

*Developing  
Organizations and  
Changing Attitudes:  
Public Administration  
in Central and  
Eastern Europe*

EDITED BY JAK JABES

THE FOURTH ANNUAL CONFERENCE HELD IN  
TIRANA, ALBANIA, MARCH 28-30, 1996

**NISPAcee**

The Network of Institutes and Schools of Public Administration in  
Central and Eastern Europe

and

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**DEVELOPING ORGANIZATIONS AND CHANGING  
ATTITUDES: PUBLIC ADMINISTRATION IN  
CENTRAL AND EASTERN EUROPE**

Proceedings from the Fourth Annual Conference held in Tirana,  
Albania

March 28-30, 1996

Edited by

**Jak Jabes**

SIGMA

and

University of Ottawa

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ATTITUDES: PUBLIC ADMINISTRATION IN CENTRAL  
AND EASTERN EUROPE**

Tirana, March 28-30, 1996

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Hanulova 5/B

P.O. Box 92

840 02 Bratislava

Slovak Republic

Tel/Fax 42 7 785 357

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## CHANGING PUBLIC ADMINISTRATION

*Jak Jabes\**

Much has happened to public administration systems in Central and Eastern Europe since the transition from communism. Influenced mostly by western models, and more specifically by recent reform efforts of Anglo-Saxon countries using managerialism, central governments in Central and Eastern European countries are in a continuous process of reform. Whilst the citizens and students of these changes may not always be satisfied with the speed of change taking place within the administration, it would be difficult for any to deny that it is indeed taking place.

Attempts to track change in Central and Eastern European countries have often suffered from a lack of common methodology applied to a complex subject matter, together with a lack of definition and agreement on baseline measures of changes in countries. The term “transition” implies that one begins at a given point and ends at another. Ideally, an image exists of the end-point or goal which one wants to achieve. This kind of thinking is flawed. Countries in transition were not static when transition began, and will not be static when transition supposedly ends. Just as their western counterparts in a never-ending change and reform process, a similar situation applies to governments, civil servants and institutions in the Central and Eastern European countries. This implies that transition will be an ongoing rather than a steady state, but still leaves us with the task of describing, explaining, hypothesizing and concluding on future directions of such changes.

NISPAcee has made this task its objective. During its annual conferences and workshops, and in its publications, NISPAcee shows that it is keen to learn about the changes taking place in public administration in Central and Eastern European countries and to assess the implication of such changes for curricula development and future research endeavors. The

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\* Advisor, SIGMA (Support for Improvement in Governance and Management in Central and Eastern European Countries), France. SIGMA is a joint initiative of OECD/CCET and EU/Phare mainly financed by EU/Phare. SIGMA's goal is to support the development of effective public institutions which can sustain market economies, provide a base for pluralist systems of governance and implement public policies. The author is on leave from the Faculty of Administration, University of Ottawa, Canada. The ideas expressed in this article do not necessarily represent the official view of the OECD, the EC, or Central and Eastern European countries participating in the SIGMA programme.

fourth annual conference examined this concern, setting as its objective the assessment of the progress of existing and newly-established models of public management and change in Central and Eastern European countries, based on empirical data, comparative studies, surveys and attitude studies. In setting this goal, NISPAcee aimed at moving away from the description of public administration phenomena to an understanding based on accumulated data. Much of what we learned about public administration from scholars of the region after transition was mostly descriptive, as earlier papers presented at NISPAcee conferences can attest.<sup>1</sup> To some extent, the description was also a legacy from the past, of social science which did not require taking a position but simply describing one. It was a safe, but bland, approach.

Transition has led to a very rich research context in Central and Eastern European countries. There is an ongoing interest in data gathering and understanding systems and models imported or adapted from other countries, and this is helping to advance the way in which post-communist governments serve their citizens and provide services. The impact of change can and should be described but it has to be understood within the context of an international environment in which countries aim to achieve fully democratic governance and the development of market economies. Fostering comparative studies and helping develop public administration theory, as well as organizing and encouraging the exchange of information relative to developments in the theory and practice of public administration in Central and Eastern Europe, has become an important objective for NISPAcee.

The main theme of the fourth conference was “Developing Organizations and Changing Attitudes”. The importance of empiricism for studying public administration phenomena was underlined by the opening address given by Professor Richard Rose from the University of Strathclyde. He cited results from the Barometer Surveys which he had carried out in the region and talked about what he calls an hourglass model — where the state and individuals feel isolated from each other. This type of investigation was carried out in the six workshops which followed.

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1 *Promoting International Cooperation between Schools of Public Administration in Central and Eastern Europe*, Second Regional Meeting of Schools of Public Administration, Bratislava: NISPAcee, 1994; J. Jabes and M. Vintar (eds.), *Public Administration in Transition*, Proceedings from the Third Annual Conference of NISPAcee, Bratislava: NISPAcee, 1995.



## **An Accountable Public Administration**

An important change from the past relates to accountability. Whereas governments in communist societies were accountable to the party central committees, within a democratic system accountability relationships change. Relations between the executive, legislative and judiciary are influenced. Also, the role of audit institutions becomes important. Citizens and NGOs play a role. It is clear that after a few years of transition, the systems in place are not as well-developed as in certain western democracies. Whilst efforts are being made to institutionalize accountability relationships, and put in place audit offices and ombudsmen, in most cases these remain hollow institutions because of a lack of clear mandates and of trained personnel to implement their missions. Furthermore, in many countries, parliaments retain inordinate powers, which render the work of the executive branch difficult.

European Integration weighs heavily on all countries of Central and Eastern Europe. Many have association agreements with the EU and have embarked on what will be a long and arduous task of negotiation for membership. One important aspect of accession is the need to have an efficient public administration in which the EU will have confidence. While this may not be an easy task, given the limited movement towards public administration reform in some countries, the issue may finally get politicians interested in reform and also encourage them to react. This may be the motor that will lead to a more accountable administration.

## **Managing Strategic Change**

One of the most important ways to improve the effectiveness of the public sector in facing transition and bringing about strategic changes is to change the organizational and administrative culture of the public service. The concept of culture within public administration refers to a set of core values (sometimes called mentality) held in common by members of the public sector. Such values are reinforced by the structure of the public service: its institutions, laws, reward systems, etc. Values held by public servants have a direct influence on their work behavior. At the strategy level, policy change requires new behaviors, different from the old authoritarian approaches. However, such changes happen slowly. Cultural change is a component of the administrative reform process. It is generated by key reform tools such as legislative changes, budgetary controls, etc. If culture is influenced by administrative structures, processes and behaviors,

then these very structures need to change and evolve in line with new mentalities. The change in organizational structures, if reinforced by adequate incentives, would have the end result of creating an effective and efficient public sector, as well as reinforcing the process of cultural change itself.

### **Social Transformation and Institutional Reform**

Rising social problems and disintegration of the social fabric of society mainly because of the collapse of the economic system under communism, together with significant and ongoing fiscal deficits, have led countries to question social reforms and appropriate social policy. While everyone seems to agree that institutional reform of organizations involved in social policy-making is unavoidable, many are gloomy about the outcomes (see articles by Hoós, Tsitovitch). The first years of transition appear to have shown that it is apparently not difficult to elaborate conceptions of reforms in the public administration or social security fields, but that it is extremely difficult to implement them. This raises the issue of capacity-building, an important problem and one in which NISPAcee member institutions will have an important role to play by educating and training the incoming generation of public servants.

Public Administration reform has to be goal-oriented. Central and Eastern European governments probably have a number of objectives which they may want to maximize, including improving the quality of policy-making and law-making, increasing the efficiency and effectiveness of administration, providing administrative oversight mechanisms to protect citizens and enhancing democracy. These targets are attainable within many fields and within each field a certain number of reform instruments may be used. In order to use reform instruments, e.g. civil service law, surveys of attitudes, etc., central government institutions need to be in place to manage policy, personnel and the budget. The pressure of social transformations and budgetary deficits has taken away much of the energy required to build institutions. The lack of certain administrative traditions have also slowed down the change efforts.

### **Education and Training**

NISPAcee is a good example of the progress that has been accomplished in the field of public administration training and education since transition. In most countries new institutions have been created or old institutions revamped to educate and train students and civil servants in modern

public administration. Graduates of these schools are now the catalysts of change as they take over responsible positions. Schools and institutes have to become proactive advocates of reform in their countries. This advisory role can be reinforced by targeting teaching, training and research into instruments that have a chance of success. For this to happen, a constant exchange between institutions is needed to circulate information on curricular improvements and new pedagogic tools, such as cases under development. By continuing to provide a forum for discussion, NISPAcee enables a dialogue between institutions emphasizing mainly training and institutions favoring education, thus leading to curricular developments promoting both theory and practice.

### **Tracking Attitudes**

Initial transition efforts were exemplified by reform being generated and implemented by governments and legislatures working with advice received from the west. Many advisors descended in Central and Eastern European capitals during the first years of transition, and much advice was offered. With the passage of time, Central and Eastern European politicians and civil servants have become much more sophisticated in their understanding of the aid environment as well as the reform issues. However, to initiate change, one needs baseline information. In many cases such data was lacking. Most importantly, surveys that tracked attitudes of citizens, civil society and civil servants were sorely missing. Whilst one could understand the urgency of social problems, solutions depended upon policies developed with solid data. But governments in power, as well as parties of opposition, have to know what citizens are thinking. It is only through the knowledge of these attitudes that public policy can be shaped. Surveys can provide both quantitative and qualitative analysis of what people perceive, believe and think. The conference was rich from this point of view. The keynote speaker was Professor Richard Rose, whose paper appearing in this book emphasizes the importance of surveys and how attitudes towards institutions of governance and civil society in post-communist societies show skepticism.

The importance of the use of surveys has implications for public management curricula in the region. Institutes and schools clearly have to stress not only survey methodology, including multivariate analysis techniques, but also to teach how survey data can be utilized by governments eager to advance and market reform.

One often hears in the region the statement “we have not been able to change the attitudes of our civil servants”. In his article Professor Rose refers to an hourglass model where the state, represented by its officials and citizens, are insulated and distrust one another. Changing mentalities is not an easy task. It involves a long process in which much coordination between legal, policy and programme change is needed and reinforced by strong incentive systems. Nevertheless, the whole area of changing attitudes remains one that requires more of our attention. During the conference it was mentioned that the “inertia of mental maps is heavier than the inertia of legislation”. This is quite true, given the previously stated pressure to write new legislation or harmonize and adapt old laws to European standards. Once such laws are passed, implementation deficits usually become evident. Part of these deficits is due to unchanged mentalities of civil servants. Another part is due to conservative bureaucratization found in the retrenchment of civil servants continuously facing new political masters surfacing at each election.

### **Changes in Local Government Finances**

If the first five workshops of the conference reiterate that democracy is a painful process, it nevertheless is clear to many in the region that democracy, with all its positive and negative consequences, can best be observed at the grassroots level in local governments. Municipalities and citizens have involved themselves in a learning process in the region while building and reinforcing self-government. The painful part involves finding much needed financing through local taxation as central government transfers have been reduced. The satisfactory aspects involve a new breed of local politicians and local civil servants learning about budget planning and techniques and bringing about local government financial reform. The wealth of information provided in the four papers presented attests to the fact that local government finance is amply developing, both in theory and in practice, in the Central and Eastern European countries.

### **Conclusions**

The conference left a number of issues unaddressed. Some questions which we formulate below, in lieu of conclusions, may point to directions for future emphasis on research and curricula development.

Attempting to change and reform public administration cannot be an isolated task. It can be kept alive and on the political agenda if its

relationship to economic reform and development can be demonstrated. Countries in the region are now moving along through their transition in different ways and at different speeds. However, economic development concerns all of them. Political leaders and senior civil servants are closely engaged in developing the economy but need to understand that results for an improved state come from a well-performing, stable and trained corps of civil servants together with well-functioning institutions and budget systems.

Some of the concepts discussed during the conference may be viewed as being “soft”. Attitudes, mentalities, change methods and paradigms beg the question of transposability of social science theorizing and research to the current context of transition. This discussion can also be extended to applications of New Public Management or managerialism. Related to this issue is the overall appropriateness of technical assistance. What type of technical assistance, in which fields and in what quantity? Are there capacity problems? These are crucial questions for countries but also for schools and institutes which are recipients of such aid.

Countries attempt changes and reform; programmes and projects get underway, but little information exists about their impact, and even less about evaluation. What are the best practices, what reforms have worked, which ones have failed? Systematic evaluations are necessary, and even though many donors require specific evaluations of their aid programmes, the process is slowed down by the commitment and spending needs of the technical aid environment as well as by political imperatives. How should programmes be evaluated? How should the efforts undertaken by member institutions of NISPACEe to offer education and training of quality be assessed?

Ten countries in the region now have association agreements with the EU and are gearing themselves towards negotiations to join the EU. This will be a time-consuming process for countries. One important consequence is that it will have both research and curricular implications on schools and institutes. The EU accession process is expected to lead to many changes in the public administration of countries above and beyond the sectoral adjustments needed. This will require schools to pay particular attention to skill development in areas such as negotiation, leadership, bargaining, while at the same time imparting courses about the EU from historical, economic and legal points of view. How will such curricular changes be incorporated?

The annual NISPAcee conference gives us the occasion to discuss the activities of the Network as well as assess how well objectives set for the conference are met. Institutional membership of the Network is quickly growing and requests for presenting papers and participation in meetings reflect this trend. In selecting a few papers for presentation, we have aimed to meet the goals which were announced at the outset of the conference. This is testimony that NISPAcee is putting in place criteria which will lead to advancing professionalisation of the public administration discipline in the region as well as improving the quality of research and exchange of ideas.

## **Acknowledgments**

The Steering Committee of NISPAcee would like to thank the Federal Chancellery of the Austrian Government, SIGMA (Paris), and the Albanian Institute of Management and Public Administration for their support which facilitated the planning and organization of this Conference. Those in the region know that the organization of such events require the contribution of many in order to remain within a limited budget and benefit as many participants as possible. Thanks are due to Ludmila Gadjosova, Executive secretary of NISPAcee for keeping everyone organized and coordinated. In Albania, Suzana Pani, the Director of the Albanian Institute of Management and Public Administration was an admirable host. Together with her staff, she worked very hard to make the conference a successful event. Anita Weiss-Gänger and the Austrian Federal Academy of Public Administration facilitated meetings of the Steering Committee which allows the Network to chart policy and grow. Tomas Kučera worked hard to obtain reduced rates on flights so that Annes McGoogan from SIGMA (Paris) could insure that all participants got to Tirana and answered every imaginable query at the information desk of the conference. Finally, it is to Jane Delarue that we owe this book. She took on the difficult task of editing and preparing the book for publication, disallowing accidents to deter her from accomplishing this goal for which we are very grateful.

# **INTRODUCTORY PAPER**



## TRUST AND DISTRUST IN AN HOUR-GLASS SOCIETY:

*Richard Rose\**

*Better to have 100 friends than 100 roubles.  
Old Russian saying*

A constitution is not only about political institutions; it also makes assumptions about the relations between the state, society and citizens. These can take very different forms.

In a completely *totalitarian* system, the relation between the state and citizens is simple: all activities of individuals are meant to be integrated under the direction of the party-state. The distinction between state and society is insignificant, given the unifying role of the Communist Party. Soviet election results illustrate the support the state could officially mobilize; in 1984 99.99 per cent of adults voted, and 99.94 of the votes were cast as the party directed.

A *civil society* integrates individuals and the state, but it does so through intermediary social institutions that are independent of the state. A civil society requires that the state be a *Rechtsstaat*, that is, governed by a rule of law that recognizes the integrity of social institutions independent of it, such as churches, farmers' cooperatives, businesses, trade unions, universities and cultural institutions. Individuals are not required to participate in politics or accept the pre-eminence of the state in their everyday life. The modern state developed as a *Rechtsstaat*, but until the twentieth century such states usually allowed only a small percentage of their citizens the right to vote or participate in government.

In a *civic democracy* individuals are not only integrated in intermediate social institutions but also these institutions can influence the state. Robert Putnam, in an innovative study of the relation between individuals, civil society and the state, *Making Democracy Work* (Princeton, 1993, p. 87), characterizes a civic community as a democracy in which individuals actively participate in public affairs. Individuals participate through a variety of social institutions free of state control, some directly political in nature, such as political parties, and some non-political in purpose, such as choral societies and sports clubs. Putnam advances the argument that cooperation in 'horizontal' (that is, local, face-to-face groups) creates social capital that can then be used to exert influence on the state, for people who learn

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\* Professor, University of Strathclyde, Glasgow, Scotland

how to work together have the skill and the networks to represent their views and voice demands upon government. This conclusion follows the argument advanced by Gabriel Almond and Sidney Verba In *The Civic Culture* (Princeton, 1963) that social trust and cooperation create a sense of civic competence that enables individuals to use their votes to elect a government and hold their representatives accountable.

But what happens if the state is *not* ‘citizen friendly’, because rulers believe that they or the Party knows best what the people ought to want and how they ought to be governed? In such circumstances citizens are likely to have an ‘uncivic’ objective, minimizing contact with the state and relying upon dense horizontal networks of friends to insulate themselves from the state. A character in a novel by Dudintsev describes Russians as living like two persons in one body, the “visible” person saying and doing what the state commands, and the “hidden” person thinking and doing what he wants in the privacy of the home or among a trusted circle of friends. Stephen White described the result as “institutionalized hypocrisy”. Insofar as contacts with the state are necessary, people will not expect to exert influence through democratic channels; the only hope of benefit will be if a citizen can find a way to ‘exploit the exploiters’. While the regime that created such behavior has fallen, the legacy of what the French call *incivisme* remains strong today.

## **1. The Hour-Glass Society**

In an hour-glass society there is a rich social life at the base, consisting of strong informal networks based on trust between friends, relatives and other face-to-face groups. Networks can extend to friends of friends too. At the top of the hour-glass, there is a rich political and social life, as elites compete for power, wealth and prestige. In the vast Russian state, cooperation within and between elites and institutions is the normal way for individual officials to secure their own goals. Such a society resembles a civil society insofar as a number of informal and even formal institutions are tolerated and now even legally recognized by the state. Yet the result is not a civic community but an hour-glass society, because the links between top and bottom are very limited.

The narrow mid-point of the hour-glass insulates individuals from the influence of the state. If the institutions on which they rely for their everyday welfare are free of state control as well as having little chance of influencing the state, then citizens can be described as ‘negatively integrated’,

and insulated from the demands of an undemocratic and potentially oppressive regime. The state can tolerate such institutions as long as activities are confined to looking after small-scale individual concerns and do not concern affairs of state.

Late nineteenth-century Imperial Germany was a classic example of negative integration. There was legal recognition of trade unions and a Social Democratic party; the new mass of industrial workers thus had their own subcultural institutions in the lower half of the hour-glass, dealing with the immediate needs of workers, such as help in sickness or old age. The state constituted the upper half of the hour-glass, with a government that was not accountable to the electorate or to Parliament but to the Kaiser. For workers, involvement in sub-culture institutions was a substitute for democratic politics. The Wilhelmine Reich tolerated a dense and heterogeneous range of institutions of civil society because, as Guenther Roth explained in his classic study of *The Social Democrats in Imperial Germany* (Bedminster Press, 1963, p. 315), negative integration of workers “provided an important means for the controlled expression and dissipation of conflict and thus contributed to the stability of the Empire”.

Northern Ireland offers a contemporary example of negative integration, for Catholics alienated from the British government have always maintained a very dense network of social institutions that they themselves controlled including church, schools, pubs and Irish sports clubs that banned members from playing ‘English’ games such as cricket. Catholic political parties advocated secession from the United Kingdom and integration in a united Republic of Ireland. Classic Irish nationalists ignored the politics of the top half of the hour-glass, controlled by Ulster Unionists who won every election since Protestants are a big majority of the electorate. Since 1969 the strength of insulation from the state has been demonstrated by the Irish Republican Army being able to maintain a violent armed campaign seeking to force Britain out of Northern Ireland, and subsequently to present itself to the British government, in the guise of Sinn Fein, as capable of delivering peace to a ‘top down’ security force that was incapable of controlling the bottom half politically or by force.

Russia is an hour-glass society, because much of everyday life is organized to insulate people from the negative effects of a state that is not regarded as benevolent. Yet it has not been negatively integrated, for Communist ideology did not recognize the right of institutions to exist independently of the party-state. As Vladimir Shlapentokh has shown in *Public and*

*Private Life of the Soviet People* (Oxford University Press, 1989, p.9ff), in the Soviet Union civil society was not weak but illegal. In a totalitarian state the dense network of associations connecting individuals and institutions at the bottom of the hour-glass had to remain informal in order to neutralize the political implications of autonomy. If informal associations were recognized officially, they would have been classified as illegal or, even worse, anti-state.

In the Soviet Union citizens were 'negatively atomized', for the institutions into which they were integrated were not large, impersonal bureaucratic institutions with a legal status, like the German Social Democratic Party, which has contested every election since 1871. Russian citizens have relied upon atomistic units that depended upon face-to-face informal ties that lacked legal recognition. Atomization was intensified by the geographical scale and the massive population of the Soviet Union.

The Soviet Union left a double legacy: individual Russians are likely to have a high degree of trust in their immediate social network, and a high degree of distrust in the Russian state. The result is a constitution without citizens, because most Russians do not see their everyday concerns as integrated with the government established by the Constitution of the Russian Federation.

## **2. A Lot of Informal Trust**

The Russian proverb, 'A hundred friends are worth more than a hundred roubles', epitomizes the importance of informal networks. Today, it is not necessary to rely upon anecdotes and allegory for asserting the importance of social networks. Instead, we can use normal social science methods to collect data about informal and formal networks through sample surveys. The data presented here, unless otherwise indicated, is drawn from New Russia Barometer (NRB) IV, supported financially by the British Know How Fund, the fourth in an annual series of nationwide Russian surveys directed by the author as part of a programme to monitor mass response to the transformation of post-Communist societies. For NRB IV, VCIOM interviewed face-to-face a stratified random sample of 1,943 Russian adults representing Asiatic as well as European Russia, and rural as well as urban populations.

At the material level, social cooperation is necessary for people to secure enough to avoid becoming destitute. When Russians in work are

asked whether they earn enough from their official job to meet their basic needs, only one in eight report they do. Yet three-quarters of Russians say that they have been able to get through the past year without borrowing money or spending savings. The majority of Russians get by because, in addition to the official economy, they rely upon a multiplicity of unofficial economies, such as growing food to eat, exchanging help with friends and relatives, going to friends of friends for favors, having a second job, or relying upon tips and bribes or earning foreign currency.

The rise of a Russian Mafia to exploit cash-rich individuals has distracted attention from cash-free economies that depend upon social cooperation. Most Russians do not grow cucumbers and potatoes for sale, but to eat at their own dinner table. If a friend is asked to help with a house repair or look after children, that person would be insulted to be offered money in return, for Russians value friendship more than roubles. When immediate friends cannot help, people often turn to friends of friends for a favor. In many cases strangers will oblige without being paid any money, thereby enlarging their own network of people on whom they can call for help some day.

The New Russia Barometer shows that virtually every Russian family relies upon two types of economies, the official economy in which a wage or pension is paid in roubles, and social economies in which goods and services are produced, exchanged and consumed without money changing hands. Less than a third of all Russian households are also active in an 'uncivil' economy, drawing a second cash income from work in a shadow economy or other extra-legal or illegal forms of remuneration.

To get by, Russians can combine resources from a multiplicity of economies. Just as investors in market economies diversify investments, so households trying to cope with transformation combine resources from official, social and uncivil economies. When the New Russia Barometer asked people to identify the two most important economies for their household, 61 per cent relied on a *defensive* portfolio in which a social economy, such as producing home-grown food, is important along with an official wage. When official income is inadequate for a family, earning money in the shadow economy or on the side is a logical supplement. But when Russians are short of money today, it is not always easy to get work in an uncivil economy. because supply greatly exceeds demand. Hence, only 17 per cent of Russian households rely upon an *enterprising* portfolio, combining money incomes from the official economy and uncivil economies.

The *vulnerable* are distinctive because they rely solely upon the official economy. Whatever their current standard of living, this group is specially at risk in transformation. Only 11 per cent of Russians rely exclusively upon the official economy, and another 11 per cent are *marginal*, subsisting on the fringes of society through social economies.

Many Westerners assume that the best way to deal with the social problems of Russia today is to promote social protection through the state. This can be done by adopting universalistic income-maintenance policies along the lines of the Scandinavian social democratic welfare state or through means-tested state income-maintenance programs of a kind in use in Britain. But either type of welfare state can only be recommended if it is trusted, effective and honest.

The Russian Federation today is unable to guarantee Russians an income. The 1995 New Russia Barometer found that one in seven of the labor force had been unemployed in the past year, but only a third of those received any unemployment benefit while without work, and usually for only a fraction of the period of their unemployment. The ineffectiveness of the state to help the unemployed is compounded by the inability of employers to pay wages on time. More than half of Russian workers report that they have been paid late or not at all for at least one month during the past year.

In a civic democracy in Scandinavia, citizenship is deemed an entitlement to social benefits as well as to political rights. But people in an hour-glass society do not look to the state for protection. In a negatively integrated society such as the Kaiser's Germany, trade unions provided social protection through mutual benefit funds. Bismarck calculated that administering such funds that represented the savings of workers made unions more responsible and less revolutionary.

In a negatively atomized society, however, people do not trust any large, impersonal organization to provide for their welfare. The New Russia Barometer found that the great majority of Russian workers see trade unions as remote from themselves (Table 1). Even though there is a trade union at almost everyone's place of work, a third of Russians are not members. A majority of Russians who are trade union members distrust the officials of their union. Inasmuch as the administration of welfare benefits by trade unions normally takes place at national level, it is particularly noteworthy that only 15 per cent of Russian workers say they trust their national union officials.

**Table 1**  
**Russian workers distance themselves from unions**

	Union officials	
	At workplace %	National union %
Trust	27	15
Distrust	38	50
Not union member	35	35

(Note: Percentages refer to persons in the labor force.)

Source: Center for the Study of Public Policy, University of Strathclyde, *New Russia Barometer IV* (1995), a nationwide representative sample of 1,943 persons; fieldwork by VCIOM.

The Soviet enterprise remains formally important as a source of welfare benefits. The 1995 New Russia Barometer found that more than two-thirds of Russian workers receive some social benefits at their place of work, such as medical care, housing, holidays, or child care. But nearly half of those eligible to receive benefits said that they were not worth anything at all, and only three per cent say that benefits received through employment are first or second in importance in the portfolio of resources upon which the family relies.

**Table 2**  
**Friendship as the basis of social protection**

	Friends will help:	
	Loan money %	If I am ill %
Definitely yes	32	51
Probably	34	23
Unlikely	18	11
Definitely not	9	9
Difficult to answer	7	6

(First question asked whether a friend would loan as much as a week's wages if your household was very short of money)

Source: Center for the Study of Public Policy, University of Strathclyde, *New Russia Barometer IV* (1995), a nationwide representative sample of 1,943 persons; fieldwork by VCIOM.

When Russians are in trouble, they turn to their friends—and the great majority of Russians are confident that their friends will help them (Table 2). In theory, it ought to be very difficult for Russians to borrow money, for the majority of families are short of money, and four-fifths report that the economic situation where they live is unsatisfactory, implying that most friends are also in economic difficulty. Nonetheless, two-thirds of Russians think it likely that they would be able to borrow a week's wages if they really needed it. Often, the obstacle to borrowing money is not a lack of friends but the fact that many friends are short on money, too.

Friends who will help when sick do not expect to be paid in money. Hence, an even larger percentage of Russians are confident that they would have someone to look after them if they were unable to look after themselves. Uncertainty on this point is disproportionately found amongst Russians living alone and therefore least likely to have a large amount of social capital.

### **3. A Legacy of civic distrust**

Tocqueville's classic theory of American democracy, and today's theory of civic democracy both assume that a high level of social cooperation should strengthen trust in representative institutions. But the theory of an hour-glass society postulates that strong ties between the 'atoms' in Russian society are a substitute for political participation. Given the history of undemocratic 'top down' mobilization by the Soviet state, cooperation in face-to-face primary groups reflects distrust of the top half of society. Russians trust people whom they know but not people in general. When asked whether most people can be trusted or whether you can't be too careful in dealing with people, 75 per cent of Russians choose the distrustful alternative.

Even though Russians rely on a dense social network for economic survival, the great majority do not work through formal institutions to solve local problems. Three-quarters said that they never participated in institutions of this kind, and only one in ten sometimes or often participate in local community associations. The very idea of locally initiated community associations appeared unfamiliar to many respondents socialized in a society in which the Party was the guiding force. When Russians are asked to characterize what kind of people participate in local groups, as many as a third reply that they have no idea.



When people in post-Communist societies are asked their views about a variety of institutions of governance and civil society, the median response normally shows skepticism. By contrast, in Russia the median response normally registers *distrust*. Political parties, a central institution of representative democracy, were actively distrusted by 83 per cent of respondents in the 1994 New Russia Barometer, with 10 per cent neutral and only 6 per cent positive. The level of distrust of Parliament, 72 per cent, was almost as high. Distrust in institutions of authority, such as the police, courts and civil servants, was similarly high; an average of 71 per cent held negative views of these two groups. The 'highest' (*sic*) level of trust was shown to two traditional institutions, the church (51 per cent) and, before the attack in Chechnya, the army (41 per cent).

Even in a civic democracy, institutions of national government are remote from the lives of most people. Local government and local institutions are familiar; because these are the institutions that deliver the majority of public and private services in every modern society, whatever the mix between public and private provision of market and social services. The local post office, grocery shop, doctor's office, and police are familiar in every local community—and Russians can draw upon firsthand experience in judging how well or badly they are treated by these institutions.

The good news is that the majority of Russians expect to be treated fairly by a number of institutions in their community (Table 3). The post office, a paradigm of bureaucracy, has the best reputation for fairness. Whatever the slowness of delivery of mail, postal clerks are seen as treating everybody the same and there is no shortage of stamps. Two-thirds reckon that doctors, a traditional helping profession, treat people fairly. Previous New Russia Barometer surveys have found a negative image of businessmen, as hardworking, intelligent, dishonest and dependent upon political connections. Nonetheless, locally, a majority expect that they would be treated fairly by a bank and by a local grocery shop. The higher rating given a bank is likely to reflect the fact that when the command economy created shortages grocery shops often exploited their control of stocks to discriminate between customers.

The bad news is that a majority of Russians expect major public institutions to treat people unfairly. The local social security office is not viewed as a haven for people wanting help, but as treating unfairly people who seek their assistance. Municipal offices have a reputation for unfairness as great as the police. In contemporary Russia people enjoy freedom from

oppression, but cannot enjoy positive benefits of citizenship as long as the public institutions closest to them are not treating citizens fairly.

**Table 3**  
**Expectations of fair treatment**

<i>Question: If you went to see about something, would you expect fair treatment from:</i>			
	Yes	No	Difference
Post office	78	22	56
Doctor	67	33	34
Bank	67	33	34
Grocery shop	55	45	10
Social security office	49	51	-2
Municipal office	30	70	-40
Police	30	70	-40

Source: Center for the Study of Public Policy, University of Strathclyde, *New Russia Barometer IV* (1995), a nationwide representative sample of 1,943 persons; fieldwork by VCIOM.

#### **4. Broader Implications**

In Central and Eastern Europe, institutions are not trusted, but the median respondent tends to be skeptical rather than actively distrustful. This is shown by the distribution of replies in the fourth annual ten-nation NEW DEMOCRACIES BAROMETER, organized by the Paul Lazarsfeld Society, Vienna, in autumn, 1995 (Table IV). The difference between countries in the level of trust is a reminder that nothing is fixed—and that it is possible to reduce distrust and increase trust. Building *trustworthy* institutions takes time; the longer the time it is likely to take, the greater the incentive to start action now.

*(A detailed exposition of ideas referenced above is given in Richard Rose, WHAT IS EUROPE?, a paperback published in 1996 by Harper Collins/Addison Wesley Longman. For a full report of the fourth annual New Democracy Barometer, covering Bulgaria, the Czech Republic, Slovakia, Hungary, Poland, Romania, Slovenia, Croatia, Belarus and Ukraine, see Studies in Public Policy Number 262 by Rose and Haerpfer. It is available from the Center for the Study of Public Policy, University of Strathclyde, Glasgow G1 1XH Scotland. Fax 44-141-552-4711. Full details about the CSPP research programme can be accessed on the Internet at: <http://WWW.Strath.ac.uk:80/Departments/CSPP/>*

**Table 4**  
**Trust in institutions**

	<b>ND</b>	<b>BUL</b>	<b>CZ</b>	<b>SVK</b>	<b>HU</b>	<b>POL</b>	<b>RO</b>	<b>SLE</b>	<b>CR</b>	<b>BEL</b>	<b>UKR</b>
26. There are many different institutions in this country, for example, government, courts, police, civil servants. Please show me on this 7-point scale, where 1 represents no trust and 7 great trust, how great is your personal trust in each of these institutions <sup>2</sup>											
<b>26a. Parties</b>											
Trusts	14	19	21	14	10	9	22	13	19	8	7
Neutral	23	19	34	27	22	20	25	25	25	14	20
Does not trust	62	62	44	58	69	71	53	62	55	78	73
<b>26b. Courts</b>											
Trusts	32	18	33	31	44	38	39	45	34	19	22
Neutral	24	14	26	30	29	28	21	20	26	20	27
Does not trust	44	68	41	40	26	34	40	35	40	61	51
<b>26c. Police</b>											
Trusts	32	18	31	28	44	37	41	39	38	18	19
Neutral	23	14	27	28	29	28	20	22	24	17	21
Does not trust	45	68	42	43	27	35	39	38	38	65	59
<b>26d. Civil servants</b>											
Trusts	23	14	25	20	29	25	26	40	26	4	22
Neutral	26	20	31	31	33	31	24	25	27	11	31
Does not trust	51	66	44	49	38	44	50	35	47	85	46

<sup>2</sup> For clarity, those in the three highest groups, 5-7, are classified as trusting; 4 as neutral; and 1-3 as does not trust. See also Mishler and Rose, 1995.

	<b>ND</b>	<b>BUL</b>	<b>CZ</b>	<b>SVK</b>	<b>HU</b>	<b>POL</b>	<b>RO</b>	<b>SLE</b>	<b>CR</b>	<b>BEL</b>	<b>UKR</b>
<b>26e. Government</b>											
Trusts	28	36	43	30	18	21	26	43	36	15	15
Neutral	23	14	26	21	24	32	19	24	24	21	23
Does not trust	49	50	31	49	57	47	55	33	40	65	62
<b>26f. Military</b>											
Trusts	52	60	33	46	41	54	77	47	67	49	47
Neutral	23	17	31	32	32	27	11	21	13	20	23
Does not trust	25	23	36	22	27	20	11	32	20	31	30
<b>26g. Parliament</b>											
Trusts	22	26	23	25	22	24	25	27	30	13	11
Neutral	23	16	26	23	24	32	22	26	24	17	23
Does not trust	54	58	51	52	54	44	53	47	46	69	67
<b>26h. Churches</b>											
Trusts	43	36	26	37	36	47	77	25	39	53	54
Neutral	20	16	25	23	26	22	11	19	22	16	23
Does not trust	36	48	49	40	38	31	12	55	39	31	23
<b>26j. National Bank</b>											
Trusts	36	45	44	48	35	39	41	47	28	13	15
Neutral	27	22	30	34	31	34	22	26	28	18	27
Does not trust	37	32	26	19	34	26	37	26	43	68	57
<b>26k. Farmers' organizations</b>											
Trusts	29	18	23	30	28	22	32	38	36	28	34
Neutral	33	21	45	46	34	43	26	27	30	22	32
Does not trust	38	61	32	24	38	35	42	35	34	51	34

	ND	BUL	CZ	SVK	HU	POL	RO	SLE	CR	BEL	UKR
<b>26l. Ecology, green groups</b>											
Trusts	40	19	54	53	35	44	40	46	38	32	38
Neutral	27	17	25	30	32	39	23	25	25	24	30
Does not trust	33	64	21	16	32	17	37	29	36	44	32
<b>26m. Women's Groups</b>											
Trusts	30	19	32	35	23	26	31	46	23	34	36
Neutral	30	18	40	41	36	41	24	24	24	22	33
Does not trust	39	63	29	24	41	32	45	30	53	43	31
<b>26n. Old Communist trade unions</b>											
Trusts	17	22	13	14	16	10	11	36	5	24	26
Neutral	18	17	16	24	22	24	9	21	13	19	19
Does not trust	64	61	71	61	63	65	80	43	81	57	55
<b>26p. New independent trade unions</b>											
Trusts	21	19	26	29	25	24	25	28	16	12	12
Neutral	27	15	36	36	33	37	22	24	23	13	30
Does not trust	52	65	38	35	42	39	53	48	62	75	58
<b>26q. Media</b>											
Trusts	37	12	57	37	46	43	46	54	18	31	27
Neutral	26	14	26	33	26	32	24	28	20	24	34
Does not trust	37	74	17	30	28	24	30	18	62	45	39
<b>26r. Private enterprise</b>											
Trusts	39	43	65	36	57	19	50	30	43	20	23
Neutral	22	22	18	21	17	32	18	25	24	16	28
Does not trust	39	35	17	43	26	50	32	45	33	64	49

	<b>ND</b>	BUL	CZ	SVK	HU	POL	RO	SLE	CR	BEL	UKR
<b>26s. President</b>											
Trusts	39	38	36	26	37	29	48	58	51	38	31
Neutral	23	17	31	30	30	26	20	18	15	15	25
Does not trust	38	45	33	44	33	45	32	24	33	47	44

**SECTION 1**

**Defining an Accountable  
Public Administration**

## **REDEFINING AN ACCOUNTABLE PUBLIC ADMINISTRATION: AN INTRODUCTION**

*Tony Verbeijen\* and Mirko Vintar\*\**

The three papers included in this section represent different but mutually reinforcing approaches to the above mentioned theme. In the first paper an analysis is made of different categories of accountability mechanisms used in modern public administration and the institutional conditions for their successful application. The experience of some OECD countries in redefining accountability mechanisms is presented. However, these cases are presented to illustrate the lessons which Central and Eastern European countries (CEECs) can draw from the mistakes of OECD countries, rather than as an example to be followed by reformers in CEECs. The second paper takes a more philosophical approach. It serves as a useful reminder to those who study developments in Central and Eastern European countries that it is often impossible to understand developments in these countries without taking into consideration the difference in attitudes and approach to reform in general, and administrative reform in particular. The third paper deals with privatization. Even though companies which have been privatized should in theory only be 'accountable' to market forces, experience has shown that some form of accountability to the state has to be maintained at least in the initial years after privatization. This is valid particularly in the case of privatization of public utilities, public transport companies and other similar types of enterprises. In many cases, privatized companies have successfully defended their monopoly rights, which have stopped the general public from obtaining the alleged benefits of privatization. The development of regulatory structures for some categories of privatized companies is a new accountability mechanism, the development of which Central and Eastern European countries will have to consider.

The scope and variety of the papers, as outlined above, provide an illustration of the magnitude of the task Central and Eastern European countries are facing. This task is made even more daunting by the conditions under which the development of new accountability mechanisms is taking place: a deep distrust of public administration among citizens. This deep distrust is caused by citizens' experience with the administration under the

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\* Lecturer, University of Limerick, Limerick, Ireland

\*\* Professor, University of Ljubljana, Ljubljana, Slovenia



previous regime as well as by the way in which public administrations have developed in recent years.

Under the previous regime civil servants, in particular street level bureaucrats, were almost untouchable as long as they did not engage in activities which were clearly in violation of the law or contrary to the interests of the party. At a higher level, civil servants were accountable to their minister, who in turn was accountable to the Communist Party. Accountability through parliamentary means was not well developed; parliamentary sessions were short and had as their objective to transpose decrees issued by the government between parliamentary sessions into legislation and to give new mandates to issue decrees to the government for the period up until the next parliamentary session. Parliaments devoted virtually no attention to their control function. Direct accountability to citizens was not developed and it was virtually impossible to hold civil servants accountable through the judicial system. Under the previous regime citizens in Central and Eastern Europe lacked any means to hold civil servants accountable, with the exception of informal access. Street level bureaucrats, in particular, reacted to this situation by developing their own quasi-market system for services. Additional payments in kind were required to speed up or even ensure the delivery of services. The price these officials would set would be limited mostly by what these civil servants perceived as the maximum they could get away with. Higher officials worked in relative secrecy. Mismanagement and corruption among these officials only became public knowledge when campaigns against corruption were carried out. It is therefore logical that citizens developed a fundamental distrust of the public administration whilst living under this system.

The transition to democracy in Central and Eastern Europe brought about significant changes in the system of accountability. Parliamentary control over government was established, a fundamental reform of the judicial system was started and the controlling structures of the Communist Party were dismantled. These developments created the right conditions for the development of an accountable public administration. In the initial stages of development of the democratic institutional systems, parliaments tried to assert themselves and kept a close eye on the actions of the executive. In most countries, provisions on the establishment of state audit offices and ombudsman offices were included in the new or revised constitutions. The Ombudsman should provide citizens with ways to hold

the administration directly accountable and both institutions should fulfill important support functions to parliament. Changes in the judicial system (including constitutional requirements to establish a system of administrative courts) were expected to further increase direct control capacities of citizens. However, in reality, public administrations are no more significantly accountable to citizens and politicians now, than they were under the previous regimes.

The reasons for the lack of development of new accountability systems are fourfold. First, politicians have generally devoted little attention to administrative reform. Second, the frequent changes of ministers and top civil servants have weakened the hierarchical control over the administration. Third, most of the institutional innovations included in new constitutions have not actually been put into place. Finally, politicians have failed to see the link between privatization and decentralization on the one hand and the need to develop new accountability mechanisms on the other. If accountability issues had been seen as related to privatization, rather than solely an element of administrative reform, the issue would have more than likely attracted more attention. Expectations amongst citizens that a more accountable and service oriented administration would be one element of the transition to democracy have not been met. Media freedom and confrontational politics have further enhanced the image of civil servants as corrupt officials controlled by no-one. It is not clear to what extent speculation in the media and the issues raised in confrontational questions in parliaments reflect the real situation in the administration. Civil servants are a relatively easy target for the media whose main interests is printing sensational stories or for politicians who wish to show the incompetence of their opponents. However, there is no doubt that attitudes of civil servants towards citizens have undergone little change and that citizens still dispose of little or no means to hold civil servants directly accountable.

The situation described above is not only undesirable but also potentially destabilizing for the new democracies. Street level bureaucrats are one of the most visible elements of the state for the ordinary citizen. If citizens continue to lack the mechanisms to challenge the behavior of these civil servants then this could have a fundamental negative influence on the legitimacy of the new regime. Similarly, if citizens feel that fundamental policy decisions are taken in a non-transparent way, this will revive memories of decision-making under the old system. As a last point, if citizens feel that privatization benefits a small exclusive group rather than society at

large, they are likely to have an increasingly skeptical attitude to the new democratic regimes.

Considering the above, it is clear that the strengthening of existing accountability systems together with the development of new mechanisms, should be a priority issue for Central and Eastern European governments. At the level of street level bureaucrats this can be dealt with by enhancing direct accountability to citizens, on a higher level by enhancing direct and indirect parliamentary control mechanisms, and at the level of strategic privatized industries by developing regulatory structures.

In the three papers, an overview was given of developments in the above three mentioned areas as well as several possible methods to close existing accountability gaps and some of the obstacles reformers might face in trying to apply these. During the discussion which followed the presentation of the papers, the issue of accountability was discussed in a somewhat broader context. Questions were raised as to whether the adoption of civil service legislation is a precondition for the development of a more responsive attitude among civil servants. Obviously this is an issue which is difficult to address, since one's opinion on this issue depends so much on whether one has a positive or a negative view of civil servants. Those who believe that in principle there is a tradition of public service in Central and Eastern Europe, argue that civil servants are likely to become more responsive to their 'clients' and are likely to show more initiative if they are better protected against dismissal. Those who argue that a tradition of public service ethic is absent or at least too weak in Central and Eastern Europe might feel that giving the civil service more job security would only make them less likely to be responsive to their 'clients'. A similar argument can be put forward as to the attitude of higher level civil servants towards the decentralization of responsibility.

A second theme in the discussion related to the development of direct accountability mechanisms, in particular of quasi-market mechanisms such as the Citizen's Charter. The discussion focused on the conditions under which this type of initiative could lead to a real, rather than an artificial improvement in accountability. The general feeling was that only if politicians were really prepared to enforce the adoption of high standards, would such initiatives lead to improved standards of accountability.

The final point in the discussion was whether under the conditions described in the second paper, the tendency of reformers in Central and Eastern Europe to start and reverse reform processes without ever developing

a coherent strategy, there was any realistic hope that a well balanced set of accountability mechanisms could be developed. The answer to this question in many ways reflected the general tone of the discussion on the accountability theme: as long as one continues to make attempts to solve the problems, the hope remains that a solution will eventually be found, even if it is not arrived at in an ideal way.

# REDEFINING ACCOUNTABILITY SYSTEMS IN PUBLIC MANAGEMENT: A CHALLENGE FOR CENTRAL AND EASTERN EUROPEAN REFORMERS <sup>1</sup>

*Tony Verbeijen\**

## 1. Introduction

Ensuring accountability is a classic problem of democratic political systems. How can citizens be sure that those to whom they have delegated the power to make decisions for the common good of society, through their elected representatives, account for their decisions in an acceptable way, especially when the implementation of those decisions is entrusted to appointed officials? The increasing complexity of state structures has made the development of credible accountability mechanisms an increasingly difficult task. Radical reform process in OECD countries<sup>2</sup> have led to a re-definition of accountability mechanisms in these countries. In Central and Eastern Europe the transition to democracy has raised fundamental questions about the development of new mechanisms for ensuring that both government and administration can be held accountable for their decisions and actions by the citizens. In both groups of countries the alleged lack of accountability of officials and ministers is causing legitimacy problems for the political system, even though the reasons which have triggered the debate on the re-definition of accountability mechanisms are different in both groups of countries. The fundamental underlying question in the debate in both groups of countries, however, is similar: How can a new balance between the types of accountability systems be achieved? In other words, how can administrative, political, judicial accountability systems and accountability through (quasi-) market mechanisms be enhanced and combined in such a way as to ensure that politico-administrative systems can regain the trust of increasingly skeptical citizens.

The re-definition of accountability systems is an important issue in both OECD countries and the countries of Central and Eastern Europe. In OECD

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\* Lecturer, University of Limerick, Limerick, Ireland

1 This paper addresses the question of accountability of civil servants in politico-administrative systems undergoing radical transformation. It is based on literature research and on interview material obtained in the course of an EU funded research project on comparative public management reforms in OECD countries and in Central and Eastern Europe

2 In particular in the UK, New Zealand and Australia, but more recently also in the Netherlands and Ireland

countries, the need for the restructuring of accountability systems has often arisen from radical reforms in the policy-making and in particular, policy implementation processes. The relations between politicians and civil servants, especially those in top positions in semi-autonomous agencies, have changed substantially. The problems which have arisen in the countries which have carried out the most radical reform programmes hardly come as a surprise. However, since most of the countries concerned have a long tradition of managing relations between elected representatives and appointed officials, it is more than likely that a new system of relations between the two groups will crystallize in the years to come, making the new system of decision-making and implementation which has developed as a result of the above mentioned reform processes, more comprehensible and accessible for citizens.

The situation is quite different in Central and Eastern Europe. Under the previous regime, civil servants were answerable only to the representatives of the party nomenclature. In the years following the beginning of the transition to democracy, in most countries, little real change was observed. The high level of politicization at the top of the administration has made top civil servants little more than faithful political servants of the minister. Civil servants in the middle ranks of the administration were subject to increasingly diminishing control due to the frequent turnover in ministers and top civil servants. This resulted in a growing anarchy in public administrations which is, in part, responsible for the increasing legitimacy problems in the new democracies. During the last two years politicians in several countries have started to design comprehensive reform programmes for the public administration. In particular, the reform strategies developed in Hungary and Bulgaria have a strong managerialist, almost New Public Management, flavour. The above mentioned accountability problems in OECD countries are, to a large extent, due to the application of managerialist reform strategies without substantial revision of the accountability mechanisms. However, unlike most OECD countries, the countries of Central and Eastern Europe do not have a tradition of democratically accountable government to fall back on should accountability problems arise. Therefore, the implementation of a managerialist reform strategy, even if this strategy has as its objective to create a more accountable as well as a more efficient administration, could well have unexpected negative side effects in terms of accountability and eventually in terms of legitimacy.

