

Decentralizing Government

**Problems and Reform Prospects
in South-East Europe**

**Friedrich Ebert Stiftung
Zagreb Office
Zagreb 2002**

Publisher:

Friedrich Ebert Stiftung
Zagreb Office
Medveščak 10
Zagreb

Printing house: Smjerokaz 2000.

Zagreb, May 2002

CIP Katalogizacija u publikaciji
Nacionalna i sveučilišna knjižnica - Zagreb

UDK 323.172 (4-12) (082)

DECENTRALIZING government: problems
and reform prospects in South East Europe.
- Zagreb : Friedrich Ebert Stiftung, 2002.

ISBN 953-7043-00-2

I. Decentralizacija vlasti -- Jugoistočna Europa
-- Zbornik
II. Lokalna samouprava -- Jugoistočna Europa
-- Zbornik

420513163



*This activity is funded by the German
Government within its contribution to the
Stability Pact for South Eastern Europe*

Contents

Rüdiger Pintar Foreword	5
Katarina Ott and Anto Bajo Local government budgeting in Croatia	7
Anca Ghinea Establishing regions in Romania - a New Challenge	25
Damir Miljević Bosnia and Herzegovina on the crossroad - functional centralization vs. decentralization	43
Jörg Bülow Decentralization from the viewpoint of local self-government - structures and experiences of the administrative reform in East Germany	65
Zlata Ploštajner Administrative decentralization	78
Nora Ananieva Political decentralization and local self-government in the Republic of Bulgaria: Constitutional principles, practice and problems	96
Gjergji Buxhuku Decentralization of larger municipalities: the need for the continuity of the Tirana municipality decentralization process	104
Nataša Kličković Decentralizing government: Workshop summary	113
Authors	123

Foreword

The publication on Decentralisation of Government is the result of a workshop in Ljubljana/Slovenia in March 2002, organised by the Zagreb office of Friedrich Ebert Stiftung (FES) and the Urban Planning Institute in Ljubljana in the frame of the regional project of FES «Local Self-Government and Decentralisation in «South-East Europe». In the context of the Stability Pact for South-East Europe and in co-operation with national institutions the Friedrich Ebert Stiftung has initiated a regional project to analyse the situation and the reforms of self-government and decentralisation in the countries of the region, covering Albania, Bosnia and Herzegovina, Bulgaria, Macedonia, Croatia, Serbia, Slovenia, Romania, and Hungary. Based on the analysis and the discussion of experts on the different experiences in implementing reform steps, and the preparation and distribution of publications resulting from different workshops, the project aims at the stimulation of public discussion with policy makers, researchers, and experts at national and local level.

A first regional workshop with experts on local self-government and decentralisation was organised in Zagreb in April 2001. Friedrich Ebert Stiftung Zagreb has published the results of this workshop, including ten country studies*). A second workshop followed end of June 2001 on "Financing Local Self-Government" as one of the top priority areas in local government**). Cross border cooperation was identified as a further important issue, which led to another workshop end of July the same year***). With regard to the participation of citizens in decisions relevant to their local situation a further workshop was held in Sarajevo end of September 2001 ****).

The important implications and consequences of reforms of decentralisation for the whole society motivated the expert group and Friedrich Ebert Stiftung to deal with this topic in a specific workshop. In all the countries of south-east Europe there was in the socialist period a high degree of centralisation in government structures. After the breakdown of the socialist systems different reforms started to decentralise the society. The reform programs pursue mainly two objectives: to organise the state more efficiently by a decentralised structure and to give space for a higher participation of the citizens in relevant decisions.

*) "Local Self Government and Decentralization in South-East Europe. Proceedings of the Workshop held in Zagreb, 6th April 2001", Friedrich Ebert Stiftung, Zagreb 2001

**) "Financing Local Self-Government. Case Studies from Germany, Slovenia and Croatia", Friedrich Ebert Stiftung, Zagreb 2001

***) "The Interreg Model. Practical Experience in Cross Border Co-Operation, Friedrich Ebert Stiftung, Zagreb 2001

****) "Citizens Participation in Local Self-Government. Experiences of South-East European Countries", Zagreb 2001

As a consequence, it is assumed that by these reforms the democratisation process in general will be strengthened.

As the different contributions during the workshop and in this publication show, the concept of decentralisation indeed comprises a number of important dimensions and aspects including finances, administration, local self-government, territorial, economic and political aspects. In order to come in this respect to a picture of the situation in the single countries, we asked the expert group to fill in a short questionnaire covering different aspects of decentralisation. The results including an overview of the variety and similarities of the approaches to decentralisation between the different countries is presented in the workshop summary of this publication.

Zagreb, May 2002

Rüdiger Pintar
Head of the Regional Office Zagreb
Friedrich Ebert Stiftung

Local Government Budgeting in Croatia¹

A lot of time and energy has gone into fiscal decentralisation issues. However, all our research has so far supported the approach that probably it is not so important *where* but rather *how* the budgeting functions have been performed. This particular piece of research, into the local government budgeting in Croatia, leads us to similar conclusions.

We will concentrate here on some of the problems in the Croatian local government budgeting connected with the number and the size of the local government units (LGUs), the budget itself and the budgetary process.

1. Problems connected with the number and the size of the LGUs

Croatia has three tiers of government: (1) central government, (2) counties, and (3) communes and cities. Counties are units of local administration and local self-government, while cities and communes are units of local self-government. The counties, cities and communes regulate by their statutes their internal organisation and structure and the way they work. The superabundance of LGUs causes the accumulation of oversized administrative machinery at several tiers of government and an inadequate division of functions and responsibilities. The situation has been aggravated by the creation of the areas of special national concern in response to the damage caused by the war.

1.1. Territorial organisation

Croatia is a small country (4.3 million people, 56.5 thousand square kilometres) with numerous LGUs: 422 communes, 122 cities and 20 counties (plus the capital, Zagreb, which has the dual status of a city and a county). The large

¹ This paper springs from the research project led by the authors and financed by the Institute of Public Finance, Zagreb, the Croatian Tax Administration, the Open Society Institute and the Local Government and Public Service Reform Initiative, Budapest. Katarina Ott's work in this area was co-financed by the Research Support Scheme of the Open Society Support Foundation, Prague. The authors would like to thank them all, and also the colleagues who contributed to the project: Vjekoslav Bratić, Ivana Jakir, Ivanka Kukić, Danijela Kuliš, Brankica Kusić, Jelena Ladavac, Ljerka Linzbauer, Maja Lukeš-Petrović, Ivana Maletić, Mira Mastelić and Branka Mauhar. The whole research report was published in Croatian in *Financijska teorija i praksa* 25 (3), 2001. pp. 311-449. The full text in English is available on request from the authors (kott@ijf.hr, bajo@ijf.hr).

number of local units makes it impossible for the central government to get a realistic picture of their finances.

Every place that satisfies the formal criterion of a population of 10,000 can become a city. This means that there are cities that are incapable of justifying the title either by revenue or by the functions that are statutorily stipulated. It is similar with communes. The fashionable trend to found communes that took Croatia by storm in 1993 permitted any petty rural area to found a commune of its own. The main problem inheres in the amassing of administrative bodies and employees in these communes. Such LGUs are simply incapable either of financing their current expenditure or of providing the basic services in their areas. And so they have to depend on direct transfers from the national Budget. This leads, in spite of the theoretical territorial decentralisation, to the actual centralisation of government.

Suggestion: Decide on an optimum number of local units. Make a detailed analysis of the financial situation of local units and determine their ability to finance themselves and provide public services. After that, reduce the number of existing communes and counties, which is unsustainable, and is too much of a burden upon the national Budget.

1.2. Oversized administration at several tiers of government

It is the counties that are in charge of administrative functions at the level of local units. The administrative bodies of the counties are financed from the national Budget, for the performance of administrative functions, and also from the county budgets when they undertake matters proper to the sphere of local self-government. These features of duality can be seen in the office of a prefect, who carries out functions both of central government and of local self-government. New laws envisage that these functions be split between two officials. But for this to be done the National Administration System Law will have to be changed - something no one seems to have thought about.

The question has arisen about the accretion of administrative machinery at the level of the counties. Bearing in mind the numerous criticisms by the cities and communes about the work of the counties and the county bodies, it is essential to settle on the number of administrative bodies and the people employed in them. The existing administration at a county level is ineffective. Another problem is the level of the salaries in the administrative bodies of local units, which frequently surpasses that in central government bodies. There are no criteria for the evaluation of the work done in the administrative services of local units; in most cases the system for rewarding and penalising the performance or non-performance of work is based upon the internal regulations of local units. The central government has practically no control over these regulations, or knowledge of their contents.

Suggestion: In all local units (counties, communes and cities), the number (situation) of the administrative units and the employees in them should be determined.

1.3. Inadequate division of functions and responsibilities

In spite of the many laws², there is no clear delimitation of function between the levels of government. As could be seen from Table 1 almost all the functions are financed at both the central and the local government levels. Local governments do finance certain functions, such as welfare, and secondary education, although they have no legal obligation to do so. Some healthcare functions have been devolved upon the counties, which are, however, incapable of financing them.

Table 1. Division of competencies among levels of government

Title	Central	Communes	Cities	Counties
1. General public (administrative) services	X	X	X	X
2. Defence	X			
3. Law enforcement	X			
4. Education	X	X	X	X
4.1. Pre-school		X	X	
4.2. Elementary	X	X	X	X
4.3. Secondary (high)	X			X
4.4. Tertiary (university)	X			
5. Health Care	X			X
6. Social security and welfare	X	X	X	X
7. Housing and utilities		X	X	
8. Recreation, culture and religion		X	X	X
9. Agriculture, forestry, hunting and fishing	X			X
10. Mining, industry and construction	X	X	X	X
11. Transport and communications	X	X	X	X
11.1. Road transport	X	X	X	X
11.2. Rail transport	X			
11.3. Air transport	X			
12. Other economic activities and services	X	X	X	X

² The principal laws regulating local self-government and administration are: The Local Self-Government and Administration Law (1992), The Local Self-Government and Administration Units Financing Law (1993), The Areas of the Counties, Cities and Communes Law (1993, 1997), The Budget Law (1994) and The City of Zagreb Law (1997). In 1997 Croatia ratified the European Charter on local self-government, accepting the principles laid down in the Charter.

Suggestion: It is necessary to clearly distinguish between the functions of the national and the local governments. The authorities and responsibilities for financing the functions, and the provision of public services at the local level, should be united in a single law.

Also, there a clear distinction should be made between the rights and obligations of local units and those of the central government. In this way individual local units will have an interest in meeting their obligations, and if they are not fulfilled, it will be easy to affix individual responsibility for mistakes and oversights.

The effectiveness of financing the local unit public expenditure from the central government budget should be re-evaluated, particularly in the case of financing elementary and secondary education, health care, welfare, fire protection, road maintenance and construction. Together with the decentralisation of expenditure, a gradual decentralisation of revenue to local units should be ensured.

1.4. Areas of special national concern

The situation has been aggravated by the creation of the areas of special national concern in response to the damage caused by the war. These areas were set up for the sake of a more rapid development, and they have a privileged status in financing. Through many tax exemptions, the government is attempting to jump-start the economic development of these regions³. However, these measures have not been accompanied by any serious analysis, nor are there any tested economic indicators of the development level of the regions. And there is no precise number of the employees in administrative services, or in industry and business. The government provides current subsidies from the national budget. However, the criteria are very questionable, as are the size of the funds sent year after year to these areas.

Suggestion: Realistic conditions and indicators of development in the areas of special national concern should be determined, and the effectiveness of state incentive measures to do with the functioning of the public sector in these regions should be ascertained.

³ In 2000, new tax incentives in the areas of special national concern were introduced. When it comes to the revenue shared between the central government and the local units in the next five years the local units in the areas of special national concern will be entitled to keep 92% of all their revenue from personal income tax and 90% of the profits tax revenue (see Table 4). This redistribution, or cession, in favour of the areas that were occupied and directly damaged in the war will last until the end of 2005. Apart from these taxes, local units in the areas of special national concern receive subsidies and grants from the national budget, and have other kinds of revenue passed pursuant to special laws and decisions of the representative bodies of local government.

2. Budget related problems

The budget-related problems are inadequate classification of budgets, lack of budgetary classification, lack of fiscal capacity indicators, the absence of consolidation of LGU budgets, complicated accounting, non-uniformity in budget plans, lack of estimates and methodology, and the lack of a developed national treasury system.

2.1. Budget-related problems generally

2.1.1. Classification of budgets

Classification of budgets does not support the separation of functions regarding the level of government. Budget planning is carried out according to the account plan, which cannot be applied at the LGU level because of the particular kinds of revenue and expenditure.

It is impossible to present the data about current and capital expenditure, and the data about utility charges, according to an economic and functional classification. Thus, for example, some local units, within the framework of grants and current and capital transfers, include the pay and material expenses of employees, which should be shown in the framework of employee expenditure. The problem lies in the account plan of the budget(s), which does not enable the acquisition of information about overall expenditure by a purely functional or economic structure (since economic, functional and institutional classifications are all mixed up). In order to obtain the data by functions and economic categories, the data from financial reports and other sources have to be constantly updated, and this does not give a very realistic picture of the state of affairs. **Suggestion:** Impose the obligation to keep a detailed separate functional, administrative and economic classification of all budgets of all government units.

2.1.2. Fiscal capacity indicators

It is hard to measure the fiscal capacity⁴ of local units because there are no precise figures about the populations involved⁵. It is also hard to get a realistic account of the revenues and expenditure of the LGUs. An additional problem inheres in the tax bases and the rates of local taxes⁶, which are not systematically controlled at

⁴ By fiscal capacity we mean an indicator of the ability of a local unit to gather revenue and finance expenditure. To define fiscal capacity it is essential to determine which dimensions to take into consideration in the calculations.

⁵ The last available data are from the 1991 Census. In the meantime Croatia had a war and large migratory movements of inhabitants in and out of the country. The data from the 2001 Census are not yet available.

⁶ However, local taxes have little influence on the fiscal capacity of local units as they account for only 4% of the total budgetary revenues.

the level of central government. Besides there are no figures about the GDP in given areas (counties). The government has determined in outline and according to the per capita revenue, the criteria for the allocation of the grants used for fiscal equalisation. However, the criteria and the equalisation of fiscal capacity on the basis of income are not applied and the fiscal capacity of most counties is below the average.

Suggestion: As soon as possible, use the 2001 Census data, improve regional statistics (measuring regional GDP figures), and improve the collection of data on local revenues. The goal of the measures is to calculate fiscal capacity indicators.

2.1.3. Consolidation of LGU budgets

The consolidation of local units' budgets is still not complete; neither is the consolidation at the same level of government (county, commune and city). For all local units, a summary balance sheet is drawn up in outlines. One of the main problems is the classification of the budget(s), which makes the consolidation of local unit level budgets impossible, and this is exacerbated by the absence of any instructions about how to carry out this consolidation.

Suggestion: A new account plan of the budget for the entire country and for the local units should be brought, and made sure that there is a review of public expenditure in terms of functions and economic categories.

2.1.4. Complicated accounting

The budget accounting is complicated and governed by numerous regulations that overlap and yet are conceptually and substantially vague. Thus budget accounting underrates obligations, overrates assets and makes consolidation impossible.

There is no single model or methodology for showing revenue and expenditure for all the budgets. The lack of a unified methodology makes it impossible to keep up with and consolidate local unit budgets.

Suggestion: The Finance Ministry should clearly inform all local units about the prescribed form or model for financial reporting.

A review of the entire budgetary accounting and reporting system is necessary; this should be embodied in a single law. Various different regulations should be terminologically unified, because local units understand and apply them in different ways.

The Finance Ministry should lay down the obligation to adopt the annual accounts of the budgets of local units as financial reports. The first step should be the creation of the classification of revenue and expenditure according to a certain number of modified categories. This would make the financial data gathered analysable in various ways and for various purposes.

2.1.5. Plan and estimate of budgets

The basic elements for designing the plan and the estimate of budgets are not always uniform or detailed. They depend on the size of a budget, the structure of public expenditure and revenue, and the kind of public functions financed from the budget. The methods and the quality of estimating LGU budgetary revenue and expenditure do not depend on the size of the budgetary unit or its economic power, but on the interest of the executive bodies, and the expertise and personnel of the finance departments charged with planning and preparing the budget.

Suggestion: Local units should base the planning of their budgets upon their own indicators. Local units that get transfers from the national Budget have to stick to the guidelines about the pay and expenditure trends. Also, they have to keep up with expenditure in terms of items.

2.1.6. Public investment planning

The government has not yet dealt in any serious way with the planning of public investment, nor has it come up with any comprehensive approach to the financing of capital projects at the local unit level. A list of capital investment per sector, for the period 1996-1999, appeared for the first time only at the beginning of 2000. The strange thing is that this list cannot even be found in the Finance Ministry, nor do decision-makers in the Finance Ministry know of its existence. It was made and signed by the government of the country. Because of this information blockage, the competent institutions, primarily the Finance Ministry, find it hard to control to what degree local government capital investments are financed and carried out. Besides, capital projects are not grouped into programs of public investment.

Suggestion: At the central government level, a complete and detailed list of capital projects financed at local levels should be kept, in order to enable the control of capital grants transferred to local units.

It is necessary to introduce into the procedure of planning capital investment the practice of making investment studies with consideration of possible sources of financing. Since this is to do with projects that are important for the society as a whole, the obligation to make a social feasibility study of each investment should be imposed.

Local administration should be equipped and trained to work with contemporary ways of planning capital projects. It holds for the administration at the national level too, of course.

All local units should be obliged to measure the costs and benefits of capital projects, and to plan capital projects over a longer period of time.

2.1.7. National treasury system

The treasury system does not work at the national level, nor is there a national financial information system. There are no long-term plans for the structuring of treasuries at the level of LGUs. The function of cash management is not separated at the central government level from the debt management. Both functions are linked organisation-wise in the Finance Ministry in a single administration or agency - the Cash and Public Debt Administration. The basic problem is that there is no developed national treasury system at the central government level.

Although there is a single treasury, at the Croatian National Bank, most transactions and payments from the budget are done via the many accounts of the budget kept in commercial banks. The problem is aggravated by the already mentioned absence of an effective national financial information system.

The same is with the cash management at the level of local units. They too have no treasury system, but make their payments and manage their cash through the many accounts in commercial banks and the Payments Clearance Institute⁷.

Suggestion: The Finance Ministry should draw up a plan for organising a treasury at the local government level, and also of course get the treasury going at the national level. The Finance Ministry should also determine the way in which cash is to be managed, and oblige the local units to keep their funds in a single budgetary account.

2.2. Revenue-related problems

Among the main problems on the revenue side we could mention an inadequate system of financial equalisation and allocation of subsidies, the frequent establishment of new local units without secured funds, insufficient shared taxation, low level of own tax revenue and heavy reliance on non-tax revenue such as utility charges and contributions.

2.2.1. Revenue structure

In order to carry out matters from the sphere of self-government, the local units ensure resources in their budgets. They acquire their own resources (revenue

⁷ The Payments Clearance Institute (PCI) is a public establishment that runs accounts for the central government, local governments, companies and the citizens. The data of the Finance Ministry are supplemented by data from PCI; alternatively, these data are used for the establishment of the dynamics of the flow of budgetary resources. PCI has prescribed accounts for the payment of public revenue, the manner of paying this revenue, and reporting to its customers. It offers the Tax Administration the data about the revenue gathered for the central government, and county, commune and city budgets. Revenue is allocated from the PCI accounts, in statutorily defined percentages, to budgetary and extra-budgetary beneficiaries. The key to the way the revenues are allotted is laid down by the Tax Administration. PCI collects fees for its services in connection with the paying in of revenue in line with the contract it has made with the Finance Ministry.

from assets, local taxes, fines, fees, charges), shared revenue from taxes (income, profits, real estate commerce, and gambling tax) that are divided with the national government, and grants (from the national or county budget). Here we opted to analyse revenues in another possible structure: The revenue of local units can be divided into tax, non-tax, capital and grant revenue.

Table 2 Revenue of local units in % of total budgetary revenue

Revenue	1995	1996	1997	1998	1999	2000
Taxation revenue	66.24	55.89	52.73	55.94	55.19	55.69
Non-tax revenue	22.69	31.41	33.32	29.25	30.50	31.48
Capital revenue	4.80	4.93	6.25	5.12	6.62	6.68
Grants	6.27	7.77	7.70	9.70	7.69	6.15
Total	100.00	100.00	100.00	100.01	100.00	100.00

Taxes are the leading item in the budgets of the local units, although there is a clear downward trend. Next are non-tax revenues, the proportion of which is constantly on the increase. The capital revenue amounts to about 6.68% of the revenue of local units. In 2000, the grants from the central government represented 6.15% of the revenue of the LGUs. A more detailed survey of the revenues in 2000 for the different local governments is given in the next table:

Table 3 The structure of realisation of total revenue by kind of unit in 2000

Title of revenue	Total	Communes	Cities	Counties
1. Tax revenue	55.69	34.08	59.51	61.97
2. Non-tax revenue	31.48	40.97	31.37	16.40
3. Capital revenue	6.68	10.37	6.57	1.34
I. Total revenue (1+2+3)	93.85	85.42	97.45	79.71
II. Grants	6.15	14.58	2.55	20.29
I+II Total revenue and grants	100.00	100.00	100.00	100.00

Tax revenues dominate in the cities, where they make up 60% and in the county where they make 62% of their budgetary revenue. In communes they account to a bit less than a third of their revenue (34%). However, all levels of local government rely on shared taxes. Local taxes account for only 4%, which shows what a small influence they have on the fiscal capacity of local units.

In communes, the most important is non-tax revenue, making up 41% of all budgetary revenue. Non-tax revenue makes up a third of the budgetary revenue of the cities and 16% of the total budgetary revenue of the counties.

In the structure of totally realised revenues of all LGUs in 2000, the grants make almost 6%. The grants are an important source of revenue for the county budgets, where they make up a quarter of their budgets; also, they represent 15% of the revenue of communes and 3% of the revenues of city budgets.

2.2.2. *Insufficient shared taxation*

The central government has stipulated the sharing of the main kinds of taxes with the local units. The main taxes like income tax and profits tax are thus shared in percentages among all levels of government (see Table 4). A special problem however is the value added tax, which goes only to the central government. Many local units have a consumption tax, the rate of which they set autonomously. There are then problems of the double taxation of the same product - alcoholic and non-alcoholic beverages for example. Has the central government properly determined the amount that remains at LGU level? An analysis of revenues shows that the main resource of individual local units (especially the communes) is not taxes but non-tax revenue. The small percentage belonging to the local units in shared taxes needs increasing.

Table 4 Shared taxes and division among levels of government (in %)

Taxes	Central	County	Communes and cities	Zagreb
Personal income tax	60	8	32	---
Personal income tax (including Zagreb)	50	5	---	45
Profits tax (including Zagreb)	70	---	---	30
Profits tax	70	10	20	---
Real estate sales tax	40	---	60	---

Suggestion: The share of local units in the tax revenue sharing arrangement (above all, personal income and profits tax) should be increased (i.e. the share of central government should be reduced).

2.2.3. *Low level of own tax revenue*

So far, central government has not supervised the rate of local taxes that can be set autonomously by local units. The introduction of new local taxes is envisaged, as is the possibility of all local units prescribing the rates of surtax on personal income tax⁸. There is a question to what extent the introduction of new local taxes

⁸ Surtax is an addition to income tax, the base for it being constituted by a tax that has already been paid. Cities with more than 40,000 inhabitants have the right to introduce surtax. The rate ranges between 6 and 7.5 %, but in Zagreb (the capital) it is 18 %.

will affect the increase of tax revenue, for in current practice, local taxes do figure in the budgets of local units but only negligibly.

Suggestion: The central government should oblige local units to send information about the size of the base for local taxes, and the rate that is imposed in each unit.

2.2.4. Heavy reliance on non-tax revenue (utility charges and contributions)

Because of the low fiscal capacity and the low level of revenue from local (own) taxes, many LGUs have non-tax revenue as their main source of revenue⁹. The main role in filling the local budgets, especially of cities and communes, is played by utility charges and contributions that are regulated by the law. Many local units autonomously prescribe high rates of utility charges and contributions. Eighty per cent of cities (or their utility companies) illegally charge for connections to the infrastructure, the reason why their inhabitants have to pay high prices for charges and contributions. To avoid this, some people resort to illegal connections. There is a whole array of charges and fees that the local units levy without the central government having any control of the rates, or records of the accounts.

Table 5 Revenues from user charges and administrative fees in %

	Communes	Cities	Counties	Total
National stamp duty revenue	0.44	6.41	76.64	7.81
Road charge	0.26	4.98	0.00	4.09
Administrative fees	0.95	0.73	18.19	1.34
Other charges	11.34	3.41	0.96	4.54
Other fees	2.15	0.34	4.22	0.75
Entertainment and gambling fees	0.01	0.01	0.00	0.01
Utility charges	61.65	61.10	0.00	59.17
Utility contributions	20.19	21.86	0.00	20.89
Tourist tax	3.00	1.16	0.00	1.40
Total	99.99	100.00	100.01	100.00

Suggestion: The central government should control the rate of utility contributions and charges that can be set autonomously by local units.

⁹ For example in the commune of Kostrena, which has the highest per capita revenue in Croatia (around US\$ 1.000) non-tax revenue makes up 85% of the structure of the total revenue. The revenue from utility charges amounts to 58% of the total revenue. In the city of Zagreb (the biggest centre), the non-tax revenue accounts for 21%. The utility charges represent 6% of the total budgetary revenue.

