and so-called "social activities" (*društvene delatnosti*). The republican government may be charged with regulatory and supervisory duties, but the municipality is charged with the technical organization of functions on its own territory. In contrast to some formerly socialist countries, in which the municipality had direct or indirect control over some small businesses and local enterprises, in the former Yugoslavia, enterprises were separated, and the municipality had no direct power over public enterprises. However, the municipal committees of the Union of the Communists could exercise control over personnel and influence over the activities of a company.

Currently the municipality can organize a local public enterprise to perform the functions with which it is charged. Enterprises in Serbia and Montenegro are incorporated to provide the following services: water supply, sewage, garbage collection, lighting (although it can be provided by the electric company), street and local road maintenance, street cleaning (which also can be performed by the garbage collection company), cinemas, radio stations, newspapers, kindergarten networks, cultural centers, youth homes, community centers, et cetera. Since republican law does not regulate this field explicitly, significant differences are noted among various municipalities. But tradition plays an important role here; municipalities tend to maintain enterprises that were inherited from the past. Usually, they must be restructured, since the network inherited from the socialist period was excessive and municipalities lack financial resources to maintain all of them.

The Law on Public Enterprises allows municipalities to organize such institutions (that is, that serve the public interest) individually, with other neighboring municipalities, with another level of government and even with private persons. Municipalities also can contract out activities to an enterprise regardless of its ownership structure. For instance, the City of Belgrade attempted to contract out all parking services to a foreign company, though the agreement failed. Currently a number of small entrepreneurs run parking lots on behalf of the City of Belgrade government, although a city public enterprise called "Parking Service" (*Parking servis*) also exists. At present many methods of contracting-out are emerging, but it is difficult to predict the direction of change. Interestingly enough there are fields in which municipalities can compete among themselves. For instance, the city municipality of New Belgrade is building a new bazaar ("open trade center") just outside the one constructed by the City of Belgrade (through the public enterprise "Green Market Administration," the name of which suggests a city administration department rather than a public enterprise), in order to provide a place for small trade at competitive prices. This initiated a series of arguments over jurisdiction, but unfortunately it is not really clear if the city municipalities were forced to transfer this particular right to the city. An additional problem is that in New Belgrade the socialists are in power, while the opposition parties run the City of Belgrade. So the conflict had political connotations, although the consumers would have been better off, as the prices of a "market place" would fall, which theoretically would result in a reduction in the total price of goods in an "open trade market." In the case of public enterprises the municipality appoints a ruling board (board of directors) and a supervisory board. The ruling

board later appoints the managing director, who is charged with appointing all other senior personnel. The new concept of public enterprises tries to promote a sense of responsibility and creativity in the manager. This should improve the overall quality of the services provided to the public. However, there is no empirical proof for this claim yet.

Local self-governments are fully independent in performing their legally defined duties. Only if they seriously fail to meet their set tasks can the republican government take over the execution of law and power at the local government level. However, in such cases, the government usually appoints a temporary executive board to run the municipality. Recently, a new government portfolio was created, charged with the development of and assistance to local self-governments. The Ministry for Local Self-government theoretically oversees the overall activities of local governments but is not specialized enough to perform full supervision. Public spending in both republics is overseen by the Budgetary Inspection, a service within the Ministry of Finance.

In cases of misuse of public money or false reporting, the municipality can be investigated by the Financial Police (a department within the Republican Public Revenue Administration), by the Commercial Crime Division, or in very serious matters by the Department of State Security. However, in most cases municipalities cooperate very well with republican bodies. Yugoslav administrative law for a long time has promoted the principle of cooperation and mutual respect of jurisdictions between "the state organs of different levels of government." Although the status of municipalities changed, mutual respect remained as the result of tradition. It was fairly rare for republican bodies to limit the jurisdiction of local self-government bodies; when such situations arose, they were excessive, politically induced, one-off demonstrations of power.

There is a general rule that local self-government is in charge of local communal affairs and operates as an agent of the republican government in most other areas. In a number of fields, the republic shares responsibilities with municipal self-government. In the case of cities, the republic shares jurisdiction with a city, while city municipalities operate directly on behalf of the city. Municipalities have sole responsibility in the field of preparatory education. Kindergartens are defined first as preparatory educational institutions and then as institutions of social welfare or are "owned" and managed by the municipalities. Standards are set and are regulated at the republican level. Primary and secondary schools are mainly the responsibility of the republic, but a part of the costs ("operating material costs") are paid by the municipalities. Higher schools (colleges) and universities are solely the responsibility of the republic, although these institutions can be (and often are) supported by the local self-government of the municipalities in which they are located. In the field of social welfare, most of the services provided are the responsibility of a municipality, but the majority of money comes from the republic through transfers. Assistance to World War II veterans is paid directly by the federal government. Nurseries (usually a part of kindergarten institutions), welfare homes, homes for the elderly, social housing, et cetera are organized by the municipality.

A municipality usually sets up one company that provides a certain type of service within the whole of its territory through a network of outlets. Health care is fully centralized at the republican level, and municipalities *de jure* have no power over it. However, municipalities usually have *de facto* powers, as some local councilors are appointed by the republican government to serve on the ruling boards of hospitals, polyclinics, et cetera. In the fields of culture and sport only a small number of institutions of national importance are managed directly by the republic (as specified in the Law on Sports). Theaters, museums, libraries, sport and leisure centers, cultural centers, youth centers, et cetera are “owned” and managed by the local self-government. In the cities some institutions are run by the city, and others by the city municipalities. However, some large sport centers are under direct power of the Republican Ministry for Youth and Sports, but, in fact, municipalities manage the institutions. Communal affairs such as refuse collection, sewage, refuse disposal, street cleaning and maintenance and cemeteries are solely in the hands of local self-government. The republic addresses environmental protection, although municipalities often perform community-initiated activities. Public transport is also the responsibility of local self-government. The republic is in charge of the federal, republican and regional roads, while local roads are the responsibility of municipalities. Urban development is overseen by local self-government, but the Republican Assembly is charged with adopting the general urbanization plan of the Republic of Serbia.