In this paper, I will first make a brief review of the rationale of the reform process in OECD countries and in the countries of Central and Eastern Europe, in order to put the above problems into context. Next, a brief overview of different accountability systems will be given, looking in particular at administrative, political and judicial accountability mechanisms and to a lesser extent, at the use of (quasi-)market mechanisms. The discussion of the different possible accountability mechanisms will be integrated with a brief review of the nature of some of the problems experienced by some of the OECD countries which have carried out reforms based on New Public Management (NPM) theory. On the basis of this review, some conclusions can be drawn as to what type of measures Central and East European countries which intend implementing a managerialist reform strategy might need to take to strengthen their accountability systems. This section will use mainly information gathered during field research missions carried out in Hungary, Bulgaria and Slovakia between June and December 1995. One objective of this project was to study to what extent systems of parliamentary and judicial control of the administration had been developed and to what extent politicians would be likely to take an interest in developing improved information systems to control their own administration. Finally, conclusions will be drawn on how reformers in Central and East European could meet the challenge of creating a more efficient public administration, whilst at the same time making the administration more accountable to both politicians and citizens.

## **2. Rationale of reform processes**

Public management reforms undertaken in OECD countries, in particular in English speaking countries, have had as their aim to re-define the organization of state structures, the role of the state in the economy and the relations between civil servants, politicians and citizens. The most reformist OECD countries are the countries with systems based on the British model of public administration, with the exception of Ireland, where so far, more limited reforms have been pursued.<sup>3</sup> New Zealand and the UK are arguably the most radical examples with the USA and Australia following suit. Reform processes in these countries are predominantly based on New Public Management theory, which is basically a combination of Public Choice theory and Neo-Taylorism. In other OECD countries

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3 A situation which might change if the reforms planned under the Strategic Management Initiative are implemented successfully. However, doubts have been raised as to the feasibility of these reforms

significant reforms in public management can also be observed, particularly in Sweden and in the Netherlands, but they have been less radical than those in countries with an Anglo-Saxon tradition. However, reforms in these countries affect the accountability structures in place, and will therefore be referred to in this paper where appropriate. Reforms in France have a rather different dimension, focusing more on training and personnel management, while for instance, in Germany, structural reforms have been relatively limited.

The rationale of the reforms carried out in OECD countries was economic decline. New Zealand and Australia suffered a severe economic crisis in the late 1970's and early 1980's. The UK economy was in disarray in 1979. The economic situation in the USA was hardly any better. In all four countries, voters elected governments who promised a radical reform of the state as medicine for a sick economy. It is interesting to note that both leftist (in New Zealand and Australia) and more right wing governments followed reform strategies based on similar principles, even though there were marked differences in the way these principles were put into practice. The main exception amongst the English speaking countries was Ireland, which also faced economic decline, particularly in the late 1980s, but where reforms undertaken were much less radical and based on consensus rather than on confrontation. Economic decline hit the Netherlands and Sweden in the early 1980's, which initially led to limited reforms being implemented. However, both countries have embarked on more radical reform strategies during the last three years. In the Netherlands, in particular, a lot of thought is currently being given to how administrative units dealing with policy implementation can achieve more independence without a substantial loss of democratic control over the activities of these agencies.

In Central and Eastern Europe, reform of the state is one aspect of the triple transition process.<sup>4</sup> Reform of public administration was a low priority issue during the first phase of the transition process,<sup>5</sup> but during the last

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4 A concept developed by Claus Offe. Transitions in Central and Eastern Europe do not only have internal political and economic dimensions, but also an external dimension related to (among other things) the re-definition of borders and the development of solutions for minority problems

5 Obviously this is more true for some countries than for others. Poland, for instance, made significant progress in reform in the early stages of the transition process, but the process slowed down due to the general political paralysis in Poland after the 1991 elections. The Baltic states have always been more active in this area than the Central European countries, Bulgaria and Romania. In general, however, the attention for reform of the state was nowhere as strong as in the above mentioned OECD countries



two years increasing attention has been devoted to it. Arguably the increased attention for administrative reform is mainly due to the fact that the EU has made it clear to its Central and East European candidate members that a high quality public administration is one of the requirements for EU membership. Activity in the area of public administration reform has increased, particularly since the EU clarified its criteria for membership<sup>6</sup>during the Essen Summit in December 1994 and in June 1995 adopted the White Paper on the preparation of the Central and Eastern European countries for their integration into the Internal Market. The White Paper stresses the need to develop administrative capacities and other enforcement structures. Even though there was a clear and identified need to improve the quality of public administration before this time, it was only in 1995 that governments started devoting more attention to administrative reform. Administrative reform strategies such as the ones developed in Hungary and Bulgaria indicate that these reform processes will have a managerialist character, which led to the question posed at the start of this paper: can central and Eastern European countries put in place a balanced accountability system to ensure that administrations not only become more efficient, but also more responsible and client oriented.

### **3. Systems of accountability and Public Management Reforms: Some experiences from OECD countries**

Several accountability systems have been developed in academic literature: Administrative accountability to a political superior,<sup>7</sup> direct or indirect<sup>8</sup> parliamentary control, control through institutions affiliated to parliament,<sup>9</sup> judicial review,<sup>10</sup> constituency relations<sup>11</sup> and (quasi-) market forces. In this paper I will try to devote attention to all these accountability systems, with the exception of constituency relations, which relates to accountability through professional peer group review and relations with

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6 Initially defined during the Copenhagen summit in 1993

7 Or in NPM terms managerial accountability

8 Through ministerial responsibility

9 Such as National Audit Offices and Ombudsman institutions

10 Through systems of administrative justice and, indirectly, through ombudsmen/parliamentary commissioners

11 As defined in Bruce Stone, Administrative Accountability, *Governance*, Vol. 8, Number 4/ 1995 pp. 517-520 and in Day, Patricia and Rudolf Klein, *Accountabilities*, Tavistock Publications, London 1987, pp. 26-41

interest groups. Accountability through (quasi-)market forces will be discussed mainly in terms of the new mechanisms which have been put in place to make public services work on the basis of market principles rather than in terms of the different methods of subjecting state owned enterprises to market mechanisms.

The different accountability systems should ideally be mutually reinforcing. The extent to which they are used in individual countries depends primarily on legal and political tradition. There is no one best way of striking a balance between the different possible accountability systems. The effectiveness of an accountability system depends mostly on the existence of a proper balance between the different systems, so that weaknesses in one form of accountability can be compensated for by controls through other mechanisms.

Administrative accountability can be considered the most straightforward form of accountability. Under the classic system of ministerial responsibility, ministers were responsible and answerable to parliament for the work carried out by civil servants.<sup>12</sup> In order to maintain this system, top civil servants were in turn accountable to the minister. Since ministries generally had a pyramid structure with a single line of hierarchy, it was relatively easy to uphold this particular accountability mechanism as long as ministries were of a small size and their tasks were not overly complex. With the expansion of the role of the state in society, however, it became increasingly difficult for a minister to know what exactly was going on in his/her ministry, and as a consequence, it became increasingly difficult for parliaments to hold ministers accountable for all actions of the ministry, for which they bore responsibility. One of the main arguments of Public Choice theory, one source of inspiration for NPM theory was that ministers were no longer in control of their civil servants and that civil servants engaged in giving false accounts of reality to ministers to increase their own budgets. Managerialist theory, the other main component of NPM, put the blame on civil servants as well as ministers, who arguably did not devote enough attention to the management of their ministry. Reforms in many OECD countries were based on this assumption.

Two different solutions have been applied in reformist OECD countries to enhance administrative accountability, or in managerialist terms, to

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<sup>12</sup> With the exception of financial management in some of the countries, such as the UK. In this area permanent secretaries/chief executives were accountable to parliament as accounting officers.

transform administrative accountability into managerial accountability: the development of management information systems, both in financial management and functional management, and the re-shaping of government department structures. The UK and Australia in particular were pioneers of new information systems, with the development of the Management Information System for Ministers (MINIS), the Financial Management Initiative in the UK, and the Financial Management Improvement Programme and Programme Management in Budget in Australia.

The re-shaping of government department structures was to improve the control capacities of ministers over their administration. To this end bureaucracies were divided up into core departments, dealing mostly with policy development and monitoring of the performance of policy implementation, which was hived off to executive agencies. In the case of the UK, where a large number of agencies were created since 1988 under the 'Next Steps' programme, is probably the best known.<sup>13</sup> However, the most sophisticated method of splitting up government departments was applied in New Zealand, where government departments were divided into six different categories of agencies<sup>14</sup>, each responsible to a specific minister. This division in agencies had, as its main objective, to ensure that no government department would have to deal with potentially conflicting tasks. The New Zealand administration was thus divided up into some 40 different departments. Ministers sign performance contracts with the chief executives of the agencies. A heavy reporting structure has been put in place to ensure that the minister is informed about the progress the department/agency makes in the achievement of the objectives set out in the performance contract. Chief executives have been put on five year contracts and ministers can ask the State Services Commission, responsible for personnel policy in the administration, to terminate the contract with a chief executive if agreed targets are not met. The clear division of the administration into categories of agencies, together with the reform of employment conditions, (in the case of New Zealand) has helped the

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13 In the UK a three layer structure was created in which the core ministry would negotiate a performance contract with an agency on behalf of the minister. The core ministry serves as the intermediate between the minister and the agency. Some 65-70% of civil servants work in agencies.

14 Central agencies, Trading agencies, Taxing agencies, Policy Advice agencies, Regulatory Review and Audit tasks, and Service Delivery agencies. See for more information, Boston, J. and John Martin and Pat Walsh, *Re-shaping the State*, Oxford University Press, Auckland 1992. The structure created is much 'flatter' than the UK structure.

development of performance indicators and has enhanced the control of ministers over the financial and functional management of the agencies.

The new system has proven difficult to manage, in New Zealand as well as in the UK. It would appear to be difficult to stop ministers from interfering in the daily management of policy implementation and delivery of service in politically sensitive areas,<sup>15</sup> and it has also been difficult to draw the line between outputs and outcomes.<sup>16</sup> It is early days to say whether or not the development of management information systems and the reshaping of government structures have indeed led to a fundamental increase of ministerial control over the ministry(ies) and agency(ies) for which they are responsible to parliament. Another unanswered question is whether the benefits, in terms of increased control capacities for politicians, outweigh the costs of the re-shaping of structures in terms of disruption of relations between politicians and chief executives and loss of co-ordination capacities. The last issue to be addressed is the possible detrimental effect of the re-shaping of ministerial organizations regarding the second accountability mechanism to be discussed in this paper; parliamentary control.

Parliamentary control is the classical way of securing political accountability. Ministers can be called upon to account for the actions of their civil servants by parliament. Indirectly, civil servants were deemed to be responsible to the general public. Ministerial responsibility has increasingly become a myth in modern society. Even though some countries, such as Ireland, still use a rather wide definition of ministerial responsibility, in general, ministers are no longer held responsible by parliament for all the actions taken by their civil servants. The question which is usually posed to determine whether a minister should be held responsible for the actions of his/her civil servants, is whether errors of civil servants can be related back directly to ministerial decisions. Only then is a minister likely to face serious consequences. In the classic system, parliament can also try to ensure accountability by holding inquiries in which civil servants are questioned directly, and, as a consequence of this, parliament would expect a minister to take action against those civil servants at fault.

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15 One of the best examples is the row over the alleged interference of Michael Howard in the daily management of the Prison services in the UK.

16 See, for instance, Enid Wistrich, restructuring government New Zealand Style, Public Administration, Volume 70, 2/1992, pp. 129-130

Reforming government structures by separating policy-making and implementation can potentially bring more clarity into accountability systems based on political control. Responsibilities of civil servants and politicians are more clearly separated in a contractual relation in which outputs to be achieved by chief executives and outcomes to be achieved by ministers can, in principle, be clearly separated, even though in practice, distinguishing outcomes and outputs has transpired to be rather difficult. Enhancing parliamentary control powers on the basis of this separation of responsibilities is much more difficult to achieve. Allowing parliament to interfere directly in the affairs of the executive, by for instance, giving parliament the right to dismiss Chief Executives of agencies if their performance was unsatisfactory, would be contrary to the principle of separation of powers. Parliamentary powers remain limited to the possibility of pressuring ministers to dismiss chief executives who do not meet set performance criteria. In conclusion, one could thus argue that the clarification of the division of responsibility between ministers and chief executives has strengthened the position of the minister vis-à-vis parliament: it has become more difficult to hold a minister accountable for mistakes made by agencies which function at arm's length from the core department. However, the risk associated with this system is that if parliamentary control capacities are not strengthened, this could lead to a decrease in accountability of the executive as a whole, vis-à-vis the legislature.

Parliamentary control can be strengthened in a direct, as well as in an indirect, way. The most obvious direct way of strengthening the position of parliaments is by granting them additional resources to investigate financial management in the administration, particularly in agencies. In New Zealand, part of the public management reforms carried out consisted of strengthening parliament, specifically by granting parliament additional resources to hire external experts to help examine the financial reports of agencies. However, in most countries which have carried out reforms based on NPM, parliaments have not been given the necessary additional resources to strengthen control functions.

The main indirect way of strengthening parliaments is by extending the investigatory powers of officials and institutions reporting to it, such as ombudsmen/parliamentary commissioners for the administration and Audit offices. The prerogatives of audit offices and audit commissions have, indeed, in many countries been strengthened,<sup>17</sup> which has improved the capacity of public accounts committees to scrutinize both core ministries

and agencies. If there is a suspicion of abuse of resources, an inquiry into the practices of the agency concerned can be demanded.

Establishing or strengthening ombudsman institutions is a second indirect way of enhancing parliamentary control possibilities. Ombudsman institutions have, as their main advantage, the fact that they can provide citizens with direct access to accountability mechanisms,<sup>18</sup> while at the same time strengthening parliamentary control capacities.<sup>19</sup> During the last 20 years, an increasing number of countries have appointed parliamentary commissioners or ombudsmen<sup>20</sup> to investigate complaints by citizens about their treatment by the administration. The position of parliamentary commissioners and ombudsmen varies according to the extent to which they are connected to parliament, as well as to their prerogatives. Ombudsman institutions in the Nordic countries, for instance, are more independent of parliament than the UK parliamentary commissioner. The powers of parliamentary commissioners and ombudsmen vary considerably; ranging from mere powers to investigate citizen's complaints of misadministration in a narrow sense, as in the case of the UK,<sup>21</sup> through powers to investigate any administrative decisions suspected to be unlawful, unreasonable or unjust,<sup>22</sup> to prerogatives to start an investigation into administrative practices without a formal complaint having been launched.<sup>23</sup> The system of access to ombudsmen/parliamentary commissioners also has an impact on the extent to which ombudsmen can enhance accountability. On this point also, a range of different systems is in place, ranging from free access in the Nordic countries to a highly limited

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17 As an example, the powers of the Comptroller and Auditor General (CAG) in Ireland were extended substantially in 1993. Whereas the CAG could before the adoption of the act merely investigate the legality of expenditures, his powers were extended in 1993 to allow for audits on efficiency and value for money.

18 Even though, for instance, in the UK and France ombudsmen can only be approached through MPs.

19 Ombudsmen usually carry out investigatory work which parliaments could not undertake due to time and resource constraints.

20 The title of the institution/person varies from country to country.

21 In the UK misadministration is mainly seen as being related to the manner in which decisions have been implemented and does not extend to questions about whether decisions themselves are faulty; see Mary Seneviratne, *Ombudsmen in the Public Sector*, Open University Press, Buckingham 1994, p. 8.

22 *Ibid.*, for instance the case in New Zealand.

23 For instance in Sweden, where the ombudsman can investigate any practises which he/she finds worthy of investigation.

access (only through MPs) in the case of the UK. The presence of ombudsmen and parliamentary commissioners can enhance parliamentary control capacities, even if it is in an indirect way, similar to the extension of powers of Audit offices and commissions. However, restrictions placed on the independence and prerogatives of ombudsmen can severely limit the impact these institutions can have.

It is difficult to draw a balanced conclusion on whether the collection of measures described above is sufficient to guarantee the necessary level of democratic control of the administration. If one looks at the collection of measures taken in New Zealand, where parliamentary control capacities have been strengthened by resource allocations and extensive reporting requirements for agencies, and where there is a relatively strong and independent ombudsman institution,<sup>24</sup> one could be relatively confident of the level of democratic control of the administration. Still, doubts have been expressed about the real capacities of parliament to control the executive under the reshaped politico-administrative system.<sup>25</sup> However, if one studies the case of the UK, where parliamentary resources have not been strengthened fundamentally since the start of the 'Next Steps' programme and where the powers of the parliamentary commissioner are much more limited than those of the New Zealand ombudsman, one can but wonder whether New Public Management Reforms have not decreased, rather than increased, the level of democratic control of the executive and thus have led to a less, rather than more, accountable administration, at least as far as political accountability is concerned.

Accountability systems based on judicial means are often the Achilles' heel of public management reforms. In countries with a separate system of administrative justice, access to judicial means for seeking redress against administrative decisions is usually better guaranteed than in countries which have no separate system of administrative justice. The latter groups of countries, however, include most of the common law countries in the OECD, which are specifically those countries which have introduced the most radical reform measures. In addition to the limitations imposed by the lack of a separate system for administrative justice, which could in theory be compensated for by citizens seeking redress through the ordinary courts, the possibility for citizens to hold the administration accountable

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24 New Zealand was the first common law country to appoint an ombudsman.

25 Boston, J. and John Martin and Pat Walsh, *Reshaping the State*, Oxford University Press, Auckland 1992, p. 397

through judicial means was limited due to the lack of access to official information in most English speaking countries, where there is a tradition of secrecy. In several countries, improvements have been made on both issues. An administrative tribunal has been set up in Australia, together with the creation of a new regime of administrative law. In addition to this, freedom of information legislation has been adopted. The access of citizens to judicial review of administrative decisions has also greatly improved.<sup>26</sup>In New Zealand the right to the access of information is now amongst the most extensive in the world and the bill of rights passed in 1990 has given the courts wider opportunities to challenge administrative decisions.<sup>27</sup> However, in the UK, access to information is much more constricted, regardless of the official policy of open government, and citizen's rights to redress through administrative justice is more restrained than in the above two mentioned countries. This limitation is reinforced by a reduced availability of legal aid, which in the UK is only available to a very small segment of society. Restricted availability of judicial accountability mechanisms can be counterbalanced by giving the parliamentary commissioner/ombudsman the right to initiate prosecution. However, in the UK in particular, the parliamentary commissioner has not been given such prerogatives.

The last accountability system to be discussed here is accountability through (quasi-) market forces. Accountability through market forces was initially considered to be applicable mostly to state owned enterprises. Corporatisation of these enterprises and the elimination of monopoly rights and other advantages<sup>28</sup> were the main measures taken to make these enterprises more responsive to market forces. In the 1980s many state owned enterprises were corporatised and later privatized and those which now remain in state hands, in most countries, function much like private companies.

However, a large number of public services remain which cannot be corporatised and privatized, either because they deliver classical public goods or because they have to remain in state hands for political reasons. Politicians adhering to the principles of New Public Management have looked for ways to ensure that those public services which are likely to remain in state hands are made more accountable to citizens through

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26 Bruce Stone (1995), p. 516

27 *Ibid.*

28 such as access to cheap capital



quasi-market forces. Quasi-market mechanisms were considered to be the ideal way of increasing the extent to which administrations can be held accountable by citizens by John Major when he came into office in 1990. At that point in time it had become clear to the UK government that citizens were increasingly displeased with the perceived decline in levels of accountability as a result of the implementation of the 'Next Steps' reforms. The Citizen's Charter Initiative was launched by John Major in 1991 and constitutes one of the most interesting attempts to enhance accountability through quasi-market forces to compensate for the weakening of the more traditional accountability mechanisms. The Citizen's Charter sets enforceable standards of service for public agencies and state owned enterprises. Service delivery agencies were required to design their own charters in which they would set out minimum standards and, where possible, forms of compensation for citizens who have not received the minimum standard of service to which they are entitled. In addition to setting minimum standards for service delivery, charters also set standards for openness, including the end of anonymity of public servants, information, accessibility, responsiveness and choice, which include the competitive delivery of services where possible as well as the requirement that clients be consulted about the ways in which services are delivered.<sup>29</sup>

Even though the implementation of the Citizen's Charter initiative has not been without difficulties,<sup>30</sup> it is highly significant in terms of enhancing accountability. If the initial problems with the implementation of the initiative can be overcome, it could give citizens the feeling that they have regained the possibility of influencing the way the administration works.

Public management reforms undertaken in the OECD countries discussed above, have led to a significant shift in the balance between accountability systems in these countries. The replacement of administrative accountability with managerial forms of accountability has created substantial problems regarding the re-definition of responsibilities of ministers and civil servants and, more significantly, has led to an accountability gap in terms of political accountability. The dilution of ministerial responsibility and the

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29 G. Bruce Doern, *The UK Citizen's Charter, origins and implementation in three agencies, Policy and Politics*, Vol. 21, 1/1993

30 Difficulties in setting initial standards, the issue of rewarding front line staff for better performance (which is difficult to achieve under the current financial regime in the UK), difficulties related to the delegation of powers to front, the interfering variable of agency interdependence in measuring performance and the lack of funding for re-training public servants are mentioned as the most serious difficulties in Doern's article.

fact that it has not been replaced by enhanced parliamentary control, over the performance of semi-independent chief executives together with the obvious difficulties parliaments face in exercising an increasingly complex control function, have created the impression that democratic control of government has been substantially weakened. One solution to the problem is to strengthen parliamentary control capacities both in a direct and indirect way. However, with the exception of New Zealand, such measures have only been taken to a limited extent. Strengthening judicial accountability mechanisms provides a further method of compensating for the weakening of political accountability mechanisms. Both in New Zealand and Australia, possibilities for citizens to seek redress against allegedly illegal or unfair treatment by the administrations, have been extended. However, in the UK there has been little or no compensation for the perceived loss of political accountability through an improved access to judicial means. The main way in which recent UK governments have attempted to narrow the accountability gap created by the reshaping of state structures, is by putting in place quasi-market mechanisms through the Citizen's Charter initiative. The implementation of radical public management reforms has thus created a clear need to redefine the balance between accountability systems. The countries which have implemented radical reforms still face difficulties in finding this new balance. This is reflected in the heated political debates on the subject, particularly in the UK. However, in view of the democratic traditions of the countries concerned, it is likely that a new equilibrium will be found in the near future and that current problems will be resolved. The experience of the above mentioned countries can constitute both a source of inspiration, and a warning, for Central and East European countries which are in the process of designing and implementing administrative reform strategies. These countries face several specific problems caused by the transition to democracy which, in my view, makes the emulation of public management reforms as carried out in OECD countries, a hazardous venture. To illustrate this point I will review the cases of Bulgaria, Hungary and Slovakia, with the objective of determining what measures these countries would have to take to enhance accountability systems in order to ensure that the possible implementation of managerialist reforms would not lead to a further decline in legitimacy.

#### **4. Accountability systems and managerialist reform in Central and Eastern Europe: necessary measures to enhance control capacities for citizens and politicians**

The development of new accountability systems in Central and Eastern European countries after 1989 has constantly been a daunting task for reformers. The administrations in the Communist systems were ultimately accountable to the Communist Party. It has proven extremely difficult to transform these bureaucracies into administrations accountable to the citizens by means of political, judicial and (quasi-)market mechanisms, since this requires a fundamental change of attitude in society. It also requires the development of new institutions and procedures. In view of the frequent changes of government in Central and Eastern European countries in the initial years of the transition to democracy, together with the general lack of political interest in administrative reform, which, after all, does not usually win votes in elections, it is not surprising that relatively few achievements have been made in terms of developing an accountable administration. As previously stated, the recent increase in attention to administrative reform is as much driven by external considerations (EU membership criteria), a point which is explicitly acknowledged in the Bulgarian reform strategy, as by concerns about the declining legitimacy of the new regimes. The moves in countries such as Bulgaria and Hungary towards reform strategies with a managerialist flavour raise important questions as to the ability of relatively unreformed administrative systems, in particular in terms of accountability structures, to deal with the consequences of managerialist reforms. The case of Slovakia is rather different. There the re-definition of the relations between central government, local state government and local-self government has been given priority over the reform of central government structures. Therefore, little can be said about the potential impact of structural central government reforms on accountability of government and administration in Slovakia. In contrast, in Hungary and Bulgaria, administrative modernization and reform strategies have been drafted and published. The following short inventory of potential problems related to the implementation of these strategies will focus mainly on Hungary and Bulgaria, while limited reference will be made to the Slovak case.

The implementation of a reform strategy based on managerialist principles requires a move from administrative to managerial accountability, in terms of the relations between ministers and civil servants. Decentralizing responsibility for the implementation of policies and the management of

budgets are elements of both the Hungarian and Bulgarian reform strategies, even though they are more explicit in the latter than in the former. The current situation in the administration, in particular in Bulgaria, however, is one of distrust between civil servants and politicians. A longer period of stable government might however improve the situation. Civil servants are unlikely to be prepared to take on additional responsibilities so long as there is no clear definition of their rights in a civil service law. A draft for a new civil service law has been presented by the Ministry of Labour and Social affairs but so far it does not feature on the parliamentary agenda. An internal re-structuring process in the administration was started in September 1995, with an information gathering exercise by the Administrative Reform Department of the Council of Ministers. During the same period, the Administrative Reform Department drafted the Strategy for Administrative Reform, partly based on the findings from the information gathering exercise and on the ideas of the head of the Administrative Reform Department. The move from the gathering of information through a rationalization of internal ministerial structures, to the transformation of the administration from a pyramid to a cluster organization, however, is an exercise which is likely to take a number of years. Furthermore, internal resistance against such a fundamental restructuring process is likely to be difficult to overcome. The Bulgarian Council of Ministers is determined to implement these reforms using a top-down approach and is likely to use the relatively weak position of civil servants to try to force the implementation of the reform programme.

The starting position of Hungary is, at first sight, rather better. They already had a civil service law in place for a number of years and relations between politicians and civil servants appear to be relatively free of suspicion. The relative stability of governments in Hungary has obviously contributed to this. However, the office of the Government Commissioner for Administrative Modernization has not moved much beyond the information gathering phase of the reform process and the drafting of a modernization strategy. At the same time, it is clear that moves to push the modernization process beyond the information gathering phase are bound to experience difficulties due to resistance from the individual ministries, a point which was made by both the Government Commissioner and ministry representatives. The self-restraint shown by the Government Commissioner, who views his office as a think tank, rather than an implementation unit, does not improve the prospects of a swift implementation of the modernization strategy.

The first problem related to the reshaping of administrative structures for the implementation of a managerialist programme will be internal resistance to a reform strategy driven by a central actor. The ideas of central reform units in both countries appear to be very much at odds with what is considered acceptable in the administration. Obviously NPM reforms in OECD countries were also subject to resistance from the administration. However, in countries such as the UK and New Zealand, prime ministers played a central role in driving the reform process. In Hungary and Bulgaria prime ministers have to give more priority to other pressing issues, even if they feel strongly about administrative reform. An additional problem is that politicians in general are unlikely to be favourably disposed towards managerialist reform proposals. Politicians tend to fear, for good reason, that citizens will continue to hold them responsible for the actions of semi-autonomous agencies, regardless of the fact that formally, managerial responsibility would be decentralized. Politicians would thus be weary of the effect that decentralization of responsibility would have on their electoral record. Reshaping the structure of administrations in Central and Eastern Europe from a pyramid organization with centralized control, to a cluster with control mechanisms based on managerial principles, is therefore, likely to encounter resistance from both politicians and civil servants, at least in those countries where the employment conditions of civil servants are not well defined. This type of resistance is unlikely to fade in the near future.

The main problem related to the issue of re-defining administrative accountability would be the resistance of politicians and civil servants against such reforms. However, regarding political accountability, the issue is merely one of capacities. In most Central and Eastern European countries there is, as yet, no generally accepted definition of where ministerial responsibility should end and what ministers have to account for. Ministerial responsibility is generally interpreted in a broader way than in most OECD countries, which is reflected in a much higher number of ministerial resignations. However, it would be a mistake to conclude that this high number of resignations reflects a well-developed control capacity in Central and Eastern European parliaments. In reality, ministerial resignations are very often knee-jerk reactions of governments which are afraid to lose parliamentary confidence, especially since party discipline is still weaker in most Central and Eastern European countries, than in other continental European countries. Direct parliamentary control capacities are weak and under-developed. During research missions undertaken in 1995 in Hungary,

Slovakia and Bulgaria it appeared that in all three countries parliamentary committees in sensitive areas such as health and education did not feel that they had a satisfactory control capacity and opposition MPs, in particular in Bulgaria and Slovakia, complained of limited access to information. The lack of control capacity of parliaments in general and of parliamentary committees in particular, which normally play an important role in exercising parliamentary control functions, is due to the heavy legislative programme of Central and Eastern European parliaments and to the limited resources of parliaments. The lack of experience of parliamentarians can be an additional factor. However, the fact that all three countries have well developed committee structures gives some reason for optimism; the necessary infrastructure for the further development of parliamentary control is in place. It is worth mentioning that in Bulgaria, a special parliamentary committee on corruption has been created, to increase parliamentary control capacities over what goes on in the administration. However, at best this committee can have a limited impact, since it lacks resources as well as investigatory powers. An extension of control tasks of parliaments through the decentralization of responsibilities from ministers to managers would thus, almost certainly, widen already existing accountability gaps.

The development of institutions such as audit and ombudsman offices, which can assist parliaments in exercising control over the administration, is still in the initial phase of development in all three countries surveyed in 1995. The Hungarian constitution<sup>31</sup> provides for the appointment of two ombudsmen, one on civil rights and the other on minority rights. However, in spite of the adoption of the law on the ombudsmen in 1993, it took until 1995 before a decision on the appointment of the ombudsmen was taken. In addition to the two above mentioned ombudsmen, a third ombudsman was appointed to deal with issues related to data protection. Before the appointments were made, several presidential proposals for the appointment of the ombudsmen had failed to obtain the necessary two-thirds majority in the Hungarian parliament. The law on the Ombudsmen provides for direct access to both the civil rights and data protection ombudsmen. It is likely that ombudsmen in Hungary could play a fundamental role in helping citizens to hold the administration accountable, considering the experience of the constitutional court, the direct access to which has been widely used by citizens. The Bulgarian Administrative Reform Strategy mentions the need to create an ombudsman institution,<sup>32</sup> which gives an indication that the

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31 art. 32b

32 *The New Administration*, Council of Ministers, Sofia 1995, p. 18 and p. 20

authors of the strategy realize that control capacities to which citizens can have direct access need to be enhanced. However, even if a decision to appoint an ombudsman is taken, it would take a long time for the legal framework of the office to be developed. In Slovakia no mention has yet been made of the creation of an ombudsman institution.

The situation regarding audit offices is slightly better. In Hungary, the legal framework for the audit office was created as early as 1989. However, even though the audit office, according to the constitution, has the right to control the efficiency of government expenditure, in reality its function has been limited to a control of legality of expenditure. In addition, parliament has so far made little use of the reports provided by the audit office.<sup>33</sup> The independence of the audit office is guaranteed to the extent that appointments are made for a 12-year period. In Bulgaria the law on the audit office was adopted only in Summer 1995. The audit office will be allowed to investigate legality as well as efficiency of state expenditure, will have relatively wide investigatory powers and will have regional offices to control field offices of central government ministries. The head of the audit commission will be appointed for a nine-year period. However, due to the fact that legislation on the audit office has been passed at such a late stage, it will be quite some time before parliament acquires the assistance of an effective audit institution. In the long term, however, the audit office could render significant indirect assistance to parliament in its task of controlling government and administration.

Political accountability structures in Central and Eastern Europe are still weak and incomplete. Parliaments are unable to devote sufficient attention to the control of government activity, due to time and resource constraints. Structures, which in principle could assist parliament as well as citizens in scrutinizing the administrations, are either not yet in place or in an early stage of development. Reformers in Central and Eastern Europe would therefore first need to devote attention to the improvement of parliamentary capacities to hold government and administration accountable before initiating reforms based on managerialist principles.

Apart from giving citizens the opportunity to take action against administrations through an ombudsman, the development of a separate system of administrative justice can provide citizens with additional means

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33 Istvan Soltesz, 'Controlling the Government by the Parliament' in Atilla Agh and Sandor Kurtan, *The first Parliament (1990-1994)*, Hungarian Center for Democracy Studies, Budapest 1995, pp. 52-53

to hold administrations accountable for illegal or unfair actions and decisions. Under the old regime, there were no separate systems of administrative justice. However, since Central and Eastern European countries generally follow the continental European legal tradition, it does not come as a surprise that new constitutions adopted in Central and Eastern Europe in general, make provisions for the development of a separate system of administrative justice. Even though suspicion of the judiciary has still not disappeared in Central and Eastern European countries, the development of separate administrative courts through which citizens can seek redress against administrative decisions would potentially be a powerful control mechanism. However, as in the above mentioned cases of ombudsmen and audit offices, the actual establishment of institutions provided for under the new constitutions has been delayed. Both in Hungary and in Bulgaria, administrative cases are still handled by the ordinary courts. The main reason why a separate system of administrative courts has not been established is the lack of financial resources. In view of the fact that ordinary courts are overstretched due to increasing crime levels, it is difficult to see how an effective system of administrative justice can develop under such conditions. Furthermore, access to information is still not well guaranteed in Central and Eastern European administration. The means of citizens to hold administrations accountable for decisions through judicial means are thus extremely limited. If governments such as the Bulgarian government are serious about the creation of an open and accountable administration,<sup>34</sup> priority should be given to the development of legislation to improve citizen's access to information and investment should be made in the development of a separate system of administrative courts. The measures outlined in the Bulgarian Administrative Reform strategy<sup>35</sup> seem, in this light, insufficient. In broad terms, these remarks are valid for Hungary and Slovakia as well.

The development of accountability mechanisms based on quasi-market principles might at first sight seem an irrelevant proposition for Central and Eastern European countries, especially in view of the weaknesses in the traditional accountability mechanisms described above. However, one of the main strong points of the reform units in Hungary and Bulgaria is the innovative approach to administrative reform. Thus, the development of a

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34 *The New Administration*, Council of Ministers, Sofia 1995, p.21

35 Mostly related to informatisation, for example putting government decisions on the internet and the development of catalogues and databases.



type of Citizen's Charter initiative would certainly not be beyond the capacities of these reform units. Even though the development of this type of initiative is likely to be fraught with difficulties, of a more serious nature than those outlined in the case of the UK, it would certainly be something governments should consider as a counterbalance against the loss of accountability, which a decentralization of managerial responsibility is sure to cause.

## **5. Conclusions**

Redefining accountability systems is a critical issue in public administration and political science, both in OECD countries and in Central and Eastern Europe. Administrative reforms based on New Public Management theory have put serious pressure on accountability systems in OECD countries. For example, New Zealand, Australia and the UK have made significant changes in systems through which administrations can be held accountable by citizens and politicians. Reforms of existing accountability mechanisms based on political, legal and economic mechanisms were combined with institutional innovations. A new balance between accountability systems is yet to crystallize in countries which started the reform process in the early and mid 1980's. Countries such as the Netherlands, where the process of institutional restructuring started later, are still in the process of trying to find ways to safeguard the level of accountability of government and administration. The high level of concern in these countries about the level of accountability of administration in government under a reformed administrative system, characterized by the decentralization of responsibility, indicates that there is a direct relationship between the perceived effectiveness of accountability mechanisms and the level of legitimacy of the politico-administrative system.

In the second part of the paper, the accountability systems in Hungary, Bulgaria and Slovakia were evaluated on the basis of field research carried out in 1995. Accountability systems in these countries show serious deficiencies, especially as far as political and judicial accountability systems are concerned. Parliamentary control capacities are clearly insufficient and other important institutions, such as audit offices and ombudsmen, were either not yet established, or too weak to make a difference. The same conclusion can be drawn regarding judicial accountability mechanisms. However, in view of the limited attention which has been devoted to administrative reform in these countries, and in view of their financial

difficulties, this conclusion can hardly come as a surprise. The administrative reform/modernization strategies in Bulgaria and Hungary have a managerialist flavour. The experience of OECD countries has shown that the implementation of managerialist reforms need to be accompanied by a fundamental revision and strengthening of accountability systems, even if the reforms planned are less radical than those carried out in countries such as the UK and New Zealand. Issues of accountability are currently not sufficiently addressed in the reform and modernization strategies concerned, which means that the implementation of the proposed strategies would lead to a further decline in the level of accountability of Central and Eastern European administrations and governments. This could lead to a further loss of legitimacy of governments and parliaments, which have already lost a lot of credit due to the unpopular measures they have had to take. It is thus crucial that reformers first strengthen accountability systems, before embarking on managerialist reform strategies. In this respect, the mistakes made by reformers in OECD countries should constitute a lesson as well as a warning for Central and Eastern European governments.

## PRIVATIZATION AND THE ROLE OF PUBLIC ADMINISTRATION

*Dragan Radinović \**

Property and power are, together with the family, the fundamental basis of human society, changes of which throughout the history of civilization determined the character and success of different epochs, nations and states. The first two categories, property and power, are especially interlinked. An essential characteristic of both is that they constantly seek to transcend all borders and limitations. History shows that authorities have always restricted property with the sole objective of wielding absolute and unlimited power. Another universal element of human society is the constant aspiration of power after materialization i.e. “the transformation of power into property”<sup>1</sup>. The battle for power and property is part of man’s innermost nature. History also shows that power and property have no bounds<sup>2</sup>.

The contemporary world today, on the threshold of the 21st century, is too complex and complicated for an accurate perception of the basic processes and tendencies to be reduced to mere relations between power and property i.e. the institution of the state as the repository of power, and that of property as a fundamental relationship. The technological revolution has given rise to a “Copernican turn-about” and essential changes and transformations of the basic institutions of society and the state, with the institutions of power - the state and property - having to respond to a new powerful challenge - information and computerized information as the vehicles of human knowledge which are increasingly replacing classical resources in the form of natural wealth. The institutions of authority - the state and property - exhibit a vitality even when faced with these new challenges establishing power and ownership, i.e. control over the generation and use of information. However, both state and property are transforming and adapting to the profound changes brought about by the new technological and information revolution, the potential of which, one can hardly predict with certainty.

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\* Federal Ministry of Justice, Belgrade, FR Yugoslavia. This paper reflects solely the personal views of the author.

1 Andrija Gams, *Property*, Belgrade, 1987, p.23

2 Veselin Vukotić, *Privatization*, Belgrade, 1993, p.27

From a property standpoint, the present-day world can be divided into two types - those states in which private property dominates and those in which collective property is dominant. In its development, mankind has passed through cycles and periods in which one of these two forms of property featured as dominant. The history of human society to date demonstrates that neither form of property is in itself the most successful one but rather, that it is confirmed or questioned under given social and historical conditions. Nonetheless, we can rightly claim that private property is closest to human nature and that private property is man's greatest motivator and promotes his creative endeavors. The period - when collective forms of property (state- and socially-owned) prevailed is obviously behind us and the form and dimensions of the new global process increasingly feature privatization as the process of the domination of private property over all other forms of property. The process of privatization has been particularly intensive over the past years in virtually all parts of the world, evolving in various forms and under various names<sup>3</sup>.

Under contemporary conditions the state is dominant by virtue of its physical force, discharging in parallel with that of domination, the function of social regulation<sup>4</sup>. The transformation of the state administration<sup>5</sup> is essential for the function of regulation to prevail over that of domination. The centuries-long transformation has led to the present-day tendencies in the administration towards professionalization, growth and differentiation. These processes are attended by a constant tendency to reduce the element of coercion in the activity of the administration. Especially significant in this global process, is the emergence and development of public services designed to overcome the domination of monopolistic organizations in the pursuit of general social interests and inaugurate competition in the discharge of public services. An important change in terms of restricting state coercion is also taking place in the realm of human rights and freedoms, where the state administration as an instrumentalized segment of state power is limited in the scope of its action by human rights and freedoms which increasingly assume a universal meaning verified by positive law. Human

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3 Different expressions are used world-wide for privatization: in Australia - "prioritization", in Bolivia - "industrial transition", in Brazil - "de-statization", in Chile - "people's capitalism", in Costa Rica and Jamaica - "economic democratization", in Egypt - "partners in development", in Mexico - "disincorporation", in FR Yugoslavia - "ownership restructuring".

4 Eugen Pusić, *Social Regulation*, Zagreb, 1989, p.319

5 Dobrosav Milovanović, Regulation of Relations of Citizens in the Discharge of Public Services, *Pravni Život* No.11- 12, Belgrade, 1994, p.2444

rights and freedom and their legitimacy stem from what is referred to as natural law<sup>6</sup> and in that sense, figure as exceptionally important for determining the legal status of the state administration in a legal system based on the constitutionally proclaimed concept of the rule of law. The exceptionally increasing importance of the economic role of the state is also of major bearing on the position and role of the state administration today. Under conditions of a market economy, the state administration undergoes a substantial transformation so that it does not hinder free entrepreneurship, but ensures almost equal conditions, treatment and guarantees for entrepreneurs in terms of their legal status. In particular, through its legal system, the state should guarantee the institution of the execution of contracts as a reliable legal instrument of property protection. Against the background of the information revolution, the modern-day administration must put in place such an information base as will ensure a highly sophisticated system of records of citizens, juridical entities and their property, as a prerequisite to legal security and the efficient exercise of the rights and duties of citizens and juridical entities, which indeed is the precondition for a modern state based on the rule of law, one in which the rights of citizens are restricted exclusively by legal prohibitions and the state administration is bound by the law in that respect. Also, the state must ensure an efficient system for the protection of data and the right to privacy. And finally, the state administration must take an active part in the process of management of society and serve the spearheads of political power so that they might adopt political decisions relying on a professional, highly competent and efficient state administration, the status of which has been harmonized with precisely such a role.

The process of sweeping changes at the social base and its superstructure in Yugoslavia has been ongoing for more than five years. Changes in political and economic relations have been taking place simultaneously and are interdependent. The restructuring process, however, has not been evolving at the same pace in these two parts of the body politic. Namely, changes in the political system have been taking place much faster than those in the economic system. The introduction of a multiparty parliamentary political system has, within a fairly short span of time, replaced the earlier system of a single party authority. There is no doubt that an arduous and long-term process lies ahead and that during its course it will be necessary to come to grips with partisanship and build a consistent real institutional

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6 Slobodan Perović, *Natural Right and Human Rights*, *Zbornik prava i slobode*, Belgrade Human Rights Centre, Belgrade, 1995, p.13

framework imminent in genuinely democratic relations within a multiparty parliamentary democracy and in the concept of the rule of law proclaimed by the Constitution<sup>7</sup>. Notwithstanding all the corresponding weaknesses, the system of multiparty parliamentary democracy has, nevertheless, become a reality and the main guiding principle of the entire political life. However, without sweeping changes in the basic social relations - i.e. without essential changes in the basic production relations and changes in fundamental ownership relations - the changes in the society's political sphere will, by necessity, produce only limited effects and results. This is why we regard ownership restructuring as a key factor in all relations and processes taking place in this society.

The process of ownership restructuring is, objectively speaking, rather complex. This process is unique to Yugoslavia in as much as it involves the transformation of so-called socially-owned property into other property forms. Since to date, in nowhere else in the world has there been such a 'non-ownership' property concept<sup>8</sup>, we are, understandably, referring to a distinctive and original process which is unique in many respects, despite all the similarities that exist between property in Yugoslavia and different forms of state and collective property in the former socialist states.

The state has the key role in the ownership restructuring processes. It plays it in different ways. First of all, it performs the regulatory function by enacting the "rules of the game", namely it lays down the legal framework in which ownership restructuring is to take place. Apart from this *legal* function, the state also has an exceptionally important *economic* role by retaining for itself the status of an economic entity, i.e. the status of one of the owners of earlier socially-owned property, through different "Funds" over which it retains full control by discharging the personnel-related function, and the administrative and management functions. Another very important function of the state is its *political* function in the ownership

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7 The judicial system, the judiciary, needs to be consolidated and promoted both legally and effectively and new institutions such as administrative judiciary, the ombudsman, ministerial responsibility, the accounting court etc. introduced.

8 Some authors feel that the property of socially-owned enterprises in the social property-based system belonged to such enterprises as juridical entities, and not to those employed by them. That is partially true, but this concept was never consistently carried out to the full in terms of responsibility, as the consequences of the poor performance of enterprises were, in the final analysis, borne by the state which covered the losses, undertook rehabilitation action, etc. Only over the past 7-8 years has the selective application of the institution of bankruptcy begun to be applied.

restructuring process, since political developments speed up or slow down ownership restructuring processes, depending on current political interests. The state also has to assume the social function, for, the privatization of socially-owned enterprises, apart from the already pronounced existing social problems (high unemployment and low living standard levels), also entails additional consequences (laying off redundant workers).

In FR Yugoslavia, the ownership restructuring process evolves through the process of privatization of socially-owned enterprises and the emergence of a large number of new privately-owned ones<sup>9</sup>. Through privatization a process is to be carried out contrary to the one conducted in Yugoslavia on three occasions (1946, 1948 and 1958) i.e. the collectivization of the means of production. Both processes involve ownership changes but in the opposite direction. In view of the general crisis and more than four years of international sanctions imposed by the UN<sup>10</sup>, the privatization process has, in effect, assumed the characteristics of a process of nominal identification of new capital owners, while genuine privatization which would imply the actual identification of private owners and the establishment and operation of a capital market on which actual sales of ownership titles would be effected, is still in an embryonic stage<sup>11</sup>. This is despite the fact that the legislative and institutional preconditions are already in place (regulations on securities, the Commission on Securities, etc.).

Privatization in FR Yugoslavia, a federation made up of two federal units, is taking place on the basis of different approaches at different speeds. In 1995 and 1996 the Republic of Serbia followed the “slow-track privatization” approach and the Republic of Montenegro, basically followed the “fast-track privatization” approach. The pace of the privatization process also varies. In the Republic of Serbia it accelerated perceptibly after the 1990 adoption of the federal Law on the Turnover of Social Capital. During the first 6 months of the application of this Law alone, over one third of all socially-owned enterprises embarked on a process of ownership transformation. However, this process slowed down considerably that

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9 Currently, in terms of number, private enterprises are prevalent in FR Yugoslavia, but their employees account for only 10-11 % of the total.

10 The losses incurred as a consequence of the UN sanctions in FRY are estimated at cca US \$5 4 billion.

11 Regardless of the fact that we believe that the term ‘privatization’ does not reflect the actual meaning of the changes being effected, we shall hereinafter continue to use this generally-accepted term. We take privatization to mean only the process in which private persons are designated to be the ultimate holders of the property of enterprises and banks.

same year, and was virtually brought to a standstill with the disintegration of Yugoslavia in the years that followed. This was also largely attributable to the hyperinflation which was stopped early in 1994.

According to the data of the Federal Ministry for the Economy<sup>12</sup>, 69.9 % of socially-owned enterprises in Serbia have been involved in transformation and 30.1 % have not. The corresponding figures for Montenegro are 80 % and 20 % respectively. According to the latest data obtained from the Government's Economic Restructuring and Foreign Investments Agency, in late December 1995, the situation in Montenegro was as follows: the process of transformation was completed in a total of 79.6 % of socially-owned enterprises, of which 54 % were registered by the courts as joint-stock companies, and 24 % announced a call for the subscription of free and preference shares. According to the Agency's data, 12.7 % of enterprises entered the final stage of their transformation, whereas the transformation procedure was still underway in 7.7 % of them. In Montenegro, 1996 has been announced as the year of genuine or effective privatization and there are plans for a general-type transformation, within the first six months, of the utility sector, of public enterprises and several major enterprises which have not been transformed so far due to reasons beyond their control.

In this social and ownership context, the question arises as to whether the state administration reflects the changes taking place in ownership relations.