2.2.5. Participation of citizens

Apart from the principle stating that citizens have the right to elect, and encourage the election of, representatives in the representative and the executive bodies of government, citizens cannot take part in the provision or financing of public services in no other way. Members of the public do appear as the initiators of the financing of individual programs and projects, but their participation is not regulated by statute. However, among the non-tax revenues, we can come across income from self-contributions. These are self-imposed levies of citizens that they introduce on their own initiative for the financing of the items of utility infrastructure - water mains, local roads and the like. However, self-contributions are not governed by statute, even though the local units do introduce them as a result of grassroots initiatives.

Suggestion: A more active role for citizens in providing and financing public services should be ensured. The self-contribution system should be regulated by statute.

2.2.6. Financial equalisation and allocation of grants

The central government provides numerous grants - current, capital, specific and general - to local units from the national budget. The grants are sent to the counties, and the counties provide funds to the local units with below-average fiscal capacities according to the size of their revenues. The areas of special national concern to which the government allocates subsidies directly are a story to themselves. The government has no clearly defined criteria for allocating the grants. There is a complete confusion in the attempts to work out the total amount of funds that the state gives to local units. It is impossible to arrive at these sums, because numerous grants are given via the various ministries. The Finance Ministry has no way of checking and making sure that these funds are properly used, to what extent and for what purposes. The local units do not have the obligation (except in the areas of special national concern) to report to the Finance Ministry about the level of funds used. It is questionable to what extent the subsidies are used for fiscal equalisation, because most of them are used for financing of current expenditure.

Suggestion: Fiscal equalisation criteria must be fixed. Funds for fiscal equalisation should be given not only by the central government, but also by the richer counties and the more developed cities and communes.

2.2.7. Frequent creation of new local units without secured funds

In spite of the excessive number of local units, new units are being created by splitting up the existing units. The problem of the creation of a new unit is intimately linked with the division of assets. Namely, many local units do not have any inventories of their assets (asset balance sheets), nor do they know the value

of the assets they have. Many units are fighting in court about the division of assets. The management of assets belonging to the local units is a further complication, since there are no departments or individuals with the expertise required for this. Asset management is not institutionally settled even in the central ministries.

Suggestion: Once and for all the value of the assets of local units, and the responsibility for managing these assets, should be determined.

2.3. Expenditure-related problems

The main expenditure-related problems lie in the lack of the long-term capital project planning and the non-separation of current and capital budgets. Besides, the principle of balancing budgets and borrowing is not respected, capital expenditures are financed without proper studies, and we also encounter the inadequate recording of potential obligations (guarantees).

2.3.1. Long-term capital project planning

Decision making about capital investment and the financing of capital projects at the local level is one of the weaker links in the finances of local units. No analysis of the structure of capital expenditure or monitoring of the execution of capital projects has been done, and the current and capital budgets are not clearly separated. This is not even stipulated by the laws on local government financing. When they make the decisions about capital financing, the local units make neither investment studies nor social feasibility studies. Such practice leaves an impression of a lack of seriousness, which puts off potential domestic and foreign investors. The financing of capital projects by borrowing is practically impossible because of the low fiscal capacities of the local units. The question of the asset balance sheets of some of the units is still unresolved.

The local units do not undertake any long-term planning for capital projects, and most such projects are financed in line with the capacities of the local budget at any given moment in time. The reasons can be seen in the poor or non-existent registers of capital projects. Also alas, at the central government, there is no programmatic classification of public expenditure.

Local governments do not estimate the consequences of making decisions about financing (current investment maintenance and the construction of facilities) on the execution and financing of projects in the years to come. For this reason, most projects are financed at the central government level which, however, does not have a complete oversight of the use of the budgetary resources at the local level. No program of capital financing or sectoral analysis of programs exists, either at the local or at the central government level.

Suggestion: The budget of the local units should be separated into the current and the capital parts and all local units should be obliged to keep a financing account.

Registers of capital projects at the local and the central government levels should be stipulated.

2.3.2. Classification by programme and subprogramme

There is no classification of expenditure by program and subprogram. For this reason many LGUs do not program expenditure for more than a year ahead. If expenditure were programmed for several years ahead (with an effective estimate of revenue), in the first year it would become clear that there would not be adequate funds for the completion of many capital projects in the year(s) to come. In this way all the preventable expenditure that arises when projects are uncompleted could be avoided.

Suggestion: A program and subprogram classification of public, especially capital, expenditure should be introduced and applied at both the national and the local levels.

2.3.3. Principle of balancing budgets and borrowing

There is the budgetary principle that a local budget has to be balanced. Every year the local units are enjoined to observe the "golden rule" that borrowing is resorted to only for the financing of capital expenditure. However, in many cases the balancing principle is not respected, and the local units rely on borrowing for financing their current expenditure as well, with the commercial banking sector, although this is expressly forbidden. There are many examples in which local units do not have a clearly separated portion of the budget for the financing account, in which borrowing and repayment are presented. Many transactions, such as the issue of budget guarantees for utility firms, are simply not registered, nor is there a unified or unitary register of local government-backed guarantees. Guarantees are often kept in the financing account of the LGUs, even if they have not become a real obligation of the unit.

Suggestion: Financial control of the borrowing of local units should be introduced and the size of loans and potential obligations of local units limited.

2.3.4. Recording of potential obligations (guarantees)

Local units record and book loans given and made and guarantees in various ways. Some units enter guarantees made as loans given. While planning the budget, many local units deliberately exaggerate the size of revenues and expenditure, and in this way, formally, provide for a greater level of borrowing than if they estimated budgetary expenditure and revenue more realistically, and at lower levels.

Exaggerating the size of the budget has become a means for the local units to secure greater amounts of money from borrowing. The reason is that the state has limited borrowing of the local units to the level of 20% of the expenditure for the previous year. According to this logic, a bigger budget means a bigger borrowing ceiling the following year. For this reason financial reports can be consolidated only with difficulty, and one cannot be at all sure of the correctness of the information obtained from the data shown.

Suggestion: The obligation for all units to keep registers (off-balance sheet) of guarantees issued should be introduced.

Special ancillary records about guarantees that have been made should be kept. On the basis of the instructions of the central government, local units should plan a guarantee reserve. However, in the instructions it is necessary to determine what amount, i.e. percentage, of the guarantees should be set aside in the guarantee reserve.

2.3.5. Position of the utility companies

Little is known about the privatisation and ownership of the utility companies. Many local units do not evaluate the value of their assets realistically, nor have their responsibilities with respect to the management of these assets been institutionally allocated. Consequently, the value of the utility companies is not known either. An additional problem is the link of the local budget and the utility companies. These firms operate as companies, i.e. on a profit basis. And yet the losses of these companies are covered from the budgets of the LGUs, which pay for their debts.

Suggestion: The ownership of utility firms and the possibility of privatising individual functions at the local government level should be established.

3. The budgetary process

The budgetary process lacks internal controls, evaluations of activities, evaluations and rewards for the work of employees, treasury system audits of joint stock enterprises and companies owned by local units and collaboration between LGUs and the Ministry of Finance. Besides, budget-planning guidelines are over-generalised.

3.1. Evaluations of activities (performance indicators)

The system of performance in the local units comes down to a comparison of what has been planned and what has been realised. There are individual examples of steps forward towards the programs. However, there is still no monitoring of the performance in the sense of the production of some common good or citizen satisfaction.

The information about performance does not have to be, and largely is not, part of the documentation of the annual budget. What is fundamental is monitoring the level of revenue and expenditure, and it is the budgetary balance that is in the focus, as well as the control of the borrowing of the local units which do not keep up with expenditure in terms of individual activities, nor do they measure effectiveness and the costs of the activity by making a cost benefit equation. Also, they do not insist on quality, efficiency and management. Performance is not an imperative even at the level of the central government, let alone at the local levels.

Suggestion: Every budgetary financial transaction should be able to identify the budget and the centre of costs, its purpose or the service it provides, the source of funds and the kind of revenue or expenditure.

3.2. Evaluations and rewards for the work of employees

The work of employees is not evaluated in the local units. There is no system for monitoring the success and quality of their work, nor any incentive system for better performance. Performance is not evaluated at all. Thinking goes on within the framework provided by statute, and concrete shifts in the direction of change and improvement are expected from elsewhere, i.e. from the central government. The model of initiative and an independent, active and creative work has not been internalised. Because of the lack of incentive measures or of any criteria for incentives, individuals cannot be expected to perform creative, high-quality work. Ideas do not interest anyone, and the final result, since there is no systematic effort to raise the level of the quality of the work of the employees, is inertia and red tape.

Suggestion: The national government and the local units should be able to prescribe an incentives system for good performance, and penalties for sub-standard work.

3.3. Internal control

Internal control is not organised, either in ministries or at the local unit level.

Suggestion: Set up internal control in larger local units and ensure that internal control is carried out in the counties on behalf of smaller units that are incapable of doing this themselves.

3.4. Audits of joint stock enterprises and firms owned by local units

Joint stock enterprises and firms owned by local units are subject to the state and to the commercial auditing, as are other, privately owned, companies. It is not clear that both kinds of auditing are required.

Suggestion: It is not necessary to carry out external commercial auditing of the utility companies, only the national auditing. For this reason the Accounting Law

needs amending. This would reduce the costs of auditing, and the national auditing system would then carry out the audits of these firms within the required time limits.

3.5. Guidelines of the Ministry of Finance

At the beginning of the planning of the LGU budgets there is the problem of the use of the Finance Ministry guidelines, which are over-generalised for the purposes of most local units¹⁰. For this reason the Finance Ministry has to pay more attention to the specificities and adapt the guidelines to the units (communes, cities, counties). The problem lies in the MF sending the budget preparation to and making the guidelines first of all for the counties and the city of Zagreb. In line with these guidelines, the counties are supposed to draw up draft estimates of their own budgets, and the guidelines for the cities and communes in their own areas. However, the counties do not fulfil their obligations, nor do they draw up guidelines with indicators for the cities and communes in their regions. This is the basic reason why most of these units consider the guidelines too generalised and partially inapplicable. Besides this, the communes, cities and counties are bound to draw up a budget by 15 December for the coming year. It is not rare for the budget to be passed during the last days of December. Many of the units have at least one and perhaps two revisions of the budget during the year - some as many as three or four.

Suggestion: Finance Ministry guidelines should be adapted to individual levels of the local units, with the obligation being placed on the local units to draw up their own indicators. A single model of budgetary planning for all local units should be prescribed.

4. Conclusion

After recognising the main structural fiscal problem manifested by the absence of a good budgetary system and clearly separated functions and competencies

¹⁰ In the Finance Ministry circular for the drawing up of the three-year plan for the LGUs budget, the following are given: (1) Basic indicators of macroeconomic policy for the coming three-year period (rates of growth of both nominal and real GDP, inflation rate, rate of increase in wages, trends in employment, costs of living and so on) and an estimate of trends in joint taxation at the national level. (2) Recommendations to estimate realistically the growth of revenue and receipts, and the shared taxation in the revenue of the local budget. (3) Estimates of local tax and non-tax revenue and receipts, with financial control of their assessment and collection. (4) Determination of the amount of current and capital expenditure, and definition of priority expenditure that has to be adjusted with the planned rate of growth of joint and proper revenue. (5) Local units should adhere to the real dynamics of realisation of revenue through the year as a basis for the plan and the execution of tasks. (6) Adjustment, i.e., reduction of public expenditure, if because of a drop in economic activity there should be a lower realisation of public revenue. (7) Attention should be paid to the local budget's being balanced. (8) Local units that are provided with resources (current grants, transfers) from the national Budget should adhere to the conditions related to limits in the rise in pay and material costs.

both on the revenue and on the expenditure side, one can make basic recommendations to the government and the economic policy makers. In accordance with the numerous suggestions above, a reform of the budgetary system of the LGUs in Croatia should be carried out in several phases. This requires additional concrete research into the financial position of the LGUs. The main problem of this reform is the excessive politicisation that might attend any new initiative. For this reason it would be better to concentrate on possible improvements in the present system of LGUs, with the emphasis on strengthening the budget, the budgetary techniques and the budgetary process at all levels of government and the construction of a more powerful financial control mechanism at the level of the central government. All the main participants in the budgetary process - Parliament, Government, ministries, budget beneficiaries and citizens - should be educated to understand the aims and the intentions of the steps proposed for the future.

Establishing regions in Romania - a new challenge

Introduction

The territorial administration of one state plays a key role in the context of local governing and on local development. There are no recipes on how the territory of one country should be organized. The territorial administration is a result of cultural, social, economical and political conditions rather than of an ad-hoc decision. There are certain models that can offer examples when talking about efficient territorial administration nowadays, but they for sure cannot be imposed to other countries, not without taking into consideration internal factors.

The paper brings into discussion the question of establishing political regions in Romania under the current existing circumstances, the advantages and the drawbacks, the implications (political, economical and social), the potential measures that are to be taken and the opportunity such a complex change would be implemented. After an overall introduction about the main elements of the regional development in a country, the paper aims to emphasize the challenges for a country of the size and administrative background such as Romania. In the same time, the current paper targets to indicate potential implications the topic might have for the political (since "political implications" is the topic which raised the highest concerns when talking about regional development/political regions in Romania), economical and social environment in Romania of 2002 since it is very much correlated to many other aspects related to the rule of law and the development of the society as a whole.

One observation could be critical when speaking about the issue's impact on Romania political, economical and social environment. Although still insufficient explored, the topic of regional development in Romania is not at all a "virgin" topic. To be more specific, the political regions to be the next step after development regions were created in Romania (the territory was divided into 8 development regions) is a very controversial topic and the current paper will try and underline the main arguments in Pros and Cons. Intellectuals of universities in the country and NGOs leaders recently launched debates surrounding the topic issuing concepts critical for the question. Most of these debates were initiated in cultural towns outside of Bucharest their echoes being heard in Bucharest, especially at the level of the national Government whose answer to these "provocations" was considered by the national media as being rather "unsupportive and reluctant to the idea". Later after intellectuals' provocation addressed to the political elite whose opinion they were requesting, the top

officials in Romania Government explained the topic needed an appropriate and in-depth documentation which the current Government would be willing to support in the future. Besides Romanian's culture towards preserving the territorial unity, most arguments referred to necessity of better analyzing the financial implications since, for countries in transition such as Romania - where financial resources are very limited - any new territorial design has a huge impact on the economical development of each of the region and of the entire country. Still, intellectuals - professors and political analysts, some of them reunited under a regional distributed newspaper, were raising awareness regarding the unavoidable future territorial and political development in Romania leading to the idea of creating political regions. Latest news indicates it is in the Government intention to organize a public debate on the topic focusing on regional development challenges rather than on political regions, in the fall this year. All observations from above are suggesting that, in the context of public administration reform process in Romania which is presently undergoing, one particular attention will be paid towards deepening the analysis and the documentation regarding the regional development implications and opportunities (the political regions topic included). Thus, preparing a core of domestic experts to later closely work with the policy makers seems to be as important as inviting international practitioners who would share their experience with counterparts Romanians.

In order to the further-on arguments, a short overview of territorial organization history and of the present administrative system is necessary. The presentation of territorial organization history could describe patterns in Romania's case from this point of view. On one hand the present territorial organization is almost half century old, which would mean an obstacle for the intention to change it because it is proved that as far as administration is concerned the system is rather preserved then changed. On the other hand there were periods in the history of the country in which political regions were accepted. A concept such as regionalisation is certainly not new for Romania.

An overview on the current territorial structure in Romania as well as a general presentation of the local institutions and their responsibilities is also included in the present paper in order to understand what would be the place of the new created local community in the context of public administration.

An important base for the implementation of this initiative has been already established. A total number of 8 development regions were created few years ago. They are not legal entities but they are functioning with the specific purpose to diminish development unbalances between local communities in Romania. According to their initial social documents, they were created to better manage projects financed by the European Union while helping the local authorities to better understand and assimilate values and obligations in Romania way towards

EU. The question whether these eight development regions are really a transition to political regions or not is still questionable at this stage. All data indicate this is not only questionable but also update.

The final chapter of the paper recapitulates the main aspects about establishing political regions in Romania, reviewing the most relevant Pros and the Cons arguments when speaking about the topic. Once again, the Pros and Cons included in the current paper cannot possibly exhaust the topic - their role is to provide main information the reader could use in designing the picture about how the issue (development regions versus political regions) is perceived in Romania. The current paper's role could be more of introducing the readers to where the topic stands in Romania's public agenda rather than to list all the arguments and obstacles.

Finally, the current paper's role could be to introduce preconditions for such an initiative and also an image about future trends on the topic. And, it could open the floor for further documentation on the topic, which could only be for the benefit of Romanians (both policy makers and civil society), especially nowadays when Romania is working hard finding its place in a single Europe.

Romania's territorial organization history

Although issues relate to the local government development existed before modern times, it was only after 1830 that significant changes began to take place. Cities were granted autonomy, the two Romanian principalities (Moldavia and Muntenia) were united, and French inspired legislation was introduced to remove organizational differences between them. The period from 1866 and 1923 witnessed the most important advances in local governments, as the principles of decentralization and local autonomy were enforced and Romania's 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 hierarchy was established both vertically and horizontally and the bureaucracy was enforced.

Regarding the territorial organization when referring to the modern times of Romania, which basically began with the adoption of the first Constitution (1866), as a general rule the country was divided into communes and counties. This territorial organization was preserved with the adoption of the 1923 Constitution, which announced the regulation of territorial organization through specific laws. The principle of administrative decentralization was also established.

The Constitution of 1938 stipulates the same territorial organization introducing in the same time regulations for the elections of local authorities.

The first communist Constitution (1948) established two new territorial units: plasi (a kind of municipalities) and regions. They were ruled by local people's councils as deliberative institutions and the executive committees having as their main responsibility the implementation of local policies. The Law no 5 introduced in September 1950 established a soviet territorial organization for Romania. In 1952 a new Constitution was issued that established 4 territorial administrative units: regions, raions, municipalities and communes. We are of course in the presence of an over-centralized state, no form of decentralization in known during the communist period. In 1965, after Ceausescu came to power, he drew up his own Constitution. The territorial organization of the state was again modified, Romania returned to counties, municipalities and communes.

Thus the regional issue is not quite new for Romania. For short periods of time Romania knew different forms of regionalization:

- 1926 - the existing 71 counties were grouped together in 10 large regions (tinuturi);
- 1950 - the Romanian territory was divided into regions and raions, a soviet model of territorial administration, a model which didn't last long;
- 1968 - 11 functional areas were created, but with no political responsibilities, only economical ones.

Present territorial structure

The public administration restructuring process was initiated immediately after the removal of communist regime in Romania in December 1989. Along with the adoption of the law on local public administration (1991), the law on local elections and articles 119 and 120 of the new Constitution in 1991, the necessary legal framework was elaborated so that it would foreseen the necessary conditions to begin a real public administration reform process, thus transferring much of the power/managerial responsibilities from the central to the local level, where the public administration is, by nature, closer to the citizens.

Both the constitutional regulations and the law on local public administration are based on the following fundamental principles of the European Charter of Local self-government: local self-government and decentralization, financial autonomy, eligibility of local authorities, citizens participation and the appropriateness and legality of decisions made by local authorities.

Romania is divided into counties, towns and communes, the boundaries of which are established by law. A county consists of a capital, several municipalities and all towns and communes within the county's territorial limits. Certain towns are classified as municipalities. Although there are no legal regulations to distinct towns from municipalities, there is criteria like: territorial size, number of

inhabitants and historical, socio-cultural importance. Bucharest Municipality is a distinct case as it has subdivisions (sectors), each of which can elect district councils and mayors.

From 1998 Romania is divided into 42 counties (including Bucharest Municipality which has a county status), 262 towns and 2,686 communes. The communes together comprise 13,000 villages.

According to Romanian legislation, communes, towns, municipalities and counties are legal entities that may own 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 assure public autonomy local authorities can determine and approve revenue and expenditure budgets for which they can collect local taxes and charges.

Present structure and responsibilities of public administration in Romania

The Romanian public administration is structured on two main levels: the central public administration and the local public administration.

1. a. The central public administration includes:
 - The Presidency
 - The Government
 - The Ministries
- b. The territorial public administration unites all the institutions representing the state authorities at the level of the territorial-administrative divisions. They are the following:
 - The Prefecture - a decentralized unit representing the Government in each and every county and the Bucharest Municipality. He exercises the following main rights and duties:
 - To ensure the protection of national interests and the supervision of law and order;
 - To monitor the legality of administrative documents issued by local and county administration authorities;
 - To appoint and dismiss heads of deconcentrated ministries 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 present an annual report to the government on the general, economic, social, cultural and administrative status of the county.

The prefect may issue orders according to the law. He may issue proceedings against unlawful acts adopted by local authorities at the Administrative Disputed

Claims Court. There is no subordination between prefect and other local public authorities.

- The County Departments - decentralized public services of the ministries and of other central institutions. They are required to advise prefects regarding any directives from the central offices to the decentralized public services.

2. The local public administration includes:

- The mayoralty
- The local council
- The county council

Between the county public administration and the local one there is no subordination. The relations between them are based on autonomy, legality and cooperation in view of solving the issues of common interest.

The local councils are deliberating authorities and the mayor is an executive authority.

Generally, each commune or town has one mayor and one deputy mayor. However, county capital and the sectors of Bucharest have two deputy mayors each, while the municipality of Bucharest has a general mayor and four deputy mayors. As the heads of the local governments, mayors are responsible to the local council for the functioning of the administration. The mayor also represents the commune or the town in interactions with physical or legal persons and abroad, as well as in court.

The main responsibilities of the mayor are:

- To ensure the observance of citizens' fundamental rights and liberties, constitutional and other law provisions;
- To ensure the execution of the decisions of the local council;
- To propose - whenever required - to the local council the consultation of the population, through referendum, concerning special local issues and takes the necessary measures to organize this consultation;
- To issue reports regarding the social and economic situation of the commune or town to be presented to the local council members after the population would have been consulted by referendums;
- To draw up the draft on the local budget and submits it to the approval of the council;
- To manage the public services.

In exercising his authority he issues depositions and may delegate powers to the deputy mayors, the secretary or other officials under the provisions of the law.

The local councils are formed of councilors elected by universal, equal, direct, secret and free vote. The number of councilors is established on the basis of the population size of the respective commune or town as following

Table 1

Size of the commune or town	Number of councilors
Under 3 000	9
Between 3 001 and 5 000	11
Between 5 001 and 7 000	13
Between 7 001 and 10 000	15
Between 10 001 and 20 000	17
Between 20 001 and 50 000	19
Between 50 001 and 100 000	21
Between 100 001 and 200 000	23
Between 200 001 and 400 000	27
Over 400 000	31
The General Council of Bucharest Municipality	55

The local council has initiatives and decides, within the limits of the law, on issues of local interest, except the ones legally attributed to other public authorities. Its main responsibilities are:

- To elect from among the councilors the deputy mayor;
- To approve the studies, guiding prognoses and the guiding frame regulations elaborated by the Government;
- To approve the local budget, its design, administration and execution; to approve transfers of credits and the manner of using budget reserve, as well as the borrowings;
- To establish ordinary local taxes, as well as special taxes;
- To administer the public and private property and to exercise its legal rights as regards to autonomous services that it established;
- To efficiently organize public utilities, ensuring their appropriate function
- To ensure, within the limits of its responsibilities, the conditions for a good function of education, health, cultural, youth and sports institutions.

The local council members normally meet on monthly basis, the initiative of reuniting the local council belonging to the mayor. Whenever necessary it can also hold extraordinary meetings, at the request of the mayor or of at least one third of the total number of councilors. Executing its authority, the council adopts decisions. Both the councilor and the mayor may initiate the draft of decisions. After its constitution the local council organizes its own special commissions in the main domains of activity.

The main role of the county council is to coordinate the activity of all localities from within its county aiming at performing the public services of county interests. It is also a legislative body at county level. The prefect through order establishes the number of county councilors. The main criteria are size of the population of the county.

Table 2

Population of the county	Number of councilors
Under 350 000	31
Between 350 001 and 500 000	33
Between 500 001 and 650 000	35
Over 650 000	39

The main responsibilities of the county council are:

- To coordinate the activity of the local councils in view of conducting public services of county interest;
- To organize and manage county public services;
- To adopt the county's budget;
- To manage public and private domains of the county;
- To adopt programs and prognoses of socio-economic development of the county;
- To elect president, vice-president and the permanent delegation from the members of the county councils.

The county council also establishes county taxes, as well as special taxes for a limited period of time and according to legal provisions. The responsibilities of county councils are also extended in the socio-cultural, health, scientific, sports and youth domains, ensuring the necessary conditions and the material support from them.

The county councils have regularly sessions once in two months and also special sessions whenever necessary. In order to exercise its responsibilities, the county council issues decisions.

The permanent delegation is a body formed out of the president of the county council, vice-president and 5-7 members elected from within the county council. Its main responsibility is to carry out the operative management of the county issues. Its responsibilities are:

- To finalize decisions' drafts that are going to be discussed and approved by the council;
- To prepare councils' meetings and documents;
- To establish the measures necessary to implement council decisions and to analyze progress periodically.

In the same way that the mayor is the executive body of local authorities, the president of the county council is the executive authority among county representatives. Besides the tasks to chair the sessions of the county council and of the Permanent Delegation he has other powers. He also represents the county in its relations to physical and legal persons of the country and abroad, as well as in the court. The president exercise the following rights and duties:

- Chairs the sessions of county council and Permanent Delegation;
- Ensures the execution of county councils' decisions;
- Presents a report to the council regarding the activity of the county administration;
- Draws up the county budget and submits it to the approval of the county council;
- Have responsibilities in distributing funds for equalization of local budgets to local communities.