The municipality issues a number of licenses, as the republican government usually does not deal with licensing (except firearms, cars, et cetera). The fire service is a part of the police force, which is centralized at the republican level. Local police do not exist in either of the republics. Civil defense preparations are the duty of the Federal Ministry of Defense’s Department for Civil Defense. Consumer protection is addressed by the republican government—that is, by the Trade Inspection. However, all inspectors in fact are based in municipalities and usually operate from municipal or district government offices. The laws in both republics list all the duties of the republic and local self-government, and the list is extensive and compulsory. Yugoslav law allows all levels of government to deliver more than that with which they are charged, but in so doing they cannot affect the jurisdiction of another government body. The Yugoslav constitution clearly states that everything “not explicitly prohibited is allowed.”

3.2 Local Service Delivery

The municipality delivers the majority of services in a traditional manner—through public corporations. For each and every function with which the municipality is charged, it incorporates a public enterprise to deliver the named service. In order to raise extra revenue, municipalities in both republics incorporated public enterprises to manage office space owned by the municipality. These public enterprises are separate entities, but the municipality collects any profit and covers any losses incurred. There is no municipality in Serbia and Montenegro in which one public municipal corporation provides all services to citizens. Public enterprises are specialized entities delivering only a certain type of service. Recently, communities began to consider other types of

delivery. For instance, in Belgrade private companies placed bids to provide public transportation services, for which they charged regulated fees. This improved the overall quality of public transportation in the city, but only in the short-term. Day and monthly travelcards cannot be used in private buses, which in fact implies that there are two parallel systems for different strata of society. Segregation is not a principle that should be promoted through public services provision [Sevic 1997]. Contracting-out may occur with parking management and other services that are essentially public but not considered vital for the citizens' welfare. All main services are still provided by classical "public enterprises." Sometimes local governments cooperate to deliver services, such as regional public transport.

To date, no public-private cooperation has been reported, but public enterprises can be fully owned by a private person. It seems that the notion of "public enterprise" in Serbia is based on the function rather than the ownership structure. But with the stabilization of public finance and the precise definition of local revenue sources, it may be expected that cooperation between local self-government and private initiatives will emerge. In Yugoslavia the municipality traditionally was in charge of local public utilities, while the republic managed large public utility companies. This trend certainly will continue with increasing participation of private entities in service provision. Regarding cities, the situation is somewhat different. Namely, the republic supports the delivery of some services in cities, especially in Belgrade. Without financial support from the republic (which is often the object of political manipulation), public transport in Belgrade would not only stop but also cease to exist. It seems that cities are getting short-handed in the currently applied revenue-sharing scheme in Serbia.

The general trend of privatization undoubtedly will affect all public utilities eventually, but should not be expected in the foreseeable future. Experiences with privatization have left the public wary; after the privatization of the national telecommunication company (*Telekom Srbija*—Serbia Telecom), customers are charged in relative terms the highest prices in the whole of Europe. It is unlikely that any political party would dare privatize some local utilities, although the City of Belgrade administration has been contemplating privatizing the city's public transport company.

In Yugoslavia a private person can establish a company that would retail any product or service except those forbidden by law (arms, illegal drugs, et cetera). Consequently, people can open private nurseries, kindergartens, schools or even universities. At the moment there is one private university and two private independent management faculties. This is similar in other services. If the provision of a service is regarded to be essential, then a license is usually needed and the licensing procedure is fairly complicated. But an individual or private company relatively easily can offer services that also can be provided publicly. The government, which incorporated them as a rule, solely owns public enterprises. Therefore, local self-governments do not have any stake in republican public enterprises, and vice versa. The reform of public services provision will be a very important item of impending civil service reform in Serbia and in Yugoslavia as a whole.

4. Local Finance

The main recipient of public revenue is the state—that is, the republic. The Law on Territorial Organization and Local Self-government of the Republic of Serbia stipulates that a municipality has the right to collect revenues as defined by law. Citizens also can decide by referendum to introduce local voluntary contributions that, when introduced, become quasi-fiscal burdens, and the obligation to pay is established legally. Avoidance of local voluntary contributions is an offense similar to tax evasion. The law also says that a municipality has the right to receive money for performing delegated functions. In 1994 a special Law on the Provision of Resources to Municipalities and Cities regulated local public finances. Now, the Law on Local Self-government regulates this sphere.

Municipalities are provided with resources to:

- pay salaries and other legally defined benefits (social services, culture, sports, et cetera) to municipal “public employees”;
- pay material costs and special purpose obligations in the fields of primary education, secondary education, child care, culture, physical culture, sports, social care, municipal and social administration;
- other purposes as defined by law.

The law further defines how expenditures are calculated: salaries are based on legally prescribed coefficients, daily food allowances are set by the government, et cetera. In order to meet its obligations a municipality receives:

- five percent of taxes on personal income;
- all taxes on inheritance and gifts;
- all taxes on transfers of property rights;
- all personal income tax in forestry and agricultural sectors;
- twenty-five percent of property taxes;
- a part of the general tax on trade in goods and services collected on the territory of the municipality.

The City of Belgrade, as the capital, has some additional sources of revenue: fifteen percent of general tax on trade in goods and services (in total, forty percent), a proportion of tourist fees, a proportion of special fees for the use of “goods in the public domain,” fees for the collection of medical herbs, et cetera. If a municipality cannot perform its legally defined functions with centrally allocated revenue, the republic provides the additional funding.