We believe that privatization is having a major impact on the conditions in the public administration sector. We single out the following consequences in particular. First, the privatization process directly weakens personnel and the negative selection process in the public sector, since a considerable number of most capable employees either openly join the private sector or remain in the public sector whilst clandestinely setting up their own "businesses". Secondly, the public sector is riddled with more corruption as a result of the deteriorating financial standing and the overall erosion of public morality. Thirdly, the level of legal security is reduced, affecting claims to certain entitlements that are made through regular channels, which means no additional incentives. Next, the administration is shutting itself even further away from citizens so that in most cases it keeps silent on all sensitive problems and relations emerging within it.

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<sup>12</sup> The data have been taken from the explanatory note on the draft law on the basics of property restructuring of socially- owned capital, Jan.,1996.



Finally, real centers of power are being formed within administrative structures which, on the basis of mutual association and safeguards of personal interests, effectively decide, beyond their fields of competence, on particular and often important, rights and interests.

The public administration is, therefore, even now a serious barrier to the establishment of new relations in this society based on the prevalence of private property and for this reason it is necessary to give serious consideration to the administration both in the organizational and functional sense, and, in particular, to create a new administration - highly professional, competent and well-paid. Private property calls for the rule of law and for safeguards to protect personal safety and property, which a public administration undergoing transition can hardly provide.

This is why the appropriate response by society to the relations being established within the framework of privatization must be to set up a public administration which will not only encourage, enable and protect these new property relations, but also promote general interests. Nevertheless we should not lose sight of the need to limit the function of private property, and gear it to its social role within a state of social justice whereby we mean a state which represents to the largest extent possible, a reconciliation of the objectively existing social contradictions.

A prerequisite to the further evolution of the privatization process is the adoption of a social programme as a stabilization instrument designed to provide at the very least a minimum of social support or eliminate active resistance to the privatization process. The problem, however, lies in the fact that it is impossible to allocate the additional resources needed to support a broad scale of social rights and a large number of beneficiaries from the existing social product. Assistance in the form of long-term credits from international financial institutions would therefore be necessary.

Privatization in the domain of property relations raises the question of a wholesale reform of the state administration. This issue will be even more topical as the process of genuine privatization goes ahead. To the extent that privatization of property actually occurs, the state will have to withdraw from the sphere of economic relations and confine its role and influence mainly to the public sector, leaving everything else to the market and private initiative. We therefore feel that a process of strategic reforms in the state administration should be embarked upon to pave the way for that. Basically, this process should involve the inauguration of a state administration model compatible with the manner of production in which

private property has an important and indeed dominant role. If the steady increase of profits is the basic philosophy of enterprises, why then should the state administration not also re-examine its contribution to the development of society precisely by prescribing such “rules of the game” as will increasingly permit the generation of material and spiritual value-added. The “petrified, defensive and unimaginative state administration”<sup>13</sup> of today which is often self-sufficient, effectively inhibits the development of productive relations in which private property of the means of production is yet to assume an important role. Thus, in lieu of a conclusion on a future vision of the state administration, we feel that the following quotation from David Osborne is relevant: “The state administration model inherited from the industrial age scored important results in its time, but is no longer efficient. State monopolies, excessive attention to rules and regulations and the hierarchical setup are simply no longer able to keep abreast of the increasingly rapid changes in society and the economy, the most salient characteristics of which are competition and an abundance of information. The functioning of the federal government will soon be paralyzed. It is faced with practically the same crisis as that faced by American industry ten years ago, i.e. before economic organizations started restructuring themselves in order to be able to compete with profitable foreign firms. The state administration today would have to follow their example.”<sup>14</sup>

The process of reform of the state administration presupposes the existence of highly specialized scientific and professional institutions systematically dealing with questions of public administration. In FR Yugoslavia today there is no special institution addressing only these issues. Until 1992 the Federal Institute for the Promotion of the Administration existed. However, together with some other institutions, this Institute was dismantled under the Constitutional Law for the Promulgation of the 1992 Constitution of the Federal Republic of Yugoslavia<sup>15</sup>. Of late (1995, 1996), initiatives have been repeatedly launched for the setting up of a special institution for public administration, notably in the form of messages addressed by conventions of jurists held in

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13 Dragoljub Kavran, On Substantive Changes in the Public Sector and State Administration, *Pравни zbornik*, No. 1-2/94, Podgorica, 1994, p.44

14 David Osborne, *State Administration Reviews*, the *US journal Review*, in the Serbian language, No.265, Feb,1994, pp.20-23

15 Constitutional Law for the Promulgation of the FRY Constitution, Art.9, para.1,item 5. (“Official Gazette of FRY”, No. 1/92)

Budva<sup>16</sup> and on Mt. Kopaonik<sup>17</sup> in 1995. The convention of jurists assembled in Budva addressed the following message in that connection: “The participants of the convention support the establishment of a special institution to deal on a scientific, systematic and durable basis with issues of administration, the promotion of the organization and work of the administration, study and translate world achievements in science and technology and render them accessible to our practice.”<sup>18</sup> An identical message was sent from the meeting at Kopaonik.

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16 First meeting of jurists in the administration of FR Yugoslavia, Transitional Administration, Budva, Sept.20-22, 1995, with about 300 participants.

17 Ninth traditional convention, the Kopaonik School of Natural Law, Kopaonik, December 13-16, 1995, with about 2.500 participants.

18 Transitional Administration, Vol.II, *Pravo- teorija i praksa*, Novi Sad, 1995, p.226

# **EUROPEAN CONSOLIDATION AND INNOVATION IN BULGARIAN LOCAL ADMINISTRATION**

*Ludmil Georgiev\**

## **Philosophical Grounds of Innovation in Local Administration**

The rapprochement of the countries in Western, Central and Eastern Europe which accelerated after the events in 1989 necessitated the search for solid points of support for this process. Initially viewed as easily accessible, these supporting areas proved to be accessible in various ways and this predetermined the national specificity of the transition in each country as well as the chronological difference of their uniting with Western Europe, already highly integrated. Public administration is one of these areas. In contrast with other fields - culture, public health care, education and economics - which can reflect national peculiarities and are, to a larger extent, subject to the freedom of specific development, administration is a fundamental area whose correspondence to Western standards, guarantees European communication in all areas and, hence, is an important factor for integration.

It should be emphasized immediately that in terms of structure, administration was connected to various models, also prior to 1989, due to the fact that even at that time, the then modern administrative structures and systems were borrowed (sometimes almost completely) in the field of government. The hierarchical, functional, matrix and other structures concerning the organization and functioning of administration at both the national and local levels had been implemented for many years with varying degrees of success. The differences - as far as they visibly exist - were based on a complex set of historical, national-psychological, and ideological factors whose in-depth study is hardly possible in a report such as this one. For this reason, the aim which I pursue through this paper is to provide a discussion in this area and to enlarge upon the understanding that innovative solutions in public administration are one of the tools to achieve convergence between the two parts of Europe.

A significant distinction, the overcoming of which requires special attention, is the different understanding of innovation for the two sides.

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\* Associate Professor, New Bulgarian University, Sofia, Bulgaria

The relatively homogenous political and economic conditions in which Western Europe has developed since the end of the XVIIIth century, reveal an element of logic, continuity and sustainability of this development deprived of internal perturbations and sudden leaps. Graphically, it can be illustrated as follows:

The appearance of the socialist model of state organization, development and government and its wide-spread application in Eastern Europe in the middle of the XXth century, notwithstanding the modern evaluation of this experiment, led to a radically novel line of development for most countries in the region. Due to their different geographical position and economic development, those countries implemented their social and economic moves following the graph of the experiment, in most cases applying the method of trial and error, and with major leaps and diversions. The changes, especially in the field of administration, were introduced after lengthy periods of time and did not differ dramatically. Graphically this could be presented in the following manner:

If we re-cover the two graphic models, we can see at a glance the vast differences between the two mechanisms of movement. They are almost equally controversial from a “right-wrong” point of view but the first model is visibly more favorable from the point of view of the evenness and continuity test.

According to the first graphic model, the innovations are the logical consequence of an earlier experiment, a new idea, a relatively short period of introduction and an experiment at a new level. With the second graphic model, due to the abrupt and large diversions in the aspiration to establish an essentially new ideology of government, for a long period of time innovations were represented as new, forgotten, old, or already world-wide renowned methods for the functioning of the executive. The positive side of this type of movement is that it leads to unexpected discoveries (and fairly often useful ones) the conclusions from which are not solidly established in the system's behavior, thus making the system move in the conditions of a “permanent novelty”. At the same time, this is the main reason for its instability, since there is a certain impact on the organization of administrative services but, due to the rapid subsequent changes, no corresponding attitude of the population can be gauged with respect to the consumption of these services. It is this factor that makes it necessary to introduce under the form of innovations in Eastern Europe some well known methods and models established in the Western administrative system, whilst at the same time

doing this in parallel with the models and systems which the West evaluates as innovation from its own point of view.

The acceptance of a new concept calls for a defined technological timeframe which, in the sense of what was said above, is different for both sides since Eastern Europe still has to contend with a large volume of knowledge (namely, new knowledge) relating to the organization of education, training and retraining of administrative personnel, and to the structuring of local administration depending on the development strategies pertinent to each territorial system. This is completely new for Bulgaria, both as an opportunity for the municipalities, and as a drafting methodology.

The above statements require that the public administration reforms should not be perceived as a simple reorganization but rather as a global process of a total change in the way of thinking in this area. This includes educating Bulgarian citizens to expect that services should be provided to them and not insisting that they be served.

### **Legislation and Innovation in Local Administration**

The monopoly of administrative services limits the supply of this type of service thus constantly giving rise to certain deficiencies which also exist in the West. This monopoly has an “in limbo” effect in Western countries and increases the opportunities for Eastern European countries to catch up quickly.

If we divide the innovative solutions into two streams, depending on their inflow into the administrative system, the result will be as follows: Firstly, innovation is introduced via the educational system and is applied later in the functioning of the administration. For this stream, the expenses of recruitment and payment of professors and for the provision of the material and logistics base of training itself prevail. The second stream comprises the innovations directed towards the reorganization and functioning of public administration whilst the prevailing expenditure goes to the perpetual modernization of the material base and methods of functioning and control.

At this moment in time, there is no active orientation towards the educational aspect due to the delayed adoption of the law on civil servants which, in its section 5, provides for a link between the education and career promotion of civil servants, thus stimulating education. According to this provision, “Executive servants in public administration can only be those

with a higher education or who have a qualification degree above higher education and who have graduated from a course in public administration accredited by the state”. The requirement for executive servants in the local administration is “... to be amongst those with a higher education who have graduated from a course in public administration accredited by the state”.

It can be generalized that the possibilities of making innovations through capital, prevail over the possibility of introducing innovations through skills and knowledge. At the same time, however, the insufficiency of the latter is an obstacle to the durable and qualitative utilization of the former.

According to section 55 of the same proposed law, “Civil servants shall be entitled to remuneration for the work performed by them. The amount of the basic salary shall be determined in accordance with the category and degree of the civil servant, as well as with the category of the agency or institution where he or she works”.

### **New System of Payment in Local Administration**

The principle of municipal self-government allows for a different way of paying the same category of municipal servants. Hence, the development of an appropriate methodology to evaluate the positions and the administrative staff at local level, is a considerably innovative contribution. For this purpose, I would suggest a unified scale for evaluating municipal positions and administrative staff, based on the factor point analysis. The various indicators are differentiated according to their importance, each of them bringing a defined number of points generalized by ten factors. Where necessary, municipalities can specify the contents of certain indicators if they intend to cover more thoroughly and precisely, the specific peculiarities of the work performed in each municipality.

The factors, the underlying indicators and the corresponding points that will be separately laid down for each position are the following:

A. EDUCATION + USE FOREIGN LANGUAGE	POINTS
1. Read, write and speak English, German or French	25
2. Secondary education	50
3. Secondary special education	75
4. College education	125
5. Post graduate	175

B. QUALIFICATION COURSES	POINTS
1. Up to 3 days	0
2. 4 - 7 days	25
3. 8 - 15 days	50
4. 16 days - one month	75
5. 1 - 3 months	100
6. 3 - 6 months	125
7. Over 6 months	150
C. INITIATIVE AND ABILITY	
1. An ability is required to understand and follow simple instructions and use elementary manuals whilst telling the municipal servants what exactly they should do.	0
2. An ability is required to work on simple instructions and make general decisions.	50
3. An ability is required to understand and follow detailed instructions and make general decisions.	100
4. An ability is required to plan and present sequential operations whilst using standard investigatory methods and making general decisions.	150
5. Included is the ability to plan and present unusual and difficult work where general operating methods are needed and where initiative, skillfulness and techniques are used	200
6. An outstanding ability is required to work independently, make general decisions, adopt new methods, achieve high levels of operation, initiative, competence and technical knowledge.	250
D. SOCIAL FEATURES	
1. Little or no professional contacts with outside people.	0
2. Occasional professional contacts with outside people.	25
3. Frequent professional contacts with outside people.	50
4. Continuous contacts with outside people.	75



E. NUMBER OF SUBORDINATES	POINTS
1. None	0
2. 1 to 3	10
3. 4 to 7	20
4. 8 to 10	30
5. 11 to 15	40
6. 16 to 20	60
7. 21 to 25	80
8. More than 25	100
F. COMPLEXITY (TIME TO BE ASSIMILATED)	
1. Up to 3 days	0
2. 4 - 7 days	20
3. 8 - 15 days	40
4. 16 days - 1 month	60
5. 1 - 3 months	80
6. 3 months - 1 year	100
G. CONFIDENCE	
1. Average confidence at one or two stages of responsibility.	0
2. Above average confidence in one or two stages of responsibility	20
3. Decisive confidence in one or two stages of responsibility or above normal at all stages of responsibility	50
4. Decisive confidence in a few stages of responsibility, or extraordinary confidence in one or two stages of responsibility	75
5. Extraordinary confidence in all stages of responsibility	100
H. PHYSICAL AND MENTAL CONCENTRATION	
1. Little or non existent	0
2. Average	30
3. Above average	60
4. Extraordinary	90
I. MENTAL TENSION	
1. Very little to little	15
2. Average tension	30
3. Average to high tension	45
4. High tension	60

J. WORKING CONDITIONS	POINTS
1. Good conditions - no danger of accidents	10
2. Repeated danger of accidents	30
3. Non-stop danger of accidents	50

The evaluation of each municipal servant shall be made using the same indicators according to whatever evaluation card is developed for the respective position. The point score must be multiplied by the same lev coefficient that is used to calculate the initial scheduled salary for the position<sup>1</sup>. It must be taken into account that the initial lev coefficient is the same for the whole municipality and for all positions and municipal servants in the same municipality. It can be changed depending on the remuneration fund available, but should still remain the same for all positions and municipal servants, in order to preserve the proportion of the scores.

Before evaluating the civil servants according to the respective indicators, the evaluation committee should set out the admissible percentage of deviation from the aggregate score for the position. For instance, if the aggregate score is 655 points and the applicant for the position only has 530 points, the requirements for this position shall be covered 80.92 per cent. or the deviation will be almost 20 per cent. If the evaluation committee has established a deviation percentage of 10 to 15 per cent, the applicant does not meet the requirements of the position.

If the applicant meets the requirements of the position up to 88.5 per cent., i.e. he gets over 580 points, his/her individual initial salary will be: 580 points X 8.50 levs per point = 4930 levs whereas the initial scheduled salary for the position will be 655 points X 8.50 levs per point = 5567.50 levs.

In this case the candidate is entitled to choose and either agrees to be appointed with an individual initial salary of 4930 levs or does not accept the job.

The adoption of such a methodology for evaluating and paying the civil servants from the municipal administrations will improve the distribution of remuneration funds, bring about greater precision while determining the remuneration, also in accordance with the factors of education and modernization of the workplace, and will assist, through its reverse impact, the utilization of salaries as an evaluation for innovative applicability.

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1 The basic lev coefficient (or the lev medium of one point) is calculated while dividing the "Remuneration Fund" (less additional payments) into the aggregate of all scores of the positions in the staff schedule.

**SECTION 2**  
**Managing Strategic Change**

## **INTRODUCTION: MANAGING STRATEGIC CHANGE**

*Krystyna Plaza\**

For this panel 3 papers were prepared, two of which were orally presented and discussed.

The first paper (which was not directly presented at the conference) entitled “Strategic Management at Central Government: Ireland and Bulgaria” a comparative analysis prepared by David McKeivitt (University of Limerick, Ireland) presented a critique and analysis of the reform proposals in Ireland and Bulgaria. It offered an alternative analysis based on field research in Ireland, the UK, Germany, Sweden and New Zealand.

A conceptual framework - centered on the Street Level Public Organization in its environment of professional services to the citizen - was presented as an alternative to the mechanical planning models of Ireland and Bulgaria. The paper concluded by reporting on successful comparative public management changes which were based on a partnership model between the government, professionals and citizens.

Two assumptions were critical in this paper. Firstly that “at the heart of public service management are the investment decisions which support the organization and delivery of services to the citizen”. Secondly that “generic management techniques borrowed from perceived private sector best-practice can be effectively applied to several sectors of the public service”. There was broad agreement expressed in both countries that a deliberate, incremental, strategy of implementation was best suited to ensuring change in public management practices.

The next paper to be presented and discussed was prepared by Prof. Jaroslav Macháček (Czech Republic). It focused on Environmental Management in Public Administration. This paper (exemplified by managing issues of Euroregion NISA) showed that Public Administration in Europe nowadays no longer has to confine its concerns to the sector of countries’ formal territorial administration division.

Public Administration in a particular country should not omit issues and relationships emanating from the international neighborhood. Areas of participation of particular public institutions and complementary division

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\* Rector, School of Public Administration, Lodź, Poland

of their tasks, by way of cooperation, should be incorporated into the development conceptions of the respective regions.

The third paper was presented by Prof. Glen Wright and Prof. Matyas Gaspar. It focused on the Hungarian Experience of Organizational Culture Barriers of Local Government Management Development.

The principal results of the local government organizational culture analysis were summarized and described in the following statements:

- existing organizational culture interferes with frequently and blocks the local government management process from the bureaucratic administrative types to other more desirable types
- large gap between declared and real values, the “window dressing” is a typical phenomenon in local government organizational structure
- the role and state of the organizational culture is not well understood, or examined sufficiently in the ongoing local government transition
- one of the possible starting points in cultural change is the local government value system declaration and considering it as the basis for management development.

Taking into consideration that the common theme of this panel was “Managing Strategic Change” it is worth noting that our awareness of the need for change is not enough. We must search and find obvious barriers, and perhaps those deeper or hidden issues that often block the potential or positive and necessary change.

Finding out “How” we proceed is equally important. In this panel I wanted to explore the task issues connected to the specific topics focused on change initiatives in government environments and key elements of the more visible process issues of change. Three definitions of the change issue were used in the papers.

1. Change issue is an administrative reform of professional services delivered to the citizen and influence using private sector management models and measures (Ireland and Bulgaria, a Comparative Analysis).
2. Change issue is recognizing (in the area of environmental management) the resolution of conflict in order to achieve successful results when involved with cross-border regions (Environmental Management of Public Administration).
3. Change issue is management development in local government focusing on the organizational culture (Hungarian case). This is perhaps very

critical in that values, which drive behavior must be addressed, confronted, dealt with.

Change is a cultural value issue. Assuming that we all understand the same meaning of developing organization and changing attitudes, there are several questions which must be answered. First of all, which organization and whose changing attitudes do we take into consideration when referring to the definition? Next, how important is the title of our conference? And lastly, who are the customers and what do they want?

The next very important statement is to distinguish between policy making, administration and implementation. If we are trying to make policy, are we being politically manipulative?

On one hand we are responsible as a NISPACE organization for training public servants and public administrators. On the other hand, the dynamic transition from old (authoritarian) to a new democratic society means that we should attempt to use our influence when policy is made at ministers' level. During the process of transition, part of our role is to influence public policy and administration.

Another observation is that we need to be sure that the conception of Public Administration as a system is taken in a larger context than previously - which was expressed in Jaroslav Macháček's paper. Nowadays Europe no longer has to confine its concerns to the sector of countries' formal territorial administration division.

Public Administration in the past was simply an extended arm of the state administration. Now Public Administration must play a different role. As Jaroslav Macháček said, "Public Administration should not omit the issues and relationships from an international perspective".

Summing up, the papers described above showed that the system of Public Administration begins at the international level with consideration of the implications of decisions taken which have an environmental impact on some other countries as a part of the global system (global economy).

The Hungarian paper considered local level of Public Administration, the Czech paper the inter-regional level and the Irish and the Bulgarian case the national level. All three levels are interconnected and interdependent. It also raises the question of the responsibility of individual citizens in any given country to understand that they have a responsibility for the whole world. This is the important role of citizens in the context of public participation. If we are going to create such a change, then who

is going to facilitate and assist common citizens to learn. What is that responsibility and understanding?

This is why Public Administration must involve citizens in this new way of thinking in terms of citizens responsibility (for example the strategic plan must be discussed with citizens as clients - this is the issue of citizens' responsibility). If not, the old pattern of thinking will be replicated.

Another issue is the role of legal regulations. As was expressed in McKeivitt's paper ..."at the heart of public service management is the investment decision that supports the organization and delivery of services to the citizen ..."

If Administration is not only responsible for delivering public services but also for producing regulations, then that philosophy indicates the different issue of the role of regulations and also the different style of Public Administration activity. David McKeivitt showed the role of legislation in the strategic management of health care public services. In Ireland, control for example, in the health-care field did not work under patterns and roles because the legislative framework did not contain any explicit strategy. As David McKeivitt showed in his paper ..."policy makers have numerous and conflicting demands on their attention and legislation can also be viewed partly as a symbolic act which represents good intentions rather than administrative clarity.

First of all, Public Administration is a human institution. It rests not only on formal arrangements but even more upon attitudes. In a communist society people were not allowed to act without explicit authorization. In a free society, by contrast, the opposite is true. We are free to do what we want unless it is prohibited. But very often we are not allowed to do what we want because the law dictates our course. Regulations have a tendency to centralize management and unify different issues and situations which may happen in public life. In the context of a quality management model in relation to the role of regulations it can be seen that a given kind of regulation may be appropriate in one area and in yet another area totally ridiculous. Freedom and changing attitudes depend as much on deciding how to do things, as on deciding what to do.

# **STRATEGIC REFORM IN CENTRAL GOVERNMENT: IRELAND AND BULGARIA, A COMPARATIVE PERSPECTIVE**

*David McKeivitt* \*

## **Introduction**

The rise in comparative studies of national administrative reforms has largely been driven by organizations such as the OECD, the IMF and World Bank. The impetus is, on the one hand, driven by the application of a standard template (adherence to the IMF model of financial probity) and also by the desire to understand the dynamics of institutional reform in different national contexts. From the academic perspective, the rise in comparative studies of institutional reform lies in the search for common themes of process, strategy and comparisons of institutional structures. Whilst the present paper lies in this tradition, it also presents a model of the public service environment (drawing on the writings of mainstream strategy scholars such as Porter, Caves and Wrigley) which helps our understanding of the operational reality of professional service providers delivering core public services in a context of limited resources in Ireland and Bulgaria.

It is also appropriate to compare Ireland and Bulgaria as both nations have recently embarked on a programme of institutional reform; in Bulgaria's case the government have specifically benchmarked its experience with countries such as Spain, Portugal and Belgium. At the core of official Bulgarian thinking (driven in part by the PHARE administrative reform programme and its intention to apply for accession to the EU) lies the idea of institutional learning from other countries. In Ireland's case the official perspective was driven by the experience of New Zealand and New South Wales, Australia.

## **Professional Ethics, Government Agenda and Differential Information**

The critique in this paper is based on two things: field research and a model. The field work was a two year research programme in public management which looked at recent developments in the organization and

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\* Professor, University of Limerick, Limerick, Ireland



delivery of public services in a number of countries - New Zealand, Germany, Sweden, and the United Kingdom. The whole research, part funded by the Open University is the subject of a forthcoming text - *Managing Core Public Services*.

At the heart of public service management is the investment decisions that support the organization and delivery of services to the citizen. In modern democratic societies, over the period 1880-1980, the size and scope of such services has grown to some forty per cent of the gross national product. While fashion and trends in public and political thinking have waxed and waned during this period, so that public ownership of steel plants, transportation, electricity generation, postal and telecommunication services is no longer considered necessary in many OECD countries, the core services of health, education and welfare have, by and large, remained a central purpose of public service management. A distinguishing feature of such services is reliance on professionals- doctors, teachers, etc.-to deliver the services.

A related feature of these services is that the bulk of expenditure is consumed through the salaries and pensions of the professionals. What is of sovereign importance in core public services is the existence of differential information between the professional and the citizen as to the value and benefits of these services.

In modern times there has been a renewal of faith in market competition as a means for universal progress. In this faith lies an assumption that buyers do know what is good for them, and more precisely, that they do know and can measure the consequences for themselves of acquiring a commodity. However, this assumption is not valid in respect of those commodities where there is differential information in favor of the producer (or seller) as to the outcome for the buyer of a sale. Here, faith in the market is confronted by reality. It is a matter of simple fact that there are highly important categories of commodities where conditions of differential information exist and, moreover, exist on a massive scale.

According to a seminal paper by Kenneth Arrow (1972) differential information in favor of the producer as to the consequences for the consumer of the acquisition of a commodity is a characteristic of those services which are so complicated in their nature, and about which there is such uncertainty as to their effects for the recipient, that the producer has to be carefully trained over a lengthy period on the characteristics of the services. Because of this training, the information possessed by producers

concerning the most likely consequences for a particular client of acquiring the service is very much greater than that of the client.

In such circumstances, a price relationship is not a valid basis for an optimal level of transactions, particularly in relation to those services the proper distribution of which is deemed important by society for a sense of community to be maintained. In this argument, it is assumed that information is difficult to transfer. The problem is in the receiver. Learning takes time and effort. The effort required can be very great in respect of certain services that are of social importance.

In health care, the doctor is not merely a provider of medicine, but also, necessarily, an agent of the client. In the decision to acquire health care, the sick cannot stand alone. Quite simply, they do not have the information needed to make an informed choice between the various medical options that are open, still less to make informed decisions about trade-offs between the cost and quality of medical service in relation to each option. They need the doctor to advise them, to be on their side, to wish them well. Certainly the sick cannot themselves predict the likely consequence of acquiring a particular programme of treatment. They rely upon the doctor to advise them not just what medicine to have, and how much and what and where, but also on the total programme. Thus, the doctor has two roles: provider and agent. This duality of roles of the doctor has important consequences. The doctor, historically, is bound by society not to seek to maximize personal profit, but to seek to maximize client welfare. The doctor is also bound to consider the consequences of medical efforts for society as a whole and not just for particular clients. And, society over the generations has developed powerful institutions to regulate the relationship between doctor and client.

Duality of role of the producer also characterizes, in greater measure or less, the areas of education, welfare, and security, including the law, because here too there is differential information, and here too the producer needs to be the agent of the client. The essential characteristics of the market system, arms length negotiation between willing and knowledgeable buyers and sellers, is lacking. The argument I am making here is based on my field research in the UK, Germany, Sweden and New Zealand but the point about differential information is not original.

Kenneth Arrow, in his 1972 paper on Resource Allocation in US medical care also noted the problems facing the market (or price system) in health care:

‘the agent in the simplest model is assumed to predict correctly the satisfaction he will get from consumption in the future. Now an essential characteristic of medical care as a commodity is that such certainty is absent’

Yet governments, particularly of English speaking countries continue to promote reforms in the public sector on the assumption of the universal validity of market competition, and (in the early 1990s) continue to search for ways to introduce market competition in the supply of welfare (merit) services from the public sector. It is as though the problem of differential information was swept under the carpet.

For example, in seeking to simulate a market mechanism in public service management, governments in the United Kingdom and New Zealand have separated the functions of purchaser (i.e. he who pays) and that of supplier (i.e. the school, hospital etc.). It thereby hopes to stimulate competition between suppliers so as to increase the efficiency and effectiveness in service delivery. However, in discussing these structural changes in New Zealand in respect of health care we were told that “we don’t know if the new system will work” and that “we ploughed into areas of social policy because of our earlier success in financial changes”. In the UK we saw no evidence that competition in health care provision has yielded any additional benefit to clients. In Sweden the reformed health care allocation system was described to us by Professor Borgenhammar as a “Calcutta market” which showed no signs of rationality.

In our field work which is the basis of a comparative textbook on public service management we were particularly struck by the fact that many professional groups felt threatened by government reforms in public service management. This feeling was especially the case where the reforms were based on legislation prescribing in close detail the activities of professionals. In the UK reforms of education, including the introduction of a National Curriculum and standardized testing, the effect has been to curtail professional judgment and replace it with a mechanical assessment framework. New Zealand’s reforms of education have sought to strengthen parental control of schools and to strengthen the external inspectorate function to ensure compliance with government policy.

In New Zealand’s case, however, there was co-operation between the professional associations and parents - a collaborative alliance - that sought to moderate government changes which were viewed as inimical to the traditions of New Zealand schools. The New Zealand Education Institute

(the professional associations for primary teachers) instituted an effective promotion and publicity strategy that drew attention to the attainment standards of New Zealand primary schools. At the same time, training courses in effective management were developed for school principals by NZEI so as to prepare the ground for the reforms which placed particular emphasis on effective management of the school as an institution.

In Germany, by contrast, with its decentralized tradition of federal autonomy in education, the emphasis is on increasing partnership between the school and its community. Central government does not feature highly in school activities. The individual school and teachers, at secondary level, have autonomy in setting and grading the final examination - the Abitur - thus granting a great degree of professional autonomy to the schools and teachers. The German notion of *beamte*, a professional salaried civil servant (which developed over one hundred years) is a basic building bloc for public services management to ensure quality professional service to clients. This can be put in another way. Educational standards are set by the education profession and the autonomy of professionals is supported by the *beamte* concept. Consensus and participation characterize the management of schools through legislation which specify the roles of headteacher, teachers and parents.

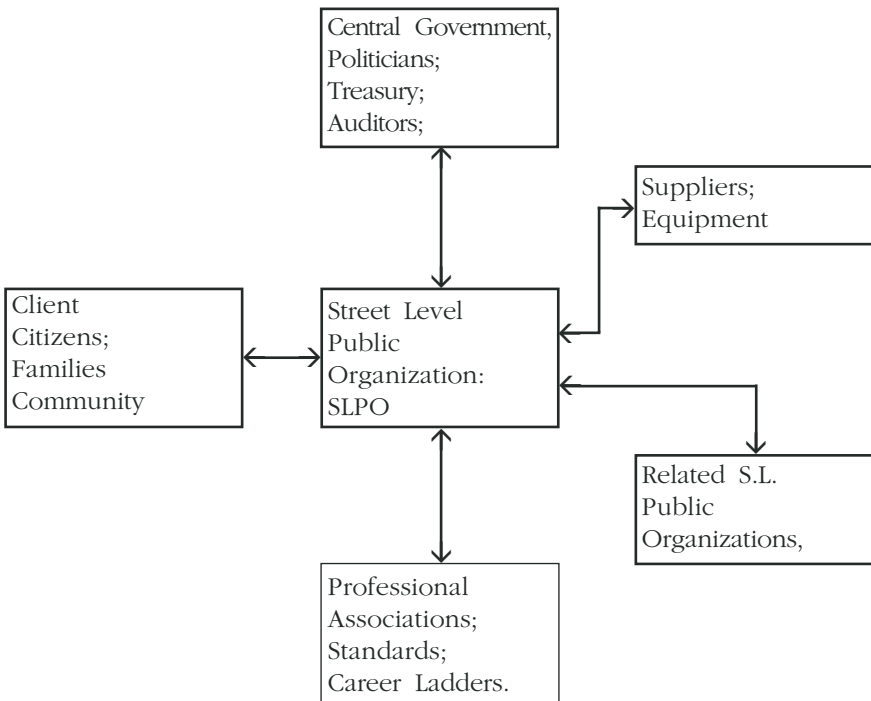
The German education system (which does not display the scale and scope of New Zealand reforms) has remained largely a highly structured decentralized partnership between the State (or Land) and the professions. In the German model where laws and regulations prescribe large areas of the education system (teacher training, the division of responsibilities between the inspectorate and head teachers, outlining the scope and extent of teacher-parent decision-making) the effect is to leave the task of education to the professions themselves. The Abitur, whilst examined by the school itself, is highly regarded by pupils, parents and employers. Thus, you have a seeming paradox in the German bureaucratic model: the system is effective *because* of the laws and regulations which grant sufficient autonomy to the professionals. The system does not seek as in the UK to make head teachers into financial or maintenance managers; it seeks, instead, to give them legal autonomy to do the task they were trained for, educational and pedagogic leadership.

In such a management context what is the role and purpose of public management? It is firstly to think strategically on the forces at play in the wider environment of public management and on the interplay between

the agenda of government, professional ethics and differential information on the structure and strategy of Street Level Public Organization (SPLO). Figure 1 depicts the SPLO in its wider environment; the management control and co-ordination of these organizations (and their relationships with other organizations) is a central function of public management.

What are the mechanisms that provide such strategic control and co-ordination? In the public domain, legislation is a key determinant of strategic control and, indeed, for establishing strategic priorities for the investment decisions that underpin service delivery. We examine later in this paper the role of legislation in the strategic management of core public services.

**Diagram 1**  
**Street Level Public Organization and its Environment**



## **The Bulgarian Model of Reform**

The Bulgarian programme of reform was described in the programme of the new cabinet, published in March 1995, as follows:

“The Government will take special care to strengthen the authority of the State, rationalize the process of government and increase its operational capability and efficiency. The Government will make efforts to overcome the deficiencies of structure, and those relating to the duplication and insufficient clarity of functions, and to the absence of an evaluation and control system of the activities of the state administration, all of which create conditions conducive to corruption. To this end, as early as possible in the current year, the Government will consider a project for a comprehensive organizational and structural improvement of all bodies of the Council of Ministers, taking into account specific internal factors, the Government’s objectives and the processes of accession to European standards and structures”.

The paper from the Council of Ministers, (Sofia, October 1995) “The New Administration”, sets out the detailed strategic programme of institutional renewal. In general, the process of reform is seen (in Mintzberg’s terms) as a deliberate process and is described in the following terms:

*“A strategic mission for the attainment of the desired outcome (in this case, the new administration).*

The strategic mission would reveal the goals, the scope and the priorities of the administrative reform, and its main lines of action, on the basis of a strategic analysis and a selection of strategic alternatives. The realization of the strategic mission would be the result of a coordinated effort not only on the part of the center but, also, of its various agencies and units, and independent institutions. The co-ordination programmes would ensure the operability of the strategic mission, and the deepening of the reform within the decentralized entities of the administration and the widening of its scope beyond the executive. This paper then, represents a concept design of the reform, revealing its strategic mission, and is therefore subject to consideration and approval by the Council of Ministers”.

The Bulgarian authorities have also assessed their administrative system and traditions using a SWOT analysis. The strengths were seen as follows:

1. Orientation to innovation, even though it may take a lot of money and efforts; insistence on the highest standards and the skill of rapid adjustment to them.
2. Considerable experience in improving administrative systems, including the development of new administrative techniques, functional and job descriptions, etc.
3. Application, for many years now, of information systems of wide coverage, and the availability of a significant hardware and software design potential.
4. Readiness to acquire and adapt foreign experience.
5. Availability of a large number of trained professionals whose further development must be well organized.

The Council of Ministers have identified the following phases or components of the reform process:

1. *Improvement of the legal environment* for the establishment and operation of administrative structures, technologies (procedures) and mechanisms, including primary and secondary legislation, rules and other organizational instruments that regulate administrative activities.
2. *Development of the government entities* that perform administrative functions by clarification of their functions and tasks under the new conditions, streamlining of structures and their interaction, and improvement of decision-making processes and administrative procedures.
3. *Administrative staff development* by regulation of its status, introducing selection mechanisms and systems, training and objective performance appraisal, and incentives.
4. *Application of information technology* to improve the reliability and productivity of the administration, and ensure its rapid reaction to needs.
5. *Improvement of services* offered to the public, their forms and responsiveness to public needs.
6. *Integration into European administrative structures* and permanent contacts with the public in Bulgaria and abroad to explain the actions of the administration, promote achievement and mitigate opposition to change.

The outcomes of the Bulgarian reform process will be judged on the following criteria:

- (a) *Quality of administrative service*, a direct measure of quality being the public's satisfaction with the quality of services provided by the administrative system to both juridical and natural persons.
- (b) *Stability of the administrative system*, being expressed by the depoliticisation of the central and the local administration and professional capability of loyal service to the government regardless of democratic changes of power.
- (c) *Cost-effectiveness of the administrative system*, i.e., minimization of operating and maintenance costs of the administrative system without prejudice to the quality of service.
- (d) *Adaptability of the system to European structures*, being capable of both functioning within United Europe and adapting to Europe's modernization.

The above package of objectives and criteria determines the strategic direction of reform and serves as a basis for the harmonization of the administrative reform in the executive with the corresponding reforms in the legislature, the judiciary, and in regional government and local self-government (the territorial administrative reform).

### **Comparative Analysis of Ireland and Bulgaria**

Both administrative reform programmes share a number of key assumptions: that the reform process should start within central government departments; that institutional learning is possible across different countries; that professional service providers will 'buy-into' the proposed reforms. Whilst Bulgaria has sketched some broad measurement criteria, I would suggest that the following criteria are sharper to focus thinking on successful institutional reform. If reform is to succeed the following criteria have to be satisfied:

- (a) service providers will deliver more effective provision
- (b) 'policy makers' will build more relevant policy instruments
- (c) politicians will stay out of operational issues
- (d) citizen-clients will be given effective 'voice' in performance evaluation
- (e) size of central government departments will be greatly diminished.



Let us now turn to an analysis of how conflicting environmental forces might be a managed process utilizing the means of influence open to the State. In neither the Bulgarian or Irish analysis does the operational issue (confronting service providers) of conflict resolution get attention. It is as if conflict has been wished away!

### **Conflicting Environmental Forces**

Professional codes of ethics are directly analogous to the ‘rules of the game’ which headquarters of large corporations in the private sector establish to ensure good order in the activities of the various subunits. Field research on the private sector highlights the context in which rules of the game are established.

The headquarters unit which establishes the rules of the game also allocates resources, designs the organizational structure, and measures the performance of the affected subordinate units. This is a fact which is useful for an understanding of the endemic tensions of public organization in the area of social welfare, namely, uneasy relations between central government on the one hand, and professionals in street level public organizations as well as the professional bodies themselves on the other hand.

To see the source of the problem, we need to construct a model of the specific influences from the environment that play on service delivery of public organizations. For our purpose, we adapt the “Open Systems Model of Organizations”, originally developed by Bruce Scott, at the Harvard Business School, because this particular model highlights the workings of “subunits” (part/whole relationships), and contains the notion - important for our purpose - that each subunit is best understood as responding to the various forces in its own particular environment. In the words of Scott:

“Briefly, our model asserts that (1) any organization relates to its environment via a strategy for advancing its interests as it perceives those interests; (2) the interests of the various subunits of an organization often differ from those of the organization as a whole, and (3) thus the central or general headquarters of the organization must bring continuous influence to bear on the subunits in order to motivate them to act in conformity, not with their own divergent interests, but with the general or shared interest of the organization as a whole”.

Scott then goes on to highlight the forms of influence available:

“Among the various modes of influence which the headquarters has at its disposal, four are of particular importance:

- (1) the ability to allocate resources;
- (2) to establish and alter organizational structures;
- (3) to measure and reward individuals and subunits;
- (4) and to formulate policy limits or “rules of the game”.

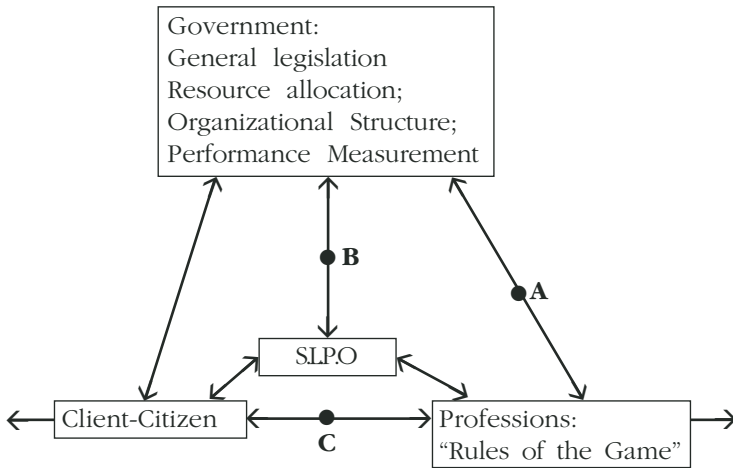
It is necessary to add to this model to accommodate a key feature of the public sector, namely, general legislation.

On that basis, and from the data gathered on our field research that service delivery in the area of social welfare is a managed process. The essence of the management task involved is relating a street level public organization to its environment. The question then is what are the key points in the environment itself? It is in this respect that data from field research, over a period of time in a number of countries, is vital. Diagram 2 below, as a model represents our research findings of the recurring tension points in the environment of street level public organizations.

It will be noted that, the immediate source of recurring tension is point A, the relations between central government and the professions. The model enables us to see an essential fact. Street level public organizations are under a dual set of influences. From central government, there are four modes of influence, namely, general legislation, allocation of resources; organizational structure, and performance measurement, each of which is powerful, and the four together extremely powerful. But without established, accepted, and enforced rules of the game, as we know from research on private enterprise, the effect of these four powerful modes of influence can cause the activities of street level public organizations to run wild and undirected. Because each of these four modes of influence play mainly on individual self-interest, it is the rules of the game, the ethical codes, which are needed to harness the forces of self interest to social goals. Rules of the game really are important, and what has an importance that can hardly be over emphasized is that these rules are established by a quite different kind of institution, namely, the professions. If there is a solid relationship between government and the professions, the inevitable tensions at point A can be resolved without adverse impact on the street level public organization. If the relationship however, is poor, then the tension at point

A will debilitate the whole system of service delivery, as our research in UK makes quite clear. In the social welfare area of the public sector good relations between government and the professions are important for success in quality service delivery.

**Diagram 2.**  
**Conflicting Environmental Forces**



However, government influence on street level public organizations may be fundamentally impaired by problems in general legislation as at point B above. McKeivitt in his study of 1989 of health care policy in Ireland used a comparative approach whereby, in certain crucial aspects, Ireland was compared with other modern countries, including Sweden and Holland. In regard to the legislative framework of public health care, he observed:

“A central stance of the (findings) is that control in health-care yields similar challenges to politicians, civil servants and health-care professionals under different financial systems for service delivery.....Control, per se, is rectificatory and not restorative: that is, it is about the maintenance of norms, the following of patterns and rules once these have been laid down. In Ireland, control was

not seen in this way, largely because the legislative framework did not contain any explicit strategy. Decisions on resource allocation were not related to specific objectives, nor were the performance of health care professionals subject to any sustained scrutiny. As a consequence, the information data-base did not extend beyond that of functional cost accounting and it was inadequate to test for measures on the return on the investment in health-care provision”.

McKevitt then explained:

“The Swedish and Dutch systems, in contrast, share common features in their concern for explicitness in legislation, their attendance to the sovereign importance of measurement and control systems, and their willingness to adapt and modify their control system to refocus their investment decisions.

From this view, we can see that any defect in the legislative framework which impairs the process of resource allocation will lead to recurring tension of a fundamental kind between central government and professional association in the environment of street level public organizations. But central government may not be the only fundamental source of recurring tensions.

In public service delivery and investment decisions, legislation is pivotal to any strategy that requires a change in the pattern of resource allocation to underpin new policies. Most public service managers instinctively understand the inertial force of a pattern of incremental resource allocation; this year's increment (or decrement) of resources is justified on the basis of last year's pattern of allocation. To move new monies to a policy priority area usually requires a change in legislation: the legislation we evaluated, apart from the United Kingdom model, confirms this proposition: the pattern of investment in social provision, reflecting as it does consensus and compromise amongst many stakeholders, is built up over considerable periods of time. If countries wish to change these patterns then legislation is required to shift the balance of investment allocation: Treasury officials are unmoved by policy objectives without the backing of legislation. In parliamentary democracies legislation gives legitimacy and status to policy objectives and captures the high ground in policy decisions in investment priorities.

Indeed, we can reflect that the absence of a legislative strategy to underpin some of the major UK policy shifts in education and health care probably accounts for their relative lack of success. We do not, of course,

propose the view that legislation, even if it is cast in a strategic dimension such as found in Swedish health-care, is a guarantee of strategic control. Policy makers have numerous and conflicting demands on their attention and legislation can also be viewed as partly a symbolic act which represents good intentions rather than administrative clarity.

Our research indicates that another fundamental source of the tension may well lie at point C in Diagram 3 above, namely, a break in the natural relationship between the community of citizens and the professional bodies. In English-speaking countries, at least, the professions can and sometimes do in their practices go too far ahead of social sentiment, thereby essentially, becoming isolated bodies in the environment. Governments cannot do this because of the democratic system. Professional bodies can, particularly in the Anglo-Saxon countries where the prevailing culture may feature individualism. Thus, in the English-speaking countries, the “rules of the game”, the code of professional ethics may evolve in ways that go too far off the boundaries provided by social sentiment, and therefore be a fundamental source of great tension in the environment between client-citizens and the professions. The most conspicuous example in the early 1990s of such tension in the United Kingdom is provided by the system of primary education.

In the event, the fact that for street level public organizations the rules of the game are provided from a different source than the other modes of influence does mean there will be tensions, and these tensions will not go away.

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## **ENVIRONMENTAL MANAGEMENT IN PUBLIC ADMINISTRATION (EXEMPLIFIED BY MANAGING ISSUES OF EUROREGION NISA)**

*Jaroslav Macháček\**

Adoption of what should be understood by the broad term “policy” has been recognized as one of the topical necessities in the domain of public administration (PA) in the post-totalitarian countries. Confinement to observation and implementation of regulations, legislation, directions and routine supervision has not been felt to be sufficient in terms of what should be expected from the PA’s systems and authorities.

The concept of “policy” involves above all, acting based on definition of objectives and evaluation of alternative (lowest-cost) means to make it possible to fulfil them, distinction of interested parties related to these objectives and conceiving a long-term strategy consistent with the concerns of interested parties. Apparently, PA’s policy falls into the area of explicit management. Environmental issues represent one of the most important fields in this respect, which have to become the focus of PA’s effort<sup>1</sup>.

Public administration manifests itself in a number of ways, besides traditional and formal i.e. in a form which is related to the recently emerging types of regions. This category includes “Euroregions” whose growth in number and overall development in many countries has become remarkable.

The Czech Republic should not be omitted in this respect, having established six of these so far, including the Euroregion NISA (ERN), which in this paper serves as the demonstration of subject areas to be tackled by PA in terms of solving environmental issues. The explanation makes use of the outcomes of the project dealing with local development in regard to environment, which was completed by the author last year, as well as of a fairly extensive collection of materials that relate to the developments in the Euroregion NISA.

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\* Associate Professor, Academy of Sciences, Prague, Czech Republic

1 Theoretical background to these issues can be found e.g. in Blakeley, E.J: *Planning Local Economic Development*, Sage Publication, 1994 and Böjöö, J.- Maler, K. - Unemo, L.: *Environment and Development: An Economic Approach*, Kluwer Academic Publishers, Dordrecht 1992.

## 1. General Characteristics of the ERN

The Euroregion of NISA is composed of the German area containing Upper Lusatia and part of Lower Saxony (districts Bautzen, Bischofswerda, Görlitz, Görlitz-Stadt, Hoyerswerda, Kamenz, Löbau, Niesky, Weisswasser, Zittau), of the Polish area comprising the administrative region of Jelenia Gora (districts Boleslawiec, Jelenia Gora, Luban) and of the Czech area represented by the districts of Liberec, Jablonec, Česká Lípa, Semily and the area Šluknovsko (part of the district Děčín).