Each county has also an **administrative commission**, which includes the prefect as president of the commission, the president of the county council and the mayor of the county's capital municipality. The administrative commission draws up an annual program of the main projects and activities in the county and it communicates it to the deconcentrated public services as well as to the local and county public administration authorities. At the debates of the administrative commission may participate all mayors within the county.

Regarding the relation between territorial authorities (the Prefecture) and local authorities as well as the relations in general between different levels of local authorities (county, municipal, communes), the legal framework on public administration in Romania contains very precise references. According to Law on public administration (2001) there is no subordination between the Prefect and local authorities. The same provision is stipulated in the case of different levels of local administration.

In reality, in both cases there are different aspects that make the insubordination principle more a desiderate than a condition for the local administration functioning. For instance the prefect has the responsibility to supervise the legality of the normative acts issued by local authorities within the county he represents. In the same time he can take legal action against local authorities if he considers the normative acts to be illegal. Domestic and international analysts expressed their suspicion regarding the use of political influence in the administrative decision making process in a significant number of localities all around Romania. A separate study on this topic the Institute could provide to those interested, upon request.

A more clear "dependency" is the one regarding the relation between the president of the county council and the other local authorities within the county.

The "dependency" is based on the way local budgets are constituted. The president of one county council plays a key role in the state transfers' distribution, shared taxes and especially the equalization funds. His decision is very important when talking about shares to be transferred to the local authorities and maybe suspicious are that strong due to the fact that these transfers are still the most important revenues to local budgets in Romania. Thus, analysis showed there is a political subjectivism in the distribution of the money in the territory, further researches in this respect being solicited.

Development regions - transition to political ones

Why a regional development policy in Romania

There are external and internal factors that led to the establishing of development regions and a regional development policy in Romania. The main argument is of course related to Romania's intention to gain membership of the European Union, an irreversible process for the present candidate countries. As regional development is one of the EU's present priority policies, it is only natural for Romania as well as for the other candidate countries, to prepare its territory in order to assure the compatibility with European Union standards. In the same time the existence of this policy in the candidate countries is a condition for them to have access to financial instruments provided by European Union starting with 2000 (PHARE, ISPA and SAPARD). But of course it has to be stated that creating political regions is not a condition for accessing EU.

Other arguments that fundament the decision to introduce the regional development policy in Romania is provided by internal conditions. Romania has a quite large territory and a big population. There are also big unbalances between developments of different regions that require a coherent and active regional policy. The existence of development disparities has many reasons:

- Different rhythms in the development of counties;
- Not taking into consideration the particularities of every territorial-administrative unit;
- Regional traditions in placing investments;
- Unequal distribution of technical and social infrastructure;
- The priority that communist leaders saw in developing exclusively the industrial sector of economy.

In 1994, through PHARE program, a map of regional disparities was draw up. The main conclusion of this map were that:

- The development hierarchy of counties is the same as the one from 1990 The highest degree of "stability" in development is the one of the less developed counties. Important changes can be noticed only in the counties situated at the middle of the development scale;

- Romania has major unbalances in the development of its territorial units.

The aspects stated above call for reconsidering the revision of the present territorial organization of the country. Creating a new level of government it would seem a complication but in the same time there are complex issues related that need a complex approach even by creating a new structure.

Legal and institutional framework

Regional policy was first proposed by *Green Paper for Regional Policy in Romania* published by the Romanian government and European Commission in 1997. It designs eight regions and priority problem areas as basic regional policy units. The Romanian region is neither a distinct local territorial community, nor a deconcentrated institution of state' administration. It is not a legal entity as it is not a juridical person like the other local communities are. The regions are used as a development tool rather than an administrative structure as the main role of the regional development policy is to eliminate unbalances in development of different regions. Other than this the region has two main attributions:

- To administer European Union funds;
- To encourage intercounty cooperation.

The law on regional development (1998) establishes the institutional framework, principles, aims, jurisdiction and specific instruments necessary for the implementation of regional development policy. At the national level, the prime minister chairs the National Council for Regional Development. The Ministry for Development and Prognoses provides the coordination of Regional Development policies. At regional level there are councils for regional development as deliberating bodies and agencies for regional development as executive bodies.

The law introduces the objectives of regional development policy in Romania:

- Diminishing the existing regional disparities by stimulating a balanced development. The best way to do that is to try and recover any delays in the development of poorest regions, delays that are due to historical, geographical, economical, social and political conditions. Another aspect foreseen under this objective is the anticipation in producing new disparities;
- Preparing institutional framework in order to cope with integration criteria and the management of structural funds;
- Coordinating sectorial governmental activities and policies at regional level by stimulating initiatives and local and regional resources' exploitation. The ultimate aim is to encourage sustainable social, economical and cultural development;

- Stimulating national and international interregional cooperation, cross border cooperation and cooperation within Euroregions as well as participation of regions in the European structures and organizations according to international agreements that Romania is part of.

The deliberative institution of the region is **Council for Regional Development (CRD)**, which coordinates the activities that promote regional policy objectives. Its main responsibilities are:

- It analyze and decides the strategy and the programs of regional development policy;
- It approves regional development projects, criteria and priorities, allocation and destination of the resources coming from Regional Development Fund (RDF);
- It presents to the National Council for Regional Development (NCRD) proposals for RDF' constitution;
- It monitors the use of RDF resources as well as the compatibility of the implemented projects with regional development objectives.

RDC is formed out of presidents of county councils and one representative on behalf of municipal, town and communal local councils, named by every county form one mandate. RDC has a president and a vice-president. Although the law in not specific, the president of RDC is the executive body of the region. RDC has autonomy and it approves its own functioning regulation based on a framework elaborated by central government.

Having mainly executive responsibilities, every region has one **Regional Development Agency (RDA)** coordinated by RDC. RDA is a nongovernmental and non-profit organization with public utility and having juridical personality. A director, selected through contest, rules the RDA. He can be dismissed by RDC. The agencies are financed through RDF.

- Its main responsibilities are:
- It implements regional development programs and funds' management plans;
- It identifies priority problem areas along with local and county councilors;
- It submits financial proposals to the Ministry for Development and Prognoses;
- It manages RDF resources and it is accountable for them to RDC;
- It provides technical assistance to the investors that are developing programs financed through European no reimbursable funds.

The RDF, approved by RDC and managed through RDA includes: allocation from National Fund for Regional Development (NFRD), allocation from local and county budgets, resources coming from private sector, banks, foreign investors, European Union and other international organizations.

Besides the institutional structures of regions there are national institutions for regional development as well.

National Council for Regional Development has deliberative responsibilities at national level, aiming to promote regional development policy objectives. It includes presidents and vice-presidents of RDC and representatives of Government (50%). The president of NCRD is the Prime Minister of the country. Thus both local and national interests are represented in this body. Still, in what concerns the responsibilities, it is a central administration institution, directly subordinated to the Government. The fact that it is run by the Prime Minister it is a proof of the consideration that regional development policy gained since 1990.

The main responsibilities of NCRD are:

- It approves the strategy and the National Plan for Regional Development;
- It approves criteria, priorities and the use of NFRD resources;
- It approves the use of structural funds;
- It monitors the use of funds managed by RDAs.

Before 2001 the executive body at national level was National Agency for Regional Development that was a juridical person and had as its main objective to promote the regional development policy. NARD was run by a secretary of state and financed through FRD. Since February 2001 the agency and its responsibilities were undertaken by the new created **Ministry for Development and Prognoses** which:

- Elaborates the strategy and the National Plan for Regional Development;
- Elaborates principles, criteria, priorities and use of NFDR funds;
- It makes the proposal for the constituency of NFRD before NCRD;
- It carries out the technical and financial management of NFRD;
- It promotes different forms of intercounty cooperation;
- It is the national negotiator in the relations with Regional and Cohesion Policy within European Commission for European Fund for Regional Development;
- It coordinates the implementation of National Plan for Regional Development.

The NFRD includes state budget transfers, permanent financial assistance through PHARE program, structural funds, etc.

The European Institute of Romania synthesized the benefits and the costs of the implementation of regional development policy:

Benefits	Costs
<ul style="list-style-type: none"> • Access to structural funds of European Union; • Balanced economic development; • Development of regional infrastructure; • Access to European Union know-how regarding the elaboration of regional development policy; • Increased interest on behalf of foreign investors. 	<ul style="list-style-type: none"> • Pressure on state budget; • Sacrificing national objectives due to a possible uncoordination between national objectives and the ones promoted by EU; • Budgetary costs as a result of cofinancing principle; • Ulterior costs generated by maintenance of the investments' objectives financed through EU funds.

It is still premature to make an accurate evaluation of institutional and legal framework. Still the analysts identified several problems, obstacles such as:

- The lack of a previous experience in implementing such a policy;
- Instability of organizational and personnel structures;
- Difficulties in communication outside and inside the system;
- Deficit in public opinion' support;
- Political influences.

Thus it is a rather fragile construction and the public opinion is still not used to it. In fact, few people are aware of the existence of regional development policy and that is why promoting its principles should be one of the priorities of actors involved. We've created the form, but the content is still missing. A latest suspicion related to the use of funds managed through regional development institutions is another factor that influenced their image in public opinions' eyes. But we can still consider them a real foundation for the creation of political/administrative regions if there will be the political will to implement it.

The current "debate" regarding the topic of political regions in Romania

It is rather premature to speak about a real public debate on this issue in Romania. Later commentaries on the topic, last months statements related to whether Romania is ready to deal with such a provocation and what would be the implications prove there is an interest - especially at the level of intellectuals and professors of different universities in the country about the regional development process and implication in Romania. No question everybody agree Romania is a big country (as size and number of inhabitants) and it needs a decentralized administrative management. The establishment of the 8 current development regions (without evaluating, under the current paper how well are they fulfilling their initial role) shows that policy makers are aware that

administrative decisions should be based on a well-decentralized understanding of local problems. There is no official statement regarding the ruling political party attitude and vision regarding the regional development designing in Romania but additional commentaries and remarks indicate the Government is taking the issue in consideration. In the context of public administration reform process Romania is going through nowadays, the Public Administration Minister is concerned with harmonizing the European standards and requirements with the domestic conditions, more precisely with the financial possibility and political will. While the administrative implications when taking about regional development in Romania are more or less shared by the majority of policy makers and political parties members, the question of financial implications - financial equilibrium between regions - and the impact of such decision on a still poor national budget looks of being critical. Also, like other countries in the Balkans, Romania is facing a very sensitive and in the same time historical provocation regarding the more development Transylvania (a region largely populated by Hungarians - citizens of Romania) compared to other parts of the country, which - whenever people raise the issue of regional development - tends to bring a share of tension in discussion. Raising this point, it could be an argument for why a wide country such as Romania can not avoid talking about its best way to administratively manage its territory, and more over, it can not pretend it has political implications and deal with them. Like in all the processes, the process should be equally assessed from many perspectives (administrative, political and economical) so that, in the end, Romania would reach it most suitable formula. Talking about Transylvania - which we are only raising as an example -, some analysts said issues, which may connect with Romanian-Hungarians cohabitating are to be raised when the right time would come (probably not in such a critical year such as the current one when Romania is aiming to be accepted in NATO) and only after an appropriate documentation. Moreover, unlike other very critical aspect related to daily life, politicians in Romania tend to be very receptive to citizens' sensitivity and preferences. From this perspective, it is important to mention all major commentaries referred to a significant percentage of the population profoundly attached to the current administrative framework, suggestions and ideas regarding a more efficient one (by administratively dividing the territory and thus by giving more political power to the local communities) being perceived as an attempt to the national stability. Although there is not reason why not to believe in these commentaries, it is relevant to emphasize no opinion poll which were run up to now referred to the topic of regional development nor to political regions so that the population was not largely questioned on this matter. The lack of citizens' perception on the topic that public commenter miss these days was further on approached in the paper while advocating for the importance of listening to citizens' opinion.

Following the last commentary, we would like to underline that the population of Romania is not informed about what regional development means, at least not up to know, concepts being totally new and hard to understand by the large majority of the citizens.

As indicated in the first part of the current paper, intellectuals, journalists, politicians, policy makers, civic activists recently approached and commented on the issue of whether the regions should be established in Romania as legal entities, undertaking a part of local administration responsibilities or other responsibilities that are going to be decentralized in the future. Latest developments had shown that public opinion from Romania is still not ready for this major change. The main reason is that there is confusion, sometimes maintained on purpose by different interest groups, between regionalization and federalization. Representatives of the present Government are however stating, at least before Council of Local and Regional Powers that the political regions are going to be established by the end of this mandate. It is just a statement though which is contrary to the internal political discourse, where more reserved statements about the topic are made.

There are measures that are to be taken in preparing the implementation of the new concept. A summary of all remarks related to that show that the following steps would be appropriate:

- The revision of the Constitution and other normative acts (Law on public administration, Law on local public finances, etc.) It has to be stated that the political class from Romania intends to review several aspects of the present Constitution but it is unlikely that the changes are going to be made this year;
- The implementation of political regions must be preceded by an informative campaign so that public opinion would fully and correctly understand the process and its motivation. The revision of the Constitution requires approval through referendum;
- An open public debate which will establish best ways to implement the changes;
- An adequate strategy in preparing the local authorities for the new territorial organization.

One argument invoked by analysts in support of the idea of political regions is that granting administrative and financial autonomy to regions would mean easing budgetary pressure on central institution. The regions will undertake some of that pressure and the other local authorities will also benefit as a result of this process. This leads - according to many of the political analysis we were debating the issue with - to both openness and reluctance at the level of the already existing public servants. Like in other countries in transition, the public servant status and performance are still in question, decisions such to re-think

the public administration structure (power included) becoming a danger for those who would consider it a threat to their current position and influence. It is not the current study purpose to explain how reluctant are the public servants towards the concept - not in-depth research was conducted on this issue yet.

Regional development in Romania is a very complex challenging process that is and should be involving all major sectors of the civil society. It is the think tank role to underline the topic needs to be approached in a professional manner with very little subjectivity, if possible. Avoiding the issue or transferring it to political level is not the right solution and Romania is entitled to get a wide debate on the issue. In order to help in a way the current consultations and documentations on the topic, we would like to recap main arguments in Pro-s and Con-s the topic. Speaking about regional development in Romania, most commentaries:

1. **In favor**, are referring to:

- The opportunity of re - thinking the development vision through better understanding cultural but also administrative, political and economical differences between parts of Romania. As territory and number of population, this is a very big country one government located in the Capital can not nationally respond to all problems in an equal manner. The most controversial discussion is related to whether discussion about regional development in Romania should be only limited to administrative implication or, in order to be really efficient, it would involve political power in the same time.
- Decentralizing the financial power along with decentralizing financial responsibilities bringing more tools to the ones who are closer to the community than the national government, to those who has enough global vision to understand the regional problems.
- Decreasing the local administration effort in dealing with local hot issues by diving roles between them and the new created regional administration based on a fair distribution of role according the complexity of such problems. For example, newly created regional public administration could coordinate complex projects in the area of infrastructure, environment, employment, energy system, etc whose resolution frequently involve more than one or two current counties, over passing the geographical county limitation.

2. **Against**, are referring to:

- The timing of raising such important topic. Political arguments are mostly indicating that 2002 NATO year is by far a very complicated year Romania doesn't need to complicate it even more. Financial arguments speak about insufficient resources the State budget has at this time being which might place the whole project in danger. Establishing regional structure is going to cost the national budget an amount it is not ready to cover.

- The inopportunity of raising such issues in the absence of an in-depth public education campaign to deal with the existing mass opinion perception towards potential threats towards the national unity and sovereignty of the State.
- Complicating the existing administrative sector, by adding to the in place local administration a new level of authority and competence. The newly created regional structure would act in between the national and local administration, which - to some extent - could bring more bureaucracy in the administrative process.

These are only a few of the commentaries public opinion learnt when referring to the regional development in Romania. Although some people tend to differentiate the administrative aspect from the political one, Romania current environment (a country that most of international analysts perceived as still being very much politicized) prove one could not possibly avoid the other. In the absence on an appropriate documentation on the field and since not enough public debates were organized on the issue, it is really very hazardous to pretend you found the formula. The current paper role will then remain the one of raising the awareness of both domestic political actors and international experts on the importance, the implications and the current status of the topic in Romania public agenda.

References

- Constantin, Daniela Lumini a, Introduction to Theory and Practice of Regional Development, The Economical Publishing House, Bucharest, 2000,
 Degryse, Cristoph, Dictionnaire de l'Union Europeenne, De Boek Universite, 1998,
 La documentation Francaise, Les collectivites locales en France, Paris, 1996,
 Matei, Lucica, Management of Local Development, The Economical Publishing House, Bucharest, 1999
 Nicolae, Constantin Vaniela Lumini a, Bases of Regional and Urban Economy, The Economical Publishing House, Bucharest, 1998
 Popescu, Corneliu Liviu, Local Autonomy and European Integration, All Publishing House, Bucharest, 1999
 Pu ca u, Violeta, Regional Development, The Economical Publishing House, Bucharest, 2000
 Syrett, Stephen, Local development, Ashquate Publishing Limited, 1995

Documents

- The European Paper The Autonomous Exercise of Local Power, Strasbourg 1985
 Green Paper. Regional Development Policy in Romania, Romanian Government and European Commission, Phare Program, Bucharest, 1997
 Regional Disparities in Romania, Ramboll Consultancy Group, Bucharest, 1996
 Enlargement and Civil Society, Proceedings of the European Commission - sponsored Caritas Conference, Brussels, 1999
 Europe's Agenda 2000, Strengthening and widening the European Union, European Commission, august 1999
 National Plan for Development 2000-2002, National Agency for Regional Development, 2002

Damir Miljević

Bosnia and Herzegovina on the crossroad - functional centralization vs. decentralization

Bosnia and Herzegovina, as result of the disintegration of the Former Yugoslavia and the war, is a very complex and a very complicated country: one state, two entities, 10 cantons, 200 municipalities, 13 governments and 13 constitutions. The municipalities vary from several hundred to several hundred thousand inhabitants. Many of the pre-war municipalities have split territory between two entities and many villages became municipalities. In that kind of a situation it is interesting to see how the existing municipalities in Bosnia are functioning and how the functions are split between different levels of the authorities*.

1. Organization and specific functions of local government in BH

Here is a detailed description of the specific functions and tasks of local government in BH entities:

REPUBLIC OF SRPSKA	BiH FEDERATION
1. Definition of municipality	
»Basic territorial unit of local self-management which is a territorial and entity unit necessary for meeting the needs of the population from that area and has duties fitting to its jurisdiction as prescribed by the Constitution and the Law«	»The unit of local self-management that represents a unique territorial or natural, geographical part made up of one or more populated places connected with the means of communication that provide for an unobstructed link inside the municipality«
2. Jurisdiction of municipality	
Regulated by the Republika Srpska Constitution Primarily the public utility services and meeting basic needs of the population The municipal authorities are working on duties related to local administration, professional duties related to mayors and the municipal as-	Regulated by the BiH Constitution and Cantonal constitutions - primarily aimed at local self-management. The specific status of municipalities in the Federation is reflected in the fact that according to the Constitution, a part of jurisdiction has been transferred from the Federal down to the cantonal level, so the cantons represent a

*Materials and projects related to the municipal development done by EDA Banjaluka were used in the preparation of this text.

<p>semblies and other duties of the republic administration falling under municipal jurisdiction.</p> <p>The relations between the republic insitutions and municipal administration should be based on cooperation and information flow, but the quality of the above mentioned relations has yet to be established.</p>	<p>strong centralised power above the municipality.</p> <p>In the process of establishing municipalities there are many problems related to the lack of the definition of status, prescribing jurisdiction and the organisational structure of the local communities.</p> <p>Cantonal authorities often take over the powers of municipality, usurp its rights and property and endanger the autonomy of municipality.</p>
---	--

<p>3. Jurisdiction of municipality - duties</p>	
<ul style="list-style-type: none"> - Makes development programs - Prepare development programs urban planning and implementing programs - Makes budget and final accounts, - Regulates use of city construction land and business space - Organises public services control - Regulates and organises public utility services - Takes care about construction, maintenance and use of local roads, streets and other public facilities important for the municipality - Takes care about meeting some needs of citizens in the sphere of culture, education, sports, health and social care, civil protection, information, trade, tourism and catering - Undertakes measures of environmental protection - Respects laws and other regulations and general acts of the Republic and the city that fall under the jurisdiction of municipality - Ensures respect of the municipal acts and regulations - Establishes bodies, organisations and services necessary for the 	<ul style="list-style-type: none"> - Establishes conditions for respect and protection for human rights and basic freedoms in accordance with the Constitution, laws and the Statute of the municipality - Meets local needs of population in the sphere of child care, education and bringing up, culture, physical culture and sports if not otherwise prescribed by the law - Implements cantonal regulations in the sphere of urban planning - Ensures implementation of tax policies and provides funds for functioning of the municipality in accordance with federal and constitutional regulations - Ensures establishing of real estate cadastre if not otherwise prescribed by the law, - Manages municipal property - Organises public utility and other services and takes care of construction, maintenance and use of local roads, streets, bridges and other facilities of local infrastructure and important for municipality - Meets local needs of population in the sphere of labour and employment and social policy if not otherwise prescribed by the law

<p>work of municipality and regulates their organisation</p>	<ul style="list-style-type: none"> - Takes care of tourist resources of municipality and about protection of animals and plants - Regulates use and management of local construction land in accordance with the law and other regulations - Ensures environmental protection in accordance with legal provisions - Manages facilities that are of general interest, if not otherwise prescribed by the Law - Organises fire protection in accordance with the law - Provides conditions for work of local radio and TV stations in accordance with the law - Ensures keeping evidence on citizens and voter registers in accordance with the law - Performs other duties under jurisdiction of the municipality - Establishes public institutions and other legal entities in accordance with the law for the purpose of realisation of some economic, social, public and other interests and needs of population - Ensures realisation of other duties in accordance with the law
--	---

4. Financing of municipality

<p>Funds for execution of duties of municipality are provided in municipal budget. The budget is passed by the municipal assembly for the period of one year.</p> <p>The funds are as follows:</p> <ul style="list-style-type: none"> - Municipal funds (some taxes and other fees municipalities collect, funds raising from property rights and concessions related to municipal property, funds provided through taxes and other fees on the basis of usage of natural resources in the territory of the municipality, donations, gifts, etc) 	<p>Municipal funds are provided from the municipal budget.</p> <p>The budget is accepted by the Municipal council as a forum that represents citizens.</p> <p>Funds are generated from:</p> <ul style="list-style-type: none"> - municipal and city taxes and dues and other taxes whose rates are decided by the municipality in accordance with laws - fees from the governmental budget for duties transferred from governmental to municipal jurisdiction
---	---

<ul style="list-style-type: none"> - Income generated through taxes, fees and other dues prescribed by the law and generated in the municipal territory - Funds generated from duties handed over by the Republic <p>As far as income generated by the Republic in the territory of the municipality is concerned, a part is given back to the municipality depending on the category of development of the municipality. There are three categories of development of the municipalities:</p> <ul style="list-style-type: none"> - »extremely underdeveloped«, the part is 60%, - »extremely underdeveloped«, the part is 40% - »other« municipalities what means that they are not »extremely underdeveloped«, nor »extremely underdeveloped« and that part is 30%. <p>The rating of municipalities is done by the RS National Assembly on the proposal of the RS Government and on the basis of established criteria:</p> <ul style="list-style-type: none"> - Average amount of gross salary per citizen - Average amount of war damage per citizen - Number of refugees and DPs, - Unemployment rate - The other criteria defined by the Government 	<ul style="list-style-type: none"> - income generated from companies and other legal entities owned by them, and income generated from concessions approved by the local self-management unit - income generated from movable property and real estate (income generated from the property and property rights) - income generated by trade of real estate and movable property, - assistance and subsidies from the BiH Federation prescribed by budget i.e. by the special law - donations, succession and legacy - other income prescribed by the law <p>Municipalities also get a part from the basic cantonal income realised at the municipal level.</p> <p>These are the following:</p> <ul style="list-style-type: none"> - 20% of the tax collected on the basis of trade and services turnover, apart from the VAT under the Tariff number 1 - 20% of tax collected on the basis of salaries - 100% of tax collected from the citizens on the basis of cantonal regulations
<p>5. Organisation of legislative and executive power in the municipality</p>	
<p>Organization of legislative and executive power in the municipalities in the RS is regulated by the Law on local self-management and the Book of rules on basic principles of organization of municipal administration. Both the Law and the Book of rules were passed at the RS level and they are obligatory for all mu-</p>	<p>On the basis of law on local self-management of the BiH Federation which gives the framework for organizing local self-management, each canton makes its own regulations: Law on local self-management and regulations of municipalities gives details on the organization of legislative power in the municipality. As</p>