Municipalities are entitled to charge duties (administrative fees) when considering administrative issues that arise from citizen requests. Locally charged and collected administrative fees should remain the revenue of the municipality, but legally, administrative fees are the revenue of the republic and can be paid only in cases in which the municipality acts on behalf of the republic

(delegated authority). The retailing of administrative fee stamps (*administrativne taksene marke*) can be entrusted to a nonpublic organization, which is then licensed as an “authorized dealer.” The commission that an authorized dealer earns is ten percent of all sums that are collected through the sale of administrative fee stamps. A municipality also is authorized to charge local communal fees (*lokalne komunalne takse*) for the use of rights, objects and services. The most widely represented fee is a “residential fee” charged for stays in hotels or other tourist facilities, which is shared by the municipality and the republic.

Local communal fees are paid for the use of some rights and objects as defined explicitly by law. Such fees are charged, for instance, for the use of public building sites, slot machines, billiard and pool tables, musical performances in restaurants, advertising, the use of shop windows, public parking, the use of common areas, boat ownership, restaurant proprietorship, et cetera. The definition of such fees is the sole right of the municipality, and it can charge different amounts for different parts of its territory. The municipality has the right to set up charges for the use of communal property of public interest, such as streets, squares, public lighting facilities, coach and train stations, parks, public “green open fields,” et cetera. This charge cannot be higher than one percent calculated on the value of the property or income from the activity performed on public premises.

Table 9.2
**Structure of Municipal Public Revenues
in the Republic of Serbia [%]**

	1994	1995	1996	1997
Corporate and Income Tax	9.76	8.11	5.54	6.93
Trade, Property and Property Rights Tax	35.39	35.23	30.19	36.58
Fees, Custom Duties, Excise Tax	5.46	4.58	12.23	6.10
Revenues Based on Special Municipal or Republican Legal Acts	0.10	0.71	0.40	0.59
User Charges and Voluntary Contributions	43.02	44.79	45.97	44.24
Local Administration and Other Revenues	2.25	2.51	2.78	2.73
Additional Financial Resources	2.60	1.91	1.44	1.45
Funds for Financing Common Needs	1.28	1.42	1.00	1.01
Transferred Revenue from the Previous Year	0.14	0.74	0.45	0.37
Total	100.00	100.00	100.00	100.00

SOURCES: *Opštine u Srbiji*, various issues, and Ministry of Finance; author’s calculations.

Table 9.3
Structure of Municipal Public Expenditures in the Republic of Serbia [%]

	1994	1995	1996	1997
Education, Culture, Technical Culture	20.00	18.86	18.00	17.36
Physical Culture and Sports	1.63	2.13	2.10	1.89
Public Information	0.71	1.10	1.38	1.37
Social and Health Services	5.79	6.60	6.93	2.98
Communal Affairs	9.98	16.66	15.20	14.29
Other Social Services	33.28	16.54	17.93	29.47
Local Administration	19.30	19.00	17.38	18.84
Citizens' Associations and NGOs	1.64	1.59	1.53	1.89
Noneconomic Investments	1.38	0.98	0.93	0.55
Investments in the Economy	0.14	0.02	0.58	2.24
Economic Interventions	1.36	12.36	14.95	1.10
Public Services	0.82	1.03	0.88	1.44
Budget Accrual Obligations	0.56	0.10	0.17	0.42
Permanent Reserve Fund	0.65	0.59	0.50	0.61
Additional Resources of Local Communities	0.15	0.13	0.10	0.11
Common Initiatives	0.60	0.73	0.42	4.19
Nonallocated Revenue	1.64	1.23	0.83	0.88
Other	0.37	0.43	0.20	0.37
Total	100.00	100.00	100.00	100.00

SOURCES: *Opštine u Srbiji*, various issues, and the Ministry of Finance; author's calculations.

In Montenegro a municipality is entitled to receive:

- fifty percent of property tax collected on its territory;
- fifty percent of fees from the transfer of property rights;
- sixty percent of residential fees collected;
- one hundred percent of inheritance and gift tax income;
- fifteen percent of personal income tax;
- one hundred percent of locally charged fines;
- charges for the use of local property, streets, roads, et cetera;
- revenue from interest on public funds;
- other income as defined by law.

Regarding the public finance system, there is little variance between Serbia and Montenegro. However, a few differences may be noted. In Montenegro, administrative fees can be charged independently at the local level, and local communal fees can be charged for the use of services. A municipality also can charge fees for the use of public goods and of urban building sites. As in Serbia, if current revenue is too low and prevents the municipality from performing its legally defined duties, the republic must find additional sources of funding. In deciding on the additional amount of money, the republic takes into account: (1) the balance of aggregate revenue and expenditures, (2) the size of the municipal territory, (3) the size of the population and (4) population density. Currently, taxes from forestry and agriculture also belong to the municipalities.

Fiscal centralization in both federal units has been executed almost entirely, and municipalities are now dependent on the republic for assistance in difficult situations. It is very difficult to analyze future trends in this sphere. Certainly, some decentralization is necessary, but it is most unlikely that the republics willingly would reduce their own rights. Local self-government still practices fairly limited financial management. Municipalities formally are allowed to issue bonds, but this never has occurred in practice. Local self-government borrowing from financial institutions is also rare. There are no regulations on local self-government bankruptcy, and no municipality has gone bankrupt. According to Yugoslav administrative law theory, the government cannot go bankrupt; this was seen as a logical consequence of sovereignty. But in effect this has been extended to local self-governments as well; hence, there is an implicit (republican) government guarantee for all local self-governments.

Municipalities are charged with providing local economic development and ensuring the welfare of citizens. However, due to the difficult economic situation in the country, municipalities barely can provide sufficient resources to achieve the minimum level of activity, let alone to actively pursue further development. However, local government can play an important role in fostering a positive business environment and encouraging private business investments. Practice has shown that successful and caring local self-government units can attract a significant number of entrepreneurs from all over the country and abroad.