ERN occupies an area of 11 856 square kilometres (the German and Polish part both 4378, Czech part 3100 km<sup>2</sup>). The total number of inhabitants amounts to 1 650 000 (713 000 in the German, 518 in the Polish and 419 in the Czech parts). Major centres of settlement in ERN comprise Liberec (102 000 inh.), Jelenia Gora (93 000), Gorlitz (70 000), Hoyeswerda (62 000), Bautzen (47 000), Jablonec (46 000) and Česká Lípa (40 000 inh.). Average density of the settlement totals 138 inhabitants per square kilometre for the whole ERN (161 in the German, 118 in the Polish and 134 in the Czech parts).

The territory of ERN has possessed a strategic position from as early as the Middle Ages, when two important trade routes crossed the area: Via Regia in the West-East direction and the Salt Path located in the valley of river Nisa in the North-South direction. Development of the crafts, manufacture and production oriented to textile, glass, jewellery and metal-manufacturing industries was bound to the local base of raw materials (flax, glass sands, precious stones etc.) marked the periods in the past<sup>2</sup>.

Specific potential of the region was recognised at the time of the first industrial revolution, when the area of the present ERN ranked as one of the most important centres of European industrialization. This was true until the beginning of the 20th century. In this century, however, the ERN's position has lost much of its former significance due to political and economic changes that have ensued from both World Wars.

The arrival of the centrally planned economies, the ideological partition of Europe and the subsequent breaking of the traditional trade and cooperation ties with Western Europe, together with artificially enforced changes in the structure of economies accentuating heavy industries and mining, with negative impacts on environment, accompanied by the mere

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2 For more detailed explanation see Poštolka, V.: Three-countries area - Region of International Co-operation, In: Sborník České geografické společnosti, No. 4, 1991.

minimum of technological progress in traditional industries, have eliminated the present ERN from the map of economically advanced European regions and conversely labelled it the “Black Triangle of Europe”, expressing a high level of environmental degradation.

## **2. Economy**

A fairly diversified economic basis with the manifold representation of manufacturing industries and with the tendency of an increase in the share of the tertiary sector that has had less dimension compared with national levels in all the three countries, means essential assets in terms of further development.

In several German ERN districts, the share of employment in the tertiary sector makes up one third of the German average. A remarkable share of the employment in agriculture and forestry (23% lower than the Polish average of 28%) is a characteristic of the Polish part of ERN.

A substantial share of the employment in the textile and glass industries (37% altogether, machinery 21%) is a specific feature of the industrial pattern in the Czech part of the ERN (ERN-CZ). The strongest industries in Czechia in terms of employment have either little representation in ERN-CZ or almost none at all (iron, steel and fuel industries).

In the current stage of the economic transition it is hard to foresee the changes in the economic pattern that could give ground to general environmental assessment. A great deal of tertiary sector's increase in employment may find its place in the area of recreation and tourism, which would entail the assessment concerning the localization of facilities and the studies required to assess the carrying capacity of particular territories. Reduction in the capacity of some heavy and energy-producing plants on the German and Polish sides may stimulate the use of the surplus labour force potential in other industries. The localization of firms of the “footloose” type can be expected to prevail when such a development takes place. Similar changes may come about even in the ERN-CZ, which enjoys the advantage of a fairly well-balanced composition of the industrial plants, making a more flexible response possible by firms to the changes in demand and to lower costs of technological modernization and product innovation<sup>3</sup>.

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3 Regarding the perspective of further development, see e.g. Macháček, J.: Local Development in regard to environment (Final report to the project), Centre for Urban Studies , Prague 1995



Localizations of the type mentioned are not likely to bring about serious problems in terms of the quality of the environment when basic criteria (emissions, contaminations, discharges etc.) are observed. Excessive demand of land and its too intense utilization may, in many localities, however, cause deviations from the development that had been recognized as generally desirable. Tendencies of this kind can be observed already in the ERN-GER, where the vast supply of land suitable for industrial use has been taken by machinery firms. Moreover, there are many areas in the ERN where the exceptional natural and landscape qualities should be safeguarded against the consequences that a restructuring of the economic base may bring about.

### **3. Environment**

When the exceptional value of many areas falling within ERN is taken into account and when compared to other European regions of similar character, the ERN has not been saved from serious environmental problems that appear especially urgent. The region has been marked by a multitude of problems. Those deemed most relevant are characterized below, with an attempt to rank them in terms of importance. These problems are bound to differ in terms of PA's possible influence in their elimination or mitigation. Overall, almost all of the above mentioned issues calls for the distinct attitude of the responsible PA authorities in the respective area.

The issues in question are as follows:

1. Strong emission load of the whole ERN territory, brought about mainly by energy production (recently up to the potential of 3800 MW in the close surroundings), which resulted, together with the emission import from outside the ERN's, in the destruction of the vast forest areas in ERN-CZ.

PA's possible response: Support of the strategy for technological change as for the main "point" polluters, and possibly permanent siding of the obsolete production units having been sources of pollution.

2. Contamination of the water flows (the worst one being in Lužická Nisa) through discharge from the industry, mining and municipal sewer.

PA's possible response: Plan of the construction of purification plants for the localities and their system interconnections in order to cater also for the "point" polluters. New technologies reducing discharge. Prevention of surface area contamination through the control of the application of fertilizers and other environmentally questionable substances in agriculture and forestry.

3. The incidence of the vast number of illegal waste dumps and poor functioning of the managed dumps with the waste coming from industrial plants, containing toxic matter. (The worst site is to be found in the town of Hrádek n. N., where cyanides and other similarly dangerous materials have supposedly penetrated into the Nisa river during the course of the last two years. The most hazardous, in general, is sludge with the presence of heavy metals.)

The selection of suitable localities for the dumps is difficult particularly in ERN-CZ, where a great deal of the territory falls into the protected area of water accumulation. The alarming situation in the area of waste handling induces restrictive attitudes to the firms and activities producing wastage which entails impediments to the development of a regional economy.

PA's possible response: Systematic clearance of the illegal waste dumps accompanied by the control of the suspected areas. Reconstruction of the industrial waste dumps. Modernization and enlargement of the network of managed waste sites. Construction of the incineration plants (towns Liberec, Nové Zákupy in the ERN-CZ). Possible specialization in the handling of waste within the whole ERN. Building of plants for waste processing. Pressure on a preference for the waste-free technologies.

4. The demand for land from industry as well as from other sectors. Regarding the qualities of the territory particularly in the Czech part of the ERN, a balance and forecast of land use for economic activities is required.

PA's possible response: Consistent location analysis, efficient physical plans that are generally respected, establishing of the spatial sectors that provide localization economies (e.g. similar to the model of technological parks offering joint use of facilities and services).

5. Devastation of vast territories through the brown coal mining and related activities, which applies to both the German and Polish ERN parts.

PA's possible response: Comprehensive rehabilitation of the territory provided by long-term physical and regional plans, including recultivation and reclamation as well as adequate functional use of the respective territorial units<sup>4</sup>.

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<sup>4</sup> Referring to the state of area's environment , data can be drawn from Koníček, B.: Environmental Evaluation of the Present Factors - Agricultural Land Stock, The Agglomeration Liberec-Jablonec, Vol II. In: *Agglomerace Liberec-Jablonec*, The Institute for Construction and Architecture, Prague 1993

#### 4. Transboundary cooperation

The major area of transboundary environmental cooperation and environmental issues, having been recommended to be considered with the policy applied by PA's authorities, have been summed up as follows:

- Joint actions in terms of the transformation of ERN's economic base that involves the facilitation of movement of the production factors, without significant - direct or indirect - undesirable environmental impacts,
- Enlargement of the transportation system enabling amplification of mutual contacts within ERN, with strong environmental evaluation aspects,
- Enhancement of the basis for tourism and recreation especially that of "soft" nature, again, with important environmental assessment perspectives,
- Collaboration on the rehabilitation of the forest ecosystems, particularly in the ERN-CZ,
- Consistent policy in the domain of land use with regard to the quality of the landscape,
- Systematic reconstruction of the technical infrastructure in the whole of ERN, with special emphasis on the building of purification plants improving the quality of water flows<sup>5</sup>.

As has been reported by the ERN's officials, the current environmental cooperation in ERN is focused primarily in the following sectors:

- Monitoring of the air quality
- Reconstruction of the Turow power station
- Connection of the towns Varnsdorf and Hrádek n.N. by a high voltage power conduit
- Purification of the Nisa river
- Revitalization of the forests in Jizera Mountains
- Enhancement of the Czech-Polish nature reserve "Velká jizerská louka" (Great Jizera Meadow).

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5 For more extensive account, see Macháček, J. *Local Development in regard to environment (Final report to the project)*, Centre for Urban Studies , Prague 1995

## **5. Recent and Current Environmental Activities of the ERN's Administration**

The overview of the major activities that follows, has been made to underline how extensive the scope of the operation and administration's concerns have been. The cooperation with districts and state authorities in the affairs mentioned, differ with respect to the scale of the venture, to its general significance and to other aspects. A notable fact is that most of the projects have been of a predominantly technical and practical nature. The activities have been as follows<sup>6</sup>:

1. Exchange of information on the state and type of the installed measurement facilities.
2. Examination of the variants of purification as regards municipal water discharge, the possibilities of transferring the discharge into the purification plant in Zittau or constructing a new local plant.
3. Evaluation of the possibilities of transferring the municipal water discharge from Seifhennersdorf to the purification plant in Varnsdorf and of the technical terms to drain the discharge from Rumburk across German territory.
4. Elaboration of the project "Improvement of the borderland flows in Northern Bohemia and Saxonia (towns Rumburk, Varnsdorf, Hrádek n. Nisou and Krompach).
5. Discussion on the issues related to water discharge in the area of Gorlitz.
6. Planning of the joint German-Polish systems of water discharge purification into the river basin of Nisa, at localities Deschka Zodel/Piensk and Lodenau/Sobolice.
7. Evaluation of the variants concerning taking heat from the Turow power station.
8. Study on the utilization of the heat possibly coming from the Turow power station for the towns Liberec, Jablonec, Hrádek n. N., Chrastava, Frýdlant, Varnsdorf and Rumburk.
9. The transboundary environment-energy concept of the region Saxonia-Bohemia-Lower Silesia.

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6 The outcomes of the respective research have been extensively used in Macháček, J.: *Local Development in regard to environment (Final report to the project)*, Centre for Urban Studies, Prague 1995

10. The project of the new power conduit 110 kV for the Šluknov area, coming from Hrádek n.N. across the German territory.
11. Cooperation in the field of reforestation and maintaining so far existing natural forest ecosystems in Jizera Mountains and Krkonoše Mountains.
12. Annual professional reunion of the Saxonian Forestry Association, 1993, with Czech and Polish participation.
13. Workshop "Transboundary Measures to the Issues of Environmental Damage, 1992, Gorlitz.
14. The Euroregional conference on the environment organized by Germany, Poland and Czech Republic, 1992, Zittau
15. The Polish - Saxonian Seminar on the research into the environmentally destroyed soils., 1993, Jelenia Gora.

## **6. PA's Representative views of selected elements of cooperation**

The factors related to the transboundary cooperation within the ERN have been investigated on the grounds of the application of a special questionnaire and by interviewing the representatives of the Czech part of the ERN administration who answered the questions aimed at the issues deemed to be of key importance for cooperation. These questions covered the relevant aspects, both in terms of regional development in general, and of specific features of the ERN in particular. The results of the investigation have been, in a selective way, summarized in the points that follow:

1. Euroregions in general are recognized as peripheral areas, usually with a lower density of inhabitants and a lower socio-economic standard. The distance to a major national centre matters a great deal.
2. Cross-border cooperation is carried out to overcome the aforementioned disadvantage. In the case of the ERN, mitigation of environment, renewing good neighbourly cross-border contacts, improvements in economic relations, of mutually impacting legislation and of the domain of culture, represents the aspects at the forefront of cooperational concerns.
3. The level of success of cooperation can be assessed both by quantitative criteria (in the ERN the number of cross-border passages, frequency of visits, improvements to the quality of waters in common, number of meetings, joint events etc.) and qualitatively (in ERN improvement of inhabitants' awareness of the Region, removal of nationalistic prejudices, research of the public opinion etc.).

4. The influence of the national differences in general cultural terms has only a minor impact on the level of success in environmental transboundary cooperation.
5. In each national part of the ERN, great importance is attached to environmental values.
6. Signs of spatial and cultural identity on the part of the ERN's inhabitants can still be found to a limited degree.
7. The differences in economic potential amongst the national parts of the ERN are enormous and express themselves by arranging joint events or publishing printed materials. A one-way stream of visitors and job-seekers on the other hand, reflects these differences.
8. Major conflicts between the concerns of economic development and environment are as follows:
  - Brown coal mining related to Turow power station
  - Devastation of the forests
  - Reduction in agricultural production bringing about the extension of weeded fields and undesirable changes of landscape (the areas of Liberec, Česká Lípa)
  - Large-scale quarries and stone pits adversely affecting the landscape
  - Uranium mining based on chemical processing substantially contributing to the devastation of the landscape.
9. The industries and sectors of economic activity burdened by unsolved environmental problems are represented in the ERN by coal mining in the surroundings of the town of Bogatynia as in the industrial domain and by the overloading of some tourism centres in ERN-CZ (town Harrachov), in terms of visitors' presence and related activities as far as the tertiary sector is concerned.
10. Major possibilities of exploiting comparative advantages (economic and environmental) in the individual parts of ERN have been referred to as follows:
  - Purification of the Mandava river by the sewerage Rumburk - Seifhennersdorf
  - Construction of the purification plant in Varnsdorf
  - Purification of the Nisa river in the section Liberec-Jablonec (joint purifying plant), in Chrastava (plant under preparation) Hrádek n.N.

(construction of the plant has started) and Zittau (plant being completed)

- Connecting of the national ERN's parts by cross-border passages (sixteen of them existed in 1995, compared to six in 1990).

11. The effects of cooperation brought about by the joint use of the budgetary funds aimed at environmental issues have been concentrated in the construction of joint sewerage Varnsdorf-Seifhennersdorf, joint publicity concerning tourism exhibitions, joint publishing of information materials, the event "Clean Nisa", the system of grants and subsidies provided by the international programme PHARE-CBC.
12. Establishment of the formal institutes serving cooperation has been explained as a primarily bottom-up process. The existence of the formal institutions for cooperation has been regarded as a precondition for success in this sphere, provided the formalization is carried out in a reasonable and proportionate way.
13. Formal components of the ERN prevail in its activities. Non-governmental organizations are represented by the movements "Děti Země" (The Children of the Earth), "Duha" (The Rainbow) and the "Scouts' movement".
14. Within the ERN-CZ, the authorities at regional level have not yet been set up. The relations between districts' authorities and local/municipal authorities (all having representation in the ERN Council) have been assessed as being good and effective.
15. The scope of cooperation between the Technical University in Liberec and the higher education institutions in Germany and Poland (Zittau and Jelenia Gora) within the ERN is seen to be of a very high standard. The Economic Chamber in Liberec contributes to this effort.
16. Financial means for the ERN budget are collected from the voluntary members of the ERN (communities and districts). The contribution is 1,50 Czech Crowns per head in ERN-CZ.  
The funds raised in this way suffice to run the ERN's secretariat and related activities. They cannot provide support to events or publishing. No special funds for this purpose are available from the central national authorities. The investments (cross-border passages, purifying plants, communications etc.) are covered by the local, state or transnational (European) sources.
17. The relation of the central state authorities to the Euroregions has been characterized as a "cool" one, with some improvement during the course of 1995.

18. The approach to environmental issues in the ERN has been seen as “comprehensive “ at the macro-level, and pragmatic, in terms of the availability of funding at the level of particular objectives.
19. The cooperation in the environmental domain has been assessed and reported on occasionally in the Euroregion Nisa bulletin. It is currently focused on the following areas:
20. Cooperation concerning environment has been coordinated by the ERN’s Working Group No.1 aimed at this area. Sectors of the most efficient transboundary environmental cooperation represent:
  - Monitoring of the air quality
  - Energy production base (issues related to Turow power station)
  - Purification of rivers ( Nisa, Mandava, Smědá)
  - Revitalization of the forests.
21. The destruction of the forest ecosystem Jizera Mountains (partly also of Lužice Mountains and Ještěd Ridge) has a substantial negative influence on the inhabitants’ perception of the current way of development.
22. A joint effort to enhance “soft tourism” has been embodied in the German proposal of “Ringbahn”, which should open access to the attractive tourism centres by the railway and thus lower the pressure on road traffic. This proposal is under study.
23. The problems of wastage are treated in a similar way to that of other regions. Several controlled waste dumps are run in the ERN; the incineration plant in Liberec is at the preparation stage. The attempts to introduce separate refuse collection are made. The plant for sorting the industrial waste is located in Hirschfelde in ERN-GER.
24. Executive power in water management belongs to the state administration (level of districts), with no regional level. Within ERN transboundary relations, efficient cooperation between Czech and German authorities has been witnessed (floods, oil accidents), which cannot be confirmed when Polish involvement in the field is assessed.
25. The exchange of information on air quality has been carried out by the appropriate ERN subcommission. A monitoring network has been built in the German part, and that of the Polish part is being completed. In the Czech part, the Czech Hydro-Meteorological Institute has been charged with the management of the monitoring system.
26. As far as the powers and terms of reference in the environmental domain are concerned, it has been pointed out that the ERN stands for



the association that stimulates, recommends and coordinates, without executive powers, which belongs to the state and local government authorities.

27. Due to financial limitations, the ERN does not commission expertise. Professional reviews are gained through voluntary specialists - within the activities of the Working Groups.

28. Prerequisites for cooperation within the ERN have been assessed as suitable in all major respects.

As suggested by the above, the involvement of PA in the environmental sphere can also be quite profound and extensive by means of specific organizations, such as Euroregions. Naturally, the respective regions form parts of the formal territorial administration in the countries.

Therefore environmental issues are, in the case of Czechia, supposed to be dealt with at regional level by local governments and the district administrations. Areas of the participation of particular PA's institutions and the complementary division of their tasks by way of cooperation should be incorporated into the development conceptions of the respective regions.

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# **ORGANIZATIONAL CULTURE BARRIERS OF LOCAL GOVERNMENT MANAGEMENT DEVELOPMENT: THE HUNGARIAN EXPERIENCE**

*Mátyás Gáspár\* and Glen Wright\*\**

## **1. Organizational culture - the heart of local government development**

We have built a practical *model of the local government management system* consisting of 12 main factors containing 107 elements. We demonstrate this system and give comparative weight (importance) to each element based on its direct connection within the system (see fig. 1.), also so-called “star picture”, presenting results of analyses. In particular we show an expert’s view based on field work. (see fig. 2.). We have developed a checklist embracing all elements consisting of one basic question and three explanatory questions for each. These expressions (see fig. 3.) ask for evidence defining the level of functioning of each management factor. When the management system is changing, or has to change basically, the culture factor becomes decisive. Therefore, we are going to analyze how elements of the organizational culture affect other elements of the management system.

## **2. Models and types of organizational culture, structure and local government value systems**

For the practical analysis of the organizational culture we used Hofstede’s model of six cultural layers, 6 cultural and 3 value dimensions and Handy’s and Quinn’s organizational culture dimensions and types. Culture types were matched with well known organizational structure types of Mintzberg, Handy, Aston group, Plant, Likert and others for practical examination of the culture and structure interactions. We also analyzed how different culture types are related to the local government value system types, as the core element of cultures are values, driving forces of peoples and organizations. We used the Garry Stoker’s local government value system types. A summary of these theories is presented in fig. 4.

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\* Professor, The Forest School of Public Administration, Csákkberény, Hungary

\*\* Professor, School of Public Administration, Budapest, Hungary

### **3. Field work in organizational culture**

Field work was conducted during the years 1993-95 in medium sized Hungarian city governments: Székesfehérvár, Kőszeg, Szombathely, Tatabánya. We developed and used two main methods of analysis: group-work and questionnaires. In the first two cities one day, intensive organizational culture analysis training programs were organized. In others we collected information on organization culture profile and values using tests. We demonstrate this method in fig 5.

### **4. Findings and conclusions**

The main results of the local government organizational culture analyses can be summarized and will be described and demonstrated by the following:

- Instead of “circular nature of value resolution” (see fig 4.) driving both the organization and individual, it is common practice in Hungary for special interpersonal relations and dependencies to shape values and culture.
- We found that our “weak organizational cultures” (value confusion, culture instability hidden by “golden middle way”) are significantly responsible for low performance. New and consistent cultures have to be built if we want to improve performance.
- The role and state of the organization culture is not fully understood, or examined sufficiently in the ongoing local government transition to use this factor as the necessary driving force of management development.
- Foreign management consultants frequently do not take into consideration the significant differences between Western and Eastern organizational cultures and “cultural confusion”. This raises the question of adaptation in local government management know-how transfer processes.
- There is a large gap between the declared and real values. The “window dressing” is a typical phenomenon in local government organizational culture, so that working on the culture brings a danger of “culture illusion” causing the opposite of the intended effect.
- As an important part of the management development programs, organizational culture has to be made visible and its change promoted, based on participation, group work, training and other organizational learning processes.

- We detected the elements of traditional “power” and “role” culture types and attempts to move towards “task” and “personal” cultures. We found strong administrative values but also significant endeavors to move equally toward community and business values.
- One of the real, possible starting points in cultural change is the local government value system declaration and to consider it as the basis for management development (e.g. organization structure, delegation, internal regulation, motivation, strategic planning, public relations, image building etc.).
- Existing organizational culture interferes and frequently blocks the local government management development process from the bureaucratic, administrative types to other more desirable types (community and business types).
- In our findings the main tensions - barriers - between required characteristics of our local governments in transition and the state of their organizational culture can be described as follows:

***Required characteristics***

***Possible culture barriers***

*Service/community orientation*

Internal orientation, power and administrative culture, control from up and inside, lack of “cultural contract” (shared values) between stakeholders.

*Change/flexibility*

Strong uncertainty avoidance, respect of stability, formalization and rules, fear of taking risk, weak cultural pressure to change, lack of change successes and role models (change agents as heroes).

*Long term thinking*

Short term orientation culture, survival, strategy is not culture based.

*Creativity/activity/action orientation*

Problems interpreted as failures, mistakes are punished, no competition and motivation, hierarchy.

*Self sufficiency*

Centralized power is more effective, job (not employee orientation), distrust, coordination is costly.

*Performance/productivity*

Input and procedure orientation, specialization, heroes not good achievers,

	bad recognition and reward, no competition, no mutual expectations, egalitarianism, weak culture, relatively low priority of hard work in general, material culture does not support productivity.
<i>High professional standards</i>	Parochialism instead of professionalism, driving identity from the organization instead of profession, inside orientation, no functional professional subcultures.
<i>Resource awareness</i>	Resources used as power, risk avoidance in finding alternative solutions, priority of resources (money, information, time, people), no-one communicates resource awareness, wrong examples from up.
<i>Internal and external cooperation/partnership</i>	Closed organization, distance keeping, distrust, no team/community spirit, hidden/restricted informal relations, ill-fitting subcultures, strong hierarchy, weak internal service orientation, closed doors.
<i>Tolerance/handling differences/consensus</i>	Organization is not a community but a mechanism of implementation, persons identified as their roles, not personalities, little practice in intercultural communication, difference is dangerous.
<i>Credibility</i>	Lack of messages on the intended culture, cultural illusion or confusion, “window dressing”, gap between declared and real values, bad/old status symbols.
<i>Learning, sustainable development</i>	No consistent, strong culture, corporate identity, ethical codes, common organizational language for value communication, cultural control does not work, no legends, stories, no organized socialization (adaptation, orientation) processes for new members.

**Figure 1**

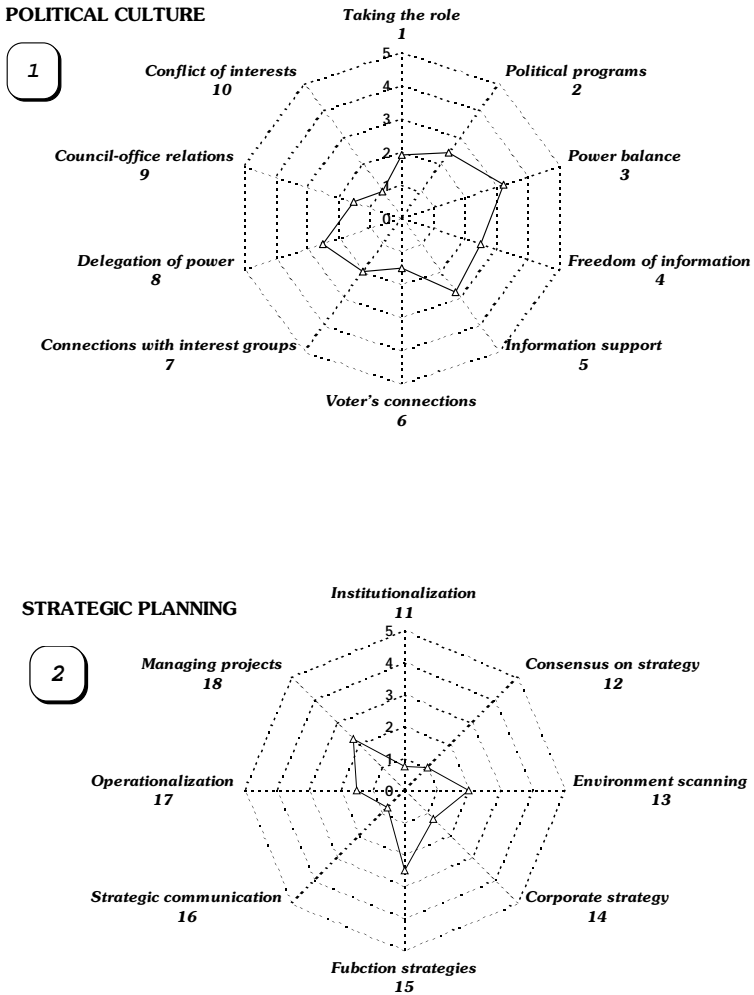
**Local Government Management System's "Road Map" with number of direct relations to others**

<b>Political culture</b>	<b>254</b>	<b>1</b>	<b>Services</b>	<b>273</b>	<b>4</b>
<i>Taking the role</i>	<b>19</b>	1/01	<i>Service spirit/philosophy</i>	<b>42</b>	4/26
<i>Programs</i>	<b>20</b>	1/02	<i>Register of services</i>	<b>44</b>	4/27
<i>Power balance</i>	<b>19</b>	1/03	<i>Marketing</i>	<b>37</b>	4/28
<i>Freedom of information</i>	<b>26</b>	1/04	<i>Analysis and development</i>	<b>40</b>	4/29
<i>Information support</i>	<b>26</b>	1/05	<i>Alternative services</i>	<b>35</b>	4/30
<i>Voter's connections</i>	<b>25</b>	1/06	<i>Service contracts</i>	<b>21</b>	4/31
<i>Interest group's connect.</i>	<b>22</b>	1/07	<i>Provider's relations</i>	<b>30</b>	4/32
<i>Delegation of power</i>	<b>47</b>	1/08	<i>Complaint system</i>	<b>24</b>	4/33
<i>Council-office relations</i>	<b>29</b>	1/09	<b>Organization culture</b>	<b>253</b>	<b>5</b>
<i>Staff/ career development</i>	<b>36</b>	7/60	<i>Systems/data/facility usage</i>	<b>18</b>	10/89
<i>Conflict of interests</i>	<b>21</b>	1/10	<i>Type of culture</i>	<b>40</b>	5/34
<b>Strategic planning</b>	<b>181</b>	<b>2</b>	<i>Analysis and development</i>	<b>19</b>	5/35
<i>Institutionalization</i>	<b>21</b>	2/11	<i>Value system</i>	<b>46</b>	5/36
<i>Consensus on strategy</i>	<b>26</b>	2/12	<i>Building self-image</i>	<b>15</b>	5/37
<i>Environment scanning</i>	<b>29</b>	2/13	<i>Corporate/team spirit</i>	<b>38</b>	5/38
<i>Corporate strategy</i>	<b>20</b>	2/14	<i>Internal communication</i>	<b>41</b>	5/39
<i>Function strategies</i>	<b>30</b>	2/15	<i>Internal participation</i>	<b>32</b>	5/40
<i>Strategic communication</i>	<b>18</b>	2/16	<i>Work environment/culture</i>	<b>22</b>	5/41
<i>Operationalization</i>	<b>15</b>	2/17	<b>Organization structure</b>	<b>382</b>	<b>6</b>
<i>Managing projects</i>	<b>22</b>	2/18	<i>Structure control</i>	<b>38</b>	6/42
<b>Closeness to citizens</b>	<b>174</b>	<b>3</b>	<i>Unity of leadership</i>	<b>33</b>	6/43
<i>PR function instituted</i>	<b>34</b>	3/19	<i>Clearness of role division</i>	<b>30</b>	6/44
<i>Civil strategy</i>	<b>20</b>	3/20	<i>Unit's profiles</i>	<b>26</b>	6/45
<i>Information to the public</i>	<b>27</b>	3/21	<i>Self sufficiency guarantees</i>	<b>51</b>	6/46
<i>Asking, hearing people</i>	<b>20</b>	3/22	<i>Function's responsibilities</i>	<b>53</b>	6/47
<i>Advising, helping people</i>	<b>16</b>	3/23	<i>Coordination guarantees</i>	<b>41</b>	6/48
<i>Participation options</i>	<b>32</b>	3/24	<i>Atomization and hierarchy</i>	<b>19</b>	6/49
<i>Supporting volunteerism</i>	<b>25</b>	3/25	<i>Providing inner services</i>	<b>41</b>	6/50
			<i>Flexibility guarantees</i>	<b>50</b>	6/51

<b>Personnel management</b>	<b>378</b>	<b>7</b>	<b>Information technology</b>	<b>270</b>	<b>10</b>
<i>Instituted personnel function</i>	<b>28</b>	7/52	<i>Information requirement study</i>	<b>37</b>	10/81
<i>Selection and recruitment</i>	<b>22</b>	7/53	<i>IT development strategy</i>	<b>21</b>	10/82
<i>Quality of given personnel</i>	<b>36</b>	7/54	<i>Development priorities</i>	<b>16</b>	10/83
<i>Clear mutual expectations</i>	<b>53</b>	7/55	<i>IT function instituted/performed</i>	<b>60</b>	10/84
<i>Appraisal system</i>	<b>26</b>	7/56	<i>IT and office infrastructure</i>	<b>24</b>	10/85
<i>Recognition and incentive</i>	<b>29</b>	7/57	<i>Data treasure quality</i>	<b>22</b>	10/86
<i>Remuneration</i>	<b>25</b>	7/58	<i>External data connections</i>	<b>39</b>	10/87
<i>Staff training</i>	<b>30</b>	7/59	<i>Technical culture</i>	<b>33</b>	10/88
<i>Conflict resolution</i>	<b>43</b>	7/61	<b>Regulation</b>	<b>279</b>	<b>11</b>
<i>Number of staff</i>	<b>27</b>	7/62	<i>Regulation system</i>	<b>23</b>	11/90
<i>Redeployment / termination</i>	<b>23</b>	7/63	<i>Regulation's quality</i>	<b>22</b>	11/91
<b>Control</b>	<b>284</b>	<b>8</b>	<i>Regulation information access</i>	<b>24</b>	11/92
<i>Controlling - as a system</i>	<b>23</b>	8/64	<i>Law knowledge and respect</i>	<b>21</b>	11/93
<i>Strategic control</i>	<b>32</b>	8/65	<i>Council regulations</i>	<b>28</b>	11/94
<i>Performance control</i>	<b>55</b>	8/66	<i>Office regulations</i>	<b>32</b>	11/95
<i>Contract control</i>	<b>23</b>	8/67	<i>Administration regulation</i>	<b>17</b>	11/96
<i>Task execution control</i>	<b>17</b>	8/68	<i>Process regulations</i>	<b>61</b>	11/97
<i>Cost control</i>	<b>36</b>	8/69	<i>Job positions regulations</i>	<b>51</b>	11/98
<i>General resource control</i>	<b>39</b>	8/70	<b>Management strategy</b>	<b>349</b>	<b>12</b>
<i>Process quality control</i>	<b>28</b>	8/71	<i>Management system analysis</i>	<b>38</b>	12/99
<i>Legal control</i>	<b>31</b>	8/72	<i>Development strategy</i>	<b>43</b>	12/100
<b>Budgeting</b>	<b>228</b>	<b>9</b>	<i>Consensus on development</i>	<b>33</b>	12/101
<i>Finance information system</i>	<b>20</b>	9/73	<i>Innovativeness</i>	<b>32</b>	12/102
<i>Effective budgeting process</i>	<b>22</b>	9/74	<i>Process orientation</i>	<b>31</b>	12/103
<i>Finance data availability</i>	<b>31</b>	9/75	<i>Methodology awareness</i>	<b>45</b>	12/104
<i>Knowledge of real costs</i>	<b>34</b>	9/76	<i>Organizational learning</i>	<b>61</b>	12/105
<i>Project budget/evaluation</i>	<b>24</b>	9/77	<i>Participation in development</i>	<b>41</b>	12/106
<i>Budget-planning relations</i>	<b>29</b>	9/78	<i>Training relations</i>	<b>25</b>	12/107
<i>Budget-controlling relations</i>	<b>33</b>	9/79			
<i>Budget-analysis relations</i>	<b>33</b>	9/80			

Figure 2

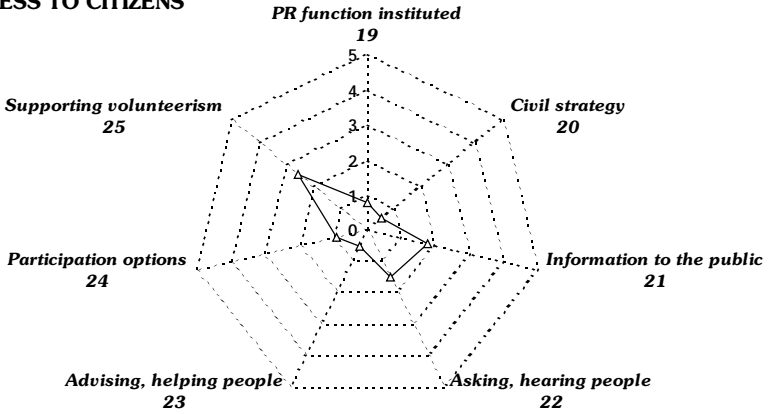
“Management star picture”  
General picture of the local government management quality level





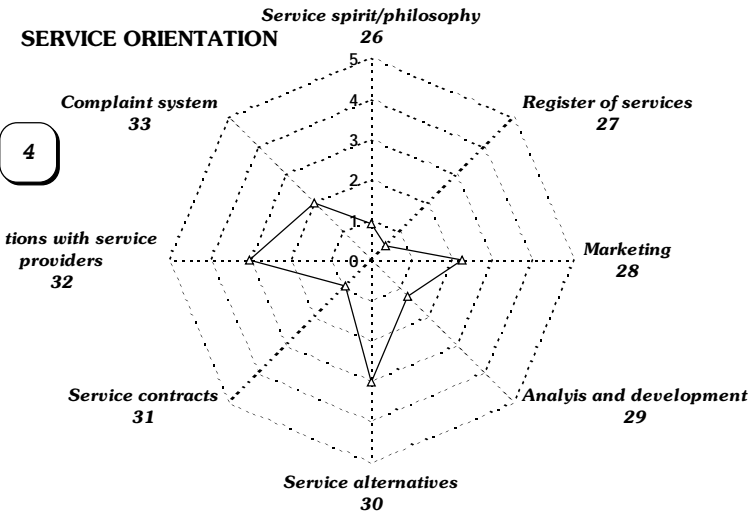
**CLOSENESS TO CITIZENS**

3



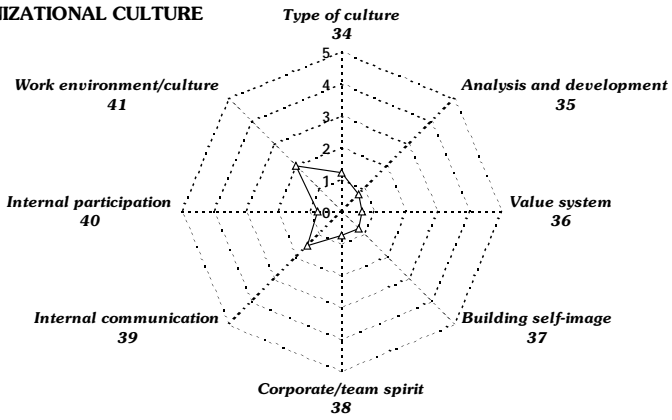
**SERVICE ORIENTATION**

4



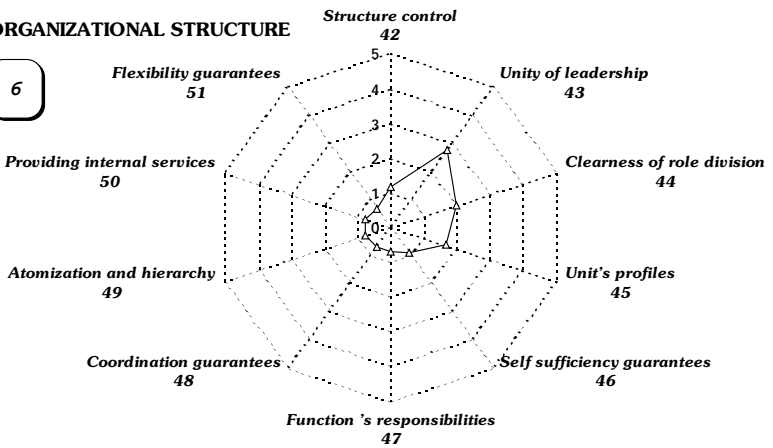
**ORGANIZATIONAL CULTURE**

5



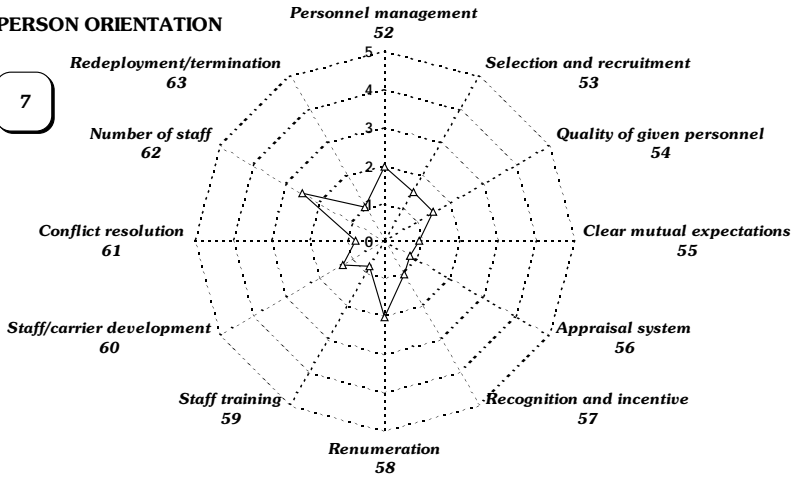
**ORGANIZATIONAL STRUCTURE**

6



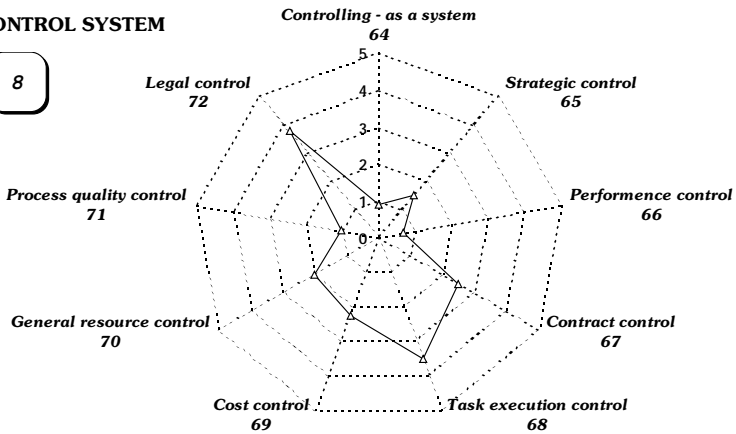
### PERSON ORIENTATION

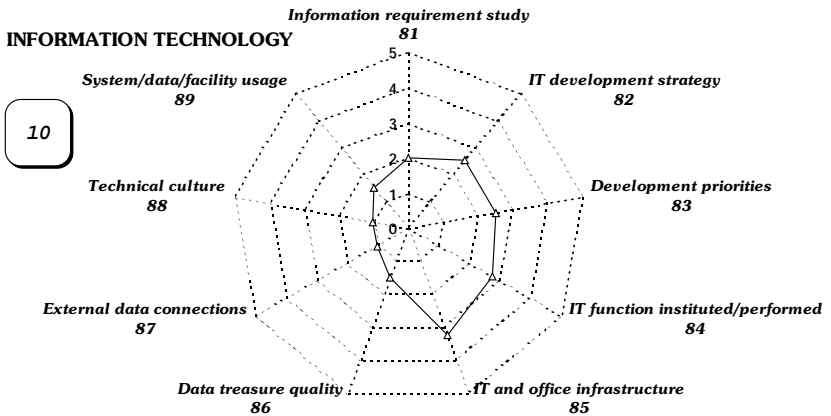
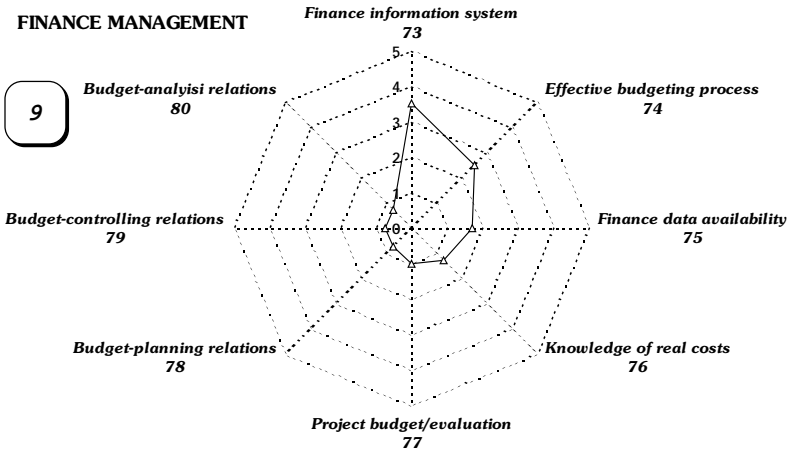
7



### CONTROL SYSTEM

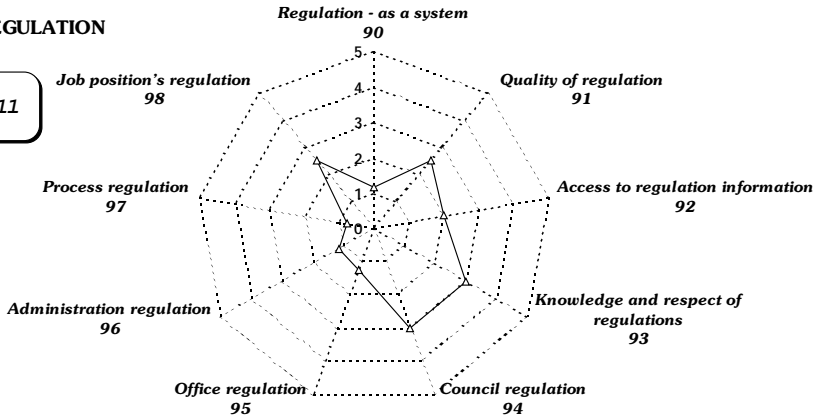
8





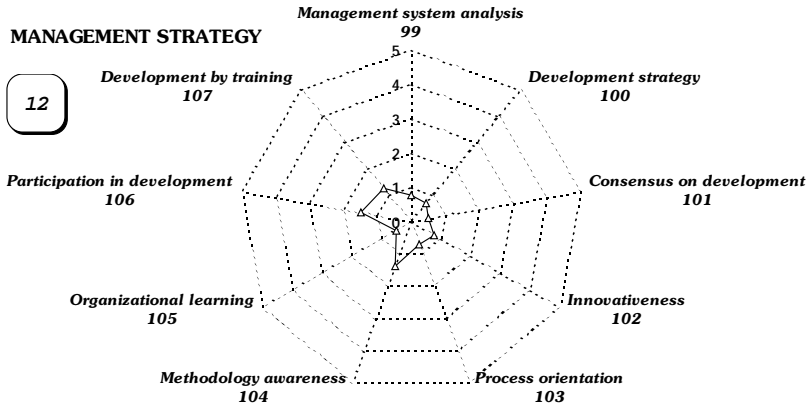
**REGULATION**

11



**MANAGEMENT STRATEGY**

12



**Figure 3**

**Ranking the elements of the Local Management System by the number of their direct interconnections with others and highlighting the strongly culture-based elements (50 from 107)<sup>1</sup>**

<i>Process regulations</i>	<b>61</b>	11/97	<i>Process orientation</i>	<b>31</b>	12/103
<i>Organizational learning</i>	<b>61</b>	12/105	<i>Function strategies</i>	<b>30</b>	2/15
<i>IT function instituted/performed</i>	<b>60</b>	10/84	<i>Relations with service providers</i>	<b>30</b>	4/32
<i>Performance control</i>	<b>55</b>	8/66	<i>Clearness of role division</i>	<b>30</b>	6/44
<i>Function's responsibilities</i>	<b>53</b>	6/47	<i>Staff training</i>	<b>30</b>	7/59
<i>Clear mutual expectations</i>	<b>53</b>	7/55	<i>Council-office relations</i>	<b>29</b>	1/09
<i>Self sufficiency guarantees</i>	<b>51</b>	6/46	<i>Environment scanning</i>	<b>29</b>	2/13
<i>Job positions regulations</i>	<b>51</b>	11/98	<i>Recognition and incentive</i>	<b>29</b>	7/57
<i>Flexibility guarantees</i>	<b>50</b>	6/51	<i>Budget-planning relations</i>	<b>29</b>	9/78
<i>Delegation of power</i>	<b>47</b>	1/08	<i>Instituted personnel function</i>	<b>28</b>	7/52
<i>Value system</i>	<b>46</b>	5/36	<i>Process quality control</i>	<b>28</b>	8/71
<i>Methodology awareness</i>	<b>45</b>	12/104	<i>Council regulations</i>	<b>28</b>	11/94
<i>Register of services</i>	<b>44</b>	4/27	<i>Information to the public</i>	<b>27</b>	3/21
<i>Conflict resolution</i>	<b>43</b>	7/61	<i>Number of staff</i>	<b>27</b>	7/62
<i>Development strategy</i>	<b>43</b>	12/100	<i>Freedom of information</i>	<b>26</b>	1/04
<i>Service spirit/philosophy</i>	<b>42</b>	4/26	<i>Information support</i>	<b>26</b>	1/05
<i>Internal communication</i>	<b>41</b>	5/39	<i>Consensus on strategy</i>	<b>26</b>	2/12
<i>Coordination guarantees</i>	<b>41</b>	6/48	<i>Unit's profiles</i>	<b>26</b>	6/45
<i>Providing internal services</i>	<b>41</b>	6/50	<i>Appraisal system</i>	<b>26</b>	7/56
<i>Participation in development</i>	<b>41</b>	12/106	<i>Relations with voters</i>	<b>25</b>	1/06
<i>Analysis and development</i>	<b>40</b>	4/29	<i>Supporting volunteerism</i>	<b>25</b>	3/25
<i>Type of culture</i>	<b>40</b>	5/34	<i>Remuneration</i>	<b>25</b>	7/58
<i>General resource control</i>	<b>39</b>	8/70	<i>Training relations</i>	<b>25</b>	12/107

<sup>1</sup> The list does not contain the last 13 elements

<i>External data connections</i>	<b>39</b>	10/87	<i>Complaint system</i>	<b>24</b>	4/33
<b><i>Corporate/team spirit</i></b>	<b>38</b>	5/38	<i>Project budget/evaluation</i>	<b>24</b>	9/77
<i>Structure control</i>	<b>38</b>	6/42	<i>IT and office infrastructure</i>	<b>24</b>	10/85
<b><i>Management system analysis</i></b>	<b>38</b>	12/99	<i>Regulation information access</i>	<b>24</b>	11/92
<i>Marketing</i>	<b>37</b>	4/28	<i>Redeployment / termination</i>	<b>23</b>	7/63
<i>Information requirement study</i>	<b>37</b>	10/81	<b><i>Controlling - as a system</i></b>	<b>23</b>	8/64
<i>Quality of given personnel</i>	<b>36</b>	7/54	<i>Contract control</i>	<b>23</b>	8/67
<i>Staff/ career development</i>	<b>36</b>	7/60	<i>Regulation system</i>	<b>23</b>	11/90
<i>Cost control</i>	<b>36</b>	8/69	<b><i>Connections with the interest groups</i></b>	<b>22</b>	1/07
<b><i>Alternative services</i></b>	<b>35</b>	4/30	<i>Managing projects</i>	<b>22</b>	2/18
<i>Budget-analysis relations</i>	<b>35</b>	9/80	<b><i>Work environment/culture</i></b>	<b>22</b>	5/41
<b><i>PR function instituted</i></b>	<b>34</b>	3/19	<b><i>Selection and recruitment</i></b>	<b>22</b>	7/53
<i>Knowledge of real costs</i>	<b>34</b>	9/76	<i>Effective budgeting process</i>	<b>22</b>	9/74
<i>Unity of leadership</i>	<b>33</b>	6/43	<i>Data treasure quality</i>	<b>22</b>	10/86
<i>Budget-controlling relations</i>	<b>33</b>	9/79	<i>Regulation's quality</i>	<b>22</b>	11/91
<b><i>Technical culture</i></b>	<b>33</b>	10/88	<b><i>Conflict of interests</i></b>	<b>21</b>	1/10
<b><i>Consensus on development</i></b>	<b>33</b>	12/101	<i>Institutionalization of strategic planning</i>	<b>21</b>	2/11
<b><i>Participation options</i></b>	<b>32</b>	3/24	<i>Service contracts</i>	<b>21</b>	4/31
<b><i>Internal participation</i></b>	<b>32</b>	5/40	<i>IT development strategy</i>	<b>21</b>	10/82
<b><i>Strategic control</i></b>	<b>32</b>	8/65	<b><i>Law knowledge and respect</i></b>	<b>21</b>	11/93
<i>Office regulations</i>	<b>32</b>	11/95	<i>Programs</i>	<b>20</b>	1/02
<b><i>Innovativeness</i></b>	<b>32</b>	12/102	<b><i>Corporate strategy</i></b>	<b>20</b>	2/14
<i>Legal control</i>	<b>31</b>	8/72	<b><i>Civil strategy</i></b>	<b>20</b>	3/20
<i>Finance data availability</i>	<b>31</b>	9/75	<b><i>Asking, hearing people</i></b>	<b>20</b>	3/22

## Figure 4

### Summary of the theories used

#### ***A. Understanding Values in Tensions and Underlying Valuing Processes***

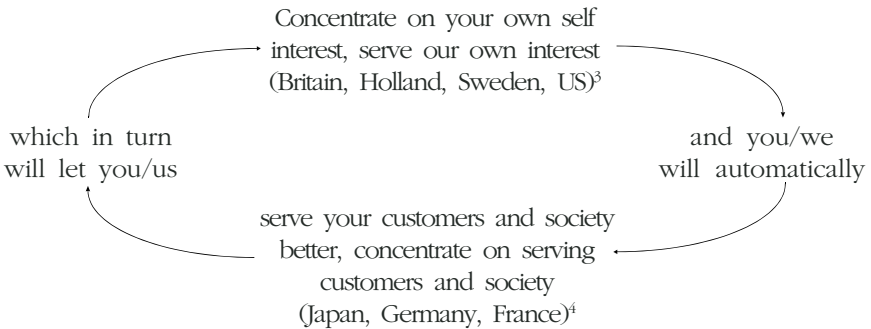
1. Universalism vs. Particularism *based on* Making Rules and Discovering Exceptions  
When no code, rule, or law seems to adequately cover an exceptional case should the most relevant rule be imposed, however imperfectly, in that case, or should the case be considered on its unique merits, regardless of the rule?
2. Analyzing vs. Integrating *based on* Constructing and Deconstructing  
Are we more effective as managers when we analyze phenomena in parts, i.e. facts, items, tasks, numbers, points, specifics, or when we integrate and configure such details into whole, patterns, relationships, and wider context?
3. Individualism vs. Communitarism *based on* Managing Communities of Individuals  
Is it more important to focus upon the enhancement of each individual, his or her rights, motivations, rewards, capacities, attitudes, or should more attention be paid to advancement of the corporation as a community, which all its members are pledged to serve?
4. Inner-directed vs. Outer-directed Orientation *based on* Internalizing the Outside World  
Which are the more important guides to action? Our inner-directed judgments, decisions, and commitments, or the signals, demands, and trends in the outside world to which we must adjust?
5. Time as Sequence vs. Time as Synchronization *based on* Synchronizing Fast Processes  
Is it more important to do things fast, in the shortest possible time, or to synchronize efforts so that completion is coordinated?
6. Achieved Status vs. Ascribed Status *based on* Choosing Among Achievers  
Should the status of employees depend on what they have achieved and how they performed, or on some other characteristic important to the corporation, i.e., age, seniority, gender, education, potential, strategic role?