<p>nicipalities in the RS. Legislative power in all municipalities is identical in terms of organization. Executive power, i.e. organization of local administration depends on the criteria stipulated in the Book of rules so that the number and nature of departments in municipal administration depend on the size of population in the municipality.</p> <p>In the municipalities included in the Project the number of departments varies from 4 to 6. The internal organization is regulated by the Rules of procedure on organization and systematization.</p> <p>The process of organizing local administration in the municipalities in the RS is yet to be completed.</p> <p>Organization of legislative and executive power in the RS municipalities is shown in a figure in Annex 4.</p>	<p>far as the organization of executive power is concerned, i.e. organization of municipal administrative services, the Law gives autonomy to municipalities so that municipal services are established by the municipal council upon the proposal of the Mayor of municipality. At the same time, there are no established criteria for organizing municipal administration. The consequence of such a legal approach is different ways of organizing of municipal services adjusted to local circumstances and needs and demands of the efficient administration and efficient realization of rights of citizens, legal entities and institutions. Services are formed in accordance with the volume of duties and principles of grouping of duties by nature, connection and interaction. Organization of legislative and executive power in the BiH Federation is shown in a figure in Annex 4.</p>
<p>6. Jurisdiction of municipal assembly / municipal council</p>	
<p>The municipal assembly is authorized to:</p> <ul style="list-style-type: none"> - make Statute - make decisions and other general acts and interpret them - pass economic planning, development plans and investment programs - prepare budget and final account, - make plans for development and prepare urban planning and programs - pass decisions on public services taxes and other public revenue in accordance with laws - make implementing plans - make decisions on disposal of municipal property 	<p>Municipal Council:</p> <ul style="list-style-type: none"> - prepares and adopts municipal Statute - makes decisions and other regulations and general acts from the municipal jurisdiction - elects and dismisses Chairman of the Council and his deputy - elects and dismisses Mayor of municipality - elects and dismisses Secretary of the municipal council, the President and members of working bodies established by the Council and other persons as prescribed by the Law and Statute

<ul style="list-style-type: none"> - prepare programs on cultivating city construction land - make decisions on naming streets, squares and parts of populated settlements - pass decision on proclaiming municipal holidays - pass decision on emblem - pass decision on membership of municipality in association of municipalities and association with other organizations and communities - make plan on use of public land - pass decision on proclaiming honorary citizens and prescribes regulations and obligations raising thereof - pass decisions on rewards and diplomas - elect and dismiss the President of the municipal assembly, Vice-president of the municipal assembly, deputy mayor and municipal assembly Secretary - decide on municipal debts - adopt annual report on work of Mayor - establish public companies and services and other institutions concerned with duties of municipal interest - announce public loans and self-contributions - give opinion on changing municipal borders - undertake other duties prescribed by the Constitution, law and Statute 	<ul style="list-style-type: none"> - adopts budget and report on execution of municipal budget upon Mayor's proposal - passes plans and programs for development in some spheres of local self-management - makes regulations on taxes and ensures other ways of financing which are not provided by cantonal or federal power - establishes public companies, public institutions and other legal entities for undertaking economic, social, public utility and other services of municipal interest - schedules referendums - announces public loans and collection of contributions and decides on municipal debts - forms administrative service and regulates its work and organisation - passes Book of Rules for its work - decides on names of parts of populated settlements - decides on initiatives for giving and changing names of streets, squares, bridges etc. - undertakes other duties as prescribed by the Law and Statute
7. Mayor's authority	
<p>Mayor is authorised to:</p> <ul style="list-style-type: none"> - make proposals for municipal Statute 	<p>Mayor is authorised to:</p> <ul style="list-style-type: none"> - implement municipal policy and respect municipal regulations

- make proposal of decisions to the Assembly
- inform Assembly in all issues related to municipality its rights and obligations
- implement policies and execute decisions and other acts passed by the Assembly
- respect laws and other regulations passed by Republic and city whose execution was transferred on municipality
- establish municipal administration and regulate its organisation and work
- appoint and dismisses senior personnel and other employees with special authorities, decide on employment and firing and other labor-related rules for employees of municipal administration in accordance with Law and collective agreement
- establish co-operation of municipality with other municipalities, cities and other organisations
- give consents on Statute and other general acts of companies and institutions founded by the municipality
- inform assembly on his work and the work of municipal administration
- start initiative on stopping implementation of regulation passed by municipal assembly, implementation of general or individual act until the procedure is finished at the Constitutional Court, if he assumes that these regulations or acts were unconstitutional and breaking laws
- inform Minister of administration and local self-management on implementation of municipal policies

- implement duties transferred to municipality through municipal administration services
- appoint and dismiss municipal officials and officials with special authorizations
- decide on hiring of municipal clerks, and other municipal administration service employees and also decides on other statutory issues related to these employees in accordance with the Law
- ensure cooperation of municipal officials with ombudsmen
- report to municipal council on implementation of municipal policy and on his activities
- take care of organisation of municipal services and their performance
- ensure preparation of regulations passed by the municipal council,
- inform Cantonal Assembly i.e. responsible cantonal authorities on implementation of cantonal policy and respect of cantonal laws and other regulations and international agreements and also reports on situation in a certain sphere of activity under municipal jurisdiction
- undertake other duties prescribed by the law and municipal statute

<p>for the previous year, on decisions passed by the municipal assembly, on preventing implementation of municipal assembly decisions, on decisions made by the municipal assembly, on implementation of laws, other regulations and international agreements</p> <ul style="list-style-type: none"> - present draft municipal budget for getting first the consent by the Minister of administration and local self-management, in case municipality asks for additional funds from the Republic budget - conclude contracts on behalf of the municipality - decide as the second instance body upon appeals on first instance decisions made by the municipal administration if other Republic institutions are not authorised to do it - undertake other duties prescribed by the Law, Statute and the Book of Rules of the Municipal Assembly 	
---	--

Specific functions and tasks of local governments in both entities are very similar - almost the same. The main difference is in grouping them into departments (it is prescribed by the Law in RS and in an area of management freedom in the Federation) and in the scope of accomplishing it.

2. Division of responsibilities between Local Government and higher authorities in BH

2.1. Division of responsibilities between Local Government and higher authorities in Republika Srpska

Table 1 shows more clearly the division of responsibilities between the local government and the higher authorities (entity) in Republic of Srpska. It is very important to mention that this is the first analysis in Republic of Srpska, which shows the authority of the entity and municipality and the division of responsibilities between them.

Table 1.

Functions	Authority		Carrying out responsibilities
	Entity	Municipality	
1. Education			
1. Preschool	x	X	When looking at this branch, founding and financing are under municipality jurisdiction, but it is also partially under entity jurisdiction regarding issuing conditions which this branch regulates, and financing which is done through Public Fund Children Protection Department of Economy and Public Affairs is in charge of carrying out responsibilities within municipality
2. Primary	X	x	Most of authorities are on entity level, and municipality is providing this branch with administrative and expert work through Department of Economy and Public Affairs (work of the primary schools is being followed, material help is provided etc.)
3. Secondary	X	x	Most of authorities are on entity level, and municipality is providing this branch with administrative and expert work through Department of Economy and Public Affairs, also providing them with material help
4. Higher	X		Exclusively entity has authority over this branch
5. Adult education		X	Under municipality authority
2. General administration			
1. Public Authority	x	X	Most of the public authority work is under municipality authority (Public Authority Department), and part of responsibilities are under Entity jurisdiction. Public authority financing is done through funds which entity collects on the municipality level and it partially returns to municipality

2. Police	X		Entity authority
3. Justice	X		Entity authority
4. Civil Protection		X	Municipality authority, through General Administration Department
5. Fire Protection	X	X	Entity authority (MUP), but financing the professional fire protection unit is under municipality authority
6. Civil Status Register	x	X	Municipality authority, through General Administration Department, Entity authority - citizenship reception and dismissal
7. Electorate Register		X	Municipality authority, General Administration Department
8. Statistical Office	X		Entity authority, accomplished through Republic statistic Bureau
3. Health services			
1. Hospitals	X		Entity authority, regarding both financing and founding
2. Health Protection	x	X	Municipality authority, regarding founding and controlling the situation in primary health protection (through Department of Economy and Public Affairs), their financing is under entity authority (Republic public fund of the health insurance.)
3. Public Health Institute	X		Entity authority, regarding both financing and founding
4. Social welfare			
1. Social Welfare Centers		X	Municipality authority, regarding founding and financing? (Department of Economy and Public Affairs)
2. Geriatric Centers		X	Municipality authority, regarding founding and financing? (Department of Economy and Public Affairs)
3. Red Cross	x	X	Municipality authority, regarding founding and financing? (Department of Economy and Public Affairs) Partial financing is under entity authority

5. Culture, leisure, sports			
1. Theaters	X	X	Municipality authority (Department of Economy and Public Affairs) except of those institutions which are of the Republic interest - financed by the entity
2. Museums	X	X	Municipality authority (Department of Economy and Public Affairs) except of those institutions which are of the Republic interest - financed by the entity
3. Libraries	X	X	Municipality authority (Department of Economy and Public Affairs) except of those institutions which are of the Republic interest - financed by the entity
4. Sport and Sport Clubs	X	X	Municipality is financing sport clubs
5. Sport and Cultural Halls		X	Municipality authority (Department of Economy and Public Affairs)
6. Galleries	X	X	Municipality authority (Department of Economy and Public Affairs) except of those institutions which are of the Republic interest - financed by the entity
7. Other Cultural Facilities	X	X	Municipality authority (Department of Economy and Public Affairs) except of those institutions which are of the Republic interest - financed by the entity
6. Urban development			
1. Urban Planning		X	Municipality authority (Department of Urban and Spatial Planning)
2. Real estate land registry	X	X	Municipality authority (Department of Urban and Spatial Planning) Legislative-property relationships are under entity authority
3. Spatial development regulative planning		X	Municipality authority (Department of Urban and Spatial Planning)
4. Housing Fund Management and Maintenance		X	Municipality authority (Department of Urban and Spatial Planning)
5. Municipality Land Management		X	Municipality authority (Department of Urban and Spatial Planning)

7. Public utilities			
1. Electricity	X		Entity authority (it is realised through public companies on the Republic level.)
2. Water supply		X	Municipality authority, it is realised through public companies (Municipality- Department for housing and public utility service)
3. Gas supply			
4. Heating supply		X	Municipality authority, it is realised through public companies (Municipality- Department for housing and public utility service)
5. Sanitation		X	Municipality authority, it is realised through public companies (Municipality- Department for housing and public utility service)
6. Sewage transport		X	Municipality authority, it is realised through public companies (Municipality- Department for housing and public utility service)
7. Roads, Bridges	X	X	Municipality authority, it is realised through public companies (Municipality- Department for housing and public utility service) There are some authorities on the entity level (Republic Direction for Roads)
8. Cemetery		X	Municipality authority, it is realised through public companies (Municipality- Department for housing and public utility service)
8. Environment			
1. Environmental protection		X	Municipality authority (Department for housing and public utility service, and Department of Economy and Public Affairs)
2. Fight against pollution		X	Municipality authority (Department for housing and public utility service, and Department of Economy and Public Affairs)

9. Traffic, transport			
1. Road Traffic		X	Municipality authority, partially given to public companies and partially given to private companies. (Municipality - Department of Economy and Public Affairs)
2. Rail transport	X		Entity authority
3. Airports	X		Entity authority
4. Ports	X		Entity authority
10. Economy			
1. Trade	X	X	Trade policy, regulations and conditions are under entity authority, along with founding and manipulation of the public companies in this branch Registration of the private shops from this branch is under municipality authority. (Department of Economy and Public Affairs)
2. Crafts		X	Registration of shops from this branch is under municipality authority. (Department of Economy and Public Affairs)
3. Tourism	X	X	Entity authority, global tourism policy and regulations Municipality authority, registration of the private tourist agencies and taking care about tourist associations. (Department of Economy and Public Affairs)
4. Hotels and Restaurants	X	X	Regulations and conditions are under entity authority, along with founding and manipulation of the public companies in this branch Registration of the private shops from this branch is under municipality authority. (Department of Economy and Public Affairs)
5. Agriculture	X	X	Partially it is under entity authority, and partial it is under municipality authority (registration of activity in this branch)
6. Forestry	X	X	Partially it is under entity authority, and partial it is under municipality authority (registration of activity in this branch)

7. Employment	X	X	Entity authority, realised by Republic bureau of Employment Municipality authority, certification of employment contracts (private employer), records about employment, and inspection control of legality of the work
11. Information systems			
1. Newspapers	X	X	Could be under entity authority, if it is in the entity interest, working licence is provided at the entity level Could be of great significance for municipality, and then they are under municipality authority. (Department of Economy and Public Affairs)
2. Radio stations	X	X	Could be under entity authority, if it is in the entity interest, working licence is provided at the entity level Could be of great significance for municipality, and then they are under municipality authority. (Department of Economy and Public Affairs)
3. TV	X	X	Could be under entity authority, if it is in the entity interest, working licence is provided at the entity level Could be of great significance for municipality, and then they are under municipality authority. (Department of Economy and Public Affairs)

By looking at the table it is clear that authority can be **exclusive at the entity level and it can be exclusive at the municipality level**. Autonomy of municipality will be visible in their exclusive authority, which is not so big and it is mostly restricted on the part of the Local Government (civil protection, electoral register), on social protection (welfare centers, old people's homes), urbanism, spatial planning, and housing policy (urban planning, housing fund management and municipality property management), communal and other public services (water supply, refuse collection and disposal, cemeteries and sanitation), and environmental protection.

Under entity exclusive authority are higher education, police, justice, statistics, hospitals and specialized offices, electricity, rail transport, air transport, road transport, so authorities that make part to different functions-groups.

Authority can be **divided between the municipality and entity** in three different ways: the authority is relatively equally divided (X-X), authority of the entity is dominating (X-x) or authority of the municipality is dominating (x-X). Within the frame of the authority division, entity is mostly responsible for defining policy development of some region, financing, establishment and taking care about state-founded institutions, rarely responsible for issuing certificates and approvals, and direct functioning of some regions. Within the frame of the authority division, municipality is responsible founding, financing, and performance of some functions regarding their direct realization.

The biggest number of the functions is divided between the entity and the municipality.

2.2. Division of responsibilities between the Local Government and the higher authorities in BH Federation

An analysis of the responsibility division between the local government and the higher authorities in BH Federation, is shown in the table 2.

The authority in the Federation is divided between the three levels of authorities: federal (entity), cantonal and municipality.

Table 2

Functions	Authority			Carrying out responsibilities
	Entity	Canton	Municipality	
1. Education				
1. Preschool		x	X	Policy making, issuing regulations and insurance of education is under cantonal authority Municipality is in charge for preschool financing
2. Primary		x		Policy making, issuing regulations and insurance of education is under cantonal authority. Also primary schools are financed by canton
3. Secondary		x		Policy making, issuing regulations and insurance of education are under cantonal authority. Also secondary schools are financed by cantons

4. Higher		x		Policy making, issuing regulations and insurance of education are under canton authority. Also cantons finance higher education
5. Adult education		x		Cantonal authority
2. General administration				
1. Public Authority		x	X	Policy making regarding regulations and insurance of the public authority it is under cantonal authority
2. Police			X	Establishment and control over police forces is under cantonal authority
3. Justice		X	X	Canton is financing cantonal and municipality courts, cantonal and municipality prosecutor offices, cantonal legal office, cantonal and municipality tort courts
4. Civil Protection			X	Municipality authority
5. Local Communities			X	Municipality authority, and it is partially financed out of municipality budget
6. Fire Protection			X	Municipality authority, and it is financed out of municipality budget
7. Civil Status Register	X		X	Exclusive under state authority citizenship (reception and dismissal) Municipality authority - records about citizens
8. Electorate Register			X	Municipality authority - electorate register control according the law
9. Statistical Office	X		X	Organized at the entity level with departments at the municipal level
3. Health services				
1. Hospitals	X	X		Authorities are divided between state and canton
2. Health Protection	X	X	X	Authorities are divided between state and canton Municipality is an establisher.
3. Public Health Institute	X	X		Authorities are divided between state and canton

4. Social welfare				
1. Social Welfare Centers	x	x	X	Social welfare policy making is under state authority Setting the social welfare centers and carrying out social welfare policy is under cantonal authority Social welfare centers are financed from the municipality budget
2. Geriatric Centers	x	x		Social policy making is under state authority Setting the social welfare centers and carrying out social welfare policy is under cantonal authority Their activities are financed from the municipality budget
5. Culture, leisure, sports				
1. Theaters		x	X	Under cantonal authority is creating and carrying out cultural policy Their financing is under municipality authority
2. Museums		x	X	Under cantonal authority is creating and carrying out cultural policy Their financing is under municipality authority
3. Libraries		x	X	Under cantonal authority is creating and carrying out cultural policy Their financing is under municipality authority
4. Sport and Sport Clubs		x	X	Their financing is under municipality authority
5. Sport and Cultural Halls		x	X	Their financing is under municipality authority
6. Galleries		x	X	Under cantonal authority is creating and carrying out cultural policy Their financing is under municipality authority
7. Other Cultural Facilities		x	X	Under cantonal authority is creating and carrying out cultural policy Their financing is under municipality authority

6. Urban development				
1. Urban Planning			X	Municipality authority
2. Real estate land registry		x	X	Issuing regulations about the local land usage is under cantonal authority Municipality is responsible for establishment and the real estate maintenance
3. Spatial development regulative planning		x	X	Municipality is responsible for carrying out cantonal regulations about spatial planning
4. Housing Fund Management and Maintenance		x	X	Creating the housing policy is under municipality authority, including regulations about housing management and its construction
5. Municipality Land Management			X	Management of the municipality property is under municipality authority
7. Public utilities				
1. Electricity	X	x	X	Policy making, cantonal division and infrastructure maintenance is under state authority Canton is responsible for making regulations about local energetic plants
2. Water supply			X	Municipality authority - municipality sets up public companies for carrying out this service
3. Gas supply	X	x	X	Policy making, cantonal division and infrastructure maintenance is under state authority Canton is responsible for making regulations about local energetic plants
4. Heating supply			X	Municipality authority - municipalities establish public companies for carrying out this service
5. Sanitation			X	Municipality authority - municipality sets up public companies for carrying out this service
6. Sewage transport			X	Municipality authority - municipality establishes public companies for carrying out this service

7. Roads, Bridges		X	X	Construction financing, reconstruction, maintenance protection and management is under canton authority Municipality is responsible for usage, construction and maintenance of the local roads and bridges
8. Cemetery			X	Municipality authority - municipality establishes public companies for carrying out this service
8. Environmental protection				
1. Environmental protection	X	X	X	Environmental protection policy is under state authority
2. Fight against pollution	X	X	X	Environmental protection policy is under state authority
9. Traffic, transport				
1. Road Traffic			X	Municipality authority - municipality is founding public companies for carrying out this service
2. Rail Transport	X			State authority
3. Airports	X			State authority
4. Ports	X			State authority
10. Economy				
1. Trade		X	X	Cantonal and municipality authority
2. Crafts			X	Municipality authority
3. Tourism		x	X	Cantonal tourism policy and development of its resources is under canton authority Municipality is responsible for its tourist resources
4. Waterpower Engineering	X	x		Financing is under federation and cantonal authority
5. Forestry		x		Financing is under cantonal authority.
6. Hotels and restaurants			X	Municipality authority
7. Employment	X		X	Municipality provides local needs of citizens in the areas of labor and employment
11. Information systems				
1. Newspapers	X		X	

2. Radio stations	X	x	X	Working licence is provided at the state level Cantons are responsible for policy making, regarding radio stations, their construction including issuing regulations and insurance of their work Municipality is responsible for providing conditions for their performance
3. TV	X	x	X	Working licence is provided at the state level Cantons are responsible for policy making, regarding TV stations, their construction including issuing regulations and insurance of their work Municipality is responsible for providing conditions for their performance

Under entity (Federation) exclusive authority are: citizenship, economic policy, trade, finance and finance institutions, energy policy, electronic frequencies issuance for radio and TV.

Under cantonal exclusive authority are: **police establishment and supervision and education (preschool, primary and higher).**

Under municipality exclusive authority are: local government functions (civil protection, local communities, fire protection, electoral register), urbanism and spatial planning (urban planning, housing fund management and municipality property management), communal and public services (water supply, refuse collection and disposal, cemeteries and sanitation), road traffic, craft and catering.

Authority division:

between the Federation and canton

between canton and municipality

between the Federation, canton and municipality.

Most of the functions that are given in the Table are carried out as divided authorities. Their division is as follows: the **entity** is responsible for bringing regulations for some regions, policy defining and financing, the **canton** is responsible also for bringing regulations, policy creating and implementing, and financing, the **municipality** is responsible for creating better conditions at the local level for the realization of some functions, and for the direct realization of those functions including financing.

Comparing the authority division between the lower and the upper levels of authorities in Republika Srpska and in the Federation B&H, further conclusions could be made:

Exclusive authorities, both in RS and in the Federation, refer to the same areas:

- local government,
- urbanism, spatial planning and housing policy,
- communal and other public services,
- traffic (road traffic)
- economy (crafts)

The authority level within these areas is stronger in the RS, while in the Federation cantonal authority involvement is more pronounced.

The authority is divided in RS between the two levels of authorities, the entity and the municipality, while in the Federation we have three levels of authority division: entity, canton and municipality, which makes the situation much more complex. It is very difficult to compare the exclusive entity authorities in the Federation and the Republika Srpska, because in the Federation a part of those authorities is under cantonal authority; for example the police, schools, courts, while these areas are under an exclusive entity authority in RS. All this shows that cantons have more power, which decreases the significance and the role of municipalities in the Federation.

According to the Dayton Agreement the common BH State has retained only the following functions:

- a) international relations
- b) customs authorities (customs duties belong to the entities)
- c) state-border police
- d) financial police represented through the Central Bank which designs currency principles.

3. Conclusion

The present situation related to the division of the authorities and responsibilities, as described above, has resulted in:

- a) a weak position of municipalities in BiH - too many responsibilities and no proper authority
- b) a very strong position of the cantons - too much authority with less responsibility
- c) a very strong position of the entity government and institutions in RS - too much authority with less responsibility
- d) a weak position of entity government in the Federation - a high level of responsibility and authority divided with the cantons

- e) a very weak position of the state level - almost no authority and no responsibilities.

This kind of situation, that could not be sustained in the long run, has produced the following processes at different levels:

- the municipalities in both entities are struggling to get more authorities from the entities and the cantons asking for more decentralization
- some cantons in the Federation (mainly with Croatian population) are asking for establishing the cantonal structure in RS and BiH without the entities
- the entities are behaving in different ways. The Republic of Srpska is trying to keep the existing level of centralization in the entity and at the same time refuses to delegate some of its authorities and responsibilities to the state level. The Federation is trying to get more authorities from the cantons, and
- the state, supported by international community, is trying to centralize some functions at the state level.

This means that in Bosnia and Herzegovina we have a very turbulent situation where the forces of centralization and decentralization are divided. The same levels of authority are at the same time conducive to the centralization and in some cases to the decentralization. Usually their position depends on the nation or the political party they represent.

Bosnia and Herzegovina, as a very complex post-war country, is now at the crossroads. Political forces have to decide how to make the country functional with a sustainable level of centralization of different functions, authorities and responsibilities, having in mind at the same time that decentralization is a necessity.

At the same time the war trauma still exists and the forces that do not want to create a functional state but to keep the status quo are still very powerful. This year Bosnia will join the Council of Europe and implement the decisions of the BiH Constitutional Court related to the equal treatment of the constitutive nations at all levels of authority in Bosnia and Herzegovina. This year will mark the first four years that the elected representatives will be in power in Bosnia. All this gives some reason for optimism that Bosnia, its authorities and its people will choose between centralization and decentralization.

Decentralization from the viewpoint of local self-government - structures and experiences of the administrative reform in East Germany

1. Decentralization of Administration in Germany on the Basis of Federalism and Local Self-Government

1.1. Decentralization and Deconcentration in the Federal State

The Federal Republic of Germany is a Federal State (article 20, paragraph 1 of Basic Law) with a very strongly pronounced local self-government (article 28, paragraph 2 of Basic Law). Such structure of the State is the basis for a high degree of decentralization of the administration in Germany.

Decentralization means to transfer administration competences from the (Federal) State to independent administration bodies. It is significant that fundamentally there is no hierarchic relationship between the Federal State authorities and the other authorities. This form of vertical decentralization can also be described as vertical separation of powers. With these terms one can describe in Germany the distribution of administration tasks on the Federation, the states (Länder) and the communes.

This has to be distinguished from the vertical deconcentration, which means that a subject of tasks divides a task, to which he is entitled, according to regional aspects on different administrative steps. Such is the case with Germany for example where the Federation is entitled to administration of work. For that, there exists as the central authority the Bundesanstalt für Arbeit (Federal Institute for Labour - superior authority), that is only at one place, some labour offices of the states (Länder) for the federal states (intermediate authority) and in the cities single labour offices (lower authority). All of them are deconcentrated federal offices; there exist rights to issue authority from above to below.

Basically the federal states (Länder) have the right to legislation (article 70, paragraph 1 of Basic Law). Only in certain cases, which are mentioned in Basic Law, the Federation has exclusive or concurrent legislative power (article 73 to 75 of Basic Law).

The statutes of the 16 single federal states regulate the other fields of law. That applies for example to the field of schooling, police, life-saving operations and protection against fire, the administrative procedure and the administrative organisation in general.

Basically, the states (Länder) are also in charge of the administration (article 30 of Basic Law). That is self-evident for the fields, where they also have the right of legislation. In these fields naturally also the states (Länder) execute the statutes and transfer their execution respectively to the counties (Kreis) and communes. But also in the numerous fields of federal legislation (see article 73 - 75 of Basic Law) the states (Länder), in principle, execute federal statutes pursuant to article 83 of Basic Law.

Apart from that, there are cases of a Federation-owned administration (for example forced arms, aviation, waterways and shipping, long-distance highways) and also mixed forms.

1.2. Local Self-Government

The decentralized administration order does not only consist of the Federation and the states (Länder). In Germany there exist more than 13.000 communes. They have the right to local self-government: according to article 28, paragraph 2 of Basic Law, the communes must be guaranteed the right to regulate, on their own responsibility, all "the affairs of local community" within the limits set by statute. This right is a fundamental element of decentralization in Germany.