5. Next Steps in the Transition Process

Presently, there are many competing drafts of the Law on Local Self-government in Serbia, and it is difficult to predict the direction in which reform will continue. Certainly, the Kosmet problem has contributed to the development and authority of local self-government bodies. For a long time Parliament hesitated to introduce a new Law on Local Self-government, as it was unable to find agreement on the forms of local government in municipalities with high ethnic tensions and intolerance. Finally, the decision to “wait and see” led to armed rebellion, strong though poorly managed activity by the security forces and finally, armed intervention against Yugoslavia.

Like all Balkan republics both Yugoslav federal units are heavily centralized. However, it is imminent that some decentralization be introduced in both organizational and financial terms. A municipality must be made financially independent to perform its functions without depending upon the republic to cover losses. Also, republican transfers trigger citizen dissatisfaction with the local government. As proven by the success of the opposition parties in the last local elections in many urban areas, government financial transfers are an important instrument in the political game. Local governments, obsessed with their dependence on the republic, do not pay enough attention to self-improvement and the use of modern techniques of local public management. Certainly this is one of the burning issues that should be addressed as soon as possible. A particular problem is the lack of long-term strategic planning and development. Short courses for senior officials that would address modern techniques of management would be particularly welcome at the senior level of city and municipal administration.

Civil service reform is long awaited in Yugoslavia. It is difficult to envisage the right scope and extent of this reform, but it certainly will contribute to further professionalization and depoliticization of the civil service and make clearer the definition of the relationship between the government (the republic) and local self-government bodies (municipalities and cities).

A problem that will require particular attention in the years to come is the promotion of “good governance.” The transparency principle and open government must be introduced together with measurable targets for local government bodies. At the moment both republican and local governments are unaccountable for their actions, and it seems that again, a unique ruling elite will be established regardless of formal party membership. The many recent scandals involving both ruling party and opposition party officials will contribute to voter disappointment and passivity. With a passive electoral body it is most unlikely that changes will be introduced in the near future.

The current approach to law as a “facultative social creation” is very dangerous and in the long run can ruin the very texture of society. It seems that the negative consequences of this attitude can be felt in Yugoslavia: a large number of major criminal offenses remain unsolved, many political assassins have not been brought to justice, large (formally) state-owned companies engage in semi-legal operations, law enforcement agencies are inefficient. But the overriding problem is the passive behavior of disillusioned citizens [see Sevic and Rabrenovic 1999a].

In our opinion emphasis must be placed again on human resource development, as exemplified by the Principality of Serbia in its first years of independence when a large number of young people were sent abroad for higher degrees. Capacity building and institutional reforms can contribute to changes to some extent, but people matter, and this problem has to be addressed. Therefore, the best assistance to today’s Serbia will be the identification of funding to develop its human resources to the highest possible extent.

To date, practice has shown that it is very difficult—if not impossible—to predict future developments in Yugoslavia. Some changes are impending, as the current social situation, due to

huge political tensions, might prove to be unsustainable. So-called or self-proclaimed democratic forces lost credibility due to their inability to unite around a common platform, while the ruling coalition has the classical problem of performance indicators. Economic data for the country is fairly unfavorable, with immense and on-going international pressure to change “something.” The situation in Montenegro is also complicated, as there is no real dialogue concerning different political options, which evolved from the fractioning of the ruling Democratic Party of Socialists. It is probably best to conclude that both the republican government and the federal government must improve transparency to the public and introduce performance indicators that clearly demonstrate the results and outcomes of current policies. Without real and comparable variables it will be very difficult to attract the participation of electoral bodies in voicing their opinions on political or other changes. Apathy in political life is certainly the biggest problem of the current political (and social) situation in both Yugoslav federal units.

References

- Blazic, Djordjije and Dobroslav Milovanovic (1995). *Lokalna samouprava* (Local Self-government). Podgorica: NIU Sluzbeni list Republike Crne Gore.
- Glasnik* (Courier), occasional newsletter published by the Association of Free Towns and Municipalities of Serbia, various issues.
- Milovanovic, Dobroslav (1994). *Pravno ustrojstvo lokalne samouprave* (Legal Organization of Local Self-government). Belgrade: Pravni fakultet.
- Opštine u Srbiji* (Municipalities in Serbia), annual publication.
- Sevic, Zeljko (1997). Non-tax Revenue Sources, in Juraj Nemeč and Glen Wright (eds.), *Public Finance*, Bratislava: NISPAcee, 254–294.
- Sevic, Zeljko and Aleksandra Rabrenovic (1999a). Civil Service of Yugoslavia: Tradition vs. Transition, in T. Verheijen, ed., *Comparative Civil Service Systems: Central and Eastern Europe*, Edward Elgar: 1999, 47–82.
- Sevic, Zeljko and Aleksandra Rabrenovic (1999b). Social Responsibility, Depoliticisation and the Current Civil Service in Yugoslavia, *Transylvanian Review of Administrative Sciences* 1(2): 116–134.
- Statistički godišnjak* (Statistical Yearbook), annual official statistical publication by the Federal and Republican Statistical Administrations.
- Vodinelic-Rakic, Vesna, Ljiljana Banac-Stantic, Refik Secibovic, Goran Svilanovic, and Srdjan Radovanovic (1997). *Izborna kradja* (Electoral Theft). Belgrade: Medija centar.

Recent Publications on Local Government in Yugoslavia

Gavrilović, Ana and Mirjana Rašević (1999). *Obnavljanje Srbije i populaciona politika državne i lokalne samouprave*. Belgrade: Službeni glasnik.

Grozđanić, Radmila, ed. (1997). *Lokalna samouprava, privatizacija, zapošljavanje i obrazovanje*. Belgrade: University "Braca Karic."