7. Equality vs. Hierarchy *based on* Sponsoring Equal Opportunities to Excel

Is it more important that we treat employees as equals so as to elicit from them the best they have to give, or emphasize the judgment and authority of the hierarchy that is coaching and evaluating them?

**B “Circular nature of value resolution”<sup>2</sup>**



**C. Hofstede’s theories<sup>5</sup>**

<i>Value dimensions</i>	<i>Culture Layers</i>	<i>Organizational culture dimensions</i>
Power distance	“surface”	Process oriented vs. result oriented
Individualism-collectivism	“symbols”	Employee oriented vs. job oriented
Masculinity-femininity	“heroes”	Parochial vs. professional
Uncertainty avoidance	“rituals”	Open system vs. closed system
	“norms”	Loose control vs. tight control
	“values”	Normative vs. pragmatic

2 Charles Hampden-Turner, Fons Trompenaars, *The Seven Cultures of Capitalism*, Piatkus, 1995. p. 14.

3 Dominant starting point for these countries in the value resolution circle

4 Dominant starting point for these countries in the value resolution circle

5 Geert Hofstede, *Cultures and Organizations*, Harper Collins, 1994.,

#### D. Handy's culture and preferred by them structure types<sup>6</sup>

Organizational culture types	Organizational structure types
Power culture	Web
Role culture	Temple
Task culture	Net
Person culture	Cluster

#### M. Gáspár's local government value dimensions and focal values based on Garry Stoker's 3 types of local government value systems<sup>7</sup>

Dimensions (Relation to ...)	Local government value systems and focal values		
	Administration type	Business type	Community type
<b>Democracy</b>	Representation	Participation	Direct/personal
<b>Power</b>	Centralization	Division	Decentralization
<b>Autonomy</b>	Dependence	Bargain	Independence
<b>Service</b>	Providing	Managing	Enabling
<b>Change</b>	Stability	Business strategy	Community strategy
<b>Performance</b>	Balance	Service quality	Citizen's satisfaction
<b>Culture</b>	Administration spirit	Business spirit	Community spirit
<b>Structure</b>	Hierarchy	Divisions	Network
<b>Finance</b>	Spending money	"Making" money	Substitutes
<b>Resources</b>	Right, organization	Money, property	People, community
<b>Information</b>	Limited, regulated	Functional, rational	Open, public
<b>Regulation</b>	Enforcement	Interest	Discernment

6 Charles B. Handy, *Understanding Organizations*, Penguin, 1986, *Gods of Management*, Arrow, 1995.

7 Gáspár Mátyás, *Local Government Management*, Erdei Iskola, Csákberény, 1995. (in Hungarian)

**Figure 5**

**Description of the methods used in local government culture analysis**

**A. Basic elements of the “Star Picture” Method of Management system scanning**

1. Model of the local government management system
2. Questionnaire expressing the ideal state of each element
  - 2.1. Short version: one statement for each element  
Example:  
“5/36 We have well developed, widely accepted, declared and driving organizational value system (philosophy).”
  - 2.2. Extended version: one statement for each element with 3 complementary questions about guarantees, evidences about the state of the given element  
Example:  
“5/36 We have well developed, widely accepted, declared and driving organizational value system (philosophy).”

*Value system* Professionally developed, documented value description showed

*Declaration* Value system officially declared, publicized and continually communicated

*Acceptance* Value system/philosophy is known and generally accepted by the public”

3. Evaluation of the situation compared with the ideal state by scoring

0	1	2	3	4	5
not relevant in our organization	does not exist is not OK at all	substantial problems, does not work	middle uncertain situation	basically good some problems	extremely good excellent situation

4. *Method of filling out the questionnaire*

- 4.1. Individually
- 4.2. In groups (as the part of a training, more effective and realistic)

5. *Processing and presenting the data*

- 5.1. Using Microsoft Excel program
- 5.2. Possible groupings by organization, type of local government, respondent's position in the organization (elected, non elected, leader, officer etc.), respondent's local government practices (years)
- 5.3. Presenting results as circle diagrams ("stars")
6. *Some possible comparisons and analyses*
  - 6.1. Individual vs. General respondent's opinion for one organization
  - 6.2. Given organization vs. Ideal organization
  - 6.3. One group vs. Other group opinion (e.g. elected members and appointed officials)
  - 6.4. One organization vs. Other organization
  - 6.5. One organization vs. Expert view of the general state (e.g. in Hungary)

### **B. Culture analysis by training**

<i><b>General program</b></i>	<i><b>C. Training program</b></i>
A. Preparatory analysis	1. Warming up: Searching analogies
B. Preparatory top management meeting	2. First grasp: Visible signs
<i>C. One day culture analysis training</i>	3. Understanding culture: putting signs on culture "shelves"
D. First report about culture	4. Closer look: describing layers in small groups (searching evidence)
E. Opinions, interviews	5. Portraying culture: are we really like this? Searching good and bad elements.
F. Second report about culture	6. Consequences and changes: in which directions we have to change?
G. Final evaluation training	

### **C. Value system building by questioning and making value declaration**

1. Distributing a questionnaire (for elected members) giving choices between three plus one free alternative for all value dimensions (see fig. 4.E.). All focal values are expressed by a statement. Respondent should choose which they think are acceptable for them and put chosen

elements in priority order including their free value expressions. It is possible to make corrections in proposed sentences

2. Processing and analyzing questionnaires: corrections, contradictions, transforming priority ranking to weights (%) of focal values, content analysis of the new value expressions and relating them to the 3 basic value types
3. Presentation of results by value mixes (weights) for all dimensions and for 3 culture types and corrected expressions of the focal values
4. If value mix is strongly contradictory, confusing then conflict resolution training should be organized for members concerned
5. Making first version by expert and/or small workgroup (last is best)
6. Distributing first version and asking comments from members, officers
7. Finalizing the local government value declaration in form of council resolution with a short explanation of reason (purpose) and process its creation
8. Council decision
9. Making value declaration communication plan

**SECTION 3**  
**Institutional Reform in**  
**Public Administration**

# INSTITUTIONAL REFORM IN PUBLIC ADMINISTRATION

*Marie-Christine Meininger\* and Stanka Setnikar-Cankar\*\**

The problems raised in the papers presented in this session can be structured on two main themes: the global reform process and the social implications of the transformation of society.

## **1. The institutional reform process**

The experience shared by most central and eastern European countries places the emphasis on a need for integration and coordination in the reform strategy and the controversial impact of financial consideration. Lack of coordination, dissemination of responsibilities and diversity of the conception process produces uncertainty and distrust towards the reform process: this negative impact, deplored in several countries, is partly due to the difficulty of coping with the most urgent needs and to reconciling the opposite demands of short term issues and the necessity of a long term strategy.

There is a strong temptation to neglect the long term objectives in order to satisfy the day to day expectations. Social costs and expenses resulting from reforms and destabilization of interest groups might seem to be too heavy a burden to put on a comprehensive reform process.

Besides, there is a strong need for a new organizational culture and the crucial importance of ethics should be emphasized: the development of shared values, the promotion of impartiality and transparency are key issues in the public service. Adequate education and training, human resource management reforms together with civil service legislation can help in reaching these goals. But the benefits of a civil service law should not be overestimated, although it can represent an important step towards the establishment of a professional civil service.

Moreover, the interests in favor of institutional reform are various and heterogeneous. There is a conflict between the political agenda and administrative long term issues as well as budgetary problems and social demands. Only a clear analysis of costs and results in all sectors can bring

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\* Deputy Director of Research and Publications, International Institute of Public Administration, France, Paris

\*\* Assistant Professor, University of Ljubljana, Ljubljana, Slovenia

about clear guidelines in designing and implementing reforms. The impact of restructuring and the introduction of management tools should be carefully evaluated.

Changes in social security systems illustrate these dilemmas.

## 2. Changes in social security system

Economic indicators of most countries in the process of transition in Central and Eastern Europe undoubtedly show that it is essential to unburden the economy by cutting down on public expenditure. Almost all countries are facing “transfer” and “budget” problems. To postpone solving these problems causes transitional surges in unemployment, transitional mis-allocation of resources and a probable long-term rise in unemployment. Borrowing money from abroad and the decapitalization of the economy are the alternative means to “circumvent” the budget problem in the short term.

Absolute priority should be given to the process of restructuring the economy. This process does not allow for increased financing on all fronts, ranging from the growth of public sector expenditures to the financing of the economic infrastructure.

Statistical data show the following characteristics pertaining to the size of public expenditure in some countries in percent of GDP in 1994:

<b>OECD AVERAGE</b>	<b>CZECH REPUBLIC</b>	<b>HUNGARY</b>	<b>POLAND</b>	<b>SLOVAK REPUBLIC</b>	<b>SLOVENIA</b>
41,3	49,5	59,5	49,6	54,6	47,3

There is a consensus of opinion in probably all countries that the reform of the public sector is unavoidable. The problem is that it is much easier to elaborate the concept of the reform and the aims, than to achieve, use and implement them. Reform in the public sector must take into consideration the fact that the gap between levels of society are becoming wider and wider. We are thus left with two classes: the class at the top becomes richer through legal and illegal work; the class at the bottom becomes poorer and poorer. Many people are disappointed with the results of reforms in their countries as their economic situation has grown worse than before. The previous social security system was an old-fashioned method for solving social problems.



The rights of citizens and residents concerning social security are regulated by both the constitution and the laws in most Central and Eastern European countries. According to the constitutional rights in the domain of social security, basic human rights and liberties are included. The state is, in many cases and according to the constitution, required to regulate obligatory health, pension, disability and other social insurances plus ensure that they function. The right to special protection is granted to disabled people, children, and military and civil war casualties. The state is obliged by the constitution to protect the family unit, motherhood, fatherhood, children and young people. Social rights are protected by the constitution with the same rules as other human rights.

The financing of social security is regulated separately by law for each insurance in the same way as unemployment insurance is financed in most countries from contributions set aside for each respective scheme. Comparison between needs and possibilities shows the basic lack of money in almost all countries in Central and Eastern Europe.

On the other hand, the reform in the social security system also includes operational rationalization of institutes providing public services. The schemes are carried out by public institutions, for instance non-governmental agencies. The managing bodies of these institutions are responsible for the adoption of normative acts concerning matters, for the submission of proposals to the legislative power regarding contribution rates; for the administration of funds and for making decisions regarding individual benefits. Last, but not least, there are those who provide goods to the public who can do much more with better organization and by cutting costs. In this way we would be able to reduce the public expenditure and also enhance competitiveness as well as quality of services.

## CHANGES IN MANAGING THE SOCIAL SPHERE IN RUSSIA

*Natalia N. Tsitovich\**

Investments in human capital are considered to be the most efficient long-term investments. This well known fact became self-evident after transition. In most publications concerning social and personal management, one finds this point of view. But the specificity of such investments, especially capital investments, means that they are of a social nature, and more precisely, its material entities. It should be mentioned that the efficiency of such investments can be seen in the other spheres of national economy. Social results are either not taken into consideration, or else play a subordinate role in the national economy dynamics estimation. That was one of the reasons why, in the centrally planned Soviet economy, the social sphere was financed according to the residual principle.

Until 1987, there existed a centralized directive system of business management and public administration in the USSR. It spread to all levels and spheres of economy and social life. This meant that all material and financial resources were centrally planned and distributed among all entities of business and administration. Therefore, there existed two main sources of capital investments into the social sphere and its current financing in the USSR and Russian Federation before the economic reform commenced. The first was federal and local budgets. This centralized source provided financial resources to support the development of the social infrastructure according to centrally established and territorially differentiated norms. It should be noted that for a long time, not only was it dominant as the most sizable source, but it was also the only one to supply production and distribution of social goods and services. The second source was that of manufacturing enterprises net profit, together with special funds accumulated by different branches of industry at ministry level. The economists distinguished it as a decentralized source. However, the scale of using that source was limited. It is only since 1965, as a result of Kosigin's economic reform, that manufacturing enterprises were able to use part of their net profit to construct and maintain different social infrastructure entities such as kindergartens, professional training schools, hospitals, sanitariums, rest camps and houses, stadiums, swimming-pools, Houses of Culture, etc. and

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\* Associate Professor, St. Petersburg State University, St. Petersburg, Russia

of course dwelling-houses. The social sphere received decentralized financial support for its development, which was aimed at motivating higher productivity and efficiency in industry, by providing better conditions for employees and their families and a higher standard of social goods consumption. For example, from 1918 till 1985 (proclamation of perestroika) 4060 million sq.m of lodgings were built. The construction of more than half of these - 2489 million sq.m - was financed by industrial enterprises and co-operative organizations.<sup>1</sup> In Russian Federation cities, the share of non-state ownership of dwelling-houses was the following: in 1965 - 46% of homes belonged to industrial enterprises and ministries, 25% - to local administrations (councils); in 1975 - respectively 51% and 28%; in 1980 - 52% were owned by industrial organizations and 29% belonged to local authorities (the rest were in private ownership).<sup>2</sup>

A significant part of the total amount of health care and physical culture expenditures was financed by decentralized sources. Since 1970 that share has not been less than 20% of total expenses (see Table 1).

**Table 1**  
**Health care and physical culture expenditures financed by state budget and non-centralized sources**

	1960	1970	1975	1980	1985
Total expenditures in billion rub.	5.7	11.8	14.6	19.0	22.6
including:					
- state budget in billion rub.	4.8	9.3	11.5	14.8	17.6
- non-centralized sources in billion rub.	0.9	2.5	3.1	4.2	5.0
Share of non-centralized sources in total %	15.8	21.2	21.2	22.1	22.1

1 *Narodnoje chozjajstvo SSSR v 1985 godu. Stat. Ezegodnik. M.: Finansy i statistika. 1986. s. 420.* (National Economy in 1985. Statistical Yearbook. M: Finances and statistics.)

2 *Rost blagosostajania, socialno-kulturnoje i transportnoje obsluzivanie naselenija avtonomnich respublik, krajev i oblastej RSFSR. CSU SSSR. Ė.: 1981. s.108.* (Growth of welfare, socio-cultural and transport services for the population of autonomous republics, regions and districts of RSFSR.)

Calculated using: *Narodnoje chozjajstvo SSSR v 1985 godu. Stat. Ezegodnik. M: Finansy i statistika.* 1986. s. 420. (National Economy USSR in 1985. Statistical Yearbook. M: Finances and statistics.)

Perestroika in the economy and social sphere began in 1987. Its main goals were:

- granting business independence to all enterprises and organizations;
- distinction between the responsibilities of central and regional administration;
- change in the approach to social problems.

Decentralization in Russia is closely connected to the privatization of state and municipal enterprises, with privatization of social infrastructure entities. Economic reform cancels decentralized financial sources of social infrastructure (by 1985 still underdeveloped in many regions of the country). The first stage of the government's Privatization Program for industrial enterprises was adopted with the exclusion of social infrastructure entities owned by organisations. The second stage of privatization resulted in changing purposes of social infrastructure real estate. Most of them no longer provide social goods and services. The main reason is that social sphere entities are not profitable enough for private owners.

Rapid decentralization created serious problems:

- absence of a developed global concept for the changes in economy and social sphere;
- spontaneous process of gaining independence by communities in the Russian Federation;
- absence of a necessary legal basis (legal vacuum);
- recession in industry affected the budget deficit, as well as inflation.

In order to understand the realities of the situation in the context of the social sphere in contemporary Russia, it is necessary to give a brief analysis of the social problems which Russian society is now facing. No doubt economic sphere forms the basis of the rising social problems. Existing labour relations lead to extreme differentiation of incomes, reduction in attractiveness of productive activity and loss of skilled labour potential.

It is quite normal in a transition economy to witness a rise in increase differentiation, but such a rapid stratification of society is the result of running the previous network of distribution into the ground. Distribution processes are no longer managed by central government. Wages and

salaries do not depend on business activities final results. Sometimes there is not even a connection. Their rate is far behind the rate of inflation. During the first half of 1995, compared to the same period in 1994, the average income increased 3.04 times, the average salary - 2.34 times and the average pension - 2.67. In comparison, consumer goods rose by 3.19. In other words, real income saw a 5% reduction and real salary a 29% reduction. On the other hand we witness extreme differentiation between sectors which reach 10 times or more.

Another serious social problem is regional disintegration. Industrial and agricultural complexes established according to geopolitical, defence and socio-political criteria appeared to be unsuitable for a drastically changing economic and political environment. The primitive market approach in managing transport has split the country by charging unreasonably high tariffs.

For the majority of the population the housing problem still remains one of the most serious. Over the past three years it has become even worse. About 30% of Russian families require new or better lodging. The most recent and important problems were to improve living conditions and to liquidate "communal apartments" and temporary dwellings. The problem of homeless people has become more apparent. The worst aspect of this is the increasing number of homeless children. To some extent this has been due to privatization. Housing privatization was one of the first significant and important actions the government took, aimed at creating a new strata of private owners and to accumulate people's savings to finance new housing construction. By the beginning of 1994, 25% of state-owned lodging was privatized. About 60% of total lodging is now private. The housing market is emerging although the prices are within reach of only 10% of the population. Housing privatization and liberalization of the real estate market led to mass buying and selling of habitations and the rise in retail prices and rents.

Because there is a large housing deficit in all Russian cities, the volume of sales increases, together with a diminishing volume of housing construction (see Table 2). In other words, this means redistribution of houses previously constructed at the expense of poorly protected social groups. The transition to market relations was too rapid in that sphere.

Social protection legislation is underdeveloped. As a result, housing real estate differentiation becomes greater and increases social stratification. Young children can easily be cheated and become homeless.

Emerging market relations in the cultural sphere result in the concentration of high quality, prestigious cultural goods and services which satisfy the requirements of a small social group with high income.

**Table 2**  
**Structure of lodgings ownership in St.Petersburg and**  
**Leningradskaya oblast (in %)**

	Total living area		
	1992	1993	1994
<b>St. Petersburg</b>			
Lodging as a whole	100	100	100
comprising:			
Municipal lodging	70.1	66.4	58.3
Belonging to enterprises	14.1	10.9	8.9
Private	15.8	22.7	32.8
<b>Leningradskaya oblast</b>			
Lodging as a whole	100	100	100
comprising:			
Municipal lodging	28.5	31.7	40.6
Belonging to enterprises	48.1	33.2	26.7
Private	23.4	35.1	32.7

See: *Ziliscnoe chozjajstvo Sankt-Peterburga i Leningradskoj oblasti v 1994 godu.*

*Gomskomstat RF. Komitet po statistike Sankt-Peterburga. 1995. s. 11. (Lodging ownership of Sankt Peterburg and Leningrad region in 1994.)*

For many people it has become commonplace to reduce the consumption of many services and goods to which they have become accustomed. This causes decline in the service sector since it was already underdeveloped when perestroika began. Emerging private corporations on the bases of state, municipal or trade-union property ownership in education, health care and recreation spheres cannot be considered real market organizations. Some public goods are no longer available for a large part of the population.

The above mentioned, together with regional differences in prices and salaries and the rate of invisible unemployment renders the Russian population hostage to new geopolitical and geo-economical situations thus leading to social conflicts, unsuitable for creation of new behavioral stereotypes, and new models of social activity. In other words contemporary Russia urgently needs to develop a new approach to social policy and managing the social sphere.

What has already been done or is being planned? Examples of what is being done in St.Petersburg can be given. For example, there were only three Care Centers prior to the government decision, adopted in 1994 to establish special Care Centers of Social and Living Conditions for disabled pensioners by the beginning of 1995 in St.Petersburg. In 1995 ten more appeared, financed from the federal budget in the amount of 7 639.5 million rub. The budget for 1996 included 25 861.6 million rub. to finance 17 new Care Centers. The Centers are opened by the municipal authorities and financed by the federal budget together with business activity incomes, non-budget sources, bank credits, donations etc. For single disabled pensioners all medical services and care of living conditions are free of charge. For those who live with relatives, the fees cannot exceed 25% of the special addition to the invalid's pension.

There are other social programs concerning the disabled. One of them is named "City and Invalid" and is in the process of being put in place. According to statistics, in 1995 in St.Petersburg there were 1 222 794 pensioners, 240 000 of whom are disabled. The program included the construction of a special sports complex for invalids in wheelchairs, the reconstruction of streets (in 3 regions) and the rebuilding of certain cinemas and theaters to alter them to accommodate wheelchairs. To a great extent the program is financed from the city budget. 21% of the total sum of 9 224.0 million rub. is financed from federal budget. Input from other sources is insignificant: non-budget funds - 6.0 million rub., special purpose fund - 300 million rub.

Two social programs can be called "aimed programs":

- construction and reconstruction of asylums in 1995-1996, volume of capital investment - 5 400.2 million rub.;
- construction of special purpose living houses in 1996, volume of capital investment - 22 854.5 million rub.

Both programs are financed from the city budget. The problem of homeless people and children is also urgent for St. Petersburg. The above mentioned programs are aimed at constructing special dwellings for them and thus contributing towards solving emerging social problems caused by errors in the social policy of the previous period.

The last program I would like to present is more optimistic. The program is aimed at restoring military schools in St.Petersburg. There are about 1 020 000 children aged under 16 approximately 75 500 of whom form “a risk group”. Before 1917 there were 31 military schools in Russia. After the October revolution they were all closed and only during and after the second world war when many teen-agers lost parents and became homeless, did the government restore 18 military schools. Two of them are in St.Petersburg. As mentioned above, a change for the worse in the social environment and the criminal aspects of the privatization of housing, leads to the increasing number of boys who need special care. Military school provides living quarters and discipline - the main conditions to help teenagers receive professional training plus a good level of general education. The program requires 19 billion 42 million rub. which could be shared between the Ministry of Defence, the Ministry of Education and Federal and Municipal Budgets. The project is also partly financed by parents or relatives.

Social programs elaborated in St.Petersburg apparently show the efficiency of the project type of managing the social sphere and the necessity of choosing different financing schemes.

Summarizing the new positive trends in managing the social sphere, the following should be mentioned:

- creation and development of specially oriented non-budget funds;
- development of private activities in the social sphere;
- transition to the project type of management for achieving social goals.



## **TRENDS IN THE DEVELOPMENT AND IMPLEMENTATION OF ADMINISTRATIVE REFORMS IN UKRAINE**

*N. Nyzhnik, S. Dubenko and S. Synytsia\**

One of the problems of institutionalizing reforms in Ukrainian society today is that of the appropriate reform of the public administration system and of public administration, together with the creation of a modern civil service which is able to conduct changes in behavior in the public sphere.

The role of the state and the status of the civil servant in society have been fundamentally changed in recent years. Replacing the dominant party model of the communist period and the Bolshevik style of imperative methods of guidance, a new society has emerged with no dominant partisan interest and with a primary interest in a unified public administration and its introduction. In a period in which a unified program for the development of public administration is absent and in which there are contending political forces in society, questions concerning the functional basis of public expenditures and the efficacy of the public service and its various structures, are at the center of attention and may be taken up as issues in political conflicts and debates.

Such a situation leads to an active consideration of the urgent necessity to create a unified public policy in the sphere of public administration. The achievement of this approach to reform requires a qualitatively new understanding of administrative problems in post-communist society. Democratic change not only implies pluralism of ideas and conceptions, but also a coordinated approach to the conduct of reforms based on these new understandings. Democratic change also makes it possible to build a culture of qualitatively new attitudes concerning relations between the civil service (and civil servants) and the society (citizens) and to develop new attitudes within the structures of public administration in Ukraine.

A thorough examination of the basis of Ukrainian society is currently taking place in Ukraine. The Project on the Constitution of Ukraine prepared by the working group of the Constitutional Commission has entered into discussions with the Supreme Soviet of Ukraine. This Project is based on democratic principles of society and on the separation of legislative, executive and judicial branches of power.

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\* Instructors, Ukrainian Academy of Public Administration, Kiev, Ukraine

At the same time, specialists have examined the issues related to the creation of a unified basis of public administration, taking into account the fact that structural and functional changes at different levels of public organs have been uncoordinated and unbalanced and have not been based on a strategic perspective of social development. Instead, they have been based on the day-to-day needs and problems of some branches of public administration. The absence of a unified conceptual base for public administration reforms in Ukraine complicates the structure of reform, confuses procedural issues, undermines the effectiveness of reforms, and has meant the loss of trust on the part of citizens regarding the ability of the State to conduct democratic change. Without such a conceptual base, and without a coordinated understanding of administrative reforms on the part of those at the highest levels of the civil service, such reforms are bound to lack credibility.

Beginning in the second half of 1995, comments about the necessity and gradual implementation of a unified conception of administrative reform in Ukraine began to appear in the speeches of senior civil servants. These questions were also discussed in the Supreme Soviet of Ukraine.

The working group dealing with the development of a conception of administrative reform was formed in 1995. This group works under the guidance of the Commission on Legislation and Legal Reform, Supreme Soviet of Ukraine. The membership of the group includes leading public administration specialists and civil servants from the Cabinet of Ministers and the General Civil Service Commission. Scientists and practitioners in other spheres of public administration and public management, will also take part in the discussion of working documents.

Following a detailed discussion and review of the conception of administrative reform, a final document will be submitted for discussion by the Commissions of the Supreme Soviet of Ukraine. A debated and coordinated variant of the conception of administrative reform will be used in the further development of Laws and programs and will serve as the basis for the development of administrative reform in Ukraine.

Work on a unified conception of administrative reform is only just beginning in Ukraine. The main trends in the development of the conception subsume all of the major aspects of public administration ranging from questions on the basis of the organization of the executive branch in Ukraine and the jurisdiction of the executive branch with respect to the re-organization of the structures of public administration to questions regarding

the creation of administrative justice (law) and the problems of achieving administrative reform in Ukraine. All of these issues were discussed in the initial meetings of the working group.

In addition to these trends in administrative reform, different dimensions of the conception of reform include the problem of reforming the Civil Service, problems concerning the territorial organization of public administration, questions of public control and accountability, the role of modern technologies in providing information support for public managers, and the problems of reforming administrative legislation so as to provide a legal basis for public administration.

One of the main issues in the reform process is the establishment in Ukraine of an independent branch of executive power which can make decisions on the basis of law and which can cooperate effectively with other branches of power.

A detailed functional analysis of the capabilities and competencies of the administrative apparatus will take place with the purpose of strengthening structural integration and patterns of authority (subordination - super-ordination) within it. Currently, the ill-considered layering of structures and the frequent duplication of functions within branches of the administrative structures, urgently require the effective delimitation of competencies within the administrative apparatus. That delimitation must consider the goals of each branch and it must be achieved on the basis of a unified approach to the issues involved. The re-organization of executive power must be based on the development of a strong, vertically-organized executive, on the reformulation of subordination and obligations on the basis of democratic principles, and on the principle of forecasting real performance. The existing structures often suffer from corruption and a lack of competition. Accordingly, the principle of a strong vertically-organized executive will promote the creation of a new administrative and organizational culture based on the principles of transparency and efficacy.

The development of new methods and procedures in public administration (for example, collaboration with the private sector and administrative contractual procedures) are aspects of the same general purpose. The public management of economic processes must be achieved by two approaches: a) by public structures, and b) by non-governmental structures. However, the transfer of some functions of public administration to private organizations should be undertaken only after a thorough examination of the real value of such functions, following full observation

of legal guarantees and compliance with them, and after provision for the legal and organizational forms which deal most favorably with such transfers. Changing public organizations in such a manner is characterized by flexibility and by important opportunities for adaptation. At the same time, such changes increase the freedom of government to concentrate its attention on the main strategic trends.

The problems of creating and developing a modern Civil Service as an independent social and legal institution which can democratize, regulate and rationalize all work with civil servants and guarantee the professional performance of all official functions have occupied an important place in the development of the conception of administrative reform in Ukraine.

Ukraine has already begun to create an effective Civil Service and the situation has been improved by the conditions laid down by legislation. The Law "On Civil Service" adopted in 1994 has some practical meaning for certain aspects of the Civil Service, but it does not solve the conceptual issues relating to a unified Civil Service. The key questions concerning this are centered on the conception of the general framework of the Civil Service and its legal basis, and on the delimitation of the Civil Service and of political activity at high levels of government. This framework is to provide a new classification of civil servants so as to permit the widening of the status of civil servants to include specifically, service at public medical, scientific, educational and other establishments. The existing ambiguous situation in the legal regulation of the Civil Service and confusion in its legal application must be eliminated by the enlarged conception of a civil servant.

Two levels must be identified in the legal regulation of the Civil Service of Ukraine. It might be useful in the first instance, to return to the idea of creating a general Law setting out the foundations of the Civil Service. Such a Law must contain: the general positions which are characteristic of all categories of civil servants, an exhaustive classification of all civil servants, and the organization of public management functions within the Civil Service etc. At a second and more concrete level, Laws must regulate the legal position of selected categories of civil servants by taking into account their specific sphere of activity.

These common bases of public policy in the sphere of the Civil Service will enhance the level of professionalism of the Civil Service, increase the responsibilities of civil servants and their level of social security, operationalize the principle of the political neutrality of the Civil Service

and help to decide the question of the effective social control of the activity of the administrative apparatus.

The system of public administration is a complex contradictory phenomenon with many bureaucratic and totalitarian distortions at the organizational and managerial levels. These defects have been inherited from the totalitarian past and they must now be corrected during the process of administrative reform.

Administrative reform in Ukraine must be implemented in three stages which, in turn, depend on the economic development of the country. The stabilization and effective functioning of the economy interacting with the needs and potential of public administration are characteristics of the second and third stages. At the first stage, the conception of administrative reform which is characterized by the development of the market economy will be prepared and adopted. Laws on public control and other legislative acts will be adopted in line with that conception. The issue of balancing the maximum requirements of reform, and the limitations imposed by the cost of their achievement together with the problem of coordinating changes with existing structures, are likely to arise during the first stage. For these reasons, the first stage will be characterized by certain compromises between old and new structures, by the gradual implementation of new methods and by a new vision of administration - the basis of which will be laid down during the current development of the conception of administrative reform in Ukraine.

## **THE MANAGERIAL REFORM OF THE SOCIAL SECURITY SYSTEM**

*Miklós Pásztor\**

At the beginning of March, 1996, while I was writing this article, Lajos Bokros, the fifth finance minister of Hungary since the collapse of socialism, resigned. In comparison, he spent a longer period in office than his predecessors. At the same time, he was the first to resign not because of general economic political debates and conceptual conflicts in the limelight of publicity, but because of a difference of opinion concerning a given, concrete institution. This institution is the social security system, the subject of my paper, which I feel may be given a more dramatic background due to the aforementioned resignation.

The social security system has already been reformed once during the transition period in Hungary. As a matter of fact, the recent disagreements arose during the preparation of the next steps in this half-finished reform. This work has shown basic conceptual differences, (almost unbridgeable gaps) in the views of the debating partners concerning content, any explanation, and the ideology of the necessary steps. As if this was not the implementation of a program which was accepted by the now governing forces which, five years ago, were in the opposition.

The government now wants to re-nationalize the social security system, and to withdraw the rights of the five-year-old social security self-governments, thereby transforming the whole organization into a Ministry of Finance office.

The justification for this change is: The social security system with its own decision-making process and central budget is still controlled by legislature. The transfer of revenue between them is rather like changing money from one pocket to another. The state's obligations, including the social security services, could be optimized by handling them together.

The division of the state budget and the social security system has resulted in bureaucrats being responsible for one or the other part of the system having to spend most of their time handling the financial problems caused by this division. The managers of the social security system try to secure their autonomy. Their basic aim is to exclude the state budget

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\* Lecturer, Budapest University of Economic Sciences, Budapest, Hungary

officials from their own business administration while the state bureaucrats, using the state guarantee as the sword of Damocles, try to force the social security managers to create systems that presumably will not need the real undertaking of the state guarantee.

## **Historical background**

When social security systems were introduced at the end of the last century, the Bismarckian model tried to solve two problems:

- On the one hand it wanted to ease the state obligations so that it was made impossible to finance social spending from the general taxes.
- On the other hand it created an independent organization separate from the state bureaucracy.

But, at the same time, it was not completely denationalized in two ways: it was created by the state legislation and the state undertook to guarantee its spending. This meant the creation of a special autonomy while at the same time, professions, employee groups and industrial sectors introduced their own independent social security systems.

This autonomy was abolished at the end of the 1940's, when "socialism won", and the social security systems became a part of the state budget. Their means were confiscated by the state and their income surplus was sucked away from other budget categories, so that it disappeared from the system. The rules of the state budget and bureaucracy overwhelmed the social security system even though the system was growing during this period in the same way as the rest of the world. The system expanded but more so for political, rather than professional, reasons.

We could characterize this period as follows:

- There were no personalized records, therefore one could only certify that he or she was entitled to something on the basis of complicated registers and certificates. This was especially true where pensions were concerned since the other services could be utilized with an employer's certificate.
- The overcentralized institution and the socialist "big business", namely those services which were free of charge, resulted in a special relationship between the clients and the administrators. Those who are in a position to compare the two periods mention the lack of warm, human relationships which existed in the past.

Sarcastically, we can now say that this was no more than narcissistic happiness of those who believed they did some sort of charity work through their relationships with their clients. This was replaced by the above mentioned alienated behavior which, on the other hand, produces a better-balanced relationship. It is alienated because the implementation comes closer to helping; but it is well-balanced because it is based on internal relations and not on the compassion of the middle class.

- At the same time as hiding the real costs, there is an unconcerned behavior in general in relation to them. This is why there are no professional calculations concerning the bearing of burdens or the predicted profits when the system and the services are planned. So that the system could grow freely, the Hungarian social security could be the “devil of a fellow” creating such services as the child welfare benefit. This was an unprecedented move and meant that for a period of three years, a mother and later on, either of the parents, could stay at home with the children whilst being paid almost the same as an employee. Similar benefits could not be introduced at a later date, due to financial restrictions and this, of course, is now questioned in Hungary.
- Bureaucratic skills and budgeting financial methods could not be developed because of the above mentioned points. This meant that neither the whole system, nor its individual organizational branches had financial independence in the sense of having a budget and deciding when and how the available funds would be spent. It could not independently manage its assets without possessions and without the opportunity of having possessions.

It is important to describe the inevitable consequences which can be drawn from this kind of system and which can be seen as a result of a study carried out in 1991. I mention only the most important conclusions:

- The Hungarian social security code of laws is complicated and confusing. The law itself is inconsistent. It cannot be abolished, even now. Everyone awaits the new law. Today’s situation can be characterized by the following example: A parliamentarian who specialized in social issues (and is the former president of the social policy committee of the Parliament) said that on the basis of the current code of laws he was unable to calculate if he retired



now, how much pension he would be paid, in spite of having spent one week trying to solve this “difficult” problem.

- There is no efficient method for collecting contributions. This indicates the new age where income is important for the social security system. However, the old organization is unable to solve this problem. The rights for collection exist; an independent collection agency is available, but the collection itself is haphazard. The problems mentioned earlier are aggravated by a lack of regulation which means that often companies do not pay their contributions. One of the irregular points was the issue of intellectual property which was put in place by the former finance minister as a method of contributions, but the intellectual class rose against him with increased force because of this.
- The employees who work for the social security system have unsuitable working conditions, receive low salaries and their job has little prestige. They have to do a lot of manual work, face communication problems within the organization, are without suitable office supplies and completely without any office automation whatsoever.
- There is no unified tool to identify consumers so we had no up-to-date data base either. This problem resulted in an administration which was extremely time-consuming, often lasting months. It is not by chance that the law required the list of employees due for retirement, to be undertaken one year before the retirement date. This influenced customer service quality which was already at a very low level. The whole aspect of client service worked much worse than expected because of the poor operation of the whole system.
- Organizational independence existed to a certain extent. For political reasons it was thought that it would be better if not only the state, but also the trade unions, officially controlled the system. However, the unions were not independent from the state.

### **The new reform**

The 1991 law on the social security of self-governments which created and regulated the work of the real self-governments states: “Organizing and managing social security services based on the contributions of interested people and guaranteed by the state, need an organizational

system which can provide those people with the right to voice their opinions and with the opportunity to enforce their will, at the same time providing the enforcement of the state responsibility. This goal can be met by looking at international experience and by self-governmental management and organization. The participative and representative roles of self-government are particularly important in the transition period of the social security system.” It resolves the above mentioned problems in this way and at the same time, meets the political and economic claims of the 1989 changes.

Simultaneously, the social security system was divided into two entirely different kinds of service. One is the long-term type pension sector which serves everyone and the other is the health care sector which finances institutes with yearly budgets and is utilized solely by sick people. The differences are obvious where economic and official administrations, the number of clients, and their outside contacts are concerned. This has resulted in two independent self-governments being formed but I will not analyze these in detail now.

What can self-governments do? The aforementioned law created an unclear situation. Several points are vague. The tasks are described in a general way:

The law states that self-governments should participate in regulating social relations. We do not know what kind of legislative form this covers: law, state order, are they equal with Parliament, or not? Later the wording becomes clearer in that it mentions initiatives and suggestions. On the other hand they are under the control of Parliament which makes it impossible for them to be on equal terms with the legislature.

The situation is characterized by this year's budget which was calculated last year by the self-governments, but was not accepted by government, in particular by the finance minister. They did not present it before Parliament (only the government and the parliamentarians have the right to do this) - instead, they started long negotiations. The budget was only enacted at the beginning of this year. It should be noted that local governments have more freedom in this domain.

The self-governments have the right to handle their assets independently. However, they have no assets. The system spends its collected contributions every year, which it has inherited from the previous period, and which has shown a deficit until now. They have had only temporary means which

were sufficient only to create small organizations to serve their goal but they have no real possessions. Of course contributions cannot be counted as possessions and the spending of these sums is regulated by the law which can only be broken in an irregular or corrupt manner.

There was an earlier plan which stated that self-governments should receive considerable assets from the state (300 billion forints were mentioned) but this was never implemented and only a symbolic amount was transferred. By the time their independence was questioned, they already had this amount.

We could say the same about how self-governments “possess the self-governmental possessions” which actually includes nothing more than the office buildings and their furniture and office supplies. They cannot possess these. The self-governments could only spend more money on them to make up for the aforementioned deficiencies. When they did in fact do this, it was seen by some as a waste of money.

What is essential is the right to create an implementing organization with a working system. However, unlike local governments, the social security self-governments have no right of appeal in court and cannot be involved in individual cases. They can only create general organizational systems and rules for their use. Consequently, the bureaucracy has a kind of independence that is strengthened by the fact that the candidates work voluntarily. Only the president and the deputy carry out their duties as independent, appointed full-time posts but even then, only in the sense that their delegating organizations release them from their other obligations.

The bureaucracy both decides and controls itself at the same time. In the case of the pension system it may be that the processes are simpler and more efficiently regulated. The health care self-government has to make day-to-day decisions, often on abolishing or re-organizing institutions within the framework of the state budget reform and in the name of efficiency, whilst self-government is excluded from these institutions.

All that is left to be criticized is the bureaucracy. The arguments I mentioned in the introduction of this paper on this subject are: the self-governments are but a burden in the eyes of bureaucracy. Is the solution a real self-government or the entire centralization?

The situation is not that simple. Three different conceptions are initiated by certain groups:

1. The financial idea consists of two separate systems. The first is a “basic provision”, which as a citizen you receive in any case, but it is a very low sum. The second element is a “business insurance”, whereby you can buy protection on the market as a normal commodity. The providers are profit oriented and competitive. You get what you pay for and the situation is clear and self-managed by the individual.
2. The social administrator’s concept consists of three elements: the first is the “basic provision”, as in the former concept. The second element is a nationalized and self-governed council of institutions elected nationwide, but rationalized in its management. This results in the survival of the more recent system, but with less abuse. It provides for more individual and institutional stimulation for effectiveness, efficiency and customer-oriented services. The third element may also be the business, but only in a supplementary role.
3. The “civilian system” leans on the “voluntary and mutual self-supporting banks”. These banks are non-profit making organizations, fully self-governed, but every citizen must join one of these banks. They invest their capital and they own medical institutions to provide their members with cover. This could result in many banks since it only requires fifteen people to establish one, according to Hungarian law. They are managed and checked by the whole membership directly or by way of elected officials.

Which system will win? As far as I can see from our public administration system, everyone will get something, but no-one will be satisfied.

# NEW TERRITORIAL AND ADMINISTRATIVE STRUCTURE OF THE SLOVAK REPUBLIC

*Juraj Nemec\**

Changes in the territorial and administrative structure of the Slovak Republic will be examined in this paper which has two main parts. The first part describes further development of the reform in the administrative structure of the Slovak Republic in reference to the paper presented by V. Slavík at the third annual NISPAcee conference in Bled, Slovenia in March of 1995<sup>1</sup>. The second part contains a brief examination using elements of policy analysis methods. Although there has been a thorough metamorphosis in the Slovak policy since the fall of the old regime, the new political system sometimes operates on a slightly different basis from its predecessor. In many aspects, the decision making procedures and the behavior of politicians and bureaucrats have not changed very much. A few of the typical problems that result from the situation in the Slovak Republic are examined, based upon the case of the administrative reform using selected features of the cost-benefit analysis.

## **New Territorial and Administrative Structure of the Slovak Republic**

The government proposal on the law concerning the territorial and administrative structure of the Slovak Republic has been prepared in a relatively short period and passed by the Parliament (the National Council) during its session in March 1996. However, because of the veto of the president of the Slovak Republic, this law had not yet come into effect at the time of writing this article.

Based upon the analysis of several possible proposals that concern the structure of the state administration, three working models were proposed by the Ministry of Interior in August 1995:

a) "a model for stabilization":

- 3 to 4 higher units of the state administration;
- 32 to 45 lower units of the state administration;

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\* Associate Professor, University of Matej Bel, Banská Bystrica, Slovakia

1 Slavík, V.: Transformation of Territorial Organization of Public Administration in Slovakia. In: J. Jabes and M. Vintar (Eds.) *Public Administration in Transition*. Bratislava, NISPAcee 1995. pp. 159-168.

- 11 to 12 self-governed regions;
  - 110 to 150 municipalities (only self-government).
- b) “a model for integration”:
- 7 to 8 regions of the state administration and self-government;
  - 110 to 150 lower units of the state administration;
  - local state and self-governed units.
- c) “a model for restitution”:
- 7 to 8 higher units of the state administration;
  - 75 to 90 lower units of the state administration;
  - 15 to 16 self-governed regions;
  - 250 to 300 municipalities (only self-government).

At the government meeting in Trenčianske Teplice, on September 17, 1995, Slovakia decided to pursue the idea of a model of integration of the public administration

Based upon that decision, the final draft of the law proposed creating eight higher units of state administration (“*kraj*”) with 74 lower units of the state administration (“*okres*”).

According to the draft, territorial units (self-governments) and administrative units (state administrations) will be created to carry out public administrative functions within the Slovak Republic.

The territorial units are as follows:

- a) municipality;
- b) higher territorial unit (region).

The administrative units are as follows:

- a) municipality (responsible for delegated functions of the state administration);
- b) “*okres*” (district):
 

“*Okres*” constitute the basic level of the state administration. A town with an appropriate infrastructure serves as the center of “*okres*” and all first-level state institutions are located there.
- c) “*kraj*” (region):

A definition for “*kraj*” as an administrative unit is the same as for the higher territorial unit (regional level of self-government).

The responsibilities of “*okres*” and “*kraj*” shall be defined by the complementary law. The government has the right to approve the lists of municipalities that belong to the appropriate “*okres*”. The responsibilities of self-government, particularly at regional level, shall also be defined by the complementary law.