The principle of local all-competence encompasses the right, to handle, on their own responsibility, all administration tasks that fall under territorial application of the communes, unless the State has reserved the right per statute to fulfil certain tasks by itself or has assigned them to other subjects of tasks. Accordingly also the constitutions of the single federal states (Länder) describe the tasks of the communes only by general clauses but not in detail. The communes can therefore also undertake at any time new, so far not realized public tasks within their field.

The tasks of self-government are partly undertaken voluntarily, that means the communes decide by themselves whether they act at all. That applies for example to the communal economic promotion, the operation of public utilities, the creation of a public traffic system, the setting up of social institutions, the work of culture, the setting up of communal savings banks or the promotion of for example residential construction and of sports clubs.

The compulsory tasks have to be distinguished from that. The communes do not decide whether they undertake the tasks, as they are obliged to them by statutes. Part of them is road construction, protection against fire, construction of schools and nursery schools, social security and youth aid, and operation of cemeteries.

The communes complete these self-government tasks having sole responsibility; that means they decide on how they will act within the framework of statutes. In this context, they are not bound by technical instructions, but are subject to supervision limited to the question of legality of administrative activities by the states (Länder).

Restrictions of this all-competence are given insofar as the states (Länder) hold the right to determine kind and extent of self-government. The Federation and the states (Länder) can assign to the communes per statute new tasks or deprive them of tasks. In this context, the central field of self-government may not be infringed; the local self-government may not be limited in such way that it is undermined in its inner part.

In order to be able to come up to their tasks, they are guaranteed certain sovereign rights of powers:

- Territorial sovereignty (all premises, enterprises and inhabitants within the communal territory are bound by the sovereignty of each commune).
- Organisation sovereignty (the communes determine the organisation of the administrative machinery).
- Personal sovereignty (the commune determines itself within a legal framework the number, selection, advancement and dismissal of their personnel).
- Planning sovereignty (the commune creates the communal territory by itself, that means it determines by land development planning and construction planning, which areas are to be used and how and where what may be built).
- Financial sovereignty (the communes determine by themselves within the framework of the source of revenue which the State left to them, the revenue and spending and carry out on their own responsibility the budget management and administration of assets. From that, there arises also the right to an appropriate financial endowment).
- Tax sovereignty (it is very strongly limited: the communes fix only the rate of assessment of the property and trade tax and the rate of certain consumer and expense taxes - for example the beverage tax and dog tax - to which revenues only the communes are entitled and they receive a special part of the tax on revenue, corporation tax and value added tax, which are collected by the State).
- Statutes sovereignty (the communes can release by themselves legal provisions in from of by-laws, for example when trash fees and adjoining property costs are charged, in case of call to pay communal taxes, in case of arrangement of constructions, in case of directive of compulsory connection and use to main services for communal institutions.)

Apart from their own tasks, the communes also fulfil tasks, which the State transferred to them for fulfilment according to State directives. These are among others particularly tasks of order in the field of trade, traffic and rescue, administration of health and veterinary, passport and registration matters, matters of registration of birth, marriage and deaths, matters of aliens, school supervision, participation in elections for the Bundestag (parliamentary assembly) and the Landtag (parliamentary assembly of the Länder).

These tasks are mostly realized only in the 117 towns, which do not belong to a county (Kreis). Otherwise these are the tasks, which are handled by the 306 counties (Kreis).

The counties (Kreis) have a complicated multiple function. First of all, they also have the right to self-government and realize the voluntary and compulsory self-government tasks, as far as they are of supralocal nature, that is if they exceed in their relevance the region of several communes which belong to a county (Kreis - for example with the construction of county roads, promotion of regional tourism, construction of bigger schools, maintenance of hospitals, waste disposal, environmental protection). They secondly carry out tasks transferred by State, for all communes, which belong to the county (Kreis).

Thirdly, the counties (Kreis) are working also as the lower state administrative authority of the states (Länder) in certain fields. One calls it also "organ loan", the administration of the state (Land) "borrows" the administrative organs of the county (Kreis). In this case, the civil servants fall under the purview of professional and administrative supervision and the directives by civil servants at higher levels. It is a form of deconcentrated state administration. Some (bigger) federal states (Bundesländer) are furthermore divided within the framework of deconcentration below the state (Land) level (higher administrative authority) also in administrative districts (middle administrative authority), which fulfil certain tasks for their region.

2. Structural Reforms in West Germany before Reunification

Already decades ago, in the Federal Republic of Germany there occurred fundamental changes, in order to make of the communes efficient administrative units. Many communes were too small and no longer able to cope with the tasks assigned to them. New tasks of the totality of services for the public were added, there were considerable coordination problems in the highly urbanized regions around the big cities.

Therefore, between the years of 1965 and 1979, there were taken out in all federal states (Bundesländer) territorial reforms, where the number of counties (Kreis) was reduced by merging, the borders were newly cut and above all many communes were merged or included in the communes within the bigger cities. Apart from that, there were created new forms of cooperation of the communes, where the communes remained politically independent, but formed a common administrative apparatus and, apart from their own counsel, additionally a common political decision-taking body.

In the course of these reforms, the total number of cities and communes decreased in West Germany from around 25.000 to 8.500.

With some delay, there were initiated, apart from the new territorial order, an also functional reform; that means a new allocation of tasks and competences on the different administrative levels according to standards of nearness to citizens, efficiency and economy. This process is still going on till today. Concretely, it is especially the case of shifting tasks from the higher or middle level of state (Land) administration to the counties (Kreis) and communes, the incorporation of special state authorities into the administrative authority of the county (Kreis) and the shifting of certain public intense tasks from the county (Kreis) to the communes that were enlarged after the territorial reform.

For some years, there has become visible a new trend of regionalization. Especially in the region of big cities there are being created new structures of decision-making, where the borders between the city and the surrounding counties (Kreis) are surmounted. This is considered as necessary, in order to be able to realize common interests for example in location competition in a more efficient way and to be able to decide on planning for a larger region and to solve better the specific problems in the city-region-relationship. There are examples in Frankfurt, Stuttgart and Hannover. There are every time more forms of cooperation among counties (Kreis), where the county borders are exceeded, for example to be able to run cost-intense institutions commonly in a more efficient way. Examples are a partition of tasks in the field of waste disposal and the common management of a rescue central point.

3. Administration Reforms in East Germany

After reunification an immense task was to be coped with in the building up of an effective, in accordance with the rule of law, citizen-near and economical administration in East Germany.

The initial situation is presented here only in short lines: In the GDR there did not exist any decentralization. The basis of state and administration was the "democratic centralism", i. e. the central decision of all basic questions, the liability of these decisions for all subsequent organs and the demand for a severe state and party discipline. There did not exist any states (Länder) in the GDR, the GDR government dissolved them in 1952. The state power was regarded as a unity. Accordingly there existed mirror-inverted administration apparatus with straight directive rights from above to below and relationships of subordination on state level, in the districts, the counties (Kreis) as well as in the cities and communes.

Moreover, there is such territorial structure, that it is divided into smallest parts. In the Federal Republic of Germany there existed with about 60 million inhabitants in 1989 around 8.500 cities and communes. In the GDR with only 17 million inhabitants there were more than 7.500. Almost three quarters of that

(73,5 %) had less than 1.000 inhabitants. These figures already make clear that deep-reaching reforms became necessary to create an efficient decentralized administration.

3.1. Territorial Reform of the Counties (Kreis)

As early as before reunification, on the territory of the GDR the five States (Länder) Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt and Thuringia had been newly formed or refounded. These entered then the Federal Republic of Germany.

In 1990, in all these states (Länder) there started the territorial reforms on level of the counties (Kreis), which lasted totally until 1993. The counties (Kreis) built in GDR times were too small, to be able to form efficient administrative units. There were 189 counties (Kreis) with only 57.000 inhabitants on the average. The surface was of about 557 square kilometers. As comparison: in the much bigger Federal Republic there were less than 240 counties (Kreis) with an average of 169.000 inhabitants and an average surface of almost 1.000 square kilometers.

Thanks to the territorial reform of the counties (Kreis), which started in the year of 1990, the number of counties (Kreis) was almost reduced to a half. After the territorial reforms, the remaining 86 counties (Kreis) had in the East German federal states (Bundesländer) an average number of inhabitants amounting to 122.000 and an average surface of more than 1.200 square kilometers. With these average figures, one has to consider that there were in single cases considerable differences. So for example in Saxony the smallest county (Kreis) had 80.000 inhabitants, the biggest 205.000.

With the reform, one proceeded from very different guiding figures. In some states (Länder Thuringia and Mecklenburg-Western Pomerania) one had fixed before the new cut of the borders a minimal size of 80.000 inhabitants, while in other states (Länder) the guiding figure was with 150.000 inhabitants. Regarding surface, they fixed a maximum limit of 2.500 square kilometers.

Another important criterion with the territorial cut of the new counties (Kreis) was for example the following: they were to enable an internal equalization of resources and burdens, i. e. to unite into a county (Kreis), if possible, economically and structurally strong communes and weaker ones.

This is especially important in the region of bigger cities. Experience in West Germany has shown that burden and utilization in such agglomerations are being unequally distributed in the course of time. While the big city has to bear the burden for sports- and recreational facilities, means of public transportation, schools and due to environmental pollution caused by traffic and industry, the well-earning citizens rather take their place of living in rural, surrounding small cities and villages, where there are cheaper real estates for an own house and less noise and dirt. Thus their spending power and their taxes go into these surround-

ing communes. A region with many such wealthy communes around a bigger city is therefore often also called the "bacon belt". Therefore, there was paid attention to the fact to impede the creation of "collar circles" around the bigger cities. Instead of that, a county (Kreis) should consist of wealthy communes that are situated near the city as well as the further away located ones and structurally weaker communes. Another way to help weak communes in the framework of such territorial reforms is to transfer the headquarters of a district administration with several hundreds of employment places and the corresponding prestige to that place.

3.2. Communal Administration Reform and Communal Territorial Reform

3.2.1. Example Saxony

On the level of communes the above described problem of the numerous too small communes was, for the moment, in most federal states (Bundesländer) not solved by territorial reforms. Only in Saxony there was executed a comprehensive territorial reform also with the communes. That began in 1994 and was not completed before 1999.

One followed different methods with that. As basic point one had determined that an independent commune should have at least 1.000 inhabitants. Therefore, in many cases, several communes were merged into a new unitary commune. Thus the number of independent communes was reduced to around one third of the original number. Only some of the new communes were big enough, however, to be able to build an administrative unit with an own full-time administrative apparatus. For that, 5.000 inhabitants were determined as minimal size. For that purpose, the communes in question were merged to so-called administrative unions or administrative communities, where the single communes remain independent (i. e. each has an own counsel and a mayor, in an honorary capacity in most cases), but maintain a common administrative apparatus.

The already hereabove described problem in the region around the big cities had aggravated in East Germany even more and in a special way. For many surrounding communes had erected very quickly too big new building regions and industrial regions, where large shopping malls were constructed. Thus they had advantages in the competition for plant siting and impeded a revitalizing of inner-city centers. In order to escape this danger, many communes in the region of bigger cities were incorporated into the commune, i. e. they lost their independence and became part of these cities.

Of all these reform measures in Saxony, only 25 % had to be implemented by aid of a statute. In 75 % of the cases, the communes submitted themselves to objections of the reform after persuasive power and negotiations and they contracted under a public law. Thus, the part where the problems with the reforms in East

Germany are solved on a voluntary basis is considerably higher than it was with former territorial reforms in West Germany.

Legally regarded, one has to stress that the right to self-government does not guarantee the existence of a commune: the states (Länder) are free to incorporate per statute several communes or parts of it into a new communal territorial corporation. The communes had the right to defend themselves before the courts against the measures of the territorial reform. In Saxony though only two out of 85 lawsuits were successful. In the other cases the courts approved the coercive measures.

3.2.2. *The other States (Länder)*

In the four other states (Länder) the number of the communes was reduced only to a clearly smaller extent by merger. There was no comprehensive communal territorial reform, but a communal administrative reform. There they left to the communes their independence, but merged them to administrative communities, which had not existed before. So, in the new states (Länder) the number of administrative units was reduced from almost 5.700 to 1.530, out of these there were 678 administrative communities (of which make part in total more than 4.800 independent communes), 826 unitary communities with full-time administration and 26 county (Kreis) free cities.

3.2.3. *Example Brandenburg*

In the states (Länder), however, which had renounced of a comprehensive communal territorial reform, the results were soon felt as unsatisfying. There was still this high number of very small independent communes. In Brandenburg, more than 77 % of all communes had less than 1.000 inhabitants. These smallest communes are not in the position to maintain communal institutions like primary schools, nursery schools, sports halls and libraries or these are not sufficiently used and inefficient.

In the year 2000, they therefore started in Brandenburg a communal territorial reform.

This reform goes on in two phases. In the year 2000, the state's (Land) government had developed guidelines for the territorial reform, which was adopted by the Landtag (Parliament of the Land). After that the communes have time within phase 1, which is by 31 March 2002 to voluntarily merge into bigger communes. Such voluntary mergers are going on under financial aid of the state's (Land) government. After that, the results will be assessed and if necessary the Landtag will decide on the coercive merger of further communes (phase 2). Presently, that is by the end of the voluntary phase, there are daily taking place mergers of communes.

Objection of the reform is the creation of strong communes and administrative communities (authorities) with sufficiently efficient member communes. For

that, several models were developed; there exist various recommendations for the differently structured parts of the state (Land) to create new administrative units.

The authorities (that is the Brandenburg form of an administrative community) should contain between three and six communes and have at least 5.000 inhabitants. No commune should have less than 500 inhabitants. Before the reform had taken place, there existed more than 860 such very small communes. The communes not belonging to an authority (authority - free communes, they maintain an own full-time administrative apparatus) should have at least 5.000 inhabitants, in densely congested areas more.

An "authority" (Amt) is a corporation of public law, which consists of several independent communes. The authority (Amt) has no territorial sovereignty, however, this remains with the single communes. The authority (Amt) does not either have the right to overall competence; its tasks are clearly fixed by law. There is no directly democratically legitimated organ, but an authority committee, which is occupied with the counsels of the single member communes. The authority (Amt) ought to assist the communes in their administrative work, for that it runs a full-time apparatus. There, they prepare the decisions of the counsels in the communes that belong to the authority (Amt) and execute them. There, they provide also for the cashkeeping and prepare the budgetary planning of the single communes. The single communes do no longer have a full-time mayor, but an honorary mayor is representing their interests. The right to decide on their own matters remains with the counsels of the single communes. The work of the authority (Amt) administration is financed by a contribution, which is levied on communes' members of the authority (Amt). There are three possible variations for the organisation:

- the communes merged into an authority (Amt) form a common full-time administration
- the communes make use of an already existing full-time administration of a commune that belongs to the authority (Amt)
- the authority (Amt) does not run an administration of its own, but makes use of an administration of a sufficiently big commune, which does not belong to the authority (Amt).

In Brandenburg, 64 % of the inhabitants lived even before the reform already in administrative structures, which are regarded as sufficient. By the end of the voluntary phase of the territorial reform there will further 25 % of the inhabitants live in communes und administrative communities, which are efficient enough. The state's (Land) government reckons with the fact that this would have to be realized compulsory for further 6 to 11 % of the inhabitants.

Territorial changes are regulated by a contract between the communes, which has to be authorized by the state's (Land) government. In communes, that on

occasion of merger of several communes lose their independence, there has to be implemented a referendum.

Also in Saxony-Anhalt, there is to be taken out a territorial reform. There exists the plan for that state to create communes of the minimum size of 7.000 inhabitants with own full-time administration, an administrative community of 10.000 and a commune of at least 1.000 inhabitants.

3.3. Functional Reform

A decisive pillar of a functioning decentralization is the determination of the material and local competence of an administrative office (competence). The decentralized administrative units have to be assigned with tasks and they have to possess the necessary jurisdiction to be able to fulfil these tasks. The delimitation of the competences has to be effected both in material view (that is a description of which tasks are being exercised) and regarding the question, for which territory the task is being exercised. The assignment of such competence to an authority means in the result that no authority may act outside the territory assigned to it or outside its material field of tasks and that the act of the administration may not be determined by strange forces, as for example parties, churches, trade unions or business enterprises. The responsible authority is solely entitled and obliged to act.

Only after setting up efficient administrative units by the county (Kreis) territorial reform, there could in East Germany since 1994 have begun the functional reform. The functional reform is going on very slowly and is a permanent task; in Saxony and Saxony-Anhalt they presently set up plans to be realized by the year 2004 and 2008 respectively.

3.3.1. Communalizing State Tasks

The most important field in this context is the shifting of state tasks to the counties (Kreis) (communalizing of tasks). In the new federal states (Bundesländer) the setting-up of a state's (Land) administration had been effected with high speed and little order and was strongly influenced by the question from which West German federal state (Bundesland) that assistant came, who helped the setting-up of the administration. A result of that process was the existence of numerous special authorities, which arose apart from the general administration of the state (Land) and in the communes for example for the fields of woodland, environment, agriculture, school, road construction, surveying.

In order to be able to take out a shifting onto the counties (Kreis), the special authorities have to be incorporated into the general administration of the counties (Kreis). The results of these trials were so far unsatisfactory. So there is

a considerable delaying resistance of the technical administrations that defended their tasks and competences.

The interests of the affected highest state's (Land) authorities and also political interests are often opposing to a really comprehensive transmission of tasks on the counties (Kreis). In Saxony for example a staff of government's experts prepared a catalogue of 150 tasks, which could be communalized or privatized. After all ministries had expressed their opinion on that, the state's (Land) government could only agree in a disappointingly small part of that list. So in the end, the state's (Land) government found it made only sense to transfer on the counties (Kreis) the following fields: the chimneysweeping, the fixing of refund amounts for archeological excavation, tasks for the protection of certain kinds of animals and plants as well as some very specific tasks in the field of motor vehicle licensing.

The communes had wished themselves a considerably stronger shifting of tasks, so that there could be created a more favourably priced, more efficient and citizen friendly administration. They ask for example also for a transfer of the following tasks from the state's (Land) government to the counties (Kreis) and county free cities: declaration of monumental protection and nature conservation regions, fishing rights, cut of the registry office districts, certain permits and tasks in the field of craft trades, forest supervision, immission protection (protection against harmful effects on the environment through air pollution, noise, vibrations and similar factors) and waste law as well as the grant of public funds for the promotion of different activities: for example building of sports grounds, education of unemployed people, investments in ambulant care institutions, aid for handicapped people, animal protection.

3.3.2. Shifting of Tasks on Communes Belonging to Counties (Kreis)

Shifting of tasks to below is also being discussed in the form that tasks which so far have been realized by the counties (Kreis) now are assumed by the communes belonging to counties (Kreis).

The communes ask for such shifting of tasks for example to prosecute administrative offences (administration fines), for the construction supervision, the erection of traffic signs and tasks in statutes governing restaurants and trade law. But the communes also request that the principle of connectivity be respected, that means that the commune has to receive corresponding financial means for tasks newly transferred to the commune. Additional costs for new personnel have to be equalized. Apart from that, the functional reform may not be used for shifting personnel onto the communes, who are no longer required in state authorities. A functional reform with a shifting of tasks to below on counties (Kreis) and communes has to be connected with a new order of financial relationships between the state (Land) and the communal level.

3.3.3. Objective: Reduction of Staff

Another important objective of the functional reform is the reduction of staff. The states (Länder) in East Germany assumed from the state's service of the GDR huge staff bodies. In 1991, the five East German federal states (Bundesländer) occupied in total more than 500.000 staff members and that corresponds to 30,2 employed persons per 1.000 inhabitants, on the average. As a comparison: in West German federal states (Bundesländer), the average was at 24,85 %. By 1999 the administration personnel of the East German States (Länder) was reduced by 16 %. That is still a little if you compare it with the dismissal of staff in the counties (Kreis), the cities and communes. On communal level the reduction of staff amounted in East Germany from 1991 to 1999 to almost 50 %.

4. Concluding Thesis and Results

- A strong local self-government is an unrenouncable precondition for a successful decentralization of the administration.
- An efficient local administration presupposes a sufficient size of the administrative units, a territorial structure, adapted to the economic circumstances of the region, a comprehensive existence of tasks to be fulfilled on own responsibility and the disposition of the necessary legal and financial means to fulfil the tasks.
- In all East German federal states (Bundesländer) the creation of big enough administration units at supralocal level (counties - Kreis) was regarded as priority.
- On the level of the communes, there was first of all advanced in the most states (Länder) a communal administration reform by creating different forms of administration communities and renounced of a comprehensive territorial reform.
- The communal administration reform of the 90s was not sufficient. There will take place such a territorial reform as in Brandenburg also in other states (Länder). Thereby, there is a high discernment by the affected communes for the necessity to create bigger administrative units; the possibilities of voluntary mergers are used intensely.
- A comprehensive functional reform is opposing to the interestes of the former subjects of tasks and affected by the necessity of a new order of financial relationships between the state (Land) and the communes. The functional reform is therefore successful only very slowly and in small steps.

Literature

Vogelgesang/Lübking/Jahn, Kommunale Selbstverwaltung, 2. Auflage, Berlin 1997

Erichsen/Martens, Allg. Verwaltungsrecht Derlien, Hans-Ulrich (Hrsg.), Zehn Jahre Verwaltungsaufbau Ost - eine Evaluation, Baden-Baden 2001

Cronauge/Lübking, Gemeindeordnung und Amtsordnung für das Amt Brandenburg, Berlin 1992

Zlata Ploštajner

Administrative Decentralization

Introduction

Decentralization is a very popular term, even something of a prophet word, when understood as opposed to centralization as an universal cure. Instead, it should be carefully analyzed and evaluated since it has not only benefits, but also shortcomings. Decentralization and centralization should not be seen as opposites but rather as complementary, where the real question is the question of the level of decentralization due to the specific circumstances of a particular country.

Benefits that decentralization can bring are often used as arguments for decentralization. Supporters argue that decentralization:

- Promotes citizen participation,
- Provides better responsiveness to citizen concerns and needs,
- Represents counterweight to the authoritarian state,
- Gives an opportunity to experiment with new structures and policies,
- Provides for greater effectiveness and efficiency in service delivery,
- Creates a sense of community, and
- Links civil society to the central state.

The underlying principles of decentralization is a subsidiarity principle, which requires that every competence lies where it can be relevantly wielded, and that taking into account political dimension decisions should be made at the level closest to the ordinary citizen. Organizational interpretation of the principle of subsidiarity requires that a higher entity should not take over the functions that can be satisfactorily performed by a lower entity and decision-making by the upper levels of the political bodies should be limited. According to the economic understanding of the subsidiary principle, the provision for any given public service should be assigned to the lowest level of government (or jurisdiction) that allows for full internalization of the benefits (and costs) associated with that service. Assigning expenditures according to this principle allows for local variation in the service levels to be best suited to local variation in the matter of preferences.

Since decentralization is a broad concept it has different dimensions. When we think about democratic decentralization at least political, fiscal and administrative dimensions should be stressed. In this article the administrative decentralization is addressed, since administrative constraints are important limitation to decentralization. The most compelling is the need to synchronize

the elements of reform. Revenues must be decentralized in accordance with the responsibilities they are meant to finance. Arrangements must be made for the transfer of central government staff and assets and new functional relationships between different levels of government have to be defined. Administrative relationships between different units of the central government must be converted to relationships between different levels of government.

What is administrative decentralization?

Most authors agree that administrative decentralization deals with the redistribution of authority, responsibility, and financial and other resources for providing public services among different levels of government. It includes the transfer of responsibility from central administration and its agencies to lower levels and organizations, such as field units of central agencies, subordinate units or levels of government, semiautonomous public authorities or corporations or area-wide, regional or functional authorities.

This transfer of responsibility relates to different functions, which can be decentralized:

- a. Planning,
- b. Financing,
- c. Management of services, and
- d. Performance of service.

Decentralization process can include only one of them or any combination of them and even all of them at once.

Administrative decentralization takes many different forms depending on specific situation. Forms of administrative decentralization can be:

1. Changing the territorial structure of administration,
2. Changing functions, and
3. Changing organizational structures and management practice.

Types of administrative decentralization

Types of decentralization differ and have different characteristics. The main three types are deconcentration, delegation, and devolution, which express different degree of decentralization. Deconcentration is the weakest form of decentralization since it is limited to redistribution of responsibilities among different levels of central government, while decision-making authority stays with central government. Deconcentrated units remain vertically subordinated to central authorities and the vertical hierarchy of the system remains untouched. Since deconcentrated units are closer to the field of their operation, they act with

better knowledge of the situation, can better communicate with the parties involved into the operations and are better disposed to implement administrative decisions.

Delegation is more extensive form of decentralization since responsibility to carry out specific delegated tasks is transferred to semi-autonomous organizations (like special service districts, public enterprises, etc.) not wholly controlled by the central government, but accountable to it. They are granted certain level of responsibility for decision-making, so these organizations have certain discretion in decision-making. Quite often they are allowed to charge users directly for the services they provide. To provide for greater managerial discretion they are also quite frequently exempt from tied regulation of civil service personnel.

Devolution represents the highest level of decentralization, since it gives full responsibility for decision-making, financing, management and performance to lower levels of government. Therefore, the whole authority for decision-making, finance and management is fully transferred to autonomous units of local government, usually municipalities or regions as a form of local government. With respect to devolved functions local and regional governments can act on their own behalf, without recourse to higher authorities.

In practice most countries have (and should have) a mix of deconcentrated, delegated and devolved functions.