Kljajić, Njegovan (1999). *Propisi o lokalnoj samoupravi*. Belgrade: Službeni glasnik.

Ilic, Mile (1996). *Lokalna samouprava u Jugoslaviji*. Niš: Pelikan Print.

Ilić, Mile (1999). *Komentar zakona o lokalnoj samoupravi*, Niš. Balkanski centar za istraživanje lokalne samouprave.

Ivković, Miodrag, ed. (1996). *Informacioni sistemi državnih organa i organa lokalne samouprave*. Belgrade: Ministry of Justice.

Jovanović, Radoslav (2000). *Pravne osnove lokalne samouprave u Smederevu*. Smederevo: Radojković.

Manojlović, Petar (1997). *Lokalna samouprava i humanizacija životnih uslova*. Belgrade: Gerontological Society.

Marinković, Radivoj (1995). "Shvatanja i institucije," *Lokalna samouprava u Srbiji*. Belgrade: Stalna konferencija gradova i opština u Jugoslaviji.

Marinković, Radivoj (1998). *Lokalna samouprava—stare i nove nedoumice*. Belgrade: Institute for Political Studies.

Marinković, Radivoj (1998). *Lokalna samouprava i demokratija*. Belgrade: FPN.

Miljević, Milan (1998). "Lokalna samouprava i primena propisa," *Pravo i privreda* (Belgrade) 5–8 (1998).

Obradović, Žarko (1999). *Karakteristike zakona o lokalnoj samoupravi sa tekstom zakona*. Belgrade: Ekspert.

Pavlović, Djordje, Milan Vlatković (2000). "Sistem finansiranja lokalne samouprave u Republici Srbiji," *Zavod za unapredjenje rentabilnosti poslovanja* (Belgrade).

Rusovac, Olivija (2000). *Iskušavanje jedne nade—borba za lokalnu samoupravu i demokratske promene u Srbiji*. Belgrade: Grafiprof.

Vlatković, Milan (1994). "Prilog kritici uređivanja i ostvarivanja," *Lokalna samouprava u Srbiji*. Belgrade: Stalna konferencija gradova i opština u Jugoslaviji.

Contacts for Further Information on Local Government in Yugoslavia

Balkan Center for Public Policy and Related Studies

Contact: Lazar Krzman, Executive Director
Address: Lenjinov bulevar 171/XIV, YU-11070 N. Belgrade
Phone: (381-11) 601-943
Fax: (381-11) 311-12-33
E-mail: os@arka.yu

Banatski Forum (Banat's Forum)

Contact: Dusan Gluvakov, Secretary
Address: Brace Jovanovic 52, YU-26000 Pancevo
Phonelfax: (381-13) 513-792

Centar za javnu i lokalnu upravu (PALGO Centar) (Center for Public and Local Administration)

Contact: Professor Dr. Mijat Damjanovic
Address: Jove Ilica 165, YU-11000 Belgrade
Phone: (381-11) 492-351, 472-097
Fax: (381-11) 492-351, 491-501

Jugoslovenski savez za zastitu interesa potrošaca-gradjana u lokalnim zajednicama (YUCA) (Yugoslav Association for the Protection of Interests of Consumers-Citizens in Local Communities)

Contact: Bosiljka Milovanovic, Secretary-General
Address: Trg Nikole Pasica 3/III, YU-11000 Belgrade
Phone: (381-11) 32-23-995
Fax: (381-11) 32-22-719

Ministarstvo za lokalnu samoupravu (Ministry for Local Self-government)

Address: Moše Pijade 8, YU-11000 Belgrade
Phone: (381-11) 32-38-671

Savez za razvoj lokalne samouprave u gradovima i opštinama (Association for Development of Local Self-government in Cities and Municipalities)

Contact: Dragos Ivanovic, President

Address: Makedonska 42, YU-11000 Belgrade

Phone: (381-11) 32-23-995

Fax: (381-11) 32-22-719

Savez slobodnih gradova i opština Srbije (Association of Free Towns and Municipalities of Serbia)

Address: Makedonska 42, YU-11000 Belgrade

Phone: (381-11) 32-23-995

Fax: (381-11) 32-22-719

Stalna konferencija opština i gradova Jugoslavije
(Permanent Conference of Municipalities and Cities of Yugoslavia)

Address: Makedonska 22, YU-11000 Belgrade

Phone: (381-11) 32-23-446

Udruzenje za javnu upravu Jugoslavije (Yugoslav Association for Public Administration)

Contact: Professor Dr. Dragoljub Dj. Kavran, President

Address: Bulevar revolucije 67, YU-11000 Belgrade

Phone: (381-11) 32-41-501

Fax: (381-11) 32-21-299

E-mail: yupubadm@nomos.ius.bg.ac.yu

Annex 9.1

Major General Indicators

Year of data	1996, if not stated otherwise
Size of territory	102,173 square kilometers
Population density	104.26
Population	10,652,312
Age of population	
Pensioners	1,283,530
School-age children (1995)	914,532
Major ethnic divisions	
Serbs	62.57 percent
Montenegrins	5.00 percent
Yugoslavs	3.37 percent
Albanians	16.5 percent
Bulgarians	0.26 percent
Bunjevci	0.21 percent
Vlachs	0.17 percent
Hungarians	3.31 percent
Macedonians	0.45 percent
Moslems	3.23 percent
Roma	1.38 percent
Romanians	0.41 percent
Ruthenians	0.17 percent
Slovaks	0.64 percent
Turks	0.11 percent
Croats	1.07 percent
Per capita GDP	approximately 1,600 USD
General government budget	
Budgets	57.22 percent
Trade tax	17.73 percent
Income tax	13.53 percent
Property tax	0.97 percent
Inheritance and gifts tax	0.03 percent