The new law of the administrative and territorial structure does not only change the current territorial structure of the public administration of the Slovak Republic, but also provides for two new elements as follows:

- a) it creates another regional tier of self-government (higher territorial unit);
- b) it should establish a base for a new system of structure of the state administration and new delegation of responsibilities between the levels of the government and between the state and self-government.

### **Analysis of the Reform**

The purpose of this part of our paper is to examine several aspects of the process for the preparation of the reform using selected tools of policy analysis. Our explanation could be applied to almost all transitional societies.

Standard theory and modern public management practice provide a benchmark, in respect of which, one can judge the process of the administrative and territorial reform in Slovakia. Important changes that are expected to have a high direct and indirect cost must at least be based on the following principles of their preparation:

- public discussion;
- analysis of the costs and benefits of the reform;
- substantial debate in the scientific and professional community.

### **Public discussion, scientific and professional debates**

A feature which is typical of many steps of reform in Slovakia is that changes take place with no significant public discussion of issues and alternatives and without obvious careful assessment of the different plans. From the reform’s schedule (proposal of alternatives by the Ministry of Interior in August 1995; government decision on the best alternative in September 1995), it is evident that the policy concerning this change was adopted by a small group within the ruling party and the politicized government bureaucracy.

A public discussion which was held after the publication of the proposal, was apparently a failure. Neither the cost and benefits, nor the necessity for the change, were examined. The most important problem was a simple one - which city should be the seat of "*okres*" and "*kraj*". This situation is a clear example of the current behavior of the electorate in many transitional countries, as they have an insufficient level of education and skill to control the extensive powers of politicians and bureaucrats.

### **Costs of the reform**

Firstly, we shall examine the direct costs as computed by the government in the draft of the law. The expected state budget expenditures for 1997 connected with the realization of the appropriate measures are approx. 3 bil. Sk (an equivalent of 100 mil. USD). The cost of the preparation of the basic preconditions of the application of the law in 1996 is expected to be about 1 bil. Sk.

Are these figures a real estimate of the future cost of the implementation of the law ? We are unable to answer this question right now. The draft of the law provides no information about the particular structure of the public administration in the new proposed system. However, huge reorganization has to be expected. Some of the former first state administration level offices ("*obvodný úrad*") will be transformed to the "*okres*" office and some of them will be abolished. New "*kraj*" offices have to be created.

The draft of the law suggests that any increased cost (in personnel, administration) will be compensated for in the form of the rationalization in organizing structures of offices, the integration of general state administration bodies and their branches and the optimization of responsibilities. Can we believe in such a development without detailed analysis which is, at the moment, completely absent?

All complementary laws concerning future delegation of responsibilities to all levels of the public administration and integration are for the most part, (with the exception of the law on responsibilities of "*okres*" and "*kraj*" state administration offices) in the first phase of their preparation. Their results are unclear and postponed to some time in the future. However, according to the arguments in the draft, all these complementary laws have to come into effect by 1997.



We think that the real cost of the implementation of this law is unclear. If it transpires that it will, in fact, only be 4 bil. Sk in 1996 and 1997, we still must ask the question - could the future benefits from the law surpass the cost ?

### **Benefits of the reform**

The benefits claimed by the law increase the efficiency of the state administration perhaps due to the integration, optimization and rationalization as mentioned above. There is no detailed analysis of the law contained in the draft.

We first have to ask the question - are the benefits mentioned the result of the law or of the complementary laws? To answer this question, we have to analyze the following problems:

- Is the new territorial and administrative structure a necessary precondition for the integration?
- Are current first level offices (*obvod*) too small to carry out all first level responsibilities of the general state administration and its branches?
- Are current second level offices (*okres*) too large to carry out all first level responsibilities of the general state administration and its branches?
- Is it necessary to start with a new administrative structure without having all complementary laws and regulations prepared?

Only if the second and the third questions are clearly answered with a "yes" can the first one also be answered positively. However, based upon the arguments put forward, we are unable to find any valid experience or theory to be able to say simply "yes". Too little analytical and empirical research has been carried out in these matters. In this case, any direct future benefits from this law remain unclear.

### **Conclusions**

The economic and public policy theories (for example public expenditure and public choice explanations) do not provide explanations for state interventions. The cost surpasses the benefits. The benefits are unclear and no explanation is given as to why a number of these programs have been carried out.

Executors of the model for change during transition in the present conditions are politicians who prefer central control because of their

convictions or habits and because of the bureaucracy which is politicized and which naturally opposes decentralization, competition and the electorate. According to the standard theory, the average electorate has limited powers to influence the decisions of politicians and bureaucrats. In all political processes “those who are elected to serve the public sometimes have incentives to act for the benefit of special-interest groups” (*Stiglitz, J.E., 1988*). This expectation is extremely valid in the conditions of transformation.

If we examine Slovak Law on the new territorial and administrative structure of Slovakia, it is difficult to find many clear benefits for the average or median voter. However, the draft went through Parliament with no particular problems being raised (notwithstanding the president’s veto for the moment). This would seem to imply that important special-interest group’s interests have to be included with the law being examined. This is probable but we do not wish to analyze such a sensitive question in this paper. Let us ask one last question - is the average Slovak voter (or in a broader sense, a voter in any economic society in transition) able to respond to the problems of “government failure” such as the limited control over the bureaucracy and the limited control over political processes ?

# **THE RECENT EXPERIENCE OF TRANSFORMATION OF HUNGARIAN PUBLIC SECTOR AND SOME LESSONS WHICH CAN BE DRAWN FROM THEM**

*János Hoós\**

## **The Rationale of Transformation of Public Sector**

The transformation (reform) of the Hungarian Public Sector is unavoidable. It has many shortcomings, in particular: inefficient utilization of resources undermining the incentive to work; suffers from capital market development, i.e. very large potential pools of savings are not tapped for investment through efficient financial intermediaries resulting in very heavy tax burdens. Despite this, a growing number of households slip into chronic poverty every year and Hungary's current disequilibria have their roots in a large foreign debt, as well as an overly large public sector. Fiscal deficits which have prevailed since 1991 (6 to 7% of GDP), are to some extent, associated with the sharp drop in output and rise in unemployment during this period, since these adverse developments contributed to decreasing revenues and increasing social expenditures. However, these deficits can also be attributed to the Government's failure to reduce its role in resource allocation and streamline social programs. Hungary's ratio of public expenditures to GDP is very high, even by international standards, at about 60%.

## **Main Objective of the Public Sector Reform**

Public sector transformation is basically a social and economic reform and its implementation - at least in some elements - requires more than 10 years. The basic objective of the reform is to eliminate the paternalistic relations between the government and citizens, extend the possibilities of citizens' choice and make them interested in increasing savings. On the other hand, the objectives also include operational rationalization of institutions providing public services and enforcing this process with financial instruments. In this framework the reform of the public sector means the selection of tasks which need to be performed by the government, ensuring their rational, economic, professional, and modern operation without superfluous bureaucracy, whilst at the same time promoting alternative establishments such as foundations, religious and private institutions and

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\* Professor, Budapest University of Economic Sciences, Budapest, Hungary

enterprises for these tasks. The reform also extends to comprehensive transformation of large distribution systems (pension, health, education, social benefits), reduction of social benefits according to the principles of need and partially providing public services in the market economy.

The changes indicated above do not only aim at cutting expenses. However, the position of the public sector must comply with the macroeconomic objectives and balance requirements in the longer-term. That requires the redistribution through the budget compared to GDP to be reduced to 40-50 % of GDP. Therefore, necessary restrictions and reform steps must be taken in parallel with each other and in harmony.

The public tasks and the proportions of private and public financing must also be reviewed. Some partial systems should be reformed and thus the conditions should be provided for the implementation of standards in the long term. In this process, public functions should be adjusted to the logic of social market economy, targeted social policy and minimized redistribution within the economy. It should also be ensured that public commitments are truly effective and efficient.

Public sector reform means the renewal of the management, and integration of market conditions, in certain areas of the human sector. Public sector reform changes the support of various areas of the public sector in proportion to the relatively declining income centralization of the central budget and takes into account the gradual introduction of the market approach and its occasional enforcement. In the human sector where there are segments involving benefits (pension system, unemployment system, financial social benefits, scholarship, etc.), the reform intends to extend and complete funds available for expenses, vary those benefits or, as a result of combination of the benefits, intends to ensure more effective utilization of the available funds. In other areas of the human sector providing services education, culture, health and social institutions, the reform aims at the acknowledgment of services by those who use them, putting a stop to the waste of available resources; to better utilization of existing capacities and to manage funds economically through the transformation of the structures of these systems; improvement of efficiency and partial or full elimination of free services.

The main direction of the reform can be summarized as follows:

In the *pension system* a consensus has emerged that the following combination of three distinct “pillars” is required:

- a Citizens’ Pension, providing a more or less flat benefit to those who reach retirement age;
- a transparent earnings-related mandatory retirement saving plan, which could take many forms, and,
- voluntary pension plans, closely regulated and tax-assisted.

Regarding *unemployment*, the following are of particular importance:

- reduce non-wage labor costs (for example payroll tax);
- rearrange unemployment benefits to encourage accepting new jobs, including those which are low -paid;
- introduce a re-employment premium;
- place more emphasis on active measures (for example programs that improve the education and skill of the unemployed) to help their chances of re-employment.

In *the health sector*

- changes in the financing system (for example shifting of health expenditures from the state budget to a compulsory health insurance system that has already been done, basing the payment system on performance rather than on inputs - number of beds, staff etc.)
- changing ownership arrangements (transforming ownership to local government and private enterprises, for example);
- initiate a National Health Promotion Program to increase awareness of the importance of health-promoting behavior to help individuals make these changes and train health professionals to offer such help;
- upgrading of Primary Care and the Family Physician Services ( for example introducing a free choice of family physician).

In the *family allowance system* greater selectivity and targeting could be a major reform step. Targeting can be achieved a number of ways: 1. means testing; 2. bringing the transfer within the framework of income taxation; and 3. providing payments to families exhibiting certain characteristics and who are known to be close to the poverty line. It would appear that Hungary applies the first and third ways.

In the *education sector* the main tasks are: modernizing the system, improving its quality and relevance, maintaining nursery education, and

increasing access to upper secondary and higher education by more efficient use of existing public resources and also by mobilizing other resources (for example tuition fees).

Hungary is well advanced down the road of *housing reform*. Private ownership of housing is high - 80% overall. The remaining housing subsidies are mainly in the form of first-time-buyer grants and subsidized interest entitlements.

The importance of the public sector reform far exceeds the aspect of budgetary savings. The transformation of the present system, the health structure, local governments and higher education are reforms which fundamentally affect society. Instead of the former paternalistic, government driven, semi-authority tasks, and almost exclusive redistribution of state financing, communal tasks, and government responsibilities and ownership conditions providing quality services must all be promoted. The extent and method of government contributions need to be determined and effective public management is required. At the same time, self-care may come to the forefront, which will provide taxpayers with a wider range of alternatives to choose from. Public sector reform can create a clearer overview for the operation of the public sector. Interest can become more transparent to suppliers and consumers and the costs and prices of services can also become clearer for financing, providing an opportunity to extend interest-based relations. These types of reform changes would be indispensable, even if the equilibrium of the economy were not so tense.

Restructuring the revenue system of the public sector is also part of the reform. In addition to the decline in social security contributions, which is now about 50 % of payroll, as public sector consolidation develops, tax burdens should also be reduced as much as possible. The amount of taxes compared to GDP, which is now approximately 40 %, will also decrease if the proportion of spending vs. savings declines.

The reforms have not yet been developed in all areas. However, the government considers that because of the acceleration of reform activities and submission of proposed changes, action can no longer be delayed and has committed itself to make even the most difficult decisions and launch the reforms everywhere. However, the reform can only be implemented comprehensively on a long-term basis and in some areas (e.g. pension) this could take more than 10 years. It is also necessary to be aware that reform will clearly reduce the financing requirements of the public sector and have a stabilizing effect only in the long run. On a short-term basis it

may even involve extra expenditure which must be offset by stronger stabilization measures in other areas during the same period.

The government elected in mid-1994 intends to implement a program of reforms aimed at, in addition to eliminating macroeconomic disequilibria and removing Hungary's long-standing structural problems, including those in the public sector. The macroeconomics component of the program was announced in March 1995. The structural component of the program (parts of which are already under implementation) includes a medium-term reduction in the size of the public sector. There have already been cuts in family allowances and sick pay.

The public sector reform is based on the critical situation of the economy and there should be realistic options to overcome this situation within a reasonable time frame. However, it should also take into account that in the beginning, this process may involve many conflicts of interest, increasing inequalities, loss of former income and sometimes deterioration of the quality of life for society. Society can tolerate these tensions, which are unavoidable in the short term, if people see that the government, within its financial means, reacts quickly to the most urgent social problems, acts consistently against irritating phenomena (tax evasion, corruption, etc.) and makes an effort to eliminate waste. The economic policy must be able to handle social tensions as further reduction in employment, increasing differences in income and wealth and impoverishment occur. For example, falling employment increases the already high dependency ratio. This problem must be handled by using the best potential solutions (assessing their usefulness and cost to society), with a comprehensive assessment of the impacts in the areas of active and passive employment policy, education, re-training, with preference to promoting job creation, reducing regional differences, income distribution and pension reform. As a result of the social dimensions there is now a requirement to support the poorest, which means that targeting social benefits will definitely become a very important task, whereas the former benefits system provided equally for all citizens. It is also very important to clarify that this is as far as the government's social commitment can go, given the economic circumstances. The differentiation in the middle class will definitely continue as a result of the inevitable effect of performance principles. The implementation of public sector reform can put a stop to the deterioration of public services in the near future and improvement may begin in the most important areas - those of education and health. As a result of reform and the decisive

development of infrastructure, based upon the sustainable economic growth as an absolute precondition, favorable changes can be expected in living conditions in Hungary.

### **Some Lessons**

There is a consensus of opinion in Hungary that the reform of the public sector, because of its inner shortcomings and the conditions of the Hungarian economy, is unavoidable and indispensable. It is much easier to elaborate the aims, the means and the whole concept of reform than to achieve, to use and to implement them. This reform process is very painful and will take more than a decade to complete.

However, the very success of this reform depends not only upon efficient and socially conscious implementation of the reform measures, but also to starting up of the sustainable economic growth of the Hungarian economy. This growth can only provide those resources which are required to stop the unjust deterioration of the welfare system and which are needed to improve the system. Without sustainable economic growth, Hungary is unable to reform its public sector, and especially its welfare system, in line with the requirement to bring it up to Western European standards. Without this growth, Hungary could slip back into the position of an underdeveloped country, which would mean that the real and effective reform of public sector would have to be postponed for quite some time.

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**SECTION 4**  
**Tracking Attitudes Towards**  
**Change**

## TRACKING ATTITUDES TOWARDS CHANGE

*Laszlo Varadi\**

The object of public administration is not perfection. The object is to push things in the right direction. To identify the right direction — indeed, to understand whether there is movement at all — requires knowing what ordinary people, as well as public administrators and politicians, think about the making and implementing of public policies, and also about public institutions and public services.

The three papers which were presented at the Conference provide a first hand report of popular attitudes towards public administration. Each of them use both empirical sample surveys which measure people's attitudes and biographical method which involves analyzing the memoirs of former mayors of local governments to describe their attitudes.

The first paper "How Czechs reflect the tasks and transformation of the public sector", is by Martin Potůček. It uses data collected on a national sample in 1995 to examine the popular perception of social problems and to describe the opinions of Czech citizens concerning the activities of state authorities, trade unions, and the tripartite - interest reconciliation - institution. Since Potůček will continue to analyze and interpret the data in connection with the current public sector reform in his country, his paper should be viewed as a preliminary report. He argues that the framework allows detection of the expectations of citizens on the changing division of responsibilities between public and private organizations and describes the possible role of individual citizens who wish to become involved in public affairs.

The data presented on Poland in Pawel Starosta's paper "Change of attitudes towards public administration" indicates shifts of attitudes on the part of citizens toward a more positive perception of local authorities. Data collected before and after the political changes in 1989-90 and across consecutive national elections (1987, 1988, 1993, and 1994) reveal interesting changes. The paper contains an optimistic message: negative attitudes and opinions towards the local authorities declined steadily between 1987 and 1994. Although the highest percentage of people evaluated local authorities positively in 1988, at a time when expectations were high in the middle of political changes at national and global levels, the percentage of positive

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\* Professor, Budapest University of Economic Sciences, Budapest, Hungary

evaluation in 1994 was still closer to the 1988 peak than to the lows of 1987. Starosta also found that people living in villages and small towns have a more positive opinion about their local government than people who live in larger cities. Starosta provides answers to questions resulting from the data and connects popular perceptions to the local public administration in a meaningful way. Nevertheless, additional empirical research could perhaps test whether the differences in the way the populations of different types of settlements evaluate the actions of local governments are indicators of difference in relation between inhabitants and their officials or if there is a hidden factor influencing the evaluation, i.e. the level of expectations.

Ludmila Maliková and Ján Buček's paper "Mayors in Slovakia - changing attitudes" brings together two sets of data which are useful in analyzing the social and political background of mayors and their opinions and attitudes towards the problems they have encountered. The first set of data allows them to compare the social and political background during the 1990 and 1994 local elections in Slovakia. Three tendencies are identified: a decrease, from 1990 to 1994 in the number of mayors with previous affiliation to the communist party, an increase in the number of mayors who do not belong to any party, and higher representation of ethnicity - i.e. elected representatives of political parties who focus on issues formulated as national majority or minority ethnic problems. The second set of data comes from political biographies written as memoirs of the mayors. By analyzing these memoirs, the authors characterize the attitudes of the mayors towards elected council members, local bureaucrats, and the major problems encountered by respective local governments.

Each of the three papers represents a different approach towards empirical research in public administration. However, they each represent a rebirth of research interest that is being led by a new generation of scholars. The tradition of empirical sociology in Central and Eastern Europe on one hand and the tradition of a public administration rooted in a legalistic tradition on the other, come together in these papers in a way that reveals some important facets of the changing institutional setting facing public organizations and the changing attitudes and behavior of individuals who are active within public organizations.

# HOW CZECHS REFLECT ON THE TASKS AND TRANSFORMATION OF THE PUBLIC SECTOR <sup>1</sup>

*Martin Potůček\**

## **Introduction**

One of the curious qualities not yet fully analyzed of the old communist regime was the way in which it succeeded making frontiers between private and public unclear. Private property was nationalized. On the other hand, much of the state property was continuously “privatized” by its managers and administrators. Decisions about vital public affairs were taken behind the closed doors of cabinets and central committees. People who took their responsibility for public affairs seriously were oppressed and some of them imprisoned.

During the period of profound changes following the collapse of the communist regime in ex-Czechoslovakia, one of the important tasks has been to re-vitalize traditional societal institutions and re-constitute private and public sectors within its traditional domains. We can distinguish two key processes here: the drive to find an appropriate field for the public sector<sup>2</sup>, and, at the same time, the continuously moving frontier between the private and public sphere caused by the economic crisis, dissatisfaction with the past over-centralization, and “post-modern” technological, societal and cultural changes. One of the evergreens of public debate has been the differing view of the general public and the government on this sensitive topic: what should remain the responsibility of public bodies; what will become the responsibility of individuals and their families; what should be mediated through market contracts or by the activities of non-profit organizations, and where and to what extent all these actors should share some of the responsibility.

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\* Professor, Charles University, Prague, Czech Republik

1 I am grateful to Přemysl Duben and Tomáš Krumhanzl for technical assistance with this paper.

2 In the past, confusion was inevitable: the state pretended to take care of all conditions of life, but, on the other hand, it was not able to do so for organisational deficiencies and economic constraints...

## **The research of public policy formation and implementation in the Czech Republic**

The Institute of Sociological Studies, Charles University, Prague has been involved in the research of public policy formation and implementation in the Czech Republic since the beginning of 1994. The aim of the research was to monitor main trends and identify main development opportunities and potential threats of this political process. Attention was paid to the goals, organizational structures, functions and behavior of the main actors in the game: the public, professionals, civil servants, legislative and executive bodies, non-profit organizations and the media. The research took into account the ongoing economic, political and social reform.

The main, but not exclusive, specific themes were environmental protection, health promotion and care, social policy, security matters and similar issues of public interest.<sup>3</sup>

This contribution will focus on problems concerning public opinion and issues of public policy formation and implementation. The public is the main addressee - and sometimes mediator - of public bodies' activities and also a key actor in the election. To learn more about the attitudes of the citizens on crucial issues of public life and social and economic transformation, a representative public opinion poll was conducted in June 1995. The sample comprised 1007 adults (18 years and over). It is representative of the main groups of the Czech population (approximately 10,5 million), including manual workers, employees, entrepreneurs and retired persons. Other groups were smaller therefore the results are not representative for them (peasants, students, housewives).<sup>4</sup>

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3 Potůček, M. - Purkrábek, M. - Vavroušek, J.: *Zrod teorie veřejné politiky v České republice.* (The Birth of Public Policy as a Theoretical Discipline in the Czech Republic.) Prague, Institute of Sociological Studies, Charles University 1994. 100 p.; Potůček, M. - Purkrábek, M. - Háva, P.: *Analýza událostí veřejné politiky v České republice.* 1. díl. (Analysis of Public Policy Events in the Czech Republic. Volume 1.) Prague, Institute of Sociological Studies, Charles University 1995. 160 p.

4 The paper Duben, P.: *K výsledkům výzkumů názorů občanů České republiky na veřejnou politiku.* (Towards the Opinion of the Inhabitants of the Czech Republic Concerning Public Policy.) Prague, Institute of Sociological Studies, Charles University 1995, 99p., represents the first glimpse into the data of this research. I will use the data published in Duben's paper extensively throughout this study.

Selected findings of the research

**Table 1:**  
**Political orientation of the population**

<b>Political orientation</b>	<b>[percent of answers]</b>
1) far extreme left	0,7
2) extreme left	3,6
3) left	9,8
4) left centrist	8,8
5) centrist	37,9
6) right centrist	16,4
7) right	16,8
8) extreme right	4,0
9) far extreme right	2,1

More than one third of the Czech population opts for the center; more polarized affiliations are slightly biased toward the right wing of the political spectrum.

**Table 2:**  
**Satisfaction with “one’s own way of life“**

<b>Satisfaction with “my own way of life“</b>	<b>Political orientation</b>				
	extreme left	left	centrist	right	extreme right
[percent of answers in particular categories B]					
- I am definitely satisfied	5	4	5	10	12
- I am quite satisfied	14	23	27	44	37
- I am partly satisfied and partly dissatisfied	21	36	43	33	30
- I am rather dissatisfied	36	23	19	9	12
- I am definitely dissatisfied	24	14	5	3	8
- I don't know	0	0	1	1	1

The followers of the left part of the political spectrum are significantly less satisfied with the space they perceive to have for pursuing their own way of life.

**Table 3**

<b>Satisfaction with “my own way of life“</b>	<b>Change of social status in comparison with the period before 1990</b>					
<i>[percent of answers in particular categories B]</i>	<i>it got very much worse</i>	<i>it got a little bit worse</i>	<i>it remained at the same level</i>	<i>it got a little bit better</i>	<i>it got very much better</i>	<i>I don't know</i>
- I am definitely satisfied	5	3	7	8	25	4
- I am quite satisfied	9	27	28	50	48	21
- I am partly satisfied and partly dissatisfied	29	33	44	29	17	43
- I am rather dissatisfied	28	25	16	10	7	19
- I am definitely dissatisfied	29	12	4	2	3	6
- I don't know	0	0	1	1	0	6

Even more significantly, losers of political and economic changes are less satisfied with the space they find for themselves to lead “their own way of life“, compared to winners of that process.

We can identify four groups of problems identified by the Czech population:

1. Very urgent problems are associated with the weakened repressive power of the state apparatus, along with the shaken value system of the post-communist society. The rise in the level of crime and corruption falls into this category.
2. Urgent problems are caused by the priority of economic reform and the introduction of free market institutions, which are not sufficiently counterbalanced by cautious measures of social and environmental policy (social policy reform, environmental care, child care support, housing problems, health care and education).
3. Problems which are not the center of attention, but are not neglected, are associated with the level of unemployment and the situation of minorities (this is mainly due to the complex problem of the relationship

**Table 4****What are the main problems of society as perceived by the population**

<i>The actual situation of the country in the eyes of its citizens: urgency of various problems of public life</i>			
[Urgency is calculated as the multiple of the average importance of each public policy sector (scale 1 to 5) and the average dissatisfaction of the public with the way its problems are solved (scale 1 to 5). Arranged according to the size of urgency measure.]	importance	dissatisfaction	urgency
prevention of crime	4,47	3,29	14,71
prevention of corruption and conflict between public and private interests, laundering dirty money	4,09	3,42	13,99
social policy reform	4,20	2,63	11,05
environmental care	4,25	2,59	11,01
child care support	4,26	2,46	10,48
housing problem	4,20	2,49	10,46
health care	4,57	2,27	10,37
development of education	4,24	2,36	10,01
situation of minorities	3,35	2,66	8,91
unemployment	3,80	2,31	8,78
economic reform, market development	4,05	2,11	8,55
development of democratic political system	4,01	2,12	8,50
national defence policy	3,49	2,36	8,24
municipal development support	3,69	2,19	8,08
promotion of the Czech culture	3,46	2,30	7,96
informing citizens about public affairs	3,90	1,98	7,72
promotion of NGOs	3,09	2,39	7,39



between the majority, “white“ population and Roma minority). Development of the democratic political system and economic reform is not understood to be a major problem by the Czech population in 1995.

4. At the bottom of the “urgency ladder” we see national defence policy, promotion of the Czech culture, but also items which are understood by some politicians and political scientists as crucial for further development of the civil society: informing citizens about public affairs, municipal development support and promotion of non-governmental organizations.

Generally speaking, the population is more concerned with things which may threaten or enrich their everyday life; development and fine-tuning of instruments of political democracy, market economy and civil society do not belong to their priorities.

**Table 5**  
**Public policy institutions in the eyes of the population**

<b>Satisfaction with the state authorities’ approach towards citizens</b>					
[percent of answers in particular categories β]	very satisfied	quite satisfied	partly yes, partly no	rather dissatis- fied	very dissatis- fied
- with their professional knowledge	3	19	40	22	8
- with organizational skills	2	16	38	24	9
- with the level and culture of their client-oriented behavior	2	18	37	28	10
- with their impartiality in making decisions	2	14	36	27	9
- with their personal readiness to assist in dealing with the attended matter	2	16	32	28	16

Neglect for clients and servility for bosses - this was the old style of civil servants’ behavior during the communist period. As we can see from our survey, people saw little change - at least with the state administration’s behavior towards them - in 1995. Unfortunately, we have no comparative data sets to confirm or refute this hypothesis.

**Table 6**

<b>Does the local authority in your place of residence provide citizens with sufficient information about its activities?</b>	
<b>[percent of answers]</b>	
- definitely yes	15
- to quite an extent	41
- rather not	24
- definitely not	7
- I don't know	13

**Table 7**

<b>Satisfaction with the work of the local authority and elected local representatives</b>					
[percent of answers in particular categories β]	very satisfied	quite satisfied	partly yes, partly no	rather dissatisfied	very dissatisfied
the local authority and elected local representatives in office from 1990 to 1994	4	22	41	16	5
the local authority and elected local representatives in office after the election 1994	4	26	41	11	4

Local authorities and elected local representatives perform slightly better than state authorities.

**Table 8**

<b>Opinion on Trade Unions</b>	<b>Political orientation</b>					
	extreme left	left	centrist	right	extreme right	total average
[percent of answers in particular categories Ⓛ]						
- Trade Unions are a relic that makes the rapid transformation to market economy complicated	5	1	4	14	25	8
- Trade Unions ought to advocate only the interests of its own members	19	8	14	23	10	16
- Trade Unions ought to advocate not only the interests of its own members, but also the interests of other employees	29	52	41	35	27	40
- Trade Unions not only ought to advocate the interests of employees, but also participate in making decisions about political issues concerning public life	41	35	33	19	20	28
- I don't know	6	4	8	9	18	8

More than two thirds of the Czech population are in favor of rather broadly defined functions of Trade Unions. Not surprisingly, rightist political orientations make this support less obvious. However, more than three quarters of those people who declared being of right political affiliation, supported some form of involvement by Trade Unions in public affairs.

**Table 9**

<b>Opinion on usefulness of tripartite institution</b>	<b>[percent of answers]</b>
- definitely it is useful and desirable and it ought to deal with broader issues of social policy as well	41
- it is useful and desirable to a certain point, but it ought to focus only on negotiations about labour relations, working conditions and salaries	34
- it is more or less useless	6
- I don't know	19

The corporatism, which once had strong roots in the Czech society, has remained one of the most favorable mechanisms of how to negotiate and

solve conflicts of interests here. The tripartite institution belongs to the eminent emanations of this idea. It was established as early as 1990 and since then it has been used to deal not only with industrial relations, but also with broader problems of social security, health and educational system reform, etc.

**Table 10**  
**Actual and potential involvement of the population in public affairs**

<b>Willingness to be personally involved in the activities of:</b>				
[arranged according to the less frequent refutation; percent of answers in particular categories β]	I participate already	I want to participate	I would like to participate, but I can't	I don't want to participate
- voluntary free time organizations	20	14	23	43
- voluntary organizations providing public services	6	16	29	49
- ecological movement	4	18	28	50
- human rights movement	2	18	23	57
- professional associations	13	11	16	60
- Trade Unions	13	7	13	67
- local authorities	5	9	19	67
- state administration	5	6	16	73
- churches, religious organizations	7	5	7	81
- protest movements or single protest action (petition, strike, etc.)	5	9	4	82
- rightist political party	3	4	8	85
- centrist political party	2	5	8	85
- leftist political party	3	3	5	89
- nationalistic political movement	1	1	2	96

Actual participation is focused mainly on voluntary free time organizations (sport clubs, cultural assemblies, etc.), Trade Unions and professional associations. The membership of political parties is not very popular, not to mention nationalistic political movements.

We were surprised to see the high figures of potential (either restrained or simply not yet actualized) participation in voluntary organizations

providing public services, ecological movement and the human rights movement. To a lesser extent, this is true also for voluntary free time organizations and local authorities. If we take these results as being correct, we may conclude that Czechs have not been provided with sufficient institutional and legal opportunities to develop non-profit activities as per their personal wishes. At the same time, the potential for greater direct involvement in the activities of traditional political parties is rather limited. Open protests are not typical of the Czech mentality. Thus, the potential for the protest movement actions is higher than expected.

**Table 11**

<b>Personal interest to be involved in public affairs [percent of answers in particular categories B]</b>	<b>men</b>	<b>women</b>
- definitely yes + quite yes	40	27
- partly yes, partly not	22	23
- rather not + definitely not	33	41
- I don't know	5	9

There are gender differences in the willingness to be involved in public affairs. Traditional patterns of labour and role division are still visible in the country. We see it also in the actual composition of executive and legislative bodies, where women are rarely found.

## **Conclusion**

The aim of this contribution was to present some of the most interesting results of the representative public opinion poll on the reform of the public sector in the Czech Republic.

People's attitudes toward the public sector, its problems and institutions should be merged with the attitudes of other public policy actors - namely politicians, civil servants from all governmental layers, representatives of capital and labour and other interest groups. At the same time, important public policy reforms and cases (such as the preparation of an exclusively professional Army, introduction of a compulsory health insurance scheme, environmental activities of the non-profit sector, reform of public health sector, housing policy, etc.) should be studied and taken into consideration, too.<sup>5</sup> This is the

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5 The combination of quantitative and qualitative methods is best suited for this purpose.

goal of our long-term research project, which ends at the beginning of 1997. By that time, we believe we will have more complex sets of findings.

# THE CHANGE OF ATTITUDES TOWARDS PUBLIC ADMINISTRATION

*Pawel Starosta\**

## 1. Introduction

The changes taking place in post-communist countries are being directed towards the achievement of three goals: The first one is market economy, the second - pluralistic system of values, and the third - elaborating democratic rules of authority creation and power wielding.

These three goals are closely connected with the concept of civil society. This concept assumes subjectivity of the activities of citizens taking part in solving social problems, as well as their considerable influence on the actions undertaken by institutional structures, including administration, as a part of a government system.

This kind of influence can be reached in two ways. Firstly, by direct participation, i.e. contribution to the collective behavior which creates administrative structures. Secondly, by indirect influence, i.e. evaluating and pronouncing opinions on active administrative structures.

As administrative structures form part of the political system, studies in social inclinations and attitudes towards these structures are not only an important cognitive task, but also a practical undertaking. There is yet another function of the residents' attitudes towards public administration. They allow evaluation of the spectrum of social approval and criticism towards occurring changes. They are an indication of political legitimization of the socio-political order which is being created.

## 2. Formulation of the problem, main concepts and the data base

The basic questions I would like to tackle in this paper are as follows:

- a) Have any changes in citizen's attitudes towards public administration occurred in Poland after '89.
- b) What is the direction of these changes? What are they about?
- c) What are the main reasons for these changes of attitudes?

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\* Senior Lecturer, School of Public Administration, Łódź, Poland

Whilst studying Polish citizens' attitudes towards public administration, I will focus on the analysis of the basic component of the attitude phenomenon, i.e. an opinion (evaluation) pronounced by a given subject about a definite object (phenomenon), (Marody,1976). Therefore I will assume that the emotional disposition and evaluation which are associated with it, constitute the core of the attitude.

The independent variable, and the basic unit of analysis in this paper are the Polish citizens' attitudes towards public administration.

To say that the term "public administration" is not univocal, is trivial. A thorough analysis of this term would require a separate research paper. The concept of "public administration" in this paper encompasses all institutional structures, typified by the following features:

- a) they have a legal basis for their activity;
- b) the purpose of their activity is to provide for the needs of the citizens (they serve a wide circle of people), and not only for the needs of their members;
- c) they take the responsibility for their actions before public opinion;
- d) they are brought about as a result of the existence of respected, democratic procedures.

As we can easily see, the concept of "public administration", as accepted in this paper, is vast. It is, however, a typical situation. Quoting Greenwood and Wilson (1989 p.6), the public sector in the U.K worked "for the civil service or local authorities; the rest were employed by the National Health Service, the armed forces, nationalized industries and other public corporations".

The multiplicity of institutional subjects included in the public sector cannot mask the fact that the local authorities constitute the largest share. Sometimes the term "public administration" is used to describe the concept of local authority, which represents social interests of various local communities, as opposed to government administration, which represents the interests of the state.

In this paper I will analyze exclusively the changes in attitudes towards local authority, within the period between 1988 and 1994. Local authority in this case means: a) town and rural municipal governments; b) offices of local and governmental administration, acting on the local level; and c) town and rural municipal councils.



The shift in attitude towards local authorities will be considered at two levels. First, I will present the citizens' general opinions, looking at the activities of local authorities, and then I will discuss the attitudes towards selected aspects of local authorities, describing both the characteristics of its members and the manner in which it acts.

The assumed comparative perspective will make it possible to follow the state of social consciousness, prior to systemic changes and then as they occurred.

The basic data used are the results of the all-national research, provided by the Public Opinion Research Center (Centrum Badania Opinii Publicznej) in Warsaw. All surveys were conducted on representative samples of average adult Poles. 1493 people were surveyed in 1987 and 1988 (*Jak ludzie oceniają pracę instytucji*, 1988:2), 1452 in 1993 (*Władze lokalne, radni...*,1993:30) and 1226 in 1994 (*Władze lokalne i ich relacje z rządem*,1994:1).

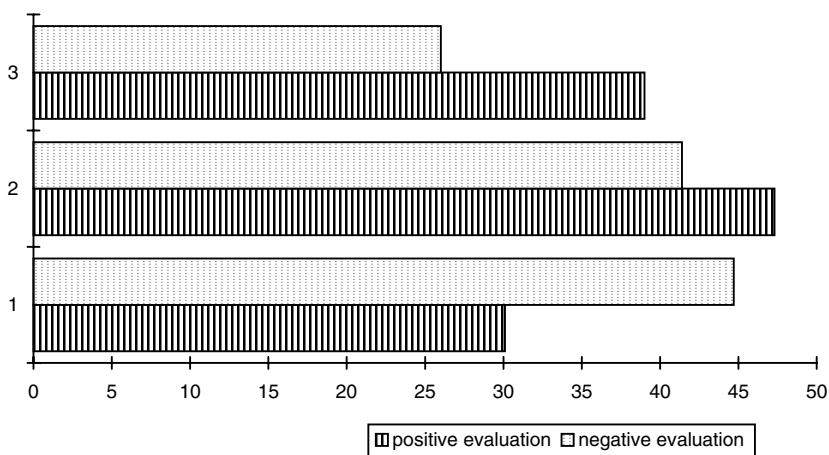
### **3. The general attitudes towards local authorities**

To begin with, let us look at how the opinions of Polish citizens on local authorities were formed. According to CBOS data, the percentage of positive evaluation of local authorities in 1987 was low, at only 30.1%. Between 1988 and 1990 it was probably at its highest, i.e. in 1988 (just before the changes took place) it was 47.3%. Since 1993, the percentage of positive evaluation has gradually diminished. In 1994 the percentage of people who positively evaluated the activities of local authorities, was 39%. The above data indicates that the statistical display of positive evaluation in the period mentioned, is similar to the shape of the regular curve. (See Fig.1)

On this basis we can formulate a hypothesis consistent with the theory of social mobilization, i.e. that the positive evaluations of local authorities reached their highest level during the time of the intensified interest in political problems, which, in Poland, was between 1988 and 1990. On the other hand, they are lower immediately before and after such a period. The outcome presented here contradicts the unilateral opinion that local authorities' activity is totally accepted or rejected. What is interesting is that the negative attitudes of the majority of Polish society towards the local authorities of the old political order, just prior to the systemic change, proved to be wrong.

The second conclusion, resulting from the percentage analysis of people who evaluated negatively the activity of Polish local authorities, is equally interesting. In this case we observe a distinct linear dependence. We see that together with the development of democratization processes, the percentage of negative evaluations of local authorities diminished considerably. In 1987 the percentage of negative evaluation was 44.7%, in 1988 - 41.4%, and in 1994 - 26%.

**Figure 1**  
**Dynamics of the changes of general attitudes towards local authorities in 1987, 1988, 1994. ( in %)**



1 - 1987, 2 - 1988, 3 - 1994

Simultaneously and since the political turning-point, there has been a steady increase in the number of people who are not interested in the activities of local authorities and at the same time, those who maintain that they know too little about the activities of these authorities to evaluate them. The exact data, which takes into consideration the citizens' level of knowledge of the local authorities members, was not at my disposal. According to CBOS research conducted in 1994, 73% of Poles knew who the mayor (village community chief officer) of the given town or rural municipality was. Perhaps the ambivalent attitude towards the local authorities is due, to a degree, to a lack of acquaintance with officials in authority.

The conclusions are as follows:

1. within the period preceding the political shift, the attitude of the Polish society towards the functioning of local authorities was highly polarized.
2. a stronger interest in public affairs leads citizens to evaluate the local authorities in a more positive fashion.
3. consolidation of local democracy distinctly reduces the percentage of people with negative attitudes towards local authorities.
4. the number of people who show no interest in local authorities' activity is on the increase. This could be due to the fact that up to the present time, the creation of civil society has not been sufficiently motivated by the functioning of the local authority. On the contrary, it creates a social basis for alienation of mass society.

Let us try to compile the characteristics of the environmental features of those people who have a positive attitude towards local authorities.

Based upon the studies conducted in 1993 and 1994, it can be stated that there is a distinct correlation between the type of attitude and the place of residence of those surveyed. It evolves that the negative evaluation percentage increases, if the population of the place of residence of the person surveyed is higher. Positive attitudes are displayed mostly by the inhabitants of rural areas, and negative attitudes are common for those dwelling in the largest cities, where the population exceeds 500,000. The dependence between the direction of attitudes towards the local authorities and the education level, as well as participation in religious practices, is also apparent, but not as strong. In general, the increase in level of education was associated with a higher level of criticism towards the local authorities' activity. On the other hand, those who follow religious practices tend to have a more positive attitude towards local authorities.

Let us consider the citizens' attitudes towards certain substantial statements describing the working methods of local authorities. In order to grasp the change in attitude, I will compare the outcome of the 1989 studies, when the old political and economic system were still functioning, with the results of the 1993 studies, when the first term of office of the new territorial councils had just finished. (See Table 1).

**Table 1**  
**The percentage of positive and negative answers to detailed statements describing the local authority members**

Do the people of authority in your community:	Respondents' indications according to the research period (in %)			
	Oct. - Dec. '89*		Oct. - Dec. 1993	
	yes	no	yes	no
- show interest in the needs of residents	26	49	41	39
- take up actions, which result in positive outcome	21	48	36	35
- support farmers	28	22	26	23
- support private owners**	34	16	49	8
- set back residents' initiative	24	32	17	43
- fulfill their obligations and promises	17	49	31	33
- take care mainly of their privileges and profits, instead of providing solutions for the problems of the residents	43	17	36	29
- take advantage of the privileges that the so called 'common citizen' can only dream about	50	16	42	24
- they only take up actions which represent the interests of the residents	28	47	41	32
- they solve the issues in your place of residence in such a manner that it evokes your discomfort.	35	40	24	54
- they enjoy the trust of the residents	19	52	36	33
* Data from Oct.-Dec.'89 result from Prof. Adam Sarapata's study. The author rendered the outcome (which was not published, up to the present moment) accessible to CBOS. The survey encompassed 1404 persons.				
** In the 1989 study this part of the question was: 'support craftshops and small businesses'				

The source: CBOS, Information Service 6/1993:32

We can draw the following conclusions from the analysis of the data presented in table 1:

1. In 1993, the general evaluation of the local authorities, formulated on the basis of detailed opinions, is much more favorable than the evaluation of those authorities in 1989.
2. It becomes evident that local authorities in 1993 showed more interest in residents' needs than in 1989. They regularly fulfill their obligations

and promises and do not stifle residents' initiative. In all the above mentioned aspects, the increase in positive evaluation by 14 - 15% has been noted. There was also a 17% increase among those surveyed who declared having trust in the local authorities.

3. In 1993 the residents were less negative towards the local authorities than in 1989. In 1989, 43% maintained that authorities were mostly interested in their own profits, and in 1993 only 36% were of such an opinion. Similarly, in 1989, 50% of those surveyed maintained, that the local authorities take advantage of the special privileges system, and in 1993 the percentage of people holding this view decreased to 42%. It should be added, however, that even if there is a decreasing tendency, the number of people surveyed, who were convinced of the existence of the special privileges system, was still high.
4. In 1993, much criticism was directed towards the way the money remaining at the disposal of the local authorities was being spent. As many as 37% of those surveyed maintained that this money was being spent inefficiently. The percentage of positive opinions was 31%, and a further 36% of citizens did not specify an opinion on the matter.
5. In the more detailed evaluations, decidedly positive opinions on local authorities were expressed by the residents of rural areas, and the worst views were those of the dwellers of large cities, with over 500.000 inhabitants. There is no doubt that the local politicians should pay more attention to the functioning of public administration in large city environments. However, it is hard to determine to what degree the negative evaluation of the local authorities in these environments is a result of the negative evaluation of the local social scene, or to what extent it is due to the frustration which results from the macro-structural solutions. The 1993 CBOS studies show that the system of information on local authority activity is still inadequate. It transpires that the basic source of information on local authority activity is conversations with friends. The percentage of positive evaluation of the local authorities has been increasing in accordance with the rise in the level of education. It should be noted that people with a secondary education did not adhere to the linear tendency. They form a categorical group who hold the most critical of opinions. It is worth noting that those of rightist and central political orientations evaluated local authorities in a more positive manner than those of the left. This can be seen from the fact that the 1990 elections for the territorial self-governments were won mainly by central and rightist groups.

In 1993, the following negative features attributed to local authorities, were observed. The majority of those surveyed who believed in the existence of a privilege system were the big city dwellers, the unemployed, and leftists with primary education.

#### **4. The attitudes towards the offices of public administration**

So far I have presented opinions on the evaluation of local authorities. I will now present data on the evaluation of activities of the administrative offices, together with the work of civil-servants.

In the 1993 CBOS study, the questions raised concerned the evaluation of the functioning administrative offices, as well as opinions held of the civil servants employed within these offices. The outcome was as follows. Approximately 42% of those surveyed evaluated the functioning of public administration offices in their place of their residence positively, 36% negatively, and 22% did not hold any opinion. If we compare this data with the information held at the end of the 1980's, it appears that, as far as those surveyed were concerned, the situation has not improved much in this aspect. At the end of the 1980's opinions were more polarized. This means that more respondents declared critical and positive opinions, and there were less whose opinions were ambivalent. On the other hand, in 1993 there were less critical opinions, but more ambivalent statements. The functioning of the public administration offices was most highly evaluated by the inhabitants of the rural areas (54% of positive evaluation) and the most poorly by the dwellers of the largest cities (only 16% of positive evaluation). Those of middle-age gave the most positive evaluation. Those in the youngest and oldest age groups were the most critical. It is interesting to note that those with a lower income evaluated the functioning of administrative offices more favorably than those in the highest income bracket. It could be that people on a lower income bracket have more respect for civil servants and are inclined to evaluate the functioning of the offices much higher.

In another CBOS survey, conducted in November 1993, those surveyed were asked to evaluate the functioning of such public administration institutions as: schools, health service units, the municipal council and the police. The results show that the Poles evaluate school functioning highest (79%), followed by health care units (77%), then the police third place (61%) and the municipal council as the fourth and last (58%). This shows that despite the increase in the positive evaluation of public administration

offices functioning in comparison to 1989, the present evaluation, in comparison with other institutions of public administration is negative.

In 1993, the evaluation of the chosen aspects of the style of work of the civil servants employed in public administration offices was more favorable than in 1989 (See Table 2.)

**Table 2**  
**The opinions on employees of the public administration office located nearest to the respondent's place of residence**

	The date of research			
	Oct.-Dec. 1989		Apr. 1993	
	yes	no	yes	no
1.They listen to the citizens' problems with patience and kindness	37	40	49	26
2.They work fast and efficiently	22	54	40	35
3. They treat all the citizens equally well	20	50	31	33

\* the figures in the table do not add up to 100%, as the reply category 'it is hard to say' has been omitted.

The source: CBOS, Information Service. 6/1993:36

It transpires that certain areas of the civil servant's work were evaluated on a much higher scale in 1989 than in 1993. The percentage of people positively evaluating the functioning of the offices increased and this is an important requirement of the contemporary bureaucracy. In 1993 more people declared a more balanced attitude of civil servants towards clients than in 1989 which is one of the main features of public administration. I would like to add that in the 1993 study, the competence level of the civil servants was very highly evaluated. The percentage of positive input amounted to 50%. Unfortunately, I do not have at my disposal, any data from the previous years, and I cannot ascertain by what margin this outcome is higher or lower, compared to opinion prior to 1989.

## **5. The attitudes towards municipal and rural councils**

The third institution evaluated by the survey is the municipal (commune) council. Before 1989, the existing organs of the local legislative authority

(national councils) were very ostentatious institutions. This was the way their functions were perceived in the local environment. In my 1988 survey, conducted amongst a non-representative sample of 869 people, a vast majority of the respondents (42%) were unable to evaluate the functioning of the council, as they were not interested in its activities. Simultaneously, voting, which had been done earlier without any influence from the council, was believed to be its main function (26%). Although I do not have at my disposal any data relating to the basic functions attended by municipal and commune councils after the transformation period, it can be stated, according to the CBOS studies, that the percentage of the survey representing ambivalent attitudes has not changed. Presently (1993 data) it constitutes 40%. After 1989, only 27% of those surveyed were of a positive opinion regarding the functioning of the councils. A negative opinion was held by 33%. It is obvious that council functioning has been evaluated at a much worse level than that of local authorities and of administration offices. It should also be mentioned that the information about the council's activities is minimal. Almost 60% of those surveyed did not know where the councilmen meet their customers. In general, the Polish citizens' views on social interests represented by the councilmen, did not undergo any changes. (See Table 3)

Three views prevail here. In the first one, the residents state that the councilmen represent the interests of all the inhabitants of the given town or village. In 1993, 20% of respondents were of this opinion, and in 1994 - 24%. The view that the councilmen represent mainly their own interests is equally popular - 21% in 1992 and 19% in 1993. The opinion that the councilmen represent the interests of their political party or group, ranked as third, and that they represent interests of their friends, as fourth. It indicates that the councilmen are perceived as members of certain pressure groups. In the opinion of Polish citizens the private interest or the interests of their friends and family is the most important one. 33% were of this opinion in 1992, and 29% in 1993. We should not be surprised, however, by this interpretation of the social structure in terms of primary group interests. The Polish society, peasant by origin, very often uses reasoning and action patterns typical of a society perceived as a federation of various primary groups. If we add a prevailing social opinion that the councilmen represent particular interests of certain political parties, we can easily see that a contemporary council is perceived as a place, where different and very particular interests clash and not as a place where each side tries to reach agreement aimed at fulfilling the needs of the community.