Changing the territorial structure of administration

An important question, which needs to be addressed at the every beginning, is the appropriate size of territorial structures of local government for effective service delivery, and consequently decentralization. This question has to be debated together with the question of the role of territorial structures. The challenge for countries is to find stable structures of government that are politically acceptable and at the same time help to promote efficient and effective provision of public services. Administrative decentralization is therefore a search for an optimum vertical territorial structure of government and for optimum government areas with respect to their functions and services they deliver. Institution of government has to be designed to act at different geographical levels or tiers. They are multi-tiered structures; often acting at national, sub national and local levels since the service provision requires close cooperation. Of critical importance is that measures to reform government structures clearly take into account the appropriate scale for key services and that roles and responsibilities are set out as clearly as possible.

However, there is no model that can be followed and no universal solution to these issues. Still, there are some general rules that can be taken into

consideration when dealing with the question of size and role of territorial structures of local self-governments. First, the size of the lowest level of government varies significantly among countries. Countries, which have very small local governments, face the potential for service delivery that is fragmented and inefficient. Small local governments often lack the capacity to manage and perform all the functions assigned to them. At the same time many authors argue that smaller governments allow for greater participation and accountability and may be politically desirable. In some countries the solution pursued is to compulsory aggregate smaller localities into larger ones, so they are of a sufficient size to provide their assigned functions effectively. In other countries where aggregation is not politically possible, municipal associations or common administrative districts with joint administration are sometimes created to perform common roles, but clear incentives are needed for the associations to be able to function effectively.

Changing territorial structures in Slovenia

In Slovenia, the question of appropriate size of territorial units has been discussed since its independence, when the reform of local self-government came as political agenda. Different studies have been undertaken and many political forums discussed the issue.

The Law on Local Self-Government defines two types of criteria which municipality must meet:

- The number of inhabitants (at least 5 000 inhabitants, although some exceptions are allowed for specified reasons, like geographical, historical, etc.);
- Provision of certain services (primary education and health care, essential goods, postal services, library and other municipal services and disposal of the premises for local community administration.

The law sets special criteria for establishment of urban municipalities, which may be allocated specific duties and functions relating to urban development. A municipality, which wants to acquire this status, must meet the following criteria:

- Represent a unified geographic area, where the people in the periphery commute daily into the center;
- Have at least 20 000 inhabitants;
- Have at least 15 000 jobs, of which at least half must be in tertiary and quaternary activities;
- Its central city must be a geographic, economic, and cultural center of its gravitational area;
- Guarantee provision of different services (vocational schools and colleges, university college departments and faculties, a hospital, a network of civil services, a telecommunications center, university and special libraries, speci-

alized information documentation centers, cultural activities (theatres, museums, archives), local radio and television stations and press, sport and recreation areas and facilities and scientific and research activities).

As a result of the reform of the local government system, the number of municipalities has tripled since 1991, increasing from the previous 62 communes to 147 municipalities in 1994, and to 192 in 1998 (eleven of them are urban municipalities) with an average size of 137 sq. km (ranging from about 25 sq. km for the smallest one to over 500 sq. km for the biggest). However, half of the municipalities have less than 5000 inhabitants and they often lack the financial resources and administrative capacity to perform their functions successfully.

At the moment, there are some 50 proposals for establishment of new municipalities under consideration in the parliament. But the attitude of the parliament has changed, and the responsible parliamentary committee gave its support to only one new municipality, since other proposals did not meet the stated criteria. The final decision has not been made yet, since proponents of new municipalities decided to take the parliamentary decision to the Constitutional Court, arguing that they should be treated the same as proponents of new municipalities in 1998, when the parliament in many cases had not respected the above mentioned criteria.

The appropriate size of the regions is also a hotly debated issue in Slovenia, on which there is little consensus. There exist in Slovenia, for internal purposes, many types of "region" with different definitions relating to specific target issues (Gulič, 1993). For instance, there are bio-geographical regions (7), climatic regions (4), water management regions (8, one per major watershed), architectural regions (typology; 14); and functional regions: for forestry (14), for fishing (9), for hunting (18), for nature protection (7), for environmental inspection (9), for health services (9), for education (9), for the telephone service (11), for the courts of justice (8), for Chambers of Commerce (13), statistical regions (12), etc. These different types of regional definitions have grown up partly due to the different aspects of the problems to be addressed and partly due to the lack of agreement on the formation of appropriate general-purpose regional units. At the same time the rationalization of state administration is also needed, however, the state has decided to wait with its own territorial administrative reform until the second tier of self-government is introduced. The idea is that the territorial reform of state administration should follow a pattern of the second tier of local government.

Proposals for regionalization of Slovenia differ a lot, from some proposing only 3 or 4 regions to others proposing as many as 28 regions. There is also a proposal for establishment of two regional tiers, 3 to 8 macro-regions with many sub regions.

The region should constitute the main institutionalized form of co-operation between municipalities, as the region should be set up on the basis of the municipalities' decision, including the powers, organs and resources. The legal framework for the voluntary establishment and operation of regions is defined by the Constitution and implemented by the provisions of the Law on Local Self-Government. According to the law, local authorities are called upon to co-operate among themselves on the basis of free will and solidarity. For this purpose, they may collect funds and designate common bodies, organizations and services for the performance of common duties. They may also form communities or joint authorities for the performance of tasks of common interest.

Nevertheless, regions have not yet been set up, since the real political will has been lacking. To overcome these obstacles, proposals for a change of the constitution are in parliamentary procedure, which will allow state to form regions by its own decree. Once these amendments are enacted, the setting up of regions will become obligatory, as a multi-purpose form of co-operation, entrusted with matters of common interest exceeding the local capabilities.

For development purposes statistical regions have been used. Every statistical region has formed its own Regional development agency and council, which are main organs responsible for regional development. Regional development agencies are also in charge of preparing regional development programs and they are in charge of carrying out development activities within regions.

Changing functions

Transfer of the functions from national to lower levels of administration is a necessary aspect of decentralization. This transfer requires careful evaluation of all functions to figure out which are amenable for transfer. It is a combination of efficiency and effectiveness supervision that examines the functions and structures of state agencies or budget entities and checks whether the functions need to be done at all, whether other agencies or actors could do them more efficiently or effectively, and what are consequences for the structure as a whole.

However, the transfer of functions is not enough. When evaluating decentralization process the political accountability of sub national governments have to be taken into consideration. If regional and local governments remain accountable mainly to higher levels of government rather than to their electorate, this suggests that activities undertaken at those levels remain deconcentrated and perhaps delegated but not truly decentralized. Real decentralization requires autonomous local and regional governments that are politically accountable to their voters.

Changing functions in Slovenia

In Slovenia, the municipal authorities are directly elected and responsible to their electorate. In accordance with current legislation, municipalities are responsible for three sets of tasks:

- Their own local public affairs (which can differ from one community to another),
- Local public matters defined as such by central government through the sectors of national law;
- Tasks that have been transferred to them directly from the state competencies.

The Law on Local Self-Government clearly defines the exclusive local competencies. In detail this can mean that the municipalities are responsible for:

- Management of community assets,
- Provision of favorable conditions for economic development,
- Provision of social housing,
- Advancement of social care and child-care services,
- Regulation and maintenance of water and power supply facilities,
- Protection of air, soil, and water resources,
- Protection against noise,
- Provision of waste collection and waste disposal in urban municipalities,
- Preservation of natural and cultural monuments of local interest,
- Provision or development of all kinds of social services and activities (education, culture, tourism, information, sport, etc.) in line with central government policy,
- Construction and maintenance of local roads and public spaces, etc.

This list is, nevertheless, non-exhaustive.

After the introduction of new municipalities, the Law on Assuming State Functions¹¹, allocated to the State all administrative competencies in areas where ministries were introduced and which were under the jurisdiction of previous communes. The law was challenged before the Constitutional Court¹² and certain competencies were returned to municipalities (military cemeteries and funerary sites; traffic including vehicle regulation, municipal roads, traffic signs and parking; transportation; land use, including planning permit documentation, land use and the use of public areas of local interest)¹³.

In addition to these competencies, urban municipalities allocated additional responsibilities in the field of housing, including the keeping of housing registers,

¹¹ Official Gazette of the Republic of Slovenia, No. 29/95.

¹² Decree No. U-I-98/95, Official Gazette of the Republic of Slovenia, No. 44/96.

¹³ Law on the Graves and Burial Grounds of Soldiers, Law on Roads, Law on Road Traffic and Law on Settlement Planning and other Spatial Interventions.

regulation and supervision of rent contracts, management, authorization for the performance of certain activities in apartments, monitoring the level of rents and inspection¹⁴.

Changing organizational structures and management practice

Organizations and institutions develop slowly and are not easily changed. Heterogeneous public sector environments allow a large number of different organizational forms to emerge. Effective decentralization presupposes a broad set of institutional structures that did not exist under the old system and these take time to develop. Indeed, it requires complementary settings in institutional arrangements for intergovernmental coordination, planning, budgeting, financial reporting, implementation and evaluation.

At the same time, if decentralization is to be effective, it is necessary to strengthen organizations and institutions of lower levels of government. Some aspects of this, such as increased political autonomy through direct elections, are political, other areas, however, such as changing organizational structure, improving information flow, increasing transparency and strengthening civil service and the participation of citizens, which are the domain of administration, may also help to build a solid foundation for more effective decentralization. Without such improvements there is little possibility for successful decentralization.

Especially important is information, which can play a leading role in improving transparency and supporting accountability, both generally, and more specifically, at the local level. Different forms of information flow such as public availability of information, public hearings, provision of information over the Internet are the tools that can help to hold local governments accountable. Measures to improve both information and transparency have to be important supplement to decentralization policies.

Due to multi-tiered nature of institutional structures the question of coordination and integration, vertical and horizontal, within and among administrative areas, become crucial. Especially important is system's ability to provide horizontal integration within and among administrative areas. This link may be weak due to preponderance of vertical relationships both in politics and in administration. As a consequence, a sectored perspective becomes the most important. A territorial unit is thus administered more as an aggregate of local or regional sectored outposts of individual administrative agencies, than as a complex socioeconomic organism. Improved coordination should provide for

¹⁴ Law on Expropriation and Forced Transfer of Real Property into Public Ownership and Law on Housing.

integration of sectorized interests, views and preferences and holistic approach to public issues.

Coordination problem is increased by the existence of variety of institutional structures that provide services and perform public functions, including:

- Central government,
- Regional government,
- Local government,
- Central-regional arrangement,
- Central-local arrangement,
- Central-regional-local arrangement,
- Regional-local arrangement,
- Association of local governments,
- Special-purpose local authority,
- Non-governmental non-profit organizations,
- Private sector organizations.

The whole process of service provision may require cooperation among different structures, since the process can be separated into different phases (planning, provision, production, etc.), There are many combinations which are possible from this point of view.

Decentralization can also result in different public-private arrangements. For example, services can be provided in whole or in part by the public sector but produced by the private sector. Arrangements can take different forms of public-private partnerships (like development charges, franchising, contracting out, etc.).

In certain cases it is also possible that public services are both produced and provided by private agents, sometimes in response to coercive legal requirements (compulsory provisions by developers or individuals) and sometimes even voluntarily (nongovernmental organizations, individuals, enterprises, etc.).

There are many ways to combine all these organizational structures. Moreover, different structures might be applied for policymaking, regulation, financing, production, and so on. Finally, different structures may be applied for different services and for local governments with different characteristics (size, financial capacity, and so on).

Changing organizational structures and management practice in Slovenia

In November 1997, Slovenian government approved of special Strategic Plan for Administrative Reform in Slovenia. One of the principal goals of administrative reform has been decentralization of decision-making processes and devolution of authority to lower administrative levels, resulting in a more flexible operation of the administrative system. Features of the 'new public management' such as separation have accompanied this objective between purchasers and providers,

contracts and competition, tighter expenditure control and user-focused services.

As already mentioned, Slovenia has 192 municipalities as basic units of local self-government. While they have similar political institutions (mayors, councils), they differ quite a lot in the field of municipal administration and services. Larger municipalities have their administration organized into departments and public enterprises for service provision. On the other side, smaller municipalities can afford only one or two professionals who are then responsible for whole array of municipal functions.

For certain services municipalities can give a concession (primary health-care, child-care, etc.) or make a contract with private sector. Different NGO can also participate in provision of certain services with the financial support from the municipal budget (care for elderly, disabled, etc.).

Before the reform of local government, communes also performed the state tasks. After establishment of new municipalities, the Law on the Administration introduced administrative units as territorial offices of the state administration. They are subordinated to a given ministry and manage affairs within their ministry's field of activities under the supervision of the ministry. Their basic responsibility is to decide on administrative matters at the first instance, while the competent ministry decides on appeals against the decision of the administrative unit. They also supervise the expediency of local authorities' performance of delegated state functions and the legality of local authorities' performance, even in the sphere of their own competence.

The government appoints and dismisses heads of the deconcentrated administrative units on the proposal of the minister responsible for the state administration and after consulting the municipal councils in the region where the administrative unit is organized. The head of the unit must act in accordance with the directives and the instructions of the relevant ministry that regularly reports to the competent ministry on the implementation of duties from its jurisdiction, performed by the administrative unit.

The jurisdiction of the administrative units may cover one or more municipalities and there are fifty-eight administrative units in total. In order to ensure cooperation between administrative units and municipalities, a special advisory board is set up to serve as consultative body of the head of the administrative unit. Members of the advisory board, who are appointed by the municipalities concerned, discuss questions relating to the tasks of the administrative units and may issue non-binding opinions and proposals.

Effects of decentralization on civil service

The civil service as a whole can be seen as one of the main instruments with which the government fulfills its obligations. In the context of decentralization, this tool

must often be reshaped in order to perform a new set of duties effectively, equitably and efficiently. Reform of the civil service, therefore, is the process of modifying rules and incentives to obtain a more effective, efficient, dedicated and performing public administrators in newly decentralized environment. When civil service functions and structures are decentralized, existing organizational patterns must be reorganized as roles and accountability are being shifted. However, the decision to decentralize or retain central control over human resource management (recruiting, hiring, salary-setting, etc.) depends heavily on the existing degree of sub national capacity.

According to the research conducted within the World Bank project on decentralization¹⁵, the effects of decentralization on civil service are the following:

- *Decentralization disperses power*, both geographically and institutionally by changing the location of power and jobs. Employees are moved both, geographically and across tiers of government that can affect their status and prestige. In the case of poor labor mobility special incentive programs and mechanisms for inter-post mobility may be needed in order to increase civil service flexibility.
- *Creates new responsibilities for less experienced or even inexperienced actors*, who have to learn, how to perform them. Thus, it requires specific steps to build local technical and managerial capacity.
- *Can result in dispersion of expertise groups*, which overlooks the economies of scale. Size of the unit's territory can influence its ability to provide for needed specialized personnel. For smaller units it might be counterproductive or/and cost inefficient to employ specialists or technical personnel. In addition, they also often lack needed financial or even human resources with required technical expertise to perform certain special tasks and services. One of the possible solutions is to allow and stimulate cooperation among smaller units, so they can share financial and human resources and employ them more efficiently. Forms of cooperation can differ, from associations, to districts, etc.
- *Introduces more levels into the state and can create conflict within the civil service* among different groups of civil servants which, based on the constituency they serve, may have different preferences. To settle these differences conflict resolution mechanisms should be employed.
- *Relaxes national control and provides for greater local autonomy*, thus, creating the potential for more regional variation in civil service conditions. Lower levels may be allowed to hire civil servants under local conditions and budget constraints, since national standards related to salary, eligibility, and

¹⁵ See <http://www1.worldbank.org/publicsector/decentralization/>, 1th of March, 2002

performance can lead to personnel expenditures (i.e. for locally administered education) beyond its local capacity. However, national standards and conditions of service for government employees in different regions provides for greater equality in service delivery, so grant transfer systems needs to take different financing capacity into account in all types of mandated services.

- *Can increase administrative costs* by creating additional layers of government and administration. Decentralization and transfer of tasks from the central government to local governments might reduce the central government's personnel but this is rarely the case. On the other side, the local personnel have to increase since new tasks are assigned to local government.

Civil servants at municipal level in Slovenia

There are three categories of local staff: senior administrative staff, administrative staff and technical staff.

The senior administrative staff includes the advisors to the mayor and senior advisors, appointed by the municipal council at the mayor's proposal. However they do not enjoy civil servant status. The administrative staff category includes clerks and other public staff appointed by the mayor. Finally, the technical staff category includes technical employees, administrative officers and junior clerks, appointed by the mayor.

The mayor is the head of local administration and he decides on the appointment or employment of senior administrative staff, administrative staff and expert technical staff. The mayor can authorize the secretary of the municipal administration, who is nominated by a mayor and appointed by the council, to decide on the appointment or employment of senior administrative staff, administrative staff and expert technical staff.

Concerning the status of municipal staff, the regulations on employment and salaries for state employees also apply to municipal staff. Different national laws and decrees regulate the legal status and employment conditions of municipal staff. The new legislation on civil service is under preparation that will apply to local staff, too.

The main problem at the municipal level is a lack of expertise and professional staff. While larger municipalities can afford bigger administration, which allows for departmentalization and consequently specialization, smaller municipalities have to perform the same responsibilities with only one or two generalists. Existing forms of intermunicipal cooperation in the area of service provision (water supply, care for elderly, etc.) are of vital importance for smaller municipalities since they alone would not be able to provide these services. New forms of intermunicipal cooperation are also being developed, especially in the area of local and regional development. Regional development agencies within

their professional staff and capacity are at the disposal of all municipalities forming certain development region.

In some municipalities, there are also problems due to the prevalence of political instead of professional criteria in the selection of personnel. In such cases it is impossible to build stable and professional local administration due to a high turnover after the election if the mayor is not reelected.

Administrative capacity and capacity development

For decentralization to fulfill its promises of performing its adequate administrative and professional capacity, defined as the ability to perform appropriate tasks effectively, efficiently and sustainable, is of utmost importance. Inexperienced, small local governments may not have the technical capacity to implement and maintain projects and they may not have access to training for effectively manage larger budgets and more tasks. Central government can also use "lack of capacity" excuse for refusing to transfer its authority, financial resources, and the accompanying privileges to local units, as is to certain extent a case in Slovenia.

Weak administrative or technical capacity at local levels may prevent or slow-down decentralization. It can also result in services being delivered less effectively and efficiently in some areas of the country. But the capacity of central authorities is also important, since the role of central administration changes with decentralization.

Therefore, decentralization strategy has to include programs for capacity development by which individuals, organizations, institutions and society will develop abilities to perform appropriate tasks. Programs for capacity development should be carried out at different levels, (individual and organizational, local and central, professional and general public) simultaneously. Stable and continuous local capacity should rely on institutional mechanism (i.e. competitive pay, contracting arrangements, training, etc.) in place and not on individuals who may at some point of time disengage from activities. Local government capacity can be increased also by the appropriate arrangements with civil society and private sector organizations, since their expertise can be contracted by public sector.

Capacity building has to strengthen fundamental functions that organizations must be able to perform. These functions are related to:

- Decision-making,
- Planning,
- Financing,
- Mobilization and management of resources,

- Implementation,
- Evaluation,
- Communication and coordination, and
- Conflict resolution.

The traditional approach to decentralization has been to build capacity through training and technical assistance before transferring responsibilities or revenues, but this approach has showed to be insufficient. It is difficult to expect local governments to change its performance and respond differently based solely on training and technical assistance without having a possibility to practice newly acquired knowledge and skills. It is not that training and technical assistance are useless, they are very important, but in a situation where local governments and their administrators can learn by doing. Consequently, this method needs to be supplementary to the real process of devolution, which permits practical learning by doing, because this way local governments have a real interest in capacity building and at the same time they acquire practical experience which are indispensable part of real administrative capacity.

Administrative capacity in Slovenia

In Slovenia, a mayor determines the structure of the municipal administration and appoints the municipal administration staff. There are no provisions in the law concerning the internal structure of the municipal administration. Therefore, the municipal council, upon the proposal of the mayor, establishes the structure and operation of the municipal administration. Therefore, municipalities are free to change and adjust organizational structures in accordance with their needs.

When considering administrative capacity in Slovenia, it is important to recognize that there are two very different types of municipalities: urban municipalities and rural municipalities. While serving the same ultimate functions, the two types of municipalities are quite different.

Urban and other larger municipalities, which have inherited a substantial set of assets, are often able to attract more educated and skilled individuals. They also have a quite vivid civil society with many active NGOs and developed private sector, which employs professionals. Hence, the potential for strengthening capacity is quite good.

On the other hand, rural and small municipalities create alternative issues in terms of capacity building. Not only are they likely to have less developed human capital and systems, but also they are likely to face issues related to economies of scale, networks and the ability to coordinate with other rural communities. They also have weaker external support due to less developed or differential civil society and economy.

In both urban and rural, larger and smaller municipalities the main areas of capacity building are:

- Improving decision making (planning),
- Determining community needs, analyzing and solving local problems,
- Organizing local and national support for programs,
- Mobilizing local, national and international resources for programs,
- Improving budget management including (formulation of fiscal objectives, evaluation of tradeoff and creation of a budget that will help meet those objectives; development of open and participatory budget processes; building own revenue base, etc.),
- Writing specifications for the technical elements of programs,
- Maintaining and sustaining the service,
- Evaluating the impact of the program on the local environment,
- Contracting for services and procurement,
- Increasing transparency and accountability,
- Improving monitoring and information which can play a role in improving transparency, and supporting accountability,
- Networking (local, regional, national, international),
- Developing partnership relations with nonprofit and private sector organizations.

Municipalities are focusing on developing adequate administrative capacity for efficient, effective and sustainable performance of their own tasks. Since there has been no transfer of state functions to the local level municipalities are lacking incentives for upgrading their capacity above the level needed for the performance of their own local tasks. Real decentralization in Slovenia is waiting for the establishment of regions to which the state should devolve certain tasks.

Decentralization and citizen participation

Participation and decentralization have a symbiotic relationship. Citizen participation in some form is an essential part of successful decentralization. On the one hand, successful decentralization requires some degree of local participation. On the other hand, the process of decentralization can itself enhance the opportunities for participation by placing more power and resources at a closer, more familiar, more easily influenced level of government. In environments with poor traditions of citizen participation, decentralization can be an important first step in creating opportunities for citizen-state interaction. Local government responsiveness, one of the main rationales for decentralizing can not be realized when there are no mechanisms for transferring information between the local government and its constituents.

Decentralization and citizen participation in Slovenia

In Slovenia, citizens' participation in local government has long tradition. Changes in the 1990s have brought new challenges and put new requirements for advancing citizen participation. In accordance with the law, citizens already take their part in the process of establishment of municipality. Without successful referendum conducted in the area affected new municipality cannot be established.

They also participate in the process of internal structuring of municipality. If the council agrees and citizens accept proposed internal structuring through referendum or town meetings the municipality can be divided into smaller communities (villages, quarters or local communities), which are creatures of the municipality.

Direct forms of citizen participation in the decision making of the municipality have been developed in the past and can take form of:

- People's initiatives, or "assemblies" (obligatory and consultative) of the citizens
- Various types of referendum (preliminary, advisory), which can be called on the request of citizens or council
- Public presentation,
- Public hearings,
- Public exhibition,
- Public discussion for a defined time period (usually one month).

Together with these already established forms new ones are evolving. It seems that new times requires non-traditional forms of political action and citizen participation. To mention some of these new forms:

- Citizens organizing themselves (breast cancer survivors, environmentalists, etc.) to network, lobby and influence public policy;
- Different citizens' alliances have been formed since the 1990, which initiate, propose, or comment on respective new legislation;
- Use of internet for citizen comments, proposals, etc.;
- Creation of an internet discussion group;
- Grassroots' self-organizing of citizens to stop the potential action they oppose;
- In certain instances within a planning process have been deliberately and effectively created public spaces for both stakeholders and citizens to participate.

Community development as a tool for capacity building in Slovenia

Effective decentralization requires citizen oversight while capacity building requires citizen engagement. In recent years, "community development

initiatives" have been proposed as an effective approach to develop greater capacity, accountability and social capital at the lowest level of organization. Such projects build skills and capacity "from the bottom up" and represent an important complement to decentralization policies "from the top down". Their main benefits are that they can help to promote institutional change and support learning by doing in many areas that are critical to effective decentralization (decision-making, voice, improved social capital). By strengthening community groups and their capacity to express demands and provide feedback to local governments, they help to strengthen the accountability mechanisms that make decentralization meaningful.

Very often citizens in Slovenia do not believe that participation is meaningful and that they can, by their own activity, influence a final decision. They are also used to a comfortable position when somebody else tells you what to do, and how to do it, taking away from them the responsibility for their (in) action. Many would prefer certainty to uncertainty and it is hard for them to make any decisions in times of permanent change.

Under the previous regime they did not have enough opportunities to develop their own initiative, to learn that their own future and a future of their communities depends on their action or inaction. Under present conditions when nobody brings something to them or to their community they have to learn to draw on their own resources and make the most effective use of them and to compete with others for limited national or international resources.

Sometimes awareness about a new competitive environment produces unwanted results. People shut themselves into their privacy, taking care only of their self-interest, forgetting that they are part of a larger community. And community's better and more stable future lies in closer cooperation of its members and in taking care for well being of each of its members.

People can learn their new responsibilities and citizen rights only through practical engagement in community affairs. But it is the responsibility of elected politicians and administrators to provide conditions for their meaningful participation, because otherwise, they opt for disengagement.