Real estate and rights tax	0.46 percent
Excise	3.1 percent
Fees	4.77 percent
Duties	4.9 percent
Remaining public revenue	6.27 percent
Other public revenue	5.46 percent
Social funds	41.71 percent
Pension and invalids fund	23.11 percent
Health fund	17.03 percent
Unemployment fund	1.57 percent
Other public funds	1.07 percent
Water user charges	0.1 percent
Forest user charges	0.004 percent
Road user charges	0.0009 percent
Minerals user charges	0 percent
Agricultural land user charges	0.008 percent
Other public fund revenue	0.96 percent
Public debt estimate	10.5 billion USD
Unemployment rate	24 percent
Inflation rate	178 percent

Annex 9.2

Population, Settlements and Administrative Units

Table 9A.1
Number of Settlements by Population Size Categories
in the Federal Republic of Yugoslavia

Population Size Categories	Number of Settlements	%	Number of Inhabitants	%
0–1,000	not reported	n/a	not reported	n/a
1,001–2,000	not reported	n/a	not reported	n/a
2,001–5,000	4	2.05	17,004	0.16
5,001–10,000	6	3.08	44,582	0.43
10,001–50,000	126	64.62	3,499,911	33.67
50,001–100,000	39	20	2,557,020	24.60
100,001–1,000,000	26	9.74	2,673,283	25.72
1,000,001+	1	0.51	1,602,226	15.41
Total	195	100.00	10,394,010	100.00

Table 9A.2
Number of Municipalities by Population Size Categories
in the Federal Republic of Yugoslavia

Population Size Categories	Number of Municipalities	%	Number of Inhabitants	%
0–1,000	not reported	n/a	not reported	n/a
1,001–2,000	not reported	n/a	not reported	n/a
2,001–5,000	4	1.9	17,004	0.16
5,001–10,000	6	2.86	44,582	0.43
10,001–50,000	128	61.43	3,589,767	34.54
50,001–100,000	45	21.43	3,050,196	29.35
100,001–1,000,000	26	12.38	3,692,477	35.52
1,000,001+	0	0	0	0
Total	210	100.00	10,394,010	100.00

Table 9A.3
**Number of Local Governments at Different Levels
 in the Federal Republic of Yugoslavia***

	Federal Republic of Yugoslavia	Serbia	Montenegro
Districts	29	29	—
Municipalities	210	189	21

NOTE: The term “local government” in this context refers to municipal and any other regional (district, county) government.

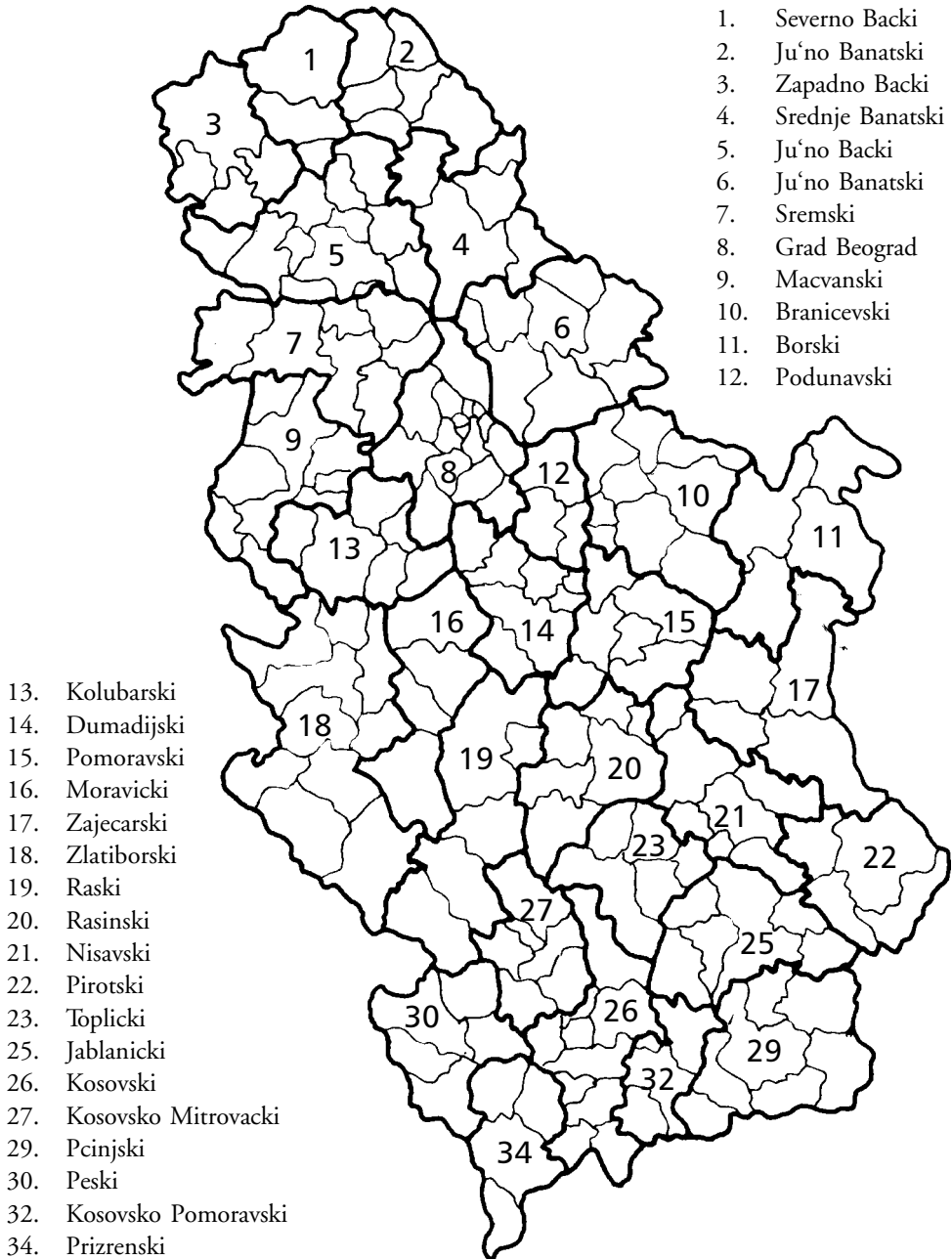
Number of civil servants

Employed by the state	11,354
Employed by the federation republics	
Serbia civil servants (<i>državni službenici</i>)	77,129
Montenegro	estimated 20,000
Employed by local governments	n/a