**Table 3**  
**Opinions of social interests represented by the councilmen (in %)**

In your opinion, whose interests and needs are represented by the majority of the councilmen in your town or rural municipality?	Respondents' indications according to the survey period:	
	Jun. '92*	Apr. '93
The interests of those who voted for them	11	7
The interests of the whole nation	2	2
The interests of their party or political group	14	15
The interests of their friends or families	12	10
Their own interests	21	19
The interests of all the residents of the town or commune	20	24
Others	1	2
It is hard to say	19	21
* The data comes from the survey entitled 'The Affairs of Poland and Its People' conducted on June 15-17, 1992, on the representative sample of 1222 Polish adult citizens.		

The source: CBOS, Information Service 6/1993:7

## 6. Conclusions

The conclusions resulting from the studies presented are as follows:

1. In general, the positive attitudes of the Polish citizens towards chosen public administration institutions are in the majority. Local authorities' activity is evaluated highest and the functioning of the municipal councils the lowest.
2. In comparison, prior to the 1989 period, the attitudes towards the studied public administration institutions distinctly improved. It is true for both the functioning of authorities of local administration offices and the functioning of municipal and municipal councils. It can therefore be stated that the democratic changes introduced in Poland after 1989 have been given general approval in local communities.
3. Besides the increase in positive evaluation, there is also a disturbing increase in ambivalent attitudes, which are detrimental about the public administration institutions functioning.

4. The residents' attitudes towards public administration are distinctly varied according to the place of residence. In the rural areas they are mostly positive but negative in large cities. The hypothetical explanation for this fact is as follows:

Firstly, the public administration institutions in villages are better known for two reasons. Primarily, because of their agricultural activities, the villagers come into contact more often with such institutions. Secondly, the civil servants are better known, not only in their formal, but also informal roles, due to the smaller number of administrative division units. A deeper knowledge of the institutions and their employees certainly encourages an increase in positive attitudes in the villages. However, in the cities, it tends to be the contrary.

Thirdly, the demands and expectancies from the public administration functioning are probably lower in the case of village dwellers, than those of city inhabitants.

Lastly, village residents in Poland are more likely to become involved in solving local problems and are more open to co-operation with the authorities, than city residents. City residents are more likely to have a demanding attitude and this is reflected in increased criticism and in a lower degree of involvement.

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# THE CHANGING ATTITUDES OF LOCAL AUTHORITIES: A CASE STUDY OF MAYORS IN SLOVAKIA

*Ludmila Malíková and Ján Buček\**

The authority of the “powerful mayor” (one who has been directly elected) is a new element in the power structure of communal self-government in Slovakia. The attitudes of mayors to the organization of public affairs and their approach to governing bodies of local power is decisive for local democracy. An understanding of such local power figures is therefore of considerable importance to us.

So far there has been relatively little research into the recruitment of mayors. There is a particular lack of information about their socio-political characteristics which would enable us to determine the progress of their earlier careers.

In this paper we will attempt:

1. to determine the socio-political profile of mayors on the basis of electoral preferences in local elections
2. to determine the attitudes of mayors to the major problems of local government by analyzing mayors' notes on their time in office.

For this second goal, we used empirical research material collected by asking mayors to write their memoirs on their views and attitudes about the process of local government transformation. This empirical material contains the mayors' reflections about local elite mobilization, revitalization of local identity, behaviour of people in new local authorities, the relationship toward citizens, attitudes to local economic development and financial policy, political affiliation and cleavages.<sup>1</sup>

## **Socio-political profile of mayors**

Mayoral elections have twice been the focus of public attention, and the election results were indicative of the unclear lines of political cleavage

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\* Associate Professor and Senior Lecturer, Comenius University, Bratislava, Slovakia

1 The material was gathered for the international research project “Learning Democracy” (mayors' and councillors' memoirs from Czech Republic, Slovak Republic and Poland), co-ordinated by H. Baldersheim and W. Surazska of the University of Bergen in 1995. There are 25 memoirs from Slovakia.

on a local level. In the mayoral elections, three tendencies have been manifest:

1. A decline in support for mayors who are members of the communist party
2. An increase in support for mayors who were independent
3. A strengthening of ethnic criteria in the choice of mayors

We will deal first with point one, the decline in support for mayors who are members of the communist party. The post-revolutionary wave of revulsion against the totalitarian system swept away the communist party monopoly at local, as well as national level. When they competed with new political actors in local communities, the communists lost their former position and this was evident in the election results (Table 1).

It was the candidates of new political parties such as the Public against Violence (VPN) and the Christian Democrats (KDH) who received most votes. Only 24 per cent of the mayors elected in 1990 belonged to the communist party, which at this time was called the Communist Party of Slovakia/Party of the Democratic Left (KSS/SDL').<sup>2</sup>

During the next four years, the transformation process and the fracturing of the left side of the political spectrum continued to the point where the Communist Party of Slovakia (KSS) stood separately for election as an extreme left party, alongside the larger postcommunist Party of the Democratic Left (SDL'), which had a much stronger social democratic profile. Only 0.85 per cent of mayors (24 in all) ran on the Communist Party (KSS) ticket, whereas the Democratic Left Party (SDL') won 17.98 per cent of the mayoral elections (Table 2).

If we compare results, according to the highest percentages of votes in the individual regions, in 1990, from a total of 38 regions, nine showed a predominance for the Communist Party/Party of the Democratic Left (Lučenec, Martin, Rimavská Sobota, Zvolen, Bardejov, Rožňava, Svidník, Galanta, Levice). By 1994, the Democratic Left Party had declined in influence, and in the mayoral elections it obtained the highest number of votes in only 5 regions (Rožňava, Stará Ľubovňa, Svidník, Bardejov, Zvolen). In only one region - Svidník - did the candidates of the Communist Party of Slovakia (KSS) achieve higher representation (5,1 per cent).

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2 Quoted from the memoirs of L. Vrana, P. Glasnák, A. Kalivoda, J. Pauliny, O. Vasilco, J. Lipovský, P. Horný

These results clearly indicate the marginalisation of the communist party at local level, but do not automatically mean that the new mayors brought new attitudes to democratic values. Many of the candidates for the office of mayor, who had previously been directly or indirectly linked with the communist party, appeared in the other political groupings which emerged with the fragmenting of the center and left of the political spectrum. It is probable that most mayoral candidates overcame the problem of their own political identity. In 1994, the empirical evidence indicates that part of the votes cast for the communist party-party of the democratic left in the 1990 elections went to the new workers' party - the Slovak Workers' Association (ZRS) - and to Mečiar's Movement for a Democratic Slovakia (HZDS), which had won in the recent election. Although the Movement for a Democratic Slovakia claims to be a party of the center, a large part of its membership comprises former communist party members.

We will now turn to the second point - the increase in support for mayors who stood as independents. This tendency may be the result of an expectation that independent mayors would prefer objective dialogue with all political partners.

The election results show that in 1990, 26 per cent described themselves as independents. Independent candidates received the highest number of votes in 14 of Slovakia's 38 regions in 1990. In the 1994 local elections this tendency had strengthened. The proportion of independent mayors (those who stated they were independent, and those who gave no party affiliation) had reached nearly 30 per cent, an increase of 3.6 per cent. On a regional basis, independents received the most votes in the mayoral contests in 22 regions, i.e. eight more than in 1990.

The growth in the number of independent mayors is interesting, not only because of what it indicates about voters' preferences, but also because we must ask what the motivation of the mayors themselves was when they stood as independents. The political self-assurance of these mayors may either be derived from a belief in their own ability, knowledge and skill in public service, or from the desire not to have their own activity restricted by any party interests. It may also be a tactic to try to cover up their own political orientation in order to attract undecided and uncertain voters. The motivation of non-party mayors might be worth deeper investigation.

Another interesting fact was that voters preferred the ethnic principle to civic values, and attempted to increase the authority of mayors representing

the political interests of ethnic groups (especially in the ethnically mixed regions of Slovakia).

The ethnically heterogeneous environment of part of Slovakia has become fertile soil for interest groups which have based their political career on the national awareness of their voters. The process of political fragmentation according to ethnicity was evident, not merely because of the existence of parties with a primarily nationalist profile such as Coexistence (ESWS) and the Slovak National Party (SNS), but also because of the breaking away from the Christian Democratic Movement of the more nationally-oriented Slovak Christian Democratic Movement (later the Christian Social Union, SKDH - KSÚ) and the Hungarian Christian Democratic Movement (MKDH). The ethnic principle had therefore entered the political fray and became one of the main foci of political competition at the local level.

If we compare the situation and the election results in 1990 with the election results in 1994, we can see that the ethnic fragmentation of society was projected into the election of mayors at local level. In 1994, the proportion of mayors elected who belonged to Hungarian parties (Coexistence 4.66%, Hungarian Civic Party - MOS-MPP 2.21% and Hungarian Christian Democratic Party 1.99%) grew by 2.86 in comparison to 1990 (Coexistence 3.7%, Hungarian Independent Initiative - MNI 1.0%, Hungarian Christian Democratic Party 1.3%).

In seven regions (Dunajská Streda, Galanta, Nové Zámky, Komárno, Veľký Krtíš, Rožňava, Trebišov) the highest number of local council seats were obtained by candidates who stood for the Hungarian parties (Coexistence, Hungarian Christian Democratic Party). In two regions of southern Slovakia (Rimavská Sobota a Trebišov), candidates from the Coexistence party had the highest number of mayors.<sup>3</sup>

### **The Mayors' careers**

#### *"Novice" mayors*

Many of the new mayors had played an active role in founding local organizations of the new political movements and parties (Public Against Violence, the Christian Democratic Movement, Green Party, etc.). In general they supported the new political organizations in their community because of their belief in fairer social relations, as well as civic courage, at a time

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3 Krejčí, O. *Knihy o voľbách*, Victoria Publishing (Praha), 1994, p. 259-260

**Table 1**

Political subject	%
Without Party affiliation*	25.8
KSS-SDL (Slovak Communist Party of Democratic Left)	24.2
KDH (Christian-Democratic Movement)	19.9
VPN (Public against Violence)	17.5
ESWS (Hungarian Parties Coalition)	3.7
SNS (Slovak National Party)	1.6
Other Political Parties	7.3

**Table 2**

Political Subject	%
Independent	28.8
SDL (Democratic Left Party)	18.0
HZDS (Movement for Democratic Slovakia)	16.0
KDH (Christian Democratic Party)	15.2
ESW S (Coexistence)	4.7
HPSR (Farmer's Movement of the Slovak Republic)	2.5
DS (Democratic Party)	2.3
MOS - MPP (Hungarian Civil Party)	2.2
SNS (Slovak National Party)	2.1
KSU (Christian Social Union)	2.1
MKDH (Hungarian Christian Democratic Movement)	2.0
Other Political Parties	4.1

Source: Statistical Office of SR.

when there was some risk that the political situation might be reversed, and when there was a degree of caution in the behaviour of the community at large. Mayors who were involved in the birth of Public Against Violence and the Christian Democratic movement, devoted a considerable amount of time to memoirs of the period following November 1989. They felt the need to share the atmosphere which reigned at that time. As activists and representatives of Public Against Violence and the Christian Democratic Movement in their local community, they helped to overcome the hesitation and passive attitude which existed towards public officials in 1989. They broke a long silence by speaking out on injustices and pointed the finger at the people who had been responsible. It was in this way that their political careers commenced.

Each mayor perceived and experienced the problems of entering public life in his own specific way. This was not only due to the unique nature of the period and the specific set of circumstances which affected society, but also because of the uniqueness and the diversity of individual histories, which influenced the decisions made. A large majority of new mayors sought to achieve something new in their political careers, to discover within themselves new talents, and also how to be useful to other people. One of the most common reasons for becoming active was “the need to prove to myself that I am not afraid of the problems”; “curiosity about what it would be like in the position of mayor”; and “not to betray the trust of the citizens who elected me”.

One novice mayor explained his feelings as follows: “It depended on us whether or not we grasped the opportunities and began to put into practice all the things which we had previously only been able to talk about. Will it be how we think? Will we manage to do things which we have never done before in life? The die was cast. I was left and I don’t know if it was to stop myself being ashamed, or to stop people laughing at me, and thinking I was afraid of work. I could not run away from myself and had to show that I did have it in me.”<sup>4</sup>

The novice mayors entered public life with certain professional skills they had acquired in former jobs and therefore they had resources which could be used in their new employment.

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<sup>4</sup> Quoted from the memoirs of L. Vrana, P. Glasnák, A. Kalivoda, J. Pauliny, O. Vasilco, J. Lipovský, P. Horný



Strong links to their local community and a love of their local area, strengthened their inclination to work. The job of being mayor was, in most cases, a very difficult decision to make between their own professional orientation and public service. One of them wrote in his memoirs: "For a few weeks I was getting to know the new organization of self-government and the new spirit of communal politics. There was to be political tolerance, a democratic system, freedom of citizens, and even economic prosperity. What did our citizens need? What did the community need? I discovered, amongst other things, that what was needed for this was a structure - and with that I felt quite at home. Something at least. After all, I am not a beginner in management, I ran a department with highly qualified staff and it worked well. I looked at my relationship with the community. I had spent my entire life there and I had resisted offers of work in Bratislava and Prague, mainly because I wanted to stay in my home village. I like it"<sup>5</sup>

*The experienced mayors: "Old Boys"*

The group of "hardened" mayors comprises those who worked on the national committees (the local councils under communism) before November 1989 and who were directly or indirectly linked with the nomenclature of the Communist Party of Slovakia; these people are also sometimes called the "old local elite". From a total number of 156 mayors in Slovakia who were given questionnaires in 1992, 65 (41.7%) found benefits from their previous career.<sup>6</sup>

One of the tasks of the mayors was to describe in their memoirs their career path to becoming mayor. Most of the experienced "old boys" were aware of the advantage they had, that they had at their disposal certain resources (knowledge, information, skill in working with people) from their past work in public life; that they knew the problems in the community and the people, and had previously taken part in important construction projects in the community, for example, the laying of gas supplies, the building of roads, water supplies, mains drainage, the building of flats etc. Many of them were aware of the situation and began work on the basis of prior knowledge gained from their work in the national committees.

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5 Quoted from the memoirs of L. Vrana, P. Glasnák, A. Kalivoda, J. Pauliny, O. Vasilco, J. Lipovský, P. Horný

6 Offerdal, A. Hanspack, D.: *What happened to the Local Elite? Individual and Social Changes in Local Council in four East Central European Countries*. Paper delivered to the conference in Potsdam, August 26, 1994

The career of one of the mayors linked to the national committees was as follows: prior to 1989, deputy of the local council, member of the executive of the local council, unpaid vice chair; June 1989, secretary of the local council; 1990, as a result of a “round table” agreement, chair of the local council; following the local elections in 1990 mayor elected for the Communist Party of Slovakia. He wrote of his career: “From my earlier life I had obtained experience in working with people. I knew how to listen to them, understand them, help them, and when that wasn’t possible, at least I could advise them. Since the voters re-elected me mayor from a list of five candidates, I suppose I carry out my function well, to the benefit of the citizens and the town”. Similarly, the ambition of others in carrying out the function of mayor was linked to the conviction that the electorate was satisfied with their work, and that they were well-known in the community.<sup>7</sup> However, in view of the conditions in local government, their past qualifications and resources were somewhat remote from the needs of the present.

### **The attitudes of the mayors**

#### *The relationship between the mayor and the council’s deputies*

Almost every mayor felt a need to write about his relationship with the local council. Politically uniform councils were replaced in every community with politically differentiated councils formed from deputies of different political parties and movements. At their helm stood the mayor. The revival of local democracy depended, above all, on the mayor’s leadership of the council. The role of the mayor was to organize the work of the local council and to be a sort of “stabilizing factor” through his relationship with the politically differentiated councilors.

Fairly frequently, problems emerged in the relationship of the mayor with council deputies of the individual political parties and movements. The mayors were, in the main, enthusiastic about the ending of rule by a single political party, but few of them had any conception of how political pluralism would actually function. Implementing democracy in conditions where a plurality of views was expressed in the process of decision-making was not easy. In reaching decisions, it was necessary to show the ability not only to listen to others, but also to demonstrate tolerance, willingness to compromise, a concern to avoid conflict and to bring

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<sup>7</sup> See: *Verejná správa, various issues 1991-92*

together the viewpoints of the individual parties. Not every mayor was capable of such a demanding task.

New codes of conduct for decision-making in the local councils depended on the attitudes of individual mayors when confronted with a plurality of opinion. Some understood that the extent of local authority in “low-level politics” depended on the ability to respect the views of others, to conduct negotiations by trying to bring together different standpoints and to convince others that one is right by the strength of argument alone.

Most mayors were particularly sensitive on party interests being represented by deputies in the local council. This problem is dominant in all the mayors’ memoirs. However, there were also mayors who, when talking about cooperation with the local council, expressed the view that they did not note party interests in the behaviour of deputies, and sometimes emphasized the importance of objective discussion about community problems. “The deputies of the local council in our community were not divided by their political allegiances. I myself made no effort to find out who had stood for which party. I began by making notes but stopped after the twelfth deputy. It meant nothing to me because I was not familiar with the manifestos of the individual parties and movements. The deputies always reached agreement because I drew their attention to activity in the community. Only one of the deputies had a tendency to guide discussion towards his party’s policies. During council sessions or the executive committee, I managed to stop the discussion right at the beginning by simply raising the subject of a concrete problem in the community”.<sup>8</sup>

In relation to local councils, the mayors often made comments about the qualities of the deputies. During their term in office, they gradually got to know the councilors. They distinguished them not only according to their party affiliation, but also according to their knowledge. They separated them into the following categories:

1. deputies who knew their rights and duties;
2. deputies who for a long time did not know what their job was;
3. deputies who saw their function as a deputy mainly as an opportunity to gain personal advantage, and who were disturbed and disconcerted by the feeling that they had to make decisions.

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<sup>8</sup> Quoted from the memoirs of L. Vrana, P. Glasnák, A. Kalivoda, J. Pauliny, O. Vasilco, J. Lipovský, P. Horný

The mayors attributed great significance to their relationships with the deputies in the council: “I would be lying if I maintained that I developed the same relationship with all the parties and their deputies in the council. However, I was determined that in every case I would act in a non-partisan fashion and maintain a measure of political distance... It is precisely the change in thinking of the deputies and citizens which I consider to be the main reason of my success during my four years as mayor.”<sup>9</sup>

It was the mayors of towns who paid the greatest attention to the problem of political allegiance. This depended upon the specific circumstances of town and city districts, together with the higher level of personal anonymity and the influence of the mass media on the public, the inclination towards political fragmentation and the battle for influence in public affairs. Town mayors were far more concerned with the problem of internal tensions in the council. They frequently had to find a way to resolve this problem and to manage the “struggle” motivated by party politics and interests.

### **The relationship of the mayor to the local bureaucracy**

Few mayors awarded any significance to their cooperation with the local bureaucracy. This was an interesting discovery for us since it related to a group of people with whom the mayors were in daily contact.

The composition of the local council offices was not based on individual rules or methods. In practice, it was up to the communities and councils how they structured their work and what competencies and responsibilities they entrusted their employees with, in the executive organs of the council. What this meant was that the mayors, together with the councils, proceeded on the basis of their own experiences, intuition and frequently improvisation. One of the fundamental problems was the choice of personnel. The new conditions demanded the selection of qualified people, prepared for the new demands being placed on the councils, in conditions where market mechanisms were being created. At the beginning of the activity of the councils, the mayors were faced with the problem of deciding which position to adopt towards staff from the previous national committees. They had to decide whether to give preference to new applicants who were not encumbered with a knowledge of prior work practices in the national committees, or whether to give preference to the routine and

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9 Quoted from the memoirs of L. Vrana, P. Glasnák, A. Kalivoda, J. Pauliny, O. Vasilco, J. Lipovský, P. Horný

experience of officials who had worked there for years. One of the mayors recalls his attitude as being: "I selected staff on the basis of interviews during which I ascertained what their attitude was to the community and to the work, and to what their motivation was. Basically I wanted people who were not weighed down by work in the department and who would not bring with them, habits from working in the national committees. I hired only one who had experience in the national committee. My fears were justified in that this experience proved to be negative since even one year later, she would comment "we didn't do it like that. I interpreted this as confirmation that we were doing it right because it had previously been done in a "completely bad" fashion but it did get on my nerves a bit. When you have a new system - self-government - you need to accomplish everything in a new way and learn new laws."<sup>10</sup>

It was the exception rather than the rule when we encountered a mayor with the view that it was important to prepare officials for a qualitatively new relationship with the citizen. It was necessary to implement a change in the accustomed model of organizational behaviour which operated according to the saying: our official - our master to become: our citizen - our master. One of the mayors described his attitude to the problem in his memoirs as being: "I would like to reiterate certain procedures in the work of the council office. First and foremost we should all imprint on our memories that our highest superior is the citizen. It is he who pays us, and it is for him we work. Secondly, behave correctly towards the citizen, try to understand him, talk to him. With some of them it is very easy. Thirdly, I would advise that if you can, you should do it straightaway. We do almost everything while you wait. It is convenient for the citizen, and for the employee too - they always have an empty desk".<sup>11</sup>

### **Mayors and the major problems of local government**

Most mayors are conscious of the fact that that their careers are very dependent on how successful they are in solving the major problems of their communities. Whereas, in the past, the career of the chair of the National Committee depended on higher bodies - i.e. the ability to work with 'them up there', the new mayors became very clearly aware that their

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10 Quoted from the memoirs of L. Vrana, P. Glasnák, A. Kalivoda, J. Pauliny, O. Vasilco, J. Lipovský, P. Horný

11 Quoted from the memoirs of L. Vrana, P. Glasnák, A. Kalivoda, J. Pauliny, O. Vasilco, J. Lipovský, P. Horný

success depended more on their ability to work with people below them. It therefore became their task to convince council members (especially in small communities) that the organs of local state administration were not superior offices for the community; that it was not necessary for the community's budget to be approved by the region and that the economic decisions of the community are in the hands of the community's elected organs.

The attitude of individual mayors to the main problems of the community depended on the particular circumstances, for instance on the size, the facilities of the community, its location and its economic and social situation etc. The mayors of small communities, who are in the majority in Slovakia, had completely different problems and therefore different priorities to those of the mayors of larger towns.

The system of urbanization affected towns differently from rural settlements. This was where the major part of infrastructure investment and uniformly constructed blocks of flats were concentrated. The historic parts of the towns were neglected, as were the environment and the modernization of the transport system. Mayors of towns had to devote most of their attention to searching for a new strategy for developing the town, to give it a new shape, and look for the resources which would enable them to carry out their plans.

The mayors of small communities concentrated on resolving problems concerning the basic needs of everyday life e.g. problems with the construction of mains drains, water supplies, gas supplies, protecting the environment (cleaning waste water), storing and disposal of communal waste and social care for the old and disabled.<sup>12</sup> The demanding nature of such tasks exceeded the means available for accomplishing them, especially in smaller communities. Therefore, what the mayors wished to achieve during their period in office, apart from managing the day-to-day running of the community, was often reduced to one or two major investment projects.

Mayors of small communities which had founded their own bodies of self-government were dominated by specific problems. Here, mayors had to solve the problem of finding space for the activity of local bodies of power and to obtain qualified workers and resources for implementing self-government. Financial problems were one of the most common themes

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12 Offerdal, A. Hanspack, D.: *What happened to the Local Elite? Individual and Social Changes in Local Council in four East Central European Countries*. Paper delivered to the conference in Potsdam, August 26, 1994

of local politics. A large majority of mayors considered their biggest problem to be where to find the money for self-government, and what were their priorities when distributing it. Traditionalism, I suspect, played a major role in this. The mayors' argument that "we do not get enough money from the state" emerged in almost all of their accounts. In what was a complicated situation, there was a constant decline in the transfer of resources from the state budget to the budgets of the communities, with at the same time, a slow growth rate in the communities' own income. Whereas in 1992 transfers from the state budget to the communities' budgets were above 32%, in 1994 it decreased to slightly above 5%. What is fundamental here is the fact that in total, the level of the budgets of communities in Slovakia oscillated in the whole period (1992-1994) at around 20 billion, while at the same time, there was a serious shortfall in the financial capacity of the communities due to the significant measure of inflation during this period. A large portion of the communities' own incomes was therefore achieved through privatization or by the sale of communal property, often with the aim of acquiring resources to finish half-built projects, especially those most essential for basic infrastructure, for example schools and health facilities.

There were some mayors who did not rely on the state. One of them, in answer to the question of what was most important for self-government of the community, said: "...I acquainted myself with law No. 369/1990 about the self-government of communities, and I consider that to introduce real, democratic self-government is more important than finance. The introduction of self-government is a question of change from centralist policy to a democratic system, starting with the citizen. That is more important than finance. It is better to have less money and be able to spend it according to one's own wishes and needs, than to have millions, tied to activities determined by the center alone".<sup>13</sup>

The mayors' attitudes in the area of communal finances are focused on three major groups of problems: the initial state of finances at the time they entered office; the financing of many "inherited" projects and the financial cover of the most basic requirements of the communities.

Many mayors in their first days in office, encountered completely empty communal coffers, or in some cases, communal debts. They had to devote a great deal of time consolidating their financial systems. Insufficient

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13 Quoted from the memoirs of L. Vrana, P. Glasnák, A. Kalivoda, J. Pauliny, O. Vasilco, J. Lipovský, P. Horný

finances were a problem that affected newly independent communities most acutely. To quote one mayor: “Only when we became more closely acquainted with the financial situation of the former local national committee, did we understand why there had not been any other candidates for the office of mayor. However, both I as mayor, together with the deputy mayor, only realized the gravity of the situation when the first statement of our current account arrived from the bank. It was with horror that we discovered the account was empty. But that was only the first blow. We found out from the council’s accountant that the community owed more than 300,000 crowns for a half-built sewage plant and the technical equipment of the housing projects (KBV) in the village. It was the beginning of the year, and we were under threat that all taxes, income and payments made to our account would be immediately seized by the bank. We had no funds to pay wages or to pay for street lighting”.<sup>14</sup> Many mayors had to amend their election manifestos and begin as quickly as possible focusing on the problems of obtaining and managing financial resources.

Many villages and towns had to solve the problem of buildings which had been under construction for a long time (a large majority of which had been started before 1990), and for which they did not have sufficient resources. While the problem could, in some cases, be solved by selling off the building, in many cases of investments of a public service nature, this was not possible. These problems were a constant burden on the mayors. “My election manifesto assumed that some projects were half-finished and that priorities had to be established. The task in the beginning was to finish building the shopping center, complete the gas supply for the cultural center and the construction of a heating system. All these buildings had been started, but were not even half finished”.<sup>15</sup> Many mayors therefore had to set priorities on the projects which had been started, and had to delay their own plans.

## **Mayor and citizen**

Even before the transformation, the state policies towards the citizen created varying conditions of life and work for citizens. Communities which were not centers held no future, especially for young and educated

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14 Quoted from the memoirs of L. Vrana, P. Glasnák, A. Kalivoda, J. Pauliny, O. Vasilco, J. Lipovský, P. Horný

15 Quoted from the memoirs of L. Vrana, P. Glasnák, A. Kalivoda, J. Pauliny, O. Vasilco, J. Lipovský, P. Horný



people. While citizens of working age went to work in towns either close by or far away, young people simply moved away.

In accordance with the political era of centrally controlled national committees, citizens regarded working for the local authorities as being advantageous e.g. for the development of one's career, obtaining a higher pay scale, and access to information and privileges. This left citizens with a rather negative view of the local councils.

Entering political and public life was very frequently viewed by mayors through the behaviour of the citizen. They were motivated to seek office, very often out of a desire to prove their capabilities to themselves and to the citizens. We read in one memoir: "Work has a purpose when it is useful. The work of a mayor is to work directly for the citizen. The citizen is its consumer, and evaluates it. Even if they often do not realize that it is hard work, just like any other job, they are, in general, able to evaluate it objectively".

The attitude of mayors to citizens generally is based on experiences of direct contact with citizens and the passivity of citizens towards public affairs. Mayors indicate their disappointment that during the short time there has been self-government "the citizen has remained a passive element in the chain of civic initiative... A lot of people want things, few know anything, but most of all, people are afraid. The communist ideology penetrated people's thinking, and in virtually all of them, it created barriers. People soon forgot to think about their own abilities and their power to change things".

The initial attempts to maintain close contact with citizens gradually diminished. The citizens' interest fell with the decline in post-November euphoria, and with it came a growth in unemployment and fading illusions about rapid economic prosperity. One mayor expressed himself as follows: "Citizens have stopped showing interest in communal problems because they are tied up with problems of their own. This has manifested itself in reduced participation in local citizens' meetings and in a lower turnout in the 1994 elections".<sup>16</sup>

The mayors put the citizens' lack of interest in affairs of self-government down to the belief that deputies and mayors had gained their trust and were there to solve problems; in the insufficient level of information about

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16 Quoted from the memoirs of L. Vrana, P. Glasnák, A. Kalivoda, J. Pauliny, O. Vasilco, J. Lipovský, P. Horný

problems brought about by the organs of self-government, in the deepening financial problems of the communities, and in the growth of unemployment.

### **Conclusion**

In this paper we intended to present the local politics in Slovakia not only through the electoral statistical data, or through public opinion polls, but also through the mayors' attitudes and views on their position and their own career problems in the transformation process. We used personal memoirs, a rather unusual method of investigation, but it helped us to have a deeper understanding of the mayors' profile.

**SECTION 5**

**The Role of Education and  
Training in Civil Service**

## **THE ROLE OF EDUCATION AND TRAINING IN CIVIL SERVICE**

*Maria Gintowt-Jankowicz\* and Anita Weiss-Gänger\*\**

Distinguished presenters from Poland, Estonia, Lithuania and the UK confirmed the numerous innovative efforts being made in the region in public administration education. They describe the role of the schools as “agents of change” during the transition period.

Sofia Kupinska presented a comprehensive civic education plan for Poland. Widespread political disorientation means there is a need to build and strengthen emerging grass-root local institutions. The Opole Center endeavours to coach teachers to train skilled, responsible and active democratic citizens to give them a proper perspective for a democratic future.

The case presented by Sootla and Anton highlights the conception and planning of a civil service policy and refers to the recently adopted 1995 Civil Service Law in Estonia. However, prior to planning a reform successfully, one needs a basic concept which takes into account such matters as age distribution of civil servants, entrance qualification requirements, career structure, administrative culture and training needs.

The article gives preliminary findings based on a quantitative and qualitative analysis of 240 personnel records in two Estonian Ministries. The author raises doubts about implementing such a system without a deeper insight, ongoing research and the realization that the process will be a long one. An improvement in the allocation of resources and financial provisions for training is required in the long term. The legal framework needs to be more explicit.

It is assumed that if there is an integrated national in-service training in place, then there must also be a system for evaluating and licensing training programs, together with a system for the elaboration and monitoring of training records linked to civil service development goals.

A clear definition of the goals of in-service training is lacking in the Lithuanian Civil Service Act. Kersyte and Gazaryan complain that training

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\* Director, National School of Public Administration, Warsaw, Poland

\*\* Coordinator of International Cooperation, Verwaltungsakademie des Bundes, Vienna, Austria

activities for PA appear to be spasmodic. Their approach remains supply-oriented as opposed to need-oriented.

Both authors from the School of Democracy and Administration in Lithuania, in their activities, are supportive of a change in individual attitudes. However, a sustainable change in attitude must take place in conjunction with a change in the work environment. The advantages of an individual social learning process are related to methods of team work, cooperation, problem-solving in groups and in the improvement of performance skills. The readiness of the individual who is learning has to be combined with the willingness of the “learning institution”.

J. Hague and A. Rose report on the impact of new curricula in Public Administration education and training, with particular reference to collaboration between the University of North London and Kiev’s Public Administration Academy. They review the internship program in the UK, with special emphasis on the perspectives of change. They examine questions on transfer problems, cultural gaps and political and social boundaries. Their comprehensive study concludes that acquisition and application of macro and micro skills requires additional strategy and support for the graduates upon their return to the work place. This small group of experienced people has already learned how to deal with different cultures, making them a very valid asset to their country. The paper proves that persons effectively trained in two different cultures and systems can and should act as “intermediaries”. They have a better understanding of how to deal with problems from both a national and international perspective.

From discussions, the following could prove to be issues worth addressing:

- There is a need to overcome the lack of ability to articulate, promote and conduct the advanced change process successfully and more especially on the macro and micro level.
- The schools have started to meet the challenges but occasionally they do not take into consideration the fragmentation of the political landscape. Attaining a level of collaboration between those who provide education and those who receive education, at both local and national level, is likely to be a permanent topic on NISPAcee’s agenda.
- To achieve cross-cultural collaboration with the added problems of implementation of innovative strategies will require additional empirical

research. Further investigations should focus on the contradictions and conflicts concerning the processes for personal and organizational development.

# **INNOVATION IN THE UKRAINIAN PUBLIC SERVICES: WHAT DIFFERENCES DO MASTERS IN PUBLIC ADMINISTRATION GRADUATES MAKE?**

*Judy Hague\* and Aidan Rose\*\**

## **Introduction**

This paper reviews the outcome of research into workplace innovations by Ukrainian public administrators. All the respondents had undertaken a one-year Masters in Public Administration (MPA) at the Ukrainian Academy of Public Administration (formerly the Institute of Public Administration and Local Government).

The research describes and evaluates the extent to which new knowledge and skills acquired on the MPA have been translated into workplace innovations. It reviews the type of innovations introduced, discusses the barriers to innovation and assesses the methodological issues faced by the researchers. Finally, the paper proposes areas for further investigation.

## **Context of the Institutional Strengthening Project (Ukraine)**

The Institutional Strengthening Project (Ukraine) was described in detail in the authors' paper to the third NISPAcee conference (Hague and Rose, 1995). The Project is funded by the British Know-How-Fund and links the Academy of Public Administration with the University of North London (UNL). Specific outputs of the Project include validation of the one-year Masters programme, consultancy, teaching and curriculum development by UNL staff, staff development visits to UNL by the Academy's staff, development of the library and a one-month internship programme at UNL for 30 MPA students per annum.

## **Role of the internship programme**

All students at the Academy undertake a one-month internship programme as part of their MPA. The internships take place in the United Kingdom, Canada, the United States, France and Germany. The UK programme provides an opportunity to examine western public administration practice through a series of professional placements and visits.

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\* Project Manager, Institutional Strengthening Project (Ukraine), University of North London, London, UK

\*\* Principal Lecturer, University of North London, London, UK

Most participants are offered an attachment to a local government department, others make a series of visits in their professional area of interest. Subjects covered have included transport, energy, architecture and town planning, sport, banking and monopolies and mergers. Group visits are also organized, for example, to the House of Commons, the BBC, the Audit Commission, a National Health Service trust and the Bank of England.

Fieldwork is backed up by classroom sessions giving the opportunity to discuss what the students observe in the workplace and to relate theory to practice. Students are encouraged to assess its relevance and transferability to the Ukrainian situation.

### **Aims of the study**

Previously we have reported on the nature of the UK internship programme and the feedback provided by internees at the end of the programme (Hague and Rose, 1995). This enabled us to provide a snapshot of and some immediate feedback on the process. However, Institutional Strengthening Projects sponsored by the British Know-How fund aim at sustainability and lasting change. Thus, there is a need to examine outcomes of the processes. Generally, this paper examines the impact of the MPA programme on the work of UAPA graduates. More specifically, it examines the influence of the UK internship on the work practices of graduates and their capacity to innovate in the workplace.

To achieve our aims, we administered a questionnaire to graduates who had followed the UK internship. For the purposes of the survey, we took Merritt's definition of innovation: 'the introduction of a new idea, method or device' (1985, p 11). Innovations may be large or small. For example, they may be a new type of service delivery, a change in the management of the service delivered or a change in the way that members of the public are dealt with.

It is important to distinguish between an idea and innovation. Students may be receptive of new ideas while on the MPA or the UK internship. Indeed for the vast majority, the internship was their first experience of the west and they were introduced to a number of major public service reforms such as the use of contracting for service delivery and the introduction of internal markets in policy areas such as health. Ideas, however, need to be transformed into practice in order to become innovations. This raised questions about the capacity of individuals and



organizations to 'capture' ideas and process them in order that change is achieved. The research also enabled us to develop a perspective of what innovation might mean in a Ukrainian perspective.

## **Methodology**

The principal tool for gathering data was a questionnaire. This generated a number of methodological issues. Anticipated problems were concerned with aspects of communications while unanticipated problems tended to revolve around cultural factors. These issues are discussed later in the paper.

## **Questionnaire content**

In order to avoid unnecessary language problems, the number of questions was strictly limited. Questions were asked about the nature of work that graduates were currently doing. They were asked to identify one or two innovations for which they were responsible. They were also asked about the problems which these innovations were intended to solve. A further question was asked about the source of the innovation pinpointing which part of the MPA programme or the UK internship gave rise to the idea leading to the innovation. In addition we included a number of control questions about the respondents' characteristics such as age, gender and the nature of their employment.

## **Survey method**

The Academy maintains details of the addresses and telecommunications numbers of graduates. They are assisted in the maintenance of this information by an active Alumni Association. Thus there is a much higher level of accuracy about the destinations of graduates than would normally be expected to be found in a British university. Questionnaires were distributed in mid-January 1996 through the Academy's International Office. In order to maximize the response rate, graduates were given the choice of replying in Ukrainian, Russian or English. They were also given the choice of responding via facsimile to the Academy or the University of North London, or posting their response to the Academy. In practice, many responses were returned by hand to the project team or to UAPA staff.

In order to improve the response rate, graduates in the Kyiv area were telephoned to encourage them to reply. Additionally, several graduates

were personally interviewed by one of the researchers and two respondents received follow-up telephone calls to clarify points of uncertainty.

48 questionnaires were distributed and following reminders and personal interviews, 14 responses were received and analyzed by late-March 1996. Given the qualitative nature of the responses elicited and the relatively low number of responses, it was considered that statistical analysis was not appropriate. Instead, qualitative analysis is presented and further research agenda are advanced.

### **Outcomes identified**

In analyzing the questionnaires we offer a number of categories under which the internship graduates' impact on Ukrainian public administration can be presented. These are not exclusive and many candidates submitted responses fitting into more than one category.

### **Going to market**

As previously stated, the UK internship was the first opportunity for many students to witness a mixed economy in action. This experience included classroom examinations of the role of markets in delivering public services as well as visits to local and health authorities using contractual mechanisms, visits to financial institutions and a national public sector audit body. This experience has enabled graduates to evaluate the potential for market tools in the Ukrainian context. Reported developments influenced by this experience include:

- the introduction of competitive tendering for certain types of work to raise quality and improve conditions, eliminating malpractice and unfair competition and reduce costs. This is applied to activities involving material productions and services (but not social services)
- Working in the international department of a Ukrainian bank, a graduate was able to apply his experience of working in market conditions by using western models and experience to the task of managing in a changing, turbulent environment particularly affected by the August 1995 Russian banking crisis. In response to the problem, he introduced a change in departmental structures using a model implemented by a leading UK financial institution.
- Working as a general manager in the Kyiv property office of an American company, one graduate emphasized the use of western business culture

especially private sector management techniques. In particular, he used his experience to manage the interface between the two cultures adopting negotiation techniques to avoid conflict.

- Pre-privatization activities such as appraisal involve the use of pricing mechanisms. One graduate cited his experience of price appraisal in a market environment as important in replacing a system of measuring costs solely according to administrative rules.

### **Developing public administration**

A significant use of the MPA and the internship experience can be as a tool for development at an organizational as well as at an individual level. For example, reform of the Ukrainian electoral registration system was stimulated by a series of visits conducted by one student to UK political parties, governmental and non-governmental organizations concerned with elections.

Links between the citizen and the state are an essential feature of a civil society and an essential feature of political accountability (Stewart, 1995, p 264). Information can thus be seen as part of the currency of democratic accountability. One graduate saw, on the basis of his internship experience, information about local services as a tool for improving the link between the local state and the citizen and thus building foundations of citizenship. Thus he has presented papers at a conference on this theme and proposed that Ukrainian local authorities publish and distribute free of charge information about service delivery. A further graduate has engaged in the provision of management education for officials and politicians aimed at improving service delivery to citizens.

One respondent presented a conference paper entitled 'the Public Relations, Information and Publishing Activities of Local Self-Government Institutions: Comparison of the British and Ukrainian experience'. Particularly important stimuli were the UK Citizen's Charter and internal and publicity documents of a leading reforming local authority.

Other cases exist where graduates have published papers in learned journals and newspapers. For example, an article is forthcoming about local government in Swansea for an economic journal and a Ukraine wide seminar on Enterprise Zones with three hours training is to be held at UAPA in April.

## **Intermediary roles**

Arguably one of the more effective uses of graduates with experience of western economies, government, and business culture is to act as an intermediary between the two cultures. In another context, Watson (1977) argues the experiences of migrant workers can only be understood if the culture they have left and the culture they have arrived in are appreciated. The use of graduates as intermediaries would support the proposition that the same concept applies in institution building and the internationalization of economies. Examples of graduates engaged in such work include the following

- a graduate working in education and training, employed at the International Center for Privatization, Investment and Management re-training people for the market economy especially in areas of privatization, securities, and enterprise management. This involves preparation of seminars, developing methods of appraisal, preparing training courses, and marketing management techniques. In her response to the questionnaire she emphasized the teacher-student knowledge transfer process and the use of interactive seminar techniques. As a result of her internship she commented that she was able to assist in “innovations [which] made [it] possible to put cornerstones to the edifice of professional appraisers training in Ukraine”. This involves the development of personal skills which is considered below.
- Another graduate works on social policy and employment issues working with interested parties including TACIS thus enabling public servants to get policy advice through reports and seminars. Experience was gained through visits to UK trade unions, local authorities and national local government bodies such as the Local Government Management Board.
- A further graduate is employed as Head of Department Technical Assistance Strategy Department, Directorate of Economic Analysis and Technical Assistance Forecast, Agency for Co-ordination of International Technical Assistance. He deals with local government personnel, reconstruction programmes for energy, transport infrastructure, human resource reform, legal reform, agriculture and MP support systems. He links them with providers of technical assistance from USA, TACIS, the Netherlands, Germany, Canada, and the UK.

## **Launch-pads**

The timing of the questionnaire, six months after graduation for one cohort of students and eighteen months after graduation for the other, means that the time horizons for innovation are limited. However there is a number of cases where graduates reported that following the UK internship, they were following other courses of study or overseas placements which may lead to a more substantial basis for innovation. As such, the MPA and the UK internship could be seen as launch-pads for further career development. For example, one graduate has followed a programme of study at the Institute of Local Government Studies (INLOGOV) at the University of Birmingham. This enabled the graduate to build on useful information on the principles of organization of local government and practical experience gained at Swansea City Council whilst on the UK internship.

Other examples of launch-pads include several graduates applying for and two being awarded British Council scholarships for study visits to the UK, and an application for a Masters level course in Banking at a British university currently in progress.

## **Personal skills**

Now we can turn to micro issues involving personal skills development which have been a major issue in management education in the west in recent years. Large parts of administration and state management in Ukraine have traditionally rested on the culture of the expert with a technical competence in the chosen area. Little emphasis was placed on the development of skills or competencies beyond the technical remit. One respondent commented on the fact that his manager continually changed her mind and he was therefore unable to work with consistency and certainty. Several respondents commented on the relative clarity of objectives observed at the workplace during the UK internship. In particular, features such as promptness, timeliness and customer service were highlighted as major differences that were observed.

One respondent illustrated the personal skills issue when he addressed the question of ergonomics at work. He referred to the desk management skills that he acquired whilst on his internship placement. In addition he referred to the use of office techniques such the effective use of computers, business telephone calling and planning for business meetings. A further

respondent also mentioned that he learnt how to “effectively plan optimal solutions to office problems”. Other skills developed included the presentation of papers at conferences and communication skills for writing articles and project management skills .

One problem that the project team has encountered is the difficulty the internship students had in articulating tangible and challenging objectives. Perhaps the programme offers students the ability to recognize and then prioritize training needs. As one graduate pointed out, only having completed the MPA programme and having returned to employment is he properly able to articulate his training needs. This view was reinforced by the response of one graduate who was closely involved in the Alumni Association. Eighteen months after graduation, he was in a position where he was able to identify collective training needs for graduates and was in the process of placing these needs on the agenda. Thus, we can argue that once the graduate returns to the workplace and has had the opportunity to test new skills, they require the opportunity to develop and refine these skills. On-going developmental support systems including further training, mentoring, facilitating learning sets, networking - particularly with colleagues across central and eastern Europe who are tackling similar issues - is required.

### **Strategic breakthroughs or incremental change**

Given the enormity of the change process, the substantial legislative, structural, cultural and economic obstacles to change, and the limited progress that has been made, it was unlikely that we were going to record major strategic breakthroughs. Graduates from the MPA programme include some experienced public servants as well as many highly motivated people who are relatively inexperienced. There remains the danger that their experience can be lost as they disperse into national, regional and local administration and their newly developed skills and competencies are either diluted or remain untapped. There is evidence of leakage of able, articulate and enterprising graduates to the private sector as well as those whose abilities and obvious enthusiasm remain uncaptured. For example, one respondent replied “What a sad paradox: the English people ask me, but my Ukrainian government doesn’t need me”. One view is that there needs to be a critical mass supporting change in order to deliver sustainable change. Thus, once individuals emerge from a change oriented culture such as an MPA programme and an overseas internship and return to old

practices then the potential for change is diminished. As Beer, Eisenstat and Spector argue: “..... individual change is powerfully shaped by the organizational roles that people play. The most effective way to change behavior is, therefore, to put people into a new organizational context, which imposes new roles, responsibilities, and relationships on them. This creates a situation that, in a sense, ‘forces’ new attributes and behaviors in people.” (1993, p 99)

Thus, for Beer *et al* revitalization requires three essential factors to be present: coordination as part of a team, high levels of commitment, and competencies such as interpersonal skills and organizational knowledge. They counsel that if any of these factors is absent then change will not take place. Change is therefore achieved through organization-wide programmes. Thus, if an MPA graduate committed to change returns to an inward looking bureaucracy then the possibility of sustainable change is limited. This then sets a future research question asking how successful one graduate was in introducing competitive tendering with the view to eliminating past bad practices including corruption and to explain if and why the initiative was successful in changing practice.

The survey reveals several innovations. It remains difficult to place the innovations reported on a continuum from major to minor. To do that would require further research work on a longitudinal basis tracking innovations reported. However, follow-up questioning showed that respondents often perceived their achievements as minor. As one of the younger, female respondents put it somewhat modestly,

“To be frank there wasn’t one concrete step, no crucial breakthrough [for] which I have been responsible in my work since graduation. There have been some elements of innovation. It should be said [they are] primarily minor improvements”.

As examples of innovation the respondent cited the implementation of new teaching process methodologies such as working in groups and seminar based activities. The reported stimulus for this was the teaching and learning strategies implemented during the UK internship programme. This innovation is difficult to classify. Though reported as minor, University of North London teaching staff have consistently reported resistance to group work teaching and sessions where students were asked collectively to discuss new concepts and critically evaluate them. Thus, what is perceived as a minor improvement may be a teaching and learning process breakthrough facilitating a shift from an instructional training culture to

one where participants are able to participate in collective learning based on partnership rather than didactic instruction. Moreover, were this group approach to problem solving and analysis transferred to the workplace where western theorists have argued that teamwork produces more effective results, it is arguable that this may have an impact on organizational effectiveness.