According to Slovenian experience, there are two grave tasks to be tackled; first, being to animate citizens to join community actions, to participate, and second to carry out deliberative processes according to democratic principles, so that citizens will participate as equals ready to hear different arguments and take them into account when forming decisions that are in their best interest.

References

- Burns, D. (2000). Can local democracy survive governance? *Urban Studies* 37 (5/6): 963-973.
Dillinger, W. (1999). From centralized to decentralized governance. *Finance & Development*, 36 (4): 19-21

- Dimitrovska-Andrews, K. and Ploštajner, Z. (2000). Local effects of transformation processes in Slovenia. *Inf. Raumentwickl.*, 435-449
- Dimitrovska-Andrews, K. and Ploštajner, Z. (2001). Local government in Slovenia. V: *Local self government and decentralization in South-East Europe : proceedings of the workshop held in Zagreb, 6th April 2001*. Zagreb: Friedrich Ebert Stiftung, 2001, 9-36
- Gulič, A. (1993). *Regionalni razvoj in regionalizacija*, Urbanistični inštitut Republike Slovenije, Ljubljana
- Local Governance. Report of the United Nations Global Forum on Inovative Policies and Practices in Local Governance.* (1996). UNST/TCD/SER.E/46
- Maor, M. (1999). The Paradox of Managerialism. *Public Administration Review*, 59(1): 5-18
- Reich, R.B. (1990). *Public Management in a Democratic Society*. Engleweed Cliffs: Prentice Hall
- Setnikar-Cankar, S., Vlaj, S., Klun, M. (2000). Local Government in Slovenia. In: Horvath (ed.), *Decentralization: Experiments and Reforms*, Budapest: OSI/LGI, 388-421
- Stanonik Bojan. (1998). Reforma javne uprave in novo upravljanje javnega sektorja. *Organizacija*, 31 (9): 487-491
- Wamsley, G.L. and Wolf, J.F. (1996). *Refounding Democratic Public Administration: Modern Paradoxes, Postmodern Challenges*. Thousand Oaks: Sage Publications
- White Paper on Regional Development Strategy*, draft, (1999). Republic of Slovenia, Ministry of Economic Relations and Development
- Wise, C. (1990). Public Service Configurations and Public Organizations: Public Organization Design in the Post-Privatization Era. *Public Administration Review*, 50(2): 141-155
- Wood, B. D. and Richard, W. (1993). The Dynamics of Political Bureaucratic Adaptation. *American Journal of Political Science* 37, 56-62

Nora Ananieva

Political decentralization and local self-government in the Republic of Bulgaria: Constitutional principles, practice and problems

The decentralization of power is one of the most important aspects of the democratization processes developing in modern societies as a whole, and in the countries in transition, in particular. In general, this process concerns most of all the efforts to create closer links between the authorities and interests and needs of the public, as well as to provide conditions for wider participation of citizens in the decision making process, i.e. it concerns the structuring of a well-developed and efficient system of local self-government. However, such a system is inconceivable without the decentralization of rights, responsibilities and the entire complex of the relevant resources of power.

The analyses and the evaluation of the state of political and general decentralization should take into consideration a number of significant factors:

First. We are not speaking about a single act of distribution of competences between the central and the local state bodies. The process always remains open and incomplete. This is all the more valid for the states in transition, where, on the one hand, the structuring of the economic and political systems has not been completed and stabilized as a whole, and, on the other hand, a grave deficit of financial resources is being present. In this situation it is natural to continue to search for the most appropriate models and decisions, and sometimes it proves to be a question of following the path of 'trial and error'.

Second. In this process balance and coordination are of paramount importance. If decentralization happens too hasty, and is not backed up by decentralization of the resources, the very idea can be discredited, as well as the local self-government itself. It could degenerate, covering the retreat of the state and more specifically, of its central institutions, from the responsibility to build up a democratic, social and just state. This path could well lead to further aggravation of the misbalance in the development of the regions in the unitaristic state. This misbalance in our country has been aggravated more particularly through the practice to decentralize responsibilities in all spheres, at the same time preserving the rights of the central authorities. There is, in fact, the whole specter of activities (education, social aid, health care and etc.), which are inherent to the local self-government, where the accumulated problems often lead to the generation of social tension and dissatisfaction. According to the summarized data of the National Association of the Municipalities the following illustration can be quoted: in fact the local authorities can effectively and independently

make decisions to allocate only 9 - 10 % of the income and plan 14 - 16% of the expenditures on the respective territory, the remaining part being regulated on the central level as a whole.

Third. In spite of the long history, rich experience and traditions on the European continent and in every separate European country, local self-government is not sufficiently clearly defined on European level. Such a definition does not exist in our new constitution as well. But it includes the special Article 5, paragraph 4, according to which the international treaties ratified under the constitutional procedure, published and in force in the Republic of Bulgaria 'are part of the domestic legislation of the country. They have precedence over the norms of the country's legislation, which contradict them.' This certainly refers to the European Charter on local self-government, ratified by the Bulgarian Parliament on September 1, 1995, as well. The idea of decentralization is specified, but here there is provision of Article 3, which goes: 'By local self-government we understand the right and the virtual capability of local authorities to regulate and rule, in compliance with the law, an essential part of all public activities at its own responsibility and in favor of its population'. The principles and the tendencies of political decentralization play essential part in the process of establishing a modern democratic state. The principles of the political system specified in the new constitution of the Republic of Bulgaria and above all - the principles of democracy and local self-government, of political pluralism and of national sovereignty contain the will for political decentralization. At the same time they provide the opportunity to analyze various sides of the real situation.

1. Democracy and decentralization

Democracy presupposes local self-governing, as far as decentralization of powers as a whole, and the political decentralization, in particular, expand essentially the possibilities for civil participation. Within the context of this principle a lot of issues can be discussed. I shall put forward just the two.

(a) As early as in Article 2 paragraph 1 of the Constitution it is written that: "The Republic of Bulgaria is a unitaristic state with local self-government. No independent territorial entities can be formed within its boundaries." As any other state, Bulgaria has also its administrative and territorial structure of division. But the unitaristic nature of the state does not allow any type of autonomy of the territorial structures. On the other hand, the Constitution does not oppose but binds the one state with local self-government. We are not speaking of any autonomous power, but of the function of local self-government bodies, which are elected directly by people and they have to be an additional guarantee against the over-centralization of power and for the democratic nature of the unitaristic state.

It is not difficult to see that this principle at the same time combines the scope and defines limits of political decentralization. A constitutional veto is envisaged for organizations, the activities of which are directed 'against the sovereignty, the territorial entity and the unity of the nation, towards the generation of race, national, ethnical and religious hostilities, towards the violation of the rights and freedoms of the citizens...' (Article 44, paragraph 2) This veto has recently motivated the Constitutional Court to proclaim as anti-constitutional a party set up on religious basis and with a non-disguised separatist platform. The decision of the Constitutional Court was followed, however, by a decision of the European Court of Human Rights in Strasbourg just in the reverse sense. Having in mind that we have adopted the jurisdiction of the European Court, our constitutional decision remains non-guaranteed.

(b) As early as in the beginning of the transition, immediately after the adoption of the Constitution, the Constitutional Court was approached to rule over the conformity of another party with the fundamental law, which contains the provision: "Political parties on ethnical, race or religious principles shall not be formed ...". On the grounds of a number of arguments: political reasons, the negation of the totalitarian practice of forceful assimilation, and the well balanced political platform of this party, etc. - the Movement for Rights and Freedom was proclaimed legal. Today it is important factor in the Bulgarian political life, and at present it is a part of the ruling coalition, it has two ministers in the government and a strong influence over the bodies of the local self-government.

But the so-called 'Bulgarian ethnical model', which is considered as one of the achievements of the transition, has affirmed itself first in the field of local self-government. Local conflicts on ethnical basis, as a result of which local and 'ethnically clear Bulgarian republics' were proclaimed, while the free and democratic elections were proclaimed, as 'The Battle of Stalingrad' has become history. Today the division of the nation is first and foremost along the demarcation line dividing the 'filthy' rich and the majority of poor people. And if there is any threat to the ethnical peace, this could be the result of the detonation of this lethal mixture of ethnicity and poverty.

2. Decentralization and political parties

The principle of political pluralism contains in itself the challenge for political decentralization. What is meant by challenge is the establishment of an effectively functioning multiparty system, unrestricted freedom of the opposition, as well as the legal ways of changing the power. Some aspects of the links of this principle of political decentralization and the local self-government need also be considered:

(a) In spite of 'birth rate boom' of the political parties in our country after the changes (the number of officially registered parties at present are around 260) the attempts to set up local parties remained isolated. Even the Movement for Rights and Freedom, which has prevailing influence in the regions of ethnically mixed population, is a party of national significance, participating practically in all constituencies and having an independent representation in all parliaments after the first free elections. Even if it is established in the eve of the election's coalitions of civil societies and committees in support of common and independent nominees for mayors, it does not change the general picture.

It is positive that the influential parties on a national level have to work out their own platforms for the development of the local self-government: not just in connection with their participation in local elections, but also bearing in mind their eventual governmental policy. In this respect, better opportunities for the work of MPs and the local party structures with the local self-government bodies are being created, as well as the inclusion on a permanent basis of the local issues and positions in the legislative activity of the National Assembly and the parliamentary monitoring of government actions.

All major political parties in Bulgaria evolved as classical mass parties with developed local structures and primary organizations. This provides an opportunity not only for direct and indirect contact with the citizens, but also for working out and conducting platforms for municipal policy, for selecting nominees for mayors and municipality councilors, etc. Indicative is the fact that the victorious at the last parliamentary elections (June 2001) 'National Movement Simeon II, which owed its unexpected success, alongside with the other factors, to the dissatisfaction with the established on the political scene parties, has already abandoned the original idea of its development as 'a party - machine', without local structures and organizations after the collapse in the public opinion rating by over 50% only a few months later.

(b) In practice, during the period of transition a two-party political model has been established, in spite of the exotic results of the last parliamentary elections. This model, however, has always been charged with political confrontation. It is hard to conduct dialogue and reach consensus, and it is believed that the exotic developments may continue.

In this connection it is important to note that after the last local elections a lot wider specter of political parties have their own mayors and municipal councilors. It is most natural that this, in many cases, can prevent the consolidation of the necessary majority in the local bodies, but in all cases it leads to a regular dialogue and arriving at a compromise in the interest of the citizens. On the other hand, the political variety of the composition of the local self-government bodies turn into an additional corrective of the central power, it does not allow the local bodies to be treated arrogantly as its appendages. The

experience shows that the organized efforts of the local authorities can even be opposed to the pressure for the centralization of all spheres of activities, including those provided by law as competences of the local self-government.

Thus, on 11th September 2001, the Council of Ministers and the National Association of the Municipalities in the Republic of Bulgaria, signed a unique, for our practice, Agreement for Cooperation that reflected the principled proposals of the major municipality forums to the central executive power. The focus of the agreement is the step-by-step and consecutive realization of the decentralization in the government and increase in the financial independence of the municipalities. It cannot be denied that this Agreement has become possible also due to the strong 'mayors lobby' in the Government (two Deputy Prime Ministers and three ministers are former mayors). But it could not happen without the organized pressure on the part of the municipalities.

3. Decentralization and civil society

The national sovereignty principle addresses not only the prime source of the democratic power, but also the necessity of the various forms of participation of the citizens including the control over the activities of the state bodies. Having in mind that the constitution connects the local self-government both with the representative and the direct form of power, several issues arise as very important.

(a) The fact itself, that the constitution and the laws distinguishes the terms 'local self-government' and 'local administration', reminds of the bitter historic experience. In it they had not been merely mixed up. What is more - self-government had often been 'consumed' and dominated by the central power local administration.

Unfortunately, this practice has not been completely eliminated, which is partly due to the inadequate legislative regulation. Besides the district governors appointed by the Council of Ministers, almost all ministries have their 'local structures'. Essential thing here is that the law provides opportunity for the district governors to intervene regularly in the functioning of the local self-government bodies. They can suspend any act of the municipal council when it is considered not to be in accordance with the law, and bring it to court as well as cancel on the same premise as any act of municipal mayor. As in practice, most often following the political considerations this power is often applied according to the purpose, the principle issue still remains. Having in mind the purely political appointments of the district governors and the frequent cases of biased behavior, the political decentralization would presuppose a higher degree of sovereignty of the elected bodies of the 'local policy' against the interference of

the appointed administration. All the more, in end disputes are resolved (more often in favor of the local authorities) via an appeal before the district court. However, meanwhile the activities of the mayors and the municipal councils have already been disorganized.

(b) the possibility explicitly provided by the Constitution for the citizens to participate in the municipal government both by means of elections and more immediately by referendum, or by means of general assembly of the population, presupposes an active interaction with the structures of the civil society. The truth is that the forms of direct democracy are a rare phenomenon. The legislative regulation is also incomplete. But on the other hand the possibilities of the civil societies are used to the best advantage. Though not political by nature they have an important role in the political decentralization as far as they contribute to the consolidation and the efficiency of public participation. The societies are of various types:

- traditional in the country, entirely public in nature, educational and cultural according to their function, they are the organizations which through sponsorship and with minimum state and municipality help support and develop the local tradition, culture, and work with children and young people;
- non-governmental organizations on a national level working predominantly with the municipalities; such is the nature for instance of our 'Solidarity Foundation' which organizes within a joint project, coordinated by 'Friedrich Ebert', an international seminar on the cross-border cooperation of the municipalities, participates in the seminars organized in 40 municipalities on the preparation of young women for municipality and political activities, etc.; not a small number of foundations on a national level have a marked interest in local self-government issues, but unfortunately they rarely work together;
- civil societies in the municipalities themselves, created either on the initiative of active public figures and politicians, or through the cooperation of the mayors and the municipality councils to achieve certain objectives; recently a very strong motivation is the application for and the implementation of projects, funded by foreign institutions, including various programs of the European Union; through the local civil societies often the potential of local business is mobilized in order to implement projects of the municipal programs of great significance for to the life of the people;
- an important role in the entire process is played by the societies of the municipalities themselves; besides the National Association of the Municipalities in the Republic of Bulgaria, in which members are all municipalities in the country (262), there are 10 other regional societies (of the municipalities along the Danube River, of the municipalities along the Black

Sea, in the Rhodopes, in the central part of the Balkan Range, and etc); these societies not only stimulate the mutual aid and cooperation on a wide scope of similar problems, but also develop serious cross-border links, they initiate joint projects, etc.;

- a particular kind of unions are the associations of physical persons working in the municipalities mainly on a professional principle - mayors, financial experts, chief architects, jurists, and etc; these unions provide an opportunity for professional preparation of the proposals of all municipalities to the central authorities, including also drafts of laws in the interest of local self-government.

4. Conclusion

In conclusion one could say that the political decentralization should not degenerate into conflicts. Vice versa. It makes sense and can have a positive impact on the development of local self-government and the life of the people only in a situation of continuous interaction between the central and the local authorities. The dialogue between these authorities is one of the important guarantees for democratic government and a precondition for a successful European integration.

The National Association of the Municipalities in the country pays particular attention to the development of the dialogue with the executive power in the interest of the competent analysis and the constant improvement of the legislative basis of the local self-government. During the autumn of 2001 for the third time the so-called Day of the Dialogue between the executive and the local authorities in the whole country was organized. It was attended by representatives from the respective regions, the district governors, the mayors, the political leaders on a national and a local level, municipality councilors, etc. The Dialogue is organized in the district centers, and all participants had the opportunity to get acquainted beforehand and discuss the analyses and legislative proposals professionally drafted by group of experts.

The Association initiates meetings with some ministers concerning problems of mutual interest for both parties. At these meetings the local authorities come with prepared and summarized positions and proposals. At present the possibilities for these meetings and effective dialogue have increased significantly because the recent mayor of the district center is the Deputy Prime Minister and Minister of Regional Development. Of course, the effect of the best-organized dialogue depends at the end on the general governmental policy. And at this stage, less than a year after the parliamentary elections, the hair of people already stands on ends as a result of the increasing poverty. It has already

been mentioned that in practice the process of delegating actual rights from the central to the local authorities according to the requirements of the European Charter for local self-government and of the European Charter for the regions is not only incomplete, but it has not even reached an acceptable initial stage. In this situation the dialogue between the central, the regional and the local authorities is of exceptional significance for the solution of such essential problems as:

- Insufficient binding of the national level policy with the policy on local levels;
- The lack of sufficient conditions to work out good and financially guaranteed municipal strategies;
- The lack of sufficient preconditions for a national regional policy, which is to be stable, substantiated and bound with the municipality strategies.

The political decentralization can to a certain degree compensate for some of these deficits. Reaching consensus among the political forces, represented in Parliament, on a strategy of the regional development, as well as consensus among the political forces, represented in the municipality authorities, and influential civil societies on the local priorities, by all means would strengthen the positions before the central executive power, including also at motivating the support for using the pre-accession funds of the European Union in favor of the citizens.

The political decentralization has also one other specific aspect. Though the municipalities are in practice excluded from the process of accession of Bulgaria to the European Union, the international cooperation of the municipalities is developing in the same direction - cross-border cooperation, fraternization, development of Euro-regions, regional cooperation, and etc. In 2001 a unique forum was held in our country: 'Strengthening of the European tendencies in the development of the local self-government in South East Europe.' In the process of this forum nine associations of local authorities from the region have signed a declaration for cooperation. The idea is launched for setting up a network of local authority associations from South East Europe. One should also add the participation in the Congress of the local and regional authorities to the Council of Europe, as well as the cooperation with the Regional Committee of the European Union.

All this gives good grounds to speak, no matter how conditional it is, of a decentralization of foreign policy, of contribution of the local self-government bodies to the implementation of such strategic goal for Bulgaria as the European Union Integration.

Gjergj Buxhuku

**Decentralization of larger municipalities:
the need for the continuity of the Tirana
municipality decentralization process**

Decentralization of government in favour of strengthening and consolidation of local government is one of the most fundamental processes of a real democratization of all new states' institutions especially in the countries of East Europe. Regarding the European Charter of Local Self-government, it is indispensable that the political decision-makers are convinced that local authorities are one of the main foundations of any democratic regime: it is at the local level that the rights of citizens can be most directly exercised, only the existence of local authorities with real responsibilities can provide an administration which is both effective and close to citizens.

The process of the decentralization of local government in Albania, like in other countries of South East Europe, cannot be completed in short time. There are a lot of obstacles to this process; the most important ones are:

- The artificial obstacles created by the representatives of central government, since for them it is very difficult to accept the first consequences of decentralization: the transfer of competences from their hands into the hands of others (local government). It is very clear that retaining the competences is linked with the traffic of power influence i.e. the corruption, the pursuit of personal goals and profits, of course damaging the public interests.
- Lack of professional experience from the local government in the exercise of a large number of responsibilities and competences in front of the public interests. This is a very negative legacy of the former communist system. On the other hand it is important to note that a lack of knowledge is not a problem just for the local government but for the central government as well.

Despite the objective difficulties, the decentralization of the government in Albania has made considerable progress in the last decade. The decentralization is currently aiming at comprehensive strategic reforms. It is based in the Basic Constitutional principles adopted in the Albanian Constitution, European Chart for Local Autonomy, Strategy for Decentralization adopted in November 1999. This rapid decentralization to the local government has had some specific problems, mainly concerning the improvement of the strategy of decentra-

lization in the sense of reaching the objectives of the decentralization process: increasing and improving the public services quality for the citizens.

One of the major problems in carrying out the decentralization is the transfer of the decentralization process to the big cities, especially to Tirana as the capital/metropolis of Albania. According the Strategy of Decentralization, all the municipalities and communes (including Tirana, the capital of the country) possess the same number and level of functions and competences, despite the number of inhabitants.

The identical treatment by law of the small municipalities/communes and big cities has turned out to be problematic and unsuccessful. The citizens in the capital and in the other big cities have practically been as far from the decision makers as in the beginning of the general decentralization process ten years ago. This is especially true for Tirana. The size of the city, the big number of inhabitants (as many as 800.000) were the reasons for the above mentioned fact.

Aiming to resolve this problem, the municipality of Tirana was later divided into small sub-municipalities. Actually, the organization and functioning of this municipality is based on a special law nr.8684, dt. 31.7.2000, which defines the division of Tirana in 11 sub-municipality units, whose Councils and Mayors are elected directly by the people. The structuring of these units is exactly the same as that of Tirana municipality: the Unit Council and the Unit Head of sub-municipality. All these sub-municipalities are under the authority of Mayor of Tirana.

Nevertheless, this legal improvement and the experience of the two years of functioning of these sub-municipalities indicated that a lot of issues were not going well. After all, these sub-municipalities have not been able to fulfil the own competences given by the law. The institutional relations of sub-municipalities with Tirana municipality were very much aggravated.

The authorities of Tirana municipality, from the very beginning of this special law's implementation, clearly showed the same symptoms of behaviour present in the attitudes of the central government's representatives during the first steps of the implementation of the Decentralization Strategy. In fact, this attitude of the authorities of Tirana municipality was based on some not so well-defined articles of the Special Law.

On the other hand, the representatives of sub-municipalities are weak and hopeless when confronted with the requests of their inhabitants who expect them to carry out competences that have been given to them by the special law in force and which must be given over to these sub-municipalities.

The same situation exists in other big cities of Albania, where the citizens despite the fact the local government legally possesses a lot of competences and responsibilities due to the implementation of the Strategy of Decentralization, are far behind the decision makers.

This kind of reality urges the necessity of more powerful legal measures aimed at improving the special law, examining the true reasons behind the obstacles to the implementation of the existing law and to the accomplishment of the strategic goal: making bigger steps in the direction of the decentralization of local government in Tirana and in other big Albanian cities.

In order to achieve the above mentioned goals, we are going to analyse in a comparative manner the actual reality of Albania's local government framework legislation, the organization and functioning of local government of Tirana municipality, the implementation of the special of Tirana sub-municipalities, the functioning of the bodies of Tirana municipality and the Tirana sub-municipalities.

Albania's local government organization

The basic units of Albanian local government are communes and municipalities, which are considered its first level. They have the same public responsibility and possess the same types of authorities. The only difference comes from the fact that they are situated in rural and urban areas respectively.

Communes represent territorial-administrative units and communities, situated as a rule in rural areas. The territory, name and the center of a commune are determined by law. The subdivisions of communes are called villages and in some special cases towns. The communal council determines every subdivision's territory.

There are 309 communes in the Republic of Albania.

Municipalities represent territorial-administrative units and communities in urban areas and in specific cases in rural areas. The divisions of municipalities in urban areas are called quarters. The territory and the name of a municipality are determined by law. A decision by the Municipality Council stipulates that the quarters must have more than 1500 inhabitants.

There are 69 municipalities in the Republic of Albania

The bodies of municipalities/communes are representative authorities and executive authorities. The representative authority of a commune/municipality is the Council of Commune/Municipality and the executive authority is the Mayor/Head of Commune.

Legal competence of local self-government in Albania

Local government in Albania is established and functions under the rule of law. Albanian law states that local government is based on four basic principles:

- self-government

- local autonomy
- rule of law
- free elections

The current legal framework of Albanian local government defines clearly the rights and duties for each of the local government level including the municipalities and the communes.

- Governance right. LG units, in accordance with the Albanian Constitution, laws and regulations, can issue directives, orders and ordinance, which are obligatory for all the entities within its jurisdiction. They could take any necessary measures for carrying out their functions and exercise their authority. They could establish economic units and other institutions under their authority.
- Property right. LGs may obtain revenues and make expenditure related to the execution of their functions. They have to set taxes and fees in compliance with the legislation and the interests of the own community. LGs have the right to adopt and execute their budget.
- Administration right. LGs obtain the right to administer the enterprises and the property under the jurisdiction of their own subject.
- Economic development right. LGs have the right to undertake every initiative for economic development in the interest of their residents, provided these activities do not contradict the fundamental direction of economic policies. The major part of revenues from economic activities of local governments shall be used to support the execution of public function.
- Cooperation right. LGs units have the right to carry out specific functions on behalf and to the benefit of their inhabitants, two or more units of local government may exercise any competence given to them by law.
- Right of being a juridical person. LGs are juridical persons and could exercise all the rights set forth in the legislation. LGs have the right to make contracts, to establish other juridical persons, to bring civil charges, the right to keep accounts, etc

The following are the principal responsibilities of ordinary communal or municipal local self-government, *regardless of the number of inhabitants*:

- Approves plans and programs of economic and social development
- Establishes the structure and organization of the personnel
- Approves its own budget and monitor its administration and implementation
- Imposes taxes and other obligations prescribed by the law
- Ensures the provision of infrastructure and public services
- Water supply
- Sewage and drainage system

- Construction, rehabilitation, maintenance of local roads, sidewalks and squares
- Public lighting
- Public transport
- Cemeteries and funeral services
- City decoration
- Parks and public space
- Waste system
- Urban planning, land management and housing
- Ensures the local economic development
- Prepares programs for local economic development
- Establishes public market place and trade network
- Small business development
- Veterinary service
- Protection of natural resources
- Social cultural and recreational functions
- Conservation and promoting the local cultural and historic values
- Social services including orphanages, day care, old peoples' homes
- Civil security
- Shared functions
- Pre-school
- Primary health service
- Social assistance and welfare
- Environmental protection
- Delegated functions
- Right to fix local taxes and to define fees

Tirana's local government organization

The organization and the functioning of Tirana municipality (the capital city) is based on a special law, which defines the division of Tirana into 11 sub-municipal units; their Mayors and Councils are elected directly by the people's vote. The structuring of these units is the same as that of the municipality: Unit Council and Unit Head. All these units are under the authority of Mayor of Tirana.

Tirana's population is 700,000-800,000 inhabitants i.e. nearly one third of the total population of Albania.