Number of public employees

Employed by the state	163,869
Employed by local governments	n/a

Figure 9A.1
Administrative Map of the Federal Republic of Yugoslavia



Annex 9.3

Major Laws on Public Administration and Local Government

The following laws regulate public administration and local government in the Federal Republic of Yugoslavia:

1. Federal Legislation

- *Ustav Savezne Republike Jugoslavije* (Constitution of the Federal Republic of Yugoslavia), *Official Gazette of the Federal Republic of Yugoslavia* No. 1/92
- *Zakon o hartijama od vrednosti* (Law on Securities), *Official Gazette of the Federal Republic of Yugoslavia* No. 26/95
- *Pravilnik o obezbeđivanju uslova za funkcionisanje finansijskog trzista* (Rules on the Provision of Conditions for the Functioning of Financial Markets), *Official Gazette of the Federal Republic of Yugoslavia* No. 2/96

2. Republican Legislation

a) The Republic of Serbia

- *Ustav Republike Srbije* (Constitution of the Republic of Serbia), *Official Gazette of Serbia* No. 1/90
- *Zakon o teritorijalnoj organizaciji Republike Srbije* (Law on the Territorial Organization of the Republic of Serbia), *Official Gazette of the Republic of Serbia* Nos. 47/91, 79/92, 82/92 and 47/94
- *Zakon o drzavnoj upravi* (Law on the State Administration), *Official Gazette of the Republic of Serbia* No. 20/92, 6/93 and 98/93
- *Zakon o ministarstvima* (Law on the Ministries), *Official Gazette of the Republic of Serbia* Nos. 7/91 and 44/91
- *Zakon o radnim odnosima u drzavnim organima* (Law on Employment Relations in the State Organs), *Official Gazette of the Republic of Serbia* Nos. 45/91 and 66/91
- *Zakon o vladi Republike Srbije* (Law on the Government of the Republic of Serbia), *Official Gazette of the Republic of Serbia* No. 5/91
- *Zakon o administrativnim taksama* (Law on Administrative Fees), *Official Gazette of the Republic of Serbia* Nos. 49/92, 70/92, 37/93, 44/93, 67/93, 28/94, 30/94, 31/95, 53/95, 39/96 and 42/98
- *Zakon o komunalnim taksama i naknadama* (Law on Communal Fees and User Charges), *Official Gazette of the Republic of Serbia* Nos. 11/92, 75/92, 52/93, 28/94, 75/94, 53/95 and 42/98
- *Zakon o referendumu i narodnoj inicijativi* (Law on Referendum and People's Initiative), *Official Gazette of the Republic of Serbia* No. 48/94

- *Zakon o javnim prihodima i rashodima* (Law on Public Revenues and Expenditures), *Official Gazette of the Republic of Serbia* Nos. 76/91, 18/93, 22/93, 37/93, 67/93 and 45/94
- b) The Republic of Montenegro
- *Ustav Republike Crne Gore* (Constitution of the Republic of Montenegro), *Official Gazette of the Republic of Montenegro* No. 48/92
 - *Zakon o lokalnoj samoupravi* (Law on Local Self-government), *Official Gazette of the Republic of Montenegro* No. 23/95
 - *Zakon o prestonici* (Law on the Capital City), *Official Gazette of the Republic of Montenegro* No. 56/93
 - *Zakon o prenošenju poslova državne uprave na organe lokalne samouprave* (Law on the Transfer of Authority to Organs of Local Self-government), *Official Gazette of the Republic of Montenegro* No. 30/92
 - *Zakon o podjeli Socijalističke Republike Crne Gore na opštine* (Law on Division of the Socialist Republic of Montenegro into Municipalities), *Official Gazette of the People's Republic of Montenegro* No. 10/60, *Official Gazette of the Socialist Republic of Montenegro* Nos. 6/65, 6/70 and 45/90
 - *Zakon o naseljima* (Law on Settlements), *Official Gazette of the Socialist Republic of Montenegro* No. 6/90
 - *Uredba o povjeravanju poslova državne uprave lokalnoj samoupravi* (By-laws on the Delegation of Authority to the Organs of Local Self-government), *Official Gazette of the Republic of Montenegro* No. 28/92
 - *Uredba o privremenom ustupanju prihoda i dijelova prihoda budžetu opštine* (By-laws on Temporary Transfer of Revenue and Portions of Revenue to a Municipal Budget), *Official Gazette of the Republic of Montenegro* No. 11/92
 - *Zakon o nacelima organizacije državne uprave* (Law on the Principles of Organization of the State Administration), *Official Gazette of the Republic of Montenegro* No. 56/93
 - *Zakon o državnim službenicima* (Law on Civil Servants), *Official Gazette of the Republic of Montenegro* No. 45/91
 - *Zakon o poslovima javnih prihoda* (Law on Public Revenue Affairs), *Official Gazette of the Republic of Montenegro* Nos. 3/92, 3/94 and 42/94
 - *Zakon o sistemu javnih prihoda* (Law on the System of Public Revenues), *Official Gazette of the Republic of Montenegro* Nos. 30/93, 3/94, 42/94 and 13/96
 - *Zakon o javnim rashodima* (Law on Public Expenditures), *Official Gazette of the Republic of Montenegro* No. 14/92
 - *Zakon o komunalnim taksama i naknadama* (Law on Communal Fees and User Charges), *Official Gazette of the Republic of Montenegro* Nos. 38/92, 30/93, 3/94 and 27/94
 - *Zakon o administrativnim taksama* (Law on Administrative Fees), *Official Gazette of the Republic of Montenegro* No. 41/94