Regarding the number of inhabitants of the 11 sub-municipal units of Tirana: they are in the same range of the most densely populated cities of the entire country. Only 6-7 municipalities have a bigger number of inhabitants. However, regarding the number of legal competences of local self-government given to Tirana's sub-municipalities by law, there is a big difference.

- The sub-municipalities of Tirana differ from ordinary Albanian municipalities because they do not possess the following major rights of Local Government:
- The property rights. A sub-municipality of Tirana has no right to purchase, sell or rent the movable or immovable property under its administration. It may not exercise the right of eminent domain for the purpose of acquiring any immovable property for the public interests.
- The right of fiscal autonomy. A sub-municipality of Tirana cannot set taxes and fees in compliance with the legislation. A sub-municipality cannot adopt its budget.
- The right of being a juridical person. The sub-municipalities of Tirana do not have the right to establish other juridical persons.
- The right of economic development. The sub-municipalities do not have the right to undertake any initiative for economic development in the interest of their residents, without the approval of the Tirana municipality.
- The right of cooperation. The sub-municipalities do not have the right to carry out specific functions on behalf and to the benefit of their residents with another sub-municipality or other subjects. There is one exception to the last rule: the right of a sub-municipality to be organized in association with each other in line with the respective legislation for associations.

The special law n. 8684, dt. 31.7.2000 of Tirana municipality lists the responsibilities of each of 11 sub-municipalities of Tirana.

- Administration of the parks, public gardens, green areas situated on its own territory
- Administration of the kindergarten, elementary and middle schools situated on its own territory
- Administration of the creches, day nurseries and health centers situated on its own territory
- Conservation of cultural heritage and the organization of cultural activities
- Administration of playgrounds and sport facilities
- Delegation of competences from the Tirana municipality to the Tirana sub-municipalities

Improving the decentralization process in Tirana municipality

The mentioned list of competences of the Tirana sub-municipalities and the comparison with the list of functions and competences of other municipalities/communes in the country, clearly show that there is a very big difference among them. The number of competences for Tirana's sub-

municipalities is very limited, in spite of the fact that they have much more inhabitants than almost all the municipality/communes in the country.

Furthermore, not only this, but also in the special law on the organization and functioning of Tirana municipality, nr.8684, dt.31.7.2000 there are some crucial problems. The existence of these legal problems has practically impeding the achievement of these limited competences, also.

Thus, Paragraph 2 of Article 6 of the Specific law on Tirana municipality, upon a close examination shows that even this very small number of competences of the Tirana sub-municipality cannot be realized without the approval of Tirana municipality. Paragraph 2, Article 6 of the Special law says that the budget of a sub-municipality of Tirana has to be determined directly by the Council of Tirana Municipality. Practically this means that despite possessing their competences, the sub-municipalities are totally financially dependent on Tirana municipality.

At the same time, Paragraph 18, Article 8 of the Special law says that the Councils of sub-municipalities can only suggest to the Council of Tirana municipality their organization structure, number and their salaries. Then the Council of Tirana municipality and not the sub-municipality itself would decide on all these elementary matters.

These are the dark points of the Special law on the functioning and organizing of Tirana municipality that have directly increased the tension between the Tirana Municipality and the sub-municipalities of Tirana. The lack of readiness of Tirana municipality to provide the necessary financial resources to the sub-municipalities with the intention of achieving their legal competences is the principal reason of this tension.

Practically, the sub-municipalities of Tirana do not have a possibility to fulfil their obligations to their residents and it means that the special law of Tirana municipality is impossible to apply. This situation has led to quite a lot of embarrassing situations.

Alleviating the citizens' misgivings is the goal behind continuing the Tirana municipality decentralization process. Depending on the speed and the level of decentralization, there are two ways to reach the mentioned strategic goal.

Short-term improvements

The most effective short-term method to resolve the recent problem is the improvement of the Special law on Tirana municipality only in the contentious points.

This means that Paragraph 2 of Article 6 and Paragraph 15 of Article 8 of the Special law on the organization and functioning of Tirana municipality, nr.8654, 31/7/2000 should be made more in line with the arguments presented in the last paragraph. The essence of these amendments is the important fact that sub-

municipalities stop being dependent on the financial clemency of Tirana municipality in making use of the competences that belong to them. Providing the financial resources for the Tirana sub-municipalities must be guaranteed by law.

The short-term improvement has a relatively advantage over the long-term improvement since it does not touch into the essence of the existing Special law. Thus we provide for implementing the competences that are given by law to the sub-municipalities in the shortest possible time. It also means that there is no need for a strong political lobbying of the Government and the Parliament.

Long-term improvement

A long-term solution for the need to continue the decentralization process of Tirana municipality would be an overhaul of the Special law n. 8654, d. 31/7/2000. It is very important to look into the possibilities of giving by law a larger number of competences and a greater financial autonomy to the sub-municipalities of Tirana. This is the only way to assure the real independence of sub-municipalities from the centralizing tendencies of Tirana municipality.

Nevertheless, transferring a bigger number of competences and functions from Tirana municipality to its sub-municipalities needs to take into account the financial cost necessary for the optimization of increasing the public service level with the financial cost according the theory of the economies of scale.

Transferring a larger number of competences and functions to the sub-municipalities of Tirana should go in the following directions:

- Enlargement of the right of governance
- Property rights
- Rights of fiscal autonomy
- Rights of cooperation

Concerning the transfer of public services from Tirana municipality to its sub-municipalities:

- Infrastructure and public services:
- Urban planning, land management and housing
- Rehabilitation and maintenance of local roads, sidewalks and squares situated in sub-municipality areas
- Waste management
- Local economic development
- The setting and functioning of public market places and trade network
- Shared functions with Tirana municipality
- Environmental protection.

A sub-municipality of Tirana must obtain revenues and make expenditure related to the execution of its functions. The unconditional and conditional

transfers to sub-municipality budget should be reflected in the unified budget of sub-municipality.

For the mentioned law it is very important to reformulate at the same time the manner of the establishment of the Tirana local government and the general restructuring of the local government institutions in all other big Albanian cities. The current migratory tendencies of the Albanian population from the villages and small towns into the capital and big cities calls for an urgent reformulation of the Specific law.

The preparation of the new legislative framework for Tirana municipality must be based on the experience of other European countries.

Nataša Kličković

Decentralizing Government Workshop Summary

Within the framework of the FES office Zagreb regional project "Local Self-Government and Decentralization", the experts from South East Europe together with one expert from Germany participated in the fifth follow-up workshop on "Decentralizing Government", organized this time in Ljubljana, Slovenia, on 15th and 16th of March 2002.

As Mr. Gustave Speth, the Administrator of the UNEP, at the International Conference on Governance for Sustainable Growth and Equity in New York (1997) said in his opening speech: "Good governance is local, and decentralizing governance enables people to participate more directly in governance processes and empowers people previously excluded from decision-making".

(UN, Draft Interim Report, NY 1997) Decentralization represents a political process, which is a part of reform toward a democratic society. It is implemented on all levels and all sectors within a society. Its goal is to satisfy the local needs more efficiently and to offer better solutions for local problems. Decentralization is a significant condition for efficient and development oriented democratic society. However, it is a long-term process, which requires analytical knowledge of the decentralization concept itself as well as practical experiences and examples.

At the beginning of the 90s, the post-socialist states of South-East Europe settled on including decentralization process into their democratization process as one of its most important elements. Until then highly centralized states began to divide political power, competence and responsibilities to levels below central government. In order to secure direct participation of the population, the democratization process had to be built from the bottom up. Nowadays, more than ten years later, the process of decentralization is still going on, but not so successfully as seen at its start. Although local self-government is guaranteed in the constitutions or by special local self-government laws, many activities of local autonomy are only formal and limited. The reasons for that are political and legal. Sometimes it is a centralized government to blame, but sometimes it is ignorance of local authorities to use the given possibility to self-govern. In order to improve decentralization reforms and processes in South-East Europe, it is important to continually discuss and analyze existing models and search for better solutions by regular exchange of experiences within the region.

The program of the Ljubljana workshop focused on different dimensions of the decentralization process on local level, such as fiscal decentralization and economic development, territorial, functional, administrative, political decentralization and decentralization of larger municipalities. Each participant has covered one issue. The issues were assigned to participants due to their importance and priority in the countries of the participants. A fruitful discussion has followed each paper presentation.

As a usual main deficit of local self-government (LSG), fiscal decentralization and economic development was a first issue, elaborated by the Croatian expert. The paper included an illustration of the situation in Croatia, its problems and possible solutions. The issues that have been addressed by this paper are: measuring performance and efficiency of budget expenditures; quality, knowledge and size of administration; size of resources that municipalities require; necessity of reform when there is a need for bigger territorial units, which will have more responsibilities; and horizontal equalization between developed and underdeveloped municipalities. One of the interesting conclusions about the Croatian local fiscal system by the Croatian expert was that the best solution would be central financial control, since there is no sufficient internal control, available data and reliable indicators of LGU fiscal situation in Croatia at local level.

The Romanian expert presented the Romanian model of territorial decentralization. Romania is divided into counties, towns and communes, but from 1997 on it is in the process of regionalization. The main reason for forming regions in Romania is to eliminate unbalanced development of different regions and to be able to apply for financial support from the European regional funds. However, the regions in Romania have still only administrative structures and are not legal entities. The following questions have been brought up in the discussion: Is an additional level of government a good solution for territorial decentralization? Is regionalization only in the function of joining the European Union or has it some other features as well? How many levels should actually exist and what should be the relationship between them? What should be the relationship between economically and politically defined regions and should the first ones be the basis for the latter? One of the interesting conclusions was that the criterion of forming regions in Romania is politically a very sensitive issue, because using historical background for forming regions could lead to the danger of an increase of regional nationalism and result in a strong desire for separation and independency.

Presenting functional decentralization using the example of Bosnia and Herzegovina was a very difficult and confusing task, since there are actually two functional models existing in one state. The dilemma that came up in the

discussion, in regard to the problem of a weak state and weak municipalities on the one side, but strong cantons and entities on the other side, was whether the BH state should first be enabled to take over its functions and than be decentralized according to the "top down" approach or the decentralization should be carried on as a first step according to the "bottom up" approach. The conclusion was that the "bottom-up" approach would be more appropriate in order to accomplish at least some tasks on municipal level, such as peaceful ethnic co-existence, economic opportunities, etc.

The German expert presented the case of structures and experiences in East Germany as a good example of a Western model in a post-socialist society, which experiences could be valuable and applicable for South-East European states as well. East Germany had in the past in regard to decentralization of local government in many aspects a similar initial position as the SEE countries. East Germany was an administratively centralized state with state authority regarded as one unit. The presentation included different reforms undertaken after reunification of Germany in order to transform East Germany system according to the existing system in West Germany. The reforms goals included the formation of a sufficient size of administrative units adapted to economic situation of the region and division of legal and financial functions as own responsibilities of local units.

Administrative decentralization was presented by the Slovenian expert. Authorities, responsibilities, financial and other resources may be redistributed by deconcentration, delegation or devolution. Deconcentration stands for transfer of certain responsibilities to lower levels of central administration, meaning that deconcentrated units remain vertically subordinated to central authorities. Delegation understands transfer of responsibilities to semi-autonomous organizations not completely controlled by the central government, but accountable to it such us public enterprises, different sectoral authorities, special service districts, etc. Devolution represents transfer of full responsibility for decision-making, financing and management to lower levels of government. It represents the end process of decentralization. Furthermore, administrative decentralization may take three forms, such as changing the territorial structure of administration, changing functions or changing organizational structures and management practice. As a conclusion, the presentation included a short description of the actual decentralization process in Slovenia as well as the importance of "community development initiatives" as a technique for building "bottom up" skills and capacities.

The importance of political decentralization in building a modern democratic society was presented in the case of Bulgaria. The permanent interaction and dialogue between the central and local authorities are crucial for a democratic society in many respects. This concerns for example the harmonization of

national and local policy, elaboration of good municipality strategies, or elaboration of good national regional policy synchronized with municipality strategies. The Bulgarian case illustrated how municipalities can contribute through a fruitful dialogue between those two levels to the external political goals of Bulgaria, as for example EU integration.

In the case of Tirana, the Albanian capital, and Budapest, the Hungarian capital, it was illustrated and discussed how larger municipal units should be decentralized. It is an interesting fact that most of the larger units, usually capitals, in the SEE region have similar problems in their decentralization processes. The main problems are: the level of responsibilities of larger units (usually the same as those of the smaller ones), state regulation of the status of capitals, and the lack or method of division of larger units into quarters or districts. As conclusion, the Albanian expert gave his proposals for possible short time and long time solutions considering Tirana municipality problems. The short time solutions consider improvement of the special law of Tirana municipality in regard to financial competences of Tirana and Tirana sub municipalities. The long term solutions include the preparation of the new legislation framework for Tirana municipality whereby larger number of competences and functions would be transferred from Tirana to the Tirana sub municipalities.

In order to describe the current position of each particular country in the SEE region in regard to the discussed dimensions of decentralization process, a comprehensive overview in the form of tables 1-8 (see below) was created, covering the most important questions. Table 1 shows the state of *fiscal decentralization*. The questions concerned are: To what extent are different financial sources important to local government unit? Who passes the municipal budget? What kinds of budget spending controls are present? *Functional decentralization* is covered by table 2 for municipal level and table 4 for regional level. The questions are how many exclusive, delegated and decentralized functions are given at each level. Exclusive functions are defined as functions which are exclusively the responsibility of one level. Delegated functions are all those functions, which are delegated from one level to another. Decentralized functions include functions that are not any more in jurisdiction of central government, but distributed to some lower levels. Table 4 gives information about regionalization or *territorial decentralization* at regional level. Only countries that do have regions in their territorial structure are included in this table. Here it is important to determine the nature of relations between regions and municipalities, how are regional bodies elected and what is the nature of regional level. *Administrative decentralization* is covered by table 5. It represents the presence of types of state decentralization such as deconcentration, delegation and devolution in particular SEE country. The presence of different

forms of state decentralization in each country is shown in the second part of table 5. Besides changing territorial structures, changing functions and changing internal organizational structure, there is also a question of changing management practice, i. e. the extent of use of different types of management in local government units. Table 6 shows *political decentralization* and its position in the SEE countries regarding local structures of parties, local orientation of parties, presence of NGOs at local level and cooperation between NGOs and municipalities within themselves. The structure of *internal units of larger municipalities* is given in table 7. Finally, table 8 identifies *obstacles to decentralization* existing in SEE countries. Since Germany was also presented in the workshop, in each table its data are given as well.

Analyzing these eight tables representing different aspects of decentralization of government, one can notice that no common decentralization models exist in SEE countries. Actually, there are only some similarities in certain decentralization aspects between these countries.

Table 1: Financing of local units

	Albania	Bosnia	Bulgaria	Croatia	Germany	Hungary	Macedonia	Romania	Slovenia
Financial sources									
State transfers		x	x	x	x	x	x	x	x
Own tax revenues		x	under debate	x	x	x	x	x	x
Own nontax revenues		x	x	x	x		x	x	x
Who passes the budget?									
Municipal council	x	x	X-after parliament	x	state level	x	x	x	x
Regional council								x	
Who controls local budget?									
Local control	x	x	x	x	x	x	x	x	x
State control	x	x	x	x		x	x	x	x ¹⁾
Comments									
	¹⁾ Office of Budgetary Inspection of the Ministry of Finance controls only expediency in the use of state allocated funds; the national Court of Auditors								

The first table shows the same fiscal pattern, in regard to the included issues, in Bosnia, Croatia, Macedonia and Slovenia. In all four countries financial sources

are derived from state transfer, from own tax and own non-tax revenues. In all four countries municipal councils pass the budget, and both state and local authorities have control over the local budget. Actually, all three financial sources as well as local control of the budget are effective in all presented countries.

Table 2: Functions - Municipal level

	Albania	Bosnia	Bulgaria	Croatia	Germany	Hungary	Macedonia	Romania	Slovenia
Exclusive functions									
- Many / Few / None	M	F	F	F	M	M	F	M	M
Delegated functions									
- Many / Few / None	F	F	F	F	F	F	N	F	F
Decentralized functions									
- Many / Few / None	M	F	F	F	N	M	N	F	N

Table 2 demonstrates that municipal levels in Bosnia, Bulgaria and Croatia have only few exclusive, delegated and decentralized functions at their disposal. For example, the exclusive authority of municipality is mostly restricted on local government (civil protection, electorate register), social protection, urbanism, etc. The exclusive authority of state level is usually including higher education, police, justice, transport, etc. Delegated functions are all those functions, which are delegated from one level to another. Decentralized functions include functions that are not any more in jurisdiction of central government, but distributed to some lower levels. Both Albania and Hungary appointed many exclusive and decentralized, and few delegated functions to municipal levels in their countries. In Germany as well as in Slovenia the municipal levels have many exclusive, few delegated and no decentralized functions.

Table 3: Functions - Regional level

	Albania	Bosnia	Bulgaria	Croatia	Germany	Hungary	Macedonia	Romania	Slovenia
Exclusive functions									
- Many / Few / None	F	M	M	M	F	F		F	
Delegated functions									
- Many / Few / None	N	M	F	F	M	F		F	
Decentralized functions									
- Many / Few / None	N	F	F	F	M	F		M	

From the countries having regional levels, the same pattern is present in Croatia and Bulgaria, where a regional level has many exclusive, a few delegated and a few decentralized functions. It is very interesting that two countries Hungary and Slovenia that are closest to the European Union membership did not give much importance to regional level, although the EU recommends regional division of a (future) member-country and offers quite significant financial support for regions. Slovenia still does not have the regions at all, while Hungary appointed just a few exclusive, delegated and decentralized functions to the regional level.

Table 4: Regionalization

	<i>Albania</i>	<i>Bosnia</i>	<i>Bulgaria</i>	<i>Croatia</i>	<i>Germany</i>	<i>Hungary</i>	<i>Macedonia</i>	<i>Romania</i>	<i>Slovenia</i>
Regions									
Yes / No	Yes	Yes ¹⁾	Yes	Yes ²⁾	Yes ³⁾	Yes	No	Yes	No
Nature of relations:regions - municipalities									
Subordination	x		x	x		x			
Nonsubordination		x			x			x	
Regional bodies - councils									
Elected		x			x			x	
Appointed (by municipalities / state)	x-by M		x-by S	x-by M		x-by M			
Regional bodies - executive body									
Elected		x							
Appointed (by municipalities / state)					x				
Nature of regional level									
Self-governmental units	x		x ⁴⁾		x ⁵⁾	x			
Mixed (self-gov. + state) units		x		x	x			x	
Comments									
¹⁾ in one part of the country ²⁾ counties ³⁾ single cases ⁴⁾ Nature of regional level - administrative ⁵⁾ in one case									

In regard to regionalization, table 4 illustrates that the same pattern exists in Albania and Hungary. Both countries do have regions with subordinated municipalities. The councils as the regional bodies in these two countries are elected by municipalities, and these regions act as self-governmental units. Some of the questions from this table are left without an answer, since some of the countries are still in the phase of forming or transforming their regions.

Table 5: Administrative decentralization

	Albania	Bosnia	Bulgaria	Croatia	Germany	Hungary	Macedonia	Romania	Slovenia
Types of state decentralization									
Presence of deconcentration									
High / Medium / Low / None	H	M	H	H	H	M	M	M	H
Presence of delegation									
High / Medium / Low / None	L	L	M	H	H	M	N	L	M
Presence of devolution									
High / Medium / Low / None	L	M	L	M	H		N	M	M
Forms of state decentralization									
Changing territorial structures									
High / Medium / Low / None	H	M	H	L	H	M	N	H	H
Changing function									
High / Medium / Low / None	M	M	M	M	L	M	M	L	L
Changing internal org. Structure									
High / Medium / Low / None	L	L	N	L	M	L	N	M	H
Use of diff. types of management practice									
High / Medium / Low / None		M	M	M	H		N	H	M

The administrative decentralization table illustrates a quite different situation in the included countries, whereby only Romania and Bosnia gave the same answers in the first part of the table and Germany and Romania in the second part of the table. In Bosnia and Romania, deconcentration and devolution is of average presence, while delegation is of low presence. However, one can say that the administrative decentralization is almost completed in Bosnia, Romania, Croatia and Slovenia, since devolution stands for the end process of decentralization. In the second part of the table, both Germany and Romania faced high changing of territorial structure, low changing of functions, and some changing of internal organizational structures. Both countries use and apply very much different types of management practice. As can be seen, various segments of administrative decentralization are conducted in every country from the lowest to the highest extent.

Table 6: Political decentralization

	<i>Albania</i>	<i>Bosnia</i>	<i>Bulgaria</i>	<i>Croatia</i>	<i>Germany</i>	<i>Hungary</i>	<i>Macedonia</i>	<i>Romania</i>	<i>Slovenia</i>
Parties have local structures									
Yes / No	Yes	Yes		Yes	Yes		Yes	Yes	Yes
Parties are locally oriented									
Yes / No	No	No		Yes	Yes		Yes	No	Yes
Presence of NGOs at local level									
High / Medium / Low / None	L	M	M	M	H	M	L	L	M
Intermunicipal cooperation between NGOs									
High / Medium / Low / None		L	L		M	M	L	L	M
Intermunicipal cooperation between municipalities									
High / Medium / Low / None		L	H	L	M	M	M	L	L

Table 6 demonstrates another very mixed picture. There is no similarity whatsoever between the countries. Obviously some of the countries applied the bottom-up approach in the process of political decentralization, while some of the countries applied the top-down approach. It is very interesting that the variety of answers regarding the presence of NGOs at local level show how different these countries are in building an active civil society.

Table 7: Decentralization of municipalities

	<i>Albania</i>	<i>Bosnia</i>	<i>Bulgaria</i>	<i>Croatia</i>	<i>Germany</i>	<i>Hungary</i>	<i>Macedonia</i>	<i>Romania</i>	<i>Slovenia</i>
Existence of internal units									
Yes / No	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes
Bodies of internal units									
Elected (direct./indirect.) / appointed	E	App	both	E	E		E	E	E
Autonomy of internal units									
High / Medium / Low / None	L ¹⁾	L	L ²⁾	L	L		H ¹⁾	M ¹⁾	L
Comments									
¹⁾ only capital ²⁾ capital plus 2 cities									

Regarding decentralization of municipalities, there are some similarities shown in table 7. Albania, Croatia, Germany and Slovenia have the same answers: capitals are divided in internal units, bodies of internal units are elected, and autonomy of the internal units is low.

All countries have some kind of internal units in their capitals and/or bigger cities, which as a rule have elected bodies. Also, most of the internal units of the capitals and/or bigger cities of the interviewed countries have low autonomy. The low autonomy of the internal units is the main reason for a need for better responsibility division and reforms of the capitals and bigger cities of these countries.

Table 8: Obstacles to decentralization

	<i>Albania</i>	<i>Bosnia</i>	<i>Bulgaria</i>	<i>Croatia</i>	<i>Germany</i>	<i>Hungary</i>	<i>Macedonia</i>	<i>Romania</i>	<i>Slovenia</i>
Unsufficient local adm. capacity	x	x	x	x			x	x	x
Size of local units	x	x					x	x	x
Lack of political will	x	x	x	x	x		x	x	x
Ethnic issues		x		¹⁾			x		
Need for financial redistribution		x		x	x		x	x	x
Constitutional & legal provisions			x						x
Comments									
	¹⁾ more present in war-torn areas								

Table 8 confirms that all of the included countries have certain obstacles to decentralization process. However, it is very interesting that all of the countries have one common obstacle to the decentralization process the lack of political will. Beside this obstacle, the most urgent problems are insufficient local administrative capacity and the need for financial redistribution. Also, it seems that the constitutional and legal provisions represent almost no obstacle and do not play an important role in the decentralization process in these countries.

Unfortunately we were not able to gather information about current situation on decentralization of government process in Serbia and Montenegro.

Authors

Katarina Ott and Anto Bajo
Institute of Public Finance
Katančičeva 5
HR 10000 Zagreb
Croatia
Tel.: +385 1 4922581
E-mail: bajo@ijf.hr

Anca Ghinea
Institute for Public Policy
Bulevard Unirii 45, bloc E3, scara 3, etaj 6
RO 74204 Bucuresti
Romania
Tel.: +40 1 3207490
E-mail: ancaghinea.ipp@go.ro

Damir Miljević
Enterprise Development Agency
Braće Podgornik bb
BiH 78000 Banja Luka
Bosnia and Hercegovina
Tel.: +387 51 314530
E-mail: damir@inecco.net

Jörg Bülow
Deutscher Städte und Gemeinde Bund
Marienstrasse 6
DE 12207 Berlin
Deutschland
Tel.: +49 30 77307206
E-mail: joerg.buelow@dstgb.de

Zlata Ploštajner
Urban Planning Institute of the Republic of Slovenia
Trnovski pristan 2
SI 1127 Ljubljana
Slovenia
Tel.: +386 1 4201310
E-mail: zlata.plostajner@urbinstitut.si

Nora Ananieva
Center for Historical and Political Research
Positanum 20
BG 1000 Sofia
Bulgaria
Tel.: +359 2 9861673
E-mail: solidarityf@yahoo.com

Gjergji Buxhuku
Institute for Effective Public Policy
AL Tirana
Albania
Tel.: +355 4 240288
E-mail: gjergji@interalb.net

Nataša Kličković
Friedrich Ebert Stiftung
Zagreb office
Medveščak 10
HR 10000 Zagreb
Croatia
Tel.: +385 1 4683346
E-mail: feszg@email.hinet.hr