- *Zakon o licnim dohocima i drugim primanjima republičkih funkcionera i poslanika u Skupštini Socijalističke Republike Crne Gore* (Law on Personal and Other Income of Republican Officials and Deputies of the Assembly of the Socialist Republic of Montenegro), *Official Gazette of the Socialist Republic of Montenegro* Nos. 20/90 and 7/91
- *Zakon o Vladi Crne Gore* (Law on the Government of Montenegro), *Official Gazette of the Republic of Montenegro* No. 45/91

Annex 9.4

Responsibilities of Administrative Tiers

Table 9A.4

Specific Functions of Local Government Units in the Federal Republic of Yugoslavia

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government	Remarks
I. EDUCATION					
1. Preschool	X				
2. Primary			X		
3. Secondary			X		
4. Technical			X		
II. SOCIAL WELFARE					
1. Nurseries	X				
2. Kindergartens	X				
3. Welfare Homes	X				
4. Personal Services for the Elderly and Handicapped	X				
5. Special Services (for the homeless, families in crisis, etc.)	X	X			Belgrade
6. Social Housing	X	X			Belgrade
III. HEALTH SERVICES					
1. Primary Health Care			X		
2. Health Protection			X		
3. Hospitals			X		
4. Public Health			X		

Table 9A.4 (continued)

Specific Functions of Local Government Units in the Federal Republic of Yugoslavia

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government	Remarks
IV. CULTURE, LEISURE, SPORTS					
1. Theaters	X	X	X		different institutions
2. Museums	X	X	X		different institutions
3. Libraries	X	X	X		different institutions
4. Parks	X	X			different institutions
5. Sports, Leisure	X	X	X		different institutions
6. Maintaining Buildings for Cultural Events	X	X	X		different institutions
V. ECONOMIC SERVICES					
1. Water Supply	X	X			Belgrade
2. Sewage	X	X			Belgrade
3. Electricity	X	X			Belgrade
4. Gas			X		
5. District Heating	X	X			Belgrade
VI. ENVIRONMENT, PUBLIC SANITATION					
1. Refuse Collection	X	X			Belgrade
2. Refuse Disposal	X	X			Belgrade
3. Street Cleaning	X	X			Belgrade
4. Cemeteries	X	X			Belgrade
5. Environmental Protection			X		

Table 9A.4 (continued)

Specific Functions of Local Government Units in the Federal Republic of Yugoslavia

Functions	All Municipalities	Regional or Urban Governments	Central or State Territorial Administration	Other Government	Remarks
VII. TRAFFIC, TRANSPORT					
1. Roads			X		
2. Public Lighting	X	X			Belgrade
3. Public Transport	X	X			
VIII. URBAN DEVELOPMENT					
1. Town Planning			X		
2. Regional/Spatial Planning			X		
3. Local Economic Development	X	X			
4. Tourism			X		
IX. GENERAL ADMINISTRATION					
1. Authoritative Functions (licenses, etc.)			X		
2. Other State Administrative Matters (electoral register, etc.)			X		
3. Local Police					does not exist
4. Fire Brigades			X		part of Police
5. Civil Defense					Federation
6. Consumer Protection			X		

Contributors

Liubomir Chiriac, Ph.D. in mathematics, is a professor of the Tiraspol University, Moldova.

Pena Coman is the director of the State Treasury Constanța, Romania.

Eugen Crai is an expert for the Department of Local Public Administration, Romania.

Kristina Creosteanu is the director of public relations for Brașov City Council, Romania.

Emilia Drumeva, Ph.D., is head of the Legal Department of the National Assembly, Bulgaria.

Natasa Durovic is a legal adviser to the Croatian Law Center, Croatia.

Artan Hoxha is the director of the Institute for Contemporary Studies, Albania.

Stjepan Ivanisevic, Ph.D., is a professor of administrative science with the Faculty of Law, University of Zagreb, Croatia.

Charles Jokay, Ph.D., is a director of IGE Consulting Limited, Budapest, Hungary.

Emilia Kandeveva is a professor of administrative law and dean of the Law School of Bourgas Free University in Bourgas, Bulgaria.

Ivan Koprivic is the secretary of postgraduate studies in political and administrative science at the Faculty of Law, University of Zagreb, Croatia.

Victor Mocanu is a research fellow and an expert for the Viitorul Foundation, Moldova.

Igor Munteanu, Ph.D. in law, is chairman of the Viitorul Foundation, Moldova.

Jasna Omejec is an assistant professor of administrative and environmental law at the University of Zagreb, Croatia.

Victor Popa, Ph.D. in law, is a professor at the International Free University of Moldova.

Monica Radulescu is the director of urban design and project coordinator for the Romania Partners Foundation for Local Development, Romania.

Zeljko Sevic, Ph.D., is a senior lecturer in finance at the Business School of the University of Greenwich, United Kingdom.

Jure Simovic, Ph.D., is a professor at the Faculty of Law, University of Zagreb, Croatia.

Gabriella Stanciulescu, Ph.D., is a professor at the Faculty of Trade, Chair of Tourism Services, Academy of Economic Studies, Romania.

Ilija Todorovski, Ph.D., is affiliated with the Institute of Sociological, Political and Juridical Research, Macedonia.