The common incidence of minor change is consistent with the view that most innovations are minor and incremental in nature (Porter, 1990). These innovations were attributed to the observation of work practices in audit organizations in UK and participation in internship seminars in UK which involved small group work and participation in roundtable discussions. We were presented with no evidence that change was delivered as part of deliberate strategies of organizations. Rather, following Mintzberg (1995, p 15-16), we can advance the proposition that the process is one where the graduate contributes to an emergent strategy, where developments tend to be incremental with relatively minor changes being made to existing positions. If this is the case, then it raises the question about the best use to which the 'value added' by the MPA programme and the internship can be put.

An alternative approach to change is offered by Johnson (1987). This approach is often referred to in the change literature because of the unfreezing of existing practice, change and re-freezing the new approach. More important for our concern is *how* an existing 'paradigm can be 'unfrozen'. According to Johnson,

"This is likely to occur through mechanisms which concern themselves with the very devices which typically preserve that paradigm. For example, the break-up of political alliances or the changing of rituals and routines within the organization, play a role in surfacing and making explicit the constructs within the paradigm and, in turn, challenge them."

We can assert that this has taken place at a macro level: the challenge has taken place. Johnson continues with a comment that, in this context may be more applicable at the micro or organizational level, "There is also evidence that 'outsiders' - that is individuals with little loyalty to that paradigm, usually because they come from outside the organization - may play a vital role in surfacing and challenging that which is taken for granted in the organization" (Johnson, 1993, PP 62-3).



If this perspective on change is transferable across cultural, political, and societal boundaries, then it offers little promise for the graduate who returns to a previous employer unless they have a critical mass of colleagues also committed to change. Rather, it offers the opportunity for an invigorated graduate to enter a new organization. It also raises the proposition that the graduate committed to change may identify so closely with a society based on limited government and a market economy that he/she will wish to exercise newly acquired competencies and enterprise based skills in the private sector. While we are aware that there is leakage to the private sector and several graduates changed their jobs frequently, further research is required to assess the extent of and the motivators for job changes and leakage.

Perhaps, given the limited possibility for graduates to make major innovation in such a short period of time and their relatively junior positions in hierarchies, placing them at the interface between two cultures brokering exchange relationships e.g. organizing seminars to disseminate practice in new and effective ways and brokering links between technical assistance providers and beneficiaries is an effective use of their scarce resources.

### **The feedback question**

The project team has accumulated substantial experience of gathering information from students prior to, during and following UK internship programmes. This has included

- establishing students' internship aims prior to placement. This is done via completion of a questionnaire and personal interviews
- establishing learning and professional goals at the commencement of the internship programme
- reviewing the progress towards those goals at the end of the internship programme
- evaluating the effectiveness of the internship programme and identifying learning outcomes
- student evaluations of intensive teaching sessions delivered in Kyiv.

In undertaking these exercises, the project team has encountered several difficulties. Over and above the problems that students encounter in working in a foreign and often new language, the articulation of professional

goals and substantive achievements has proved problematic. Too often there was a focus on hygiene factors such as the physical environment rather than substantial policy and managerial issues which were central to the internship programme.

The experience of teaching evaluations is worthy of particular comment. Attempts to conduct such evaluations have resulted in the return of broadly similar and uncritical comments. Consequently, tutors have been unable to make revisions to teaching programmes in the light of feedback. The questionnaire survey was undertaken with full cognizance of these problems.

We can offer the proposition that the obstacles to effective evaluation are cultural. This would explain the presentation of the products of group think as responses to evaluations. One explanation for this is that the traditional staff-student relationship was an authoritarian one where feedback was not elicited. A wider, societal explanation is offered by Richard Rose. He argues that "Communist rule turned public opinion into private opinion. Individuals could and did not hold views about government, politics and Moscow's domination. But there were no institutional means to organize the expression of individual opinion. Consistent with authoritarian traditions of the region, official opinion was the only opinion that could be communicated through the media." (Rose, 1994, p 8). If there is no means for individual opinion at a societal level, then the opportunity for it to exist at an organizational level is likely to be limited.

Internship students and graduates have consistently commented on the continuing legacy of a system based on patronage and loyalty to "the boss". Evidence to support this includes several respondents citing the names of individuals rather than organizations when asked to name their employer. Formal and accurate job descriptions remain a rarity. Hence we can question whether the lack of an emphasis on personal performance, merit based career structures leads to a lack of focus on achievements, personal performance, and career planning. This could, in part, explain the lack of a focus on the ability to articulate evaluations of personal performance. This begs the question of the extent to which evaluations take place internally to the particular group and the extent to which they are articulated and communicated to 'authorities'. Further research is required to establish the locus of this problem. Is it a problem confined to Ukraine, or does it extend elsewhere and if so where?

Additionally, and perhaps this is compounded by the language problem, often graduates have difficulty in articulating achievements, a practice

which we in a market based competitive and largely merit based supply side economy are familiar with. For example, only detailed questioning and a prolonged opportunity for reflection enabled one graduate to identify his achievement of several journal and newspaper publications which arose from his internship.

## **Conclusion**

Overall, the research exercise presents a useful snapshot of the impact of the programme. However, it was limited in terms of the time available to the researchers and the resources available to them. Further work using more robust techniques is required to examine several issues raised. The questionnaire survey as a tool was considered not to be completely satisfactory given the difficulty in eliciting responses from graduates both in quantitative and qualitative terms. Further, respondents tended to underestimate incremental achievements thus presenting only a partial picture of the usefulness of internship programmes as change agents. However, from the data gathered through the questionnaire we can advance a number of propositions. These can, in turn be tested through further research into the impact of the Academy and its programmes and through comparison with other former communist states.

1. The capacity to innovate is limited or bound by several clusters of factors. These include resource factors, cultural factors, organizational support factors and hierarchical factors.
2. Innovations are under-reported. Cultural factors and traditions of workplace organizations mitigate against an ethos that promotes, recognizes and rewards innovation.
3. A beneficial way of using the scarce resources of graduates is to employ them in intermediary roles spanning two cultures.
4. Micro skills relevant to day-to-day performance at work are as important as macro knowledge about different models of, say, service delivery.
5. Innovation is likely to be minor and incremental rather than major and strategic.
6. Those most likely to deliver effective change are likely to be recruited by the private sector.
7. The acquisition and application of macro and micro skills requires further development once the graduate returns to the workplace.

The nature of the research methodologies employed meant that Kyiv based graduates tended to be over-represented in the responses received. It is likely that in a large state such as Ukraine, with two distinct and separate histories, that administrative culture in the provinces is richly diverse and that the experiences of graduates in these circumstances needs to be investigated through further research.

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# IN-SERVICE TRAINING AS AN INSTRUMENT FOR CHANGING ATTITUDES AND DEVELOPING ORGANIZATIONS: THE CASE OF LOCAL GOVERNMENTS IN LITHUANIA

*Jurgita Kersyte and Artashes Gazaryan\**

## **Introduction**

Newly re-established independent states in Central and Eastern Europe have inherited from the communist past not only the problems related to a certain fashion of organisational habits and culture in public institutions, but also barriers in mental maps and thesauruses of civil servants and politicians, preventing them from quick and adequate response to the new challenges and opportunities of the transition. On one hand - political and socio-economic transformations in society provided a unique chance for changing structures and operations of public authorities. On the other hand - nobody actually knew how to do it.

Even the most drastic changes of political leadership did not result in corresponding changes of performance, since the performance was based on the skills and experience of the personnel, which either remained the same or was replaced by newcomers. Unfortunately, the new staff had no relevant qualifications and were supposed to follow the guidelines given by the veteran bureaucrats. After five years of dramatic political change, one faces a curious dilemma: certain institutions which retained the old structures and organisational habits operate better than the institutions which are newly organised or which have replaced all former staff. There is no development in those organisations which operates well. At the same time, there are operations in the new organisations which should have been the pattern of development but which have been totally destroyed.

How are positive developments managed in public administration? Two aspects appear to be the most crucial - to change the attitude of civil servants towards their duties and to change their level of performance. They should start to do things differently: not “the wrong things badly”, but “the right things correctly”. The authors of this paper believe that re-orientation of efforts, improving effectiveness, and re-organisation of actions,

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\* Senior Assistant and Head of the School, The School of Democracy and Administration, Klaipeda, Lithuania

and improving efficiency of public administration may be reached only through changing the mentality and ability of political leaders and civil servants to implement new organisational patterns. This is possible by making mistakes and learning from them. This is, however, not very effective in the transition period when most key officials stay in office and perform this kind of work only for a short time. Changing legislative, social and economic environments makes most of their experience irrelevant very quickly. Thus, the only way forward is the type of in-service training provided for public officials, especially for the political leaders and top executive personnel.

This paper gives some general views on the basic preconditions for and the actual development of in-service training, with the emphasis on the training impact on changing attitudes and organisational development of local governments in Lithuania. The paper also presents results of the first stage of the investigation undertaken in Lithuania within the framework of the activity of IIAS/IASIA Research Group "In-service Training as an Instrument for Organisational Change in Public Administration".

### **The heritage of the communist past**

On the wave of "perestroika" and the building up of new independent states, the top managerial staff of public administration, both at a central and local level, have been changed to the newly elected or appointed personnel, and are expected to be more obedient to the new political leadership. There were few professionals in public administration among them, since the only source of professional skills was either from practical experience in the party or from government structures. None of the educational institutions in the former Soviet Union prepared experts for public administration - there was no such specialization at all. Gaining any experience in the field was exclusively connected to the traditional career of the communist "nomenclature" - the most unacceptable curriculum for new "democrats". Naturally, in many cases, old nomenclature has been hopeless in implementing a new order of things. The new nomenclature has been, however, hopeless almost in all cases. They have found themselves totally dependent on the technical executive staff. These people at least knew how certain issues were to be handled, while new leaders often knew nothing about those matters.

For example, in the course of 1990-93 about 60 per cent of local authority employees in Lithuania were changed. Up to July of 1993 almost

50 per cent of employees had less than 2 years' experience. The best representatives of the older staff were replaced for political reasons or they left public administration because of low salaries. It would be too naive to suppose that those 46 per cent of officers who started to work for local administrations in 1992-95 did not need money. It is more likely that they were not the best in their field or that their professional skills were not in demand, unlike those of lawyers or economists. About 30 per cent of the staff employed for more than 4 years still carry the bulk of experience, already irrelevant in the new circumstances, and there is no-one to complement their skills, since about 50 per cent of new senior managers have neither higher nor vocational education corresponding to the work they carry out<sup>1</sup>. For this reason, the general professional qualifications of local government employees have deteriorated strongly even if compared with the low level of the 1980's.

The actual potential of the skill of political and executive staff in Eastern European public administration, particularly at a local level, could hardly be considered as sufficient for countries with developed and stable legislation and procedures for managing public affairs. What can be said about the countries under transition with a rapidly changing legislation, mentality, economic order and all other circumstances of life? To be effective in such conditions one almost needs to be an acrobat. At the same time as doing these acrobatic exercises, new officials in public administration are required to carry out the most complicated tasks - building up a new state, managing simultaneously the economic transition and political transformation of society, while continuing to provide services to the public.

### **Training needs of public servants**

The people in Lithuania do not have much respect for public officials. In the research of "Baltic Surveys Ltd." in 1994, negative attitudes to officers in central and local governments were expressed by 59 and 55 per cent of participants respectively. Most critical of them were those people of the most active age groups and people with higher education. However, only 4 per cent of participants indicated the low competence of public administration officers as a reason. More important motives were selfishness (27 per cent),

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1 Artashes Gazaryan, *Toward a Greater Europe: Key issues affecting the development of local democracy in the countries in transition*, Training needs of elected representatives, Studies and texts, No 36, Council of Europe Press, 1994, pp.11-25.

bureaucracy (24 per cent) and corruption (7 per cent)<sup>2</sup>. Changing the attitudes of public officials towards their work appears to be a more urgent task, than improving their qualifications. What is the main reason for flourishing selfishness, bureaucracy and corruption? First of all - it is the badly organised operation of public institutions. Why are they badly organised? Is there anyone in Lithuania who is really interested in bad performance of civil services? Obviously, not. There is just a lack of ability to define what should be done and how best to do it. To change the attitude of civil servants towards their work one must start with changing the working environment to one which would encourage different attitudes and would make the behaviour mentioned above almost impossible.

The need for in-service training for civil servants in Lithuania is a high priority. But, whereas in Latvia and Estonia, allocation of certain funds for in-service training is fixed by the law, Lithuanian governmental organizations must, if they want to have training, "mobilize local resources". It is very difficult politically when the majority of councilors are accustomed to the fact that all kinds of education and training were free of charge in the former Soviet Union. In addition, incidental seminars and training offers at the expense of international donors force these leaders to look at training as a safe source of private benefit (recreation, pocket money, free tourism, etc.), rather than as a means of organizational development, for which certain expenditures from the budget may be justified. Despite that, the demand for training is rising quickly. Also the kind of training requested is changing rapidly from the most pleasant to the most useful for meeting the challenge of effectiveness and efficiency. In spite of rising financial constraints for local governments in Lithuania, in 1995-1996 we witness more willingness to participate in training, and even to pay for it, than in 1992-1994.

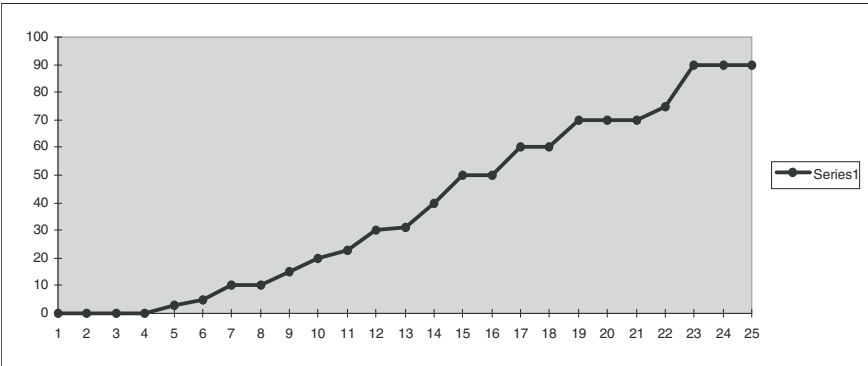
The questionnaires filled out by 25 Lithuanian local leaders who participated in VDM training courses in November-December 1995, show, by the differing estimations, that there is no shared understanding of what standards of qualification may be applied to government officers. The opinion on how many officers meet the qualification requirements varies between 0 and 90 per cent (Figure 1), which reflects, of course, not so much the difference in qualification, but rather the difference in estimation.

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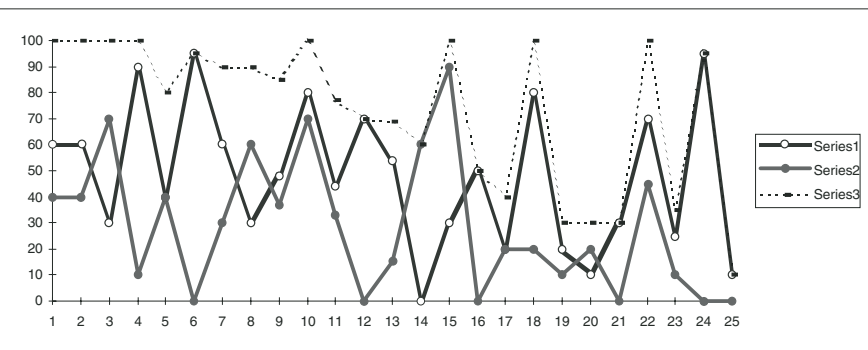
2 Rasa Alisauskienė, *Needs and Opportunities for the Training of Civil Servants in Post-communist Society*, Paper prepared for the conference "Adult Education, Democracy and Development", Council of Europe, Strasbourg, 1994.



**Figure 1**  
**The share of officers in local governments (in %) who have appropriate qualification**  
**(by the evaluation of 25 leaders from different municipalities)**



**Figure 2**  
**The share of officers in local governments who need training (in %),**  
**(the same number on the horizontal scale means the same respondent as on the Figure 1)**



Series 1- how many officers need 15-20 days training to better adjust them their duties  
 Series 2 -how many officers need special educational courses for 3-24 months  
 Series 3- the share of officers who need improvement through the training or vocational education (1+2).

The estimation of the share of public servants who meet qualification requirements in general, but would need 15-20 days training (Series 1 on Figure 2), is less controversial in this group of participants and shows an average figure of 52 per cent. At the same time, many think that a substantial number of public servants in their municipalities require longer courses of 3-24 months (Series 2 on Figure 2). It should be noted, that those surveyed estimate the qualifications of most officers as sufficient but many think that they still require training.

These figures show the immense need for in-service training. For governmental officers the potential demand may be estimated by taking into account the requirements of new legislation of at least 130,000 day/person each year.

The amount of training which is provided now is no more than 2 per cent of this need, and the capacity of all existing institutions will hardly exceed 10-20 per cent of potential demand in the next few years.

When talking about training, we also need to bear in mind that there is a basic difference between the traditional lecture courses and seminars. It is also important to remember that there are several main gaps to be filled on the way to better execution of public services' administration: between ignorance and knowledge, between know-how and corresponding skills, between the skills and the willingness to do something differently, between willingness and ability to implement new patterns of organisational behaviour, etc. Only training, as a specially designed and practice-oriented activity of trainees, can really help them to jump over all these barriers from the worst kind of soviet-type public bureaucracy to the transparent and effective organisation of public services.

### **Training as an instrument for changing attitudes**

The attitude of public officials to their duties, clients, sources of power, performance standards, responsibilities, etc., is of course based on the mentality gleaned from previous educational and social experience; on organisational culture inherited from the previous administrative structures; and on the working environment and relationships founded on the actual circumstances. To achieve a sustainable positive change of attitude, one should primarily change the "landscape" of factors outwith personal factors which influence the behaviour of the civil servant. However, this change may not follow legislative and political changes of "landscape" automatically

and quickly enough, since the inertia of mental maps is much heavier in the transition period than the inertia of legislation. This is often masked on the surface by a widely expressed willingness to change but which actually means a readiness to benefit more from the new order of things, than a readiness to do something differently for the sake of the new order so as to survive. The legislation and political agenda may be changed in one day, but not the people. On the other hand, it is only the people who can make positive, vital and sustainable changes. Two tasks go hand in hand - changing the “landscape” and changing the people. The first one is especially relevant to education, expert support and training for top decision makers. The second one is relevant to the in-service training of the critical number of politicians and civil servants.

In certain cases, changing attitudes may be achieved only through enlightenment of public officials. For example, members of councils are often surprised to learn that the sole mission of elected representatives is to express the wishes and attitudes of the electorate, not to be experts on building engineering or public utilities management. After a clear explanation of basic reasons as to why local councils exist, they start by defining their role differently and consequently change their attitude to certain kinds of activity or behaviour. When the concept of “majority rule”, which is almost an exclusive feature of democracy for “democrats” borne by totalitarian regimes, is supplemented by the concept of “minority rights” - it may make trainees feel uncomfortable, but it inevitably results in changing attitudes towards minorities.

In other cases, changing attitudes may be reached through the appearance of new skills - boring and time-consuming meetings become interesting and effective when properly prepared and use nominal group techniques. The attitude towards using bigger groups in problem analysis and the decision making process changes dramatically when trainees first acquire experience of constructive team-work. Even the most stubborn individualists start thinking and feeling differently towards the possibility of reaching a consensus through well organised co-operation with others.

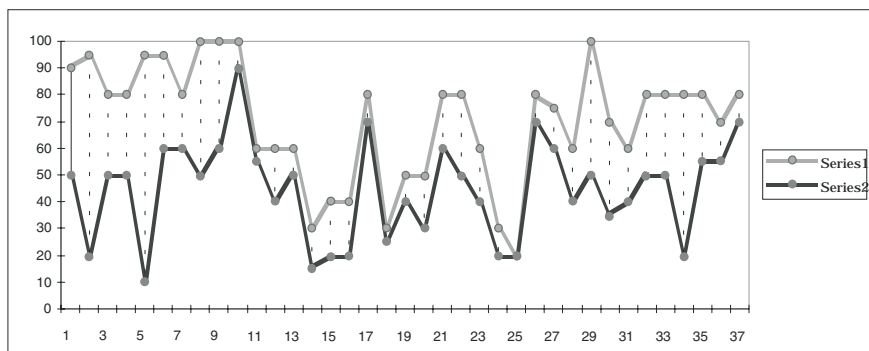
The willingness to do something differently comes simultaneously with the first-time experience of doing it better, and this is usually sufficient motivation for people to change. No-one likes to operate unsuccessfully or to have negative feedback as a result of his, or her efforts. Doing something better is more pleasant than doing it badly. Someone who really needs to win in a negotiation process will obviously apply the new skills learned

through training, if he/she really believes that these skills are useful. Someone who already types with all fingers will hardly return to typing with one finger and looking at the keyboard. Of course, to generate such willingness, training should not only be effective in itself, but should also be very relevant to the practical needs of the trainees' working environment.

Implementation of new skills and patterns of organisational behaviour may pose problems in the working environment, especially where this post-communist environment is so different from the image of the environment built up in the contemporary administrative management approaches.

The answers to 37 questionnaires, received from participants in our courses, demonstrate the considerable gap between estimations of usefulness of new skills and expectations of how much these skills will be of practical use (Series 1 and 2 on Figure 3).

**Figure 3**  
**The difference between estimation of usefulness of new skills**  
**and belief that these skills will be used**



Series 1 - the share of knowledge and skills received in a training course which are of practical use for trainees at their work place,

Series 2 - the share of knowledge and skills which really will be used.

The ability to implement new patterns of organisational behaviour may arise as a result of specially designed activity at the end of a training course. Trainees may receive guidelines on how to overcome resistance and start to do things differently, for example by applying problem solving

techniques and force field analysis. They may receive basic knowledge about the innovation process and basic skills to run it. Of course, for that, much attention should be paid to the planning in the course of training of the follow-up implementation. The methodology developed by the Training and Capacity Building Section of the UNCHS (Habitat) gives an excellent example of such a pragmatic attitude to training - no topic may be finished without trainees doing a practical exercise on the implementation of new ideas and skills<sup>3</sup>. Authors of this paper have great experience in applying this approach, and have witnessed that the trainees not only do it at the end of each day and each topic, but really enjoy it and often indicate in the final questionnaires that it was a very useful activity within the course.

### **Training as an instrument for capacity building**

One of the most harmful illusions of public officials in transitional countries is based on the consideration that financial and material resources are the only arguments for actual capacity function. Almost all trainees in our School of Democracy and Administration define their problem as being a lack of financial resources, sometimes land or buildings, for executing their mission to provide public services. We never argue with this point, but the following activity on systematic problem identification, realistic solution finding and action planning always brings trainees to the surprising discovery that in most cases, real problems may be solved without additional financing. They become frustrated by the idea that they regularly do things wrong. Bearing in mind certain performance standards transferred from other spheres of activity, literature or visiting experience, they usually feel that if performance is bad, or if they do things wrongly, they can justify it by a lack of qualifications or, very often, by low salaries. It is also difficult for them to imagine that they actually did not know what was and was not worth doing.

In this way, training may play a crucial role in enabling public officials to identify problems, and not symptoms, decisions, opportunities or reasons. This is most important. In this way they have a chance to learn that the goal cannot be rationally set before alternative ways of problem solving are analysed; that restraining forces are often more important than driving factors; that initially indifferent stakeholders should be attended to primarily, and so on. At this stage trainees come to understand that the bad

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<sup>3</sup> *Design Human Settlements Training in European Countries*, Volumes 1 and 2, UNCHS(Habitat), 1995

performance they have been accustomed to tolerating is actually much worse, since they do things wrongly, not only in terms of solving artificially formulated problems or setting unrealistic or less effective goals, but in terms of wrongly defining each small step towards goal achievement. Such an experience during training cannot be easily forgotten. Trainees change, and their follow up activity in local governments has become more effective and efficient. This is a clear indication of their improved capacity, especially when the final outcome of the utilisation of the same financial and material resources becomes considerably higher.

On the other hand, practical skills such as brain-storming, team-building, action planning, time and meetings management, communication skills, etc. make trainees better equipped to use human resources, and this results in better usage of public resources for public benefit.

Maybe it is worth mentioning that those people who have never visited our School in Nida, have been known to complain that the cost of training (including logistic costs) is too high. However, we have never received complaints from those who did receive training. On the contrary, they state that the prices are extremely modest in comparison with the benefits, and they have confirmed this by enrolling on future courses. It is in this way that they evaluate the actual output of training for capacity building in their different organisations. We would also add, that “capacity building effect” for local governments is considerably higher than for other kinds of institutions. It may be caused by the complexity of the tasks performed by the local governments, and also on the plurality and variety of resources actually available.

### **The current system of in-service training for civil servants in Lithuania**

The Law on Civil Servants (passed in April 1995) provides only a weakly phrased requirement that officials of a given category should have “relevant qualifications”. It does not mention any means for acquiring or improving these qualifications. There is also no indication of standards.

There are no regular training courses for civil servants - all training activity for public administration is of an incidental nature. Accordingly, the contingent of trainees is rather incidental too.

Under the Soviet regime, up until 1990, there was a system of professional qualification-improvement and retraining for state officials. It was centralized mainly in two institutions: the Higher School of the Communist Party - for

top political and executive leaders, and the so-called Institute for Qualification Improvement for Managerial Staff and Specialists in Public Economy. Both had branches in the main cities. The system of party schools was abolished, understandably, immediately after gaining independence from the USSR. Unlike other republics of the former Union, the facilities in Vilnius were handed over for regular higher education and in this way were removed from in-service training of public officials. The Institute for Qualification Improvement was reorganized into the Academy of Management in 1989 and in 1990 it became the only institution in independent Lithuania providing in-service training for directors of state enterprises, ministerial and local officials. In 1991 this Academy was liquidated and all buildings and facilities re-distributed for different purposes. No-one can explain why it was done because the reasons were not only political, but also related to the private fight for power after the resignation of Prof. Kazimera Prunskiene (Former Rector of Academy) from the post of Prime Minister in January 1991. Thus, Lithuania became a country which had no system of special education and training for civil servants.

At the beginning of 1996 there was only one institution for inter-ministerial training - the Public Administration Training Center (VTTC) in Vilnius. This Center was established at the end of 1993, actually as a UNDP undertaking. It was then given to the Ministry of State Reforms. In 1994 VTTC organized several 1-2 day seminars for public officials. In 1995, after organizing suitable but small technical facilities in the Center of Vilnius, they implemented lecture courses, mainly for ministerial officials. There are 8 employees, but no lecturers or trainers in the staff of VTTC. They use visiting lecturers from universities and the central government. Training programmes are designed by the lecturers and approved by the director of VTTC. They include some legislative issues and a common set of general management disciplines, such as Team Building, Problem Solving, Negotiations and so on. The duration of most of the programmes is 1-2 days, but sometimes up to 4-5 days.

In 1993 the United States Baltic Foundation (USBF) established a Municipal Training Center (MTC) in Kaunas Technology University. In 1993-1994 the costs of setting up and operating this Center were covered by USBF. It now belongs to the Faculty of Administration. There are 3 employees in MTC, two of them teachers. In 1993-1994 USBF/MTC organized about 10 seminars for local government officials. In 1995 MTC was less active. The total amount of training in 1995 was 260 people/days (1994 -

360 p/d, 1993 - 230) with the duration of the courses being 1 and 2 days. The contents of the programmes are relevant to local governments affairs. MTC has never been an economically independent or even sufficiently separate unit. In the first two years it was in operation, it joined USBF activities in the Baltic States and since 1995 it has been a part of the university.

The Center for Local Self-Governments Studies (SPTC) was established as a private institution in Klaipeda in 1991. Seminars, conferences and training courses, organized in 1991-1994 were mostly oriented towards local leaders from the many republics of the former SU, not only Lithuania. Nevertheless, the amount of training provided to Lithuanian public servants was still considerably higher than in the other institutions mentioned. In 1992-1995 over 300 local officials benefited from 3-10 days training courses. In 1994 all training activity of SPTC was transferred to the newly established School of Democracy and Administration (VDM), an NGO educational institution under the auspices of SPTC. There are 5 VDM staff, 4 of whom are trainers. Five employees of SPTC are also involved in VDM activities. The amount of training provided or organized by VDM for Lithuanian civil servants was about 440 people/days in 1994 and about 750 p/d in 1995. Most of VDM income comes from its clients - the local authorities. Few undertakings were financially supported by the EC, UNCHS or other donors.

The programmes of VDM training courses encompass the theory and practice of local government and some common items of administrative management (excluding law and finances). The methods of training are based on recent UNCHS (Habitat) and LGMB (Luton, GB) training materials, but about 40 per cent of the training contents is based on the original work of the staff. The programmes are constantly being adjusted to meet the requirements of the group and may be changed during the course of training. It is still, however, a supply oriented approach, as no assessment of training needs has been made for public administration officials in Lithuania.

The key event at the end of 1996 may be the setting up of a large Lithuanian State Training and Recreation Center for Municipal and Public Servants in Drusininkai. This is to be established by the Government in co-operation with the Association of Local Authorities, with substantial support from UNDP, EU-Phare and other international donor agencies. Substantial resources have been allocated for this undertaking and hopefully, the



Center will soon become the main institution for in-service training for public officials in Lithuania.

Each of the institutions mentioned above operate at a national level. No training unit or subdivision exists at the level of local or regional (county) authorities to serve the local needs.

It is therefore obvious that the supply of in-service training for the public administration personnel in Lithuania is lagging behind the demand. This gap is caused by the absence in 1990-1995, of any national strategy for capacity-building of local governments and by the passiveness of state structures in this area. On the other hand - the development of training as business on the basis of market relations and domestic capacity building was constrained by the lack of financial resources available for these proposals and the destructive actions of international donors.

## **CIVIL SERVICE IN ESTONIAN MINISTRIES: STRUCTURE AND MOBILITY**

*Georg Sootla\* and Annika Anton\*\**

### **The Law on Civil Service and the Structure of the Civil Service in Estonia**

The Estonian Law on Civil Service was adopted on January 25, 1995. It aimed at redefining the legal status of government employees and the system of their rights and responsibilities. This took place at a time when other possibilities of employment in other sectors of the economy had become widespread after the collapse of a state-centered administrative system.

However, the needs and directions of the civil service reform transpired to be far more extensive and manifold than simply the legal regulation of relations between the state and its public servants. This fact manifested itself very soon. The effective date for the act was to be June, 1995. Yet, it would appear that the ignorance of non-juridical aspects prevented the enforcement of the law.

Firstly, the implementation of the Law on Civil Service proved to be a long process. The necessary financial resources were not allocated from the state budget in any given year. This situation seems to be a common occurrence in post-communist countries i.e. during the preparatory stages of reforms, the cost (even when we take into account the financial aspect only) is of secondary importance and is estimated later when the reforms “get tangled”.

Secondly, the adoption of the law launching the reform process, encompassed the adoption and enforcement of seventeen legal acts. At least two facts have become apparent during the preparation of these:

- a) Prior to planning a reform, it is first necessary to establish an adequate empirical conception of what the process, or the structure to be reformed, represent. If this step is by-passed, instead of granting legal status to more important matters, the problem will inevitably have to be faced later. After the adoption of abstract plans (and laws) it then becomes necessary to achieve practical results.

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\* Professor, Tallinn Pedagogical University, Tallinn, Estonia

\*\* Master's Degree Student, Tallinn Pedagogical University, Tallinn, Estonia

Therefore, when planning the civil service system, it is essential to know the age distribution of civil servants, qualifications required for entry, educational background and training needs, the peculiarities of administrative culture, motivational structure, and realistic models of mobility into administrative structures. The reasons for leaving are equally as important for determining the relation between the public and private sectors.

The study of the above-mentioned aspects of the civil service in Estonia has begun. One effort has been made by the inter-university research group on administrative structures. This article presents some preliminary findings of the study so far.

b) Secondly, a successful implementation of reforms presupposes the creation of the necessary structures to focus on development work and analytical activities. Reform programs not only need to be worded but must also be systematically realized. After the reforms are brought into effect and some feedback is obtained on their progress, it is then important to make continuous corrections by assigning plans to realistic situations and eliminating unrealistic aspirations.

If not, the reforms will be a troublesome side-line to the daily administrative routine and a time will come when they gradually disappear. It is a rather complicated task, in reality, to frame the necessary structures for carrying out the reforms of the already functioning administrative system. In our opinion, this presupposes the transition from the principle of a functional formation of administrative structures to the principle of process management and the resulting structures formation.

After recognition of the above-mentioned facts, the bill to change the Law on Civil Service was initiated. The effective date of the Law was established as January 1, 1996. In March, the elaboration of mechanisms for the implementation of the law was still in full swing.

The aim of the present study was to establish a systematic empirical basis required for the elaboration of the civil service system and personnel development policy. This article covers the first general findings of the research which were based on a quantitative and qualitative analysis of 240 personnel records of the civil servants in the two Estonian ministries.

The first conclusion that was drawn in the early stages of the study was that the information required for planning an effective personnel policy and the system of civil service in Estonia, is insufficient.

1. Personnel record cards should contain detailed information about the educational background of a civil servant, both his or her basic and secondary education, as well as details of in-service training. Training records provide a means of monitoring the various education and training activities undertaken by individuals, as well as providing details of training-hours, costs etc. for statistical and budgeting purposes. An absence of the latter hinders the planning of a training program and the proper use of financial resources allocated for employee training and development. (Government agencies may spend 3% of their annual wages and salary fund for training purposes).

In addition, an integral national training system presumes the evaluation and licensing of the training programs. Thus, it is essential for a government institution which is responsible for coordination and training, to have feedback from the participants in the training programs. This information could become one of the sources for re-evaluating training programs in the future. For that purpose the personnel departments in the ministries (and not only the trainers) should keep records on the training activities undertaken and question the participants about the effectiveness of their training. Thereafter the relevant information could be gathered in a special database concerning the civil servants.

2. It is also very important to have information on the career history of the staff, in order to determine their motives as well as the channels of mobility into the civil service together with the existing career models. This would be an essential part in designing a recruitment policy.
3. The Law establishes somewhat concrete limitations to civil servants with regard to their participation in business enterprises, as well as to their engagement to management positions in profit-making organizations - both during service and afterwards. The aim here is to reduce the conflict of interests between the public and private sectors to a minimum. Therefore, it is equally important to have full and adequate information regarding the mobility directions of civil servants, as well as their reasons for leaving. The lack of such information prevents the above-mentioned limitations from coming into force.

## **The Concept of Civil Service in Estonia**

### *A Definition of the Civil Service*

The Estonian Law on the Civil Service regulates the relationship between the government employee and the institution concerned. It does not apply

to non-regular or support staff. The Law also excludes elected politicians and their counsellors, officials working in the judiciary system, in the border-guard, police and the defence forces.

Moreover, the Estonian administrative system constitutes a relatively radical form of an autonomous model of local government: local government not only has a separate budget and revenue base but also practically a free hand in determining its own structure and regulating mechanisms. Hence, on a local level the civil service is divided into working relations with the county government and employment relations with local self-government institutions (municipalities). Therefore many sections of the Law on the Civil Service do not apply to the latter category of civil servants, as in these aspects local governments have the discretion to determine the nature of employment relations themselves. This fact has been partly derived from a presumption that local governments have a free hand in defining the structure of their budget.

The Law does not define the structure of the civil service, the terms of employment, or the wages and benefits which are guaranteed to the civil servants in government agencies. Such autonomy has two different consequences. One of the results of the realization of this local government model is the emergence of local government units with an extremely uneven revenue base and development potential. Towns and surrounding areas which constitute wealthier local government units use their independence for personnel stimulation and quality promotion. Employment in these government units is therefore often preferred to working in government departments, partly because the income and benefits gained are sometimes markedly higher.

Poorer local government units often cannot find the right way to make use of their autonomy (even though they receive subsidies from the state). Their revenue base and annual budget does not allow them the possibility of offering wages and benefits of equal value to their counterparts in wealthier local government units. At the same time, local governments do not find it possible to make the necessary expenditure on training and retraining, even when they find themselves with recruitment problems and a shortage of qualified staff.

The Law on the Civil Service makes a clear distinction between the employees of government departments and other government agencies, that are not directly connected with the government functions. The civil service conditions in Estonia have a far narrower definition than the

service in the public sector organizations and an even narrower application than the service in budgetary organizations.

In the present situation, Estonia is not ready to adopt the principle used in Sweden and France, where all public sector employees work under the same law. Due to the limited resources, discarding this system seems to be the only sensible alternative. However, this does not mean that the opposite model would be optional, minimizing the number of employees to whom the Law on the Civil Service applies.

Public sector organizations are placed in a highly competitive environment, irrespective of whether their services are paid for or free; whether this “environment” is a monopoly or allows competition and also the link between the organization’s income and the effectiveness of its activities.

As a result, many state-owned companies became monopolistic enterprises (telecommunications and post, railway, public services etc.). They, in their turn, have established monopolistic prices linked to people’s income. As a consequence, this means that the actual “tax burden” of the people does not necessarily diminish, only the redistribution mechanism will change. Thus, at least during the transitional period when the control mechanisms in the public sector are weak, it is essential to apply some means to standardize the staff incomes in different categories of the public sector.

The enterprises, whose activities are strictly regulated by the statute and whose incomes are limited by budgetary allocations, are considered in the same way by the Law as the public sector enterprises. The difference is in the essence of the work done, not the economical aspect. Therefore the employees’ source of income (and unjustifiably low socio-economic status) is the same as that of the civil servants, except that the former do not have the same rights and benefits from the Law on the Civil Service and from a civil servant’s special social status.

This tendency has created a situation whereby the above-mentioned organizations are not capable of fulfilling their prescribed functions due to the turnover of qualified staff.

Meanwhile, young state university graduates lack the stimulus for entering these organizations<sup>1</sup>.

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1 According to the Law, civil servants have the right to supplementary payment subject to the length of service (up to 30% extra pay for 15 years in the service); the right to higher pension depending on the length of service (up to 50% supplementary payment); compensation for transport expenses; compensation of the state loan for studying at the university in case of entrance into the civil service after graduation; and for the compensation of the civil servants’ children’s study loan.

There have been several strikes during the last year, organized by cultural and educational workers (when, as the Law states, striking by civil servants is forbidden).

The 'narrow' definition of the civil service is partly connected to the large number of non-citizens working in the public sector. According to the Law, only citizens of Estonia can enter the civil service. A 'broader' definition of the civil service would then cause a mass resignation of staff in certain areas where the ratio of non-citizens is relatively high, and also in some occupational groups (teachers, for example). If this fact proved to be the only argument for the 'narrow' treatment of the civil service, then it could not be accepted as adequate grounds.

Estonia, (as in other transition countries faced with similar problems) could apply the German model of ranking civil servants into categories. This would allow the public sector to execute a strong personnel policy and to reduce spending of taxpayers' money (accompanied by the labour outflow into the private sector and the lack of inflow stimulus).

Estonia could also proceed from a functional interpretation of public administration (as the European Court recommends). This would allow the engagement of non-citizens into the civil service at a certain level. In addition, government agencies could employ highly qualified staff and avoid the emergence of a strong dissonance between the public and the social background of civil servants (particularly in the case of public institutions like the police who provide immediate services for the public).

### *The Model of Career and Recruitment*

The Estonian Law on the Civil Service has discarded a lifetime career model (unlike Latvia) and has accepted an appointment model by adhering to the custom of Nordic Countries. Here the official is not recruited into a civil service "system" but to a certain "post" within the system. The appointment, as well as the establishment of professional standards is carried out by the government agency itself.

According to the Law, the posts that fall within the ten upper ranks in a wage scale, will be filled after an open competition. Officials already in the service must be tested, and the certification takes place after every three years. The Law does not prescribe a universal qualifying exam or the status of a civil servant candidate. Only an official appointed without competition needs to pass at least a six-month trial period, during which his or her

knowledge, skills and professionalism are evaluated. Thus, the Estonian civil service system is more open, democratic and controllable and excludes length of service as a criterion for evaluating the civil servant's professionalism and promotion. It also excludes professional bureaucratic cretinism.

This sort of civil service system is orientated at 'specialist' civil servant level and does not prevent the mobility between the public and private sectors. It also presumes the recruitment of non-regular civil servants, and thereby enables raising the level of competence and flexibility of a government agency and reduces the emergence of bureaucratic 'red tape'.

The above seems to be a radical, but rather effective solution, for securing the quality of the civil service. However, the system described above also has its problems, mainly arising from the peculiarities of post-communist development. The traditional bureaucratic career system was created in order to avoid the partiality of an official and to give more talented representatives of an elite group the opportunity to obtain a career.

These warranties not only served the purpose of material security but also 'social protection' - on one hand from nepotism, and on the other hand by reducing the likelihood that politicians could 'shake' the apparatus at their own discretion. It seems to us that at least in a post-communist transition stage, this system has its own grain of truth which could be made use of. It is most irrational to apply 'pure' models in Central and Eastern European States, even if they do work effectively elsewhere - as a result of decades-long evolution.

The first problem is of a general kind: how much wide-ranged decentralization the system can afford in a situation where it lacks effective control mechanisms to guarantee that the potential effectiveness of a decentralization would not be nullified because of arbitrary decisions and lack of coordination. In other words, to what extent can the decentralized recruitment and evaluation system secure the application of a general criteria of effectiveness and equal opportunity?

The problem would be solved after the recruitment with a general training program for civil servants., at which time there would be the possibility of evaluating personal characteristics and skills more objectively. However, this kind of system does not work under Estonian conditions, where appointment to the position and the resulting professional-oriented system presupposes the existence of such a training system.



On the one hand, it would be incredible that in the present situation the underlying motive for entering the civil service was an opportunity to enter 'impersonal service'. The impersonal system of recruitment would be a channel for some potential candidates whose chances to be recruited into the civil service through an open competition, were minimal. The small size of Estonian society, where personal connections play an important and decisive role, creates an additional condition, even in open competition.

The position appointment system in Estonia assumes total preliminary testing and later periodical retesting, of all the civil servants, since the ten upper ranks in the wage scale have to be filled through open competition. The Law also allows for announcing a competition for the lower level posts, which means that starting with the position of the head of department, all posts (i.e. 30% of the civil service) in the ministry have to be filled through open competition. However, the question remains whether this system can be effective and whether it enables checking the neutrality of testing committees. All this occurs in a situation where there is no real competition for the majority of posts in the civil service.

Let us return to our last idea. The selection procedure for civil servants can only guarantee an improvement in the quality of staff when the selection is real. The aim of an organization can also be achieved by training and development of existing staff. This could also work as a system of impersonal evaluation and socialization of the civil service. It is no secret that young professionals, in particular, see the civil service system as a spring-board into a future career, which in a short time opens up a network of connections and an opportunity for free professional training. Therefore, at least in the first stages of a career, preference should be given to staff to whom the civil service is a long-time perspective and who are ready to take on additional duties in return for the acquired training.

Thus, to a certain extent, it is necessary to apply elements of a lifetime career in a rapidly changing society where open competition for the workforce between the public and private sectors does not work well. Preference for a position appointment to a lifetime career model is a key to political appointments, especially in Estonian circumstances where the Minister has an opportunity to appoint (or at least to 'move') practically all top civil service positions within his or her administrative field. The Minister also has the right to change the organizational structure of the subordinate offices at his own discretion. The last step is often taken in order to appoint personal confidants.

In our opinion, a society in the reformation stages should not avoid political appointments and on certain levels it should be recommended in order to secure a strong reform policy. At the same time it is necessary to establish a clear borderline which would exclude political interference in the work of government apparatus through personnel policy. This is often the case when the political management of a ministry changes.

There is, however, another side to this problem: this situation permits periodic policy termination, which in a transition society paralyses the work of a government agency. In spite of the democratic goals, post-communist states should also secure the continuity of an administrative system.

In our view, the ideology of a neutrality of the higher echelon of civil servants conflicts with the personnel policy prescribed by the Law on the Civil Service - at least in the near future. In this respect, the adopted Estonian Law on the Civil Service and the Law of the Government of the Republic of Estonia contradict one another. Therefore, the presumption of the Law, that it does not apply to staff who have entered the civil service through political mechanisms, can slow down the development of an administrative system.

We can approach the problem from a different angle and ask: what would the testing of top officials and an open competition for their posts resemble? Who would select the chancellor of a ministry or the head of a government agency? Would a criteria of professionalism alone be applied in this case? That being said, the relationship between politics and administration is a separate issue.

Therefore, the planning of a civil service policy should definitely avoid 'pure' and final solutions and must try to reconcile various components of different civil service systems. The system of the civil service to be implemented in Estonia assumes the planning of a well-considered training policy. In order to avoid apparent inconsistencies in the future, this should then be the next strategic step taken.

### **The Structure of the Civil Service: Some Empirical Evidence**

We should emphasize that these are the results of a pilot study and therefore we can present and discuss only some preliminary trends. Hence, it is too early to make any final generalizations from these empirical data.

The present structure of a government executive branch was formed in two stages. The first and most radical restructuring took place in 1990

(therefore it serves us as a point of comparison) through the abolishment and then merging of numerous ministries and their substructures. As a result, the majority of the former government structures evolved into structural units and subunits of present ministries (currently 12). The next reform took place in 1992 when the internal division of competence between the political leadership and administration was changed.

*General structure.*

When divided into categories according to the position in the ministry, the largest proportion of civil servants are employed as specialists - 45%; next are managerial positions (heads of units and higher) - 29%; and clerical staff - 26%. (See Table 1).

The proportion of managerial positions is relatively high (and sometimes unusually high - up to 35 %) while the proportion of clerical positions is relatively small. This could be due to the peculiarity of an administrative reform: namely, the reduction in the number of ministries and their suborganizations which have become units and subunits of existing

**Table 1**  
**Division of employees according to the position in the ministry (%)**

	Clerical staff	Specialists	Managerial staff
Ministry of Economics	22	43	35
Ministry of Culture and Education	33	46	21
Total	26	45	29

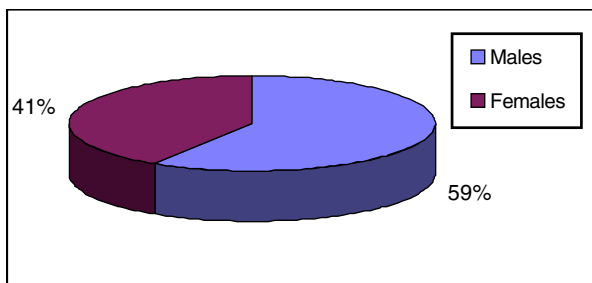
ministries. Therefore, the present ministries have very small and numerous departments and subdepartments (often 2 to 4 persons) staffed by quite a high proportion of top civil servants. The downsizing of staff during merging has obviously been carried out at the expense of the lower level staff. The reduction in the status of the remaining staff is always a very painful and difficult exercise if an organization intends to maintain an experienced specialist core. There is another, more prosaic, reason for this:

as the level of salaries in the ministries (and in the public sector in general) is quite low and uncompetitive, the ministries have tried to increase the salary level of civil servants by transferring them into managerial positions. This is also true on other levels in the service, where routine clerical positions have been transferred to middle-rank positions.

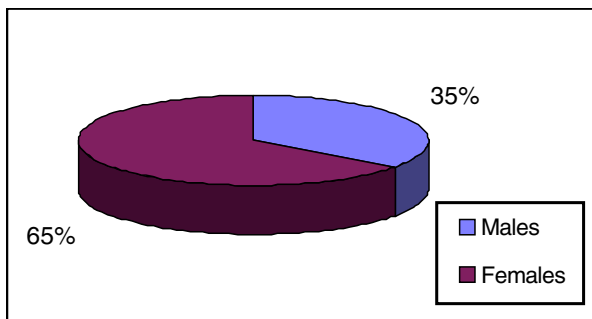
### *Composition of the Sexes*

The percentage of women employed in the ministries is almost twice as high as the percentage of men employed (See Figure 1). However, the contrary is revealed in managerial positions. Here, men are in the majority (59%) and women in the minority (41%) (See Figure 2).

**Figure 1**  
**Percentage of men and women employed in the ministries**



**Figure 2**  
**Percentage of men and women employed in higher managerial positions in the ministries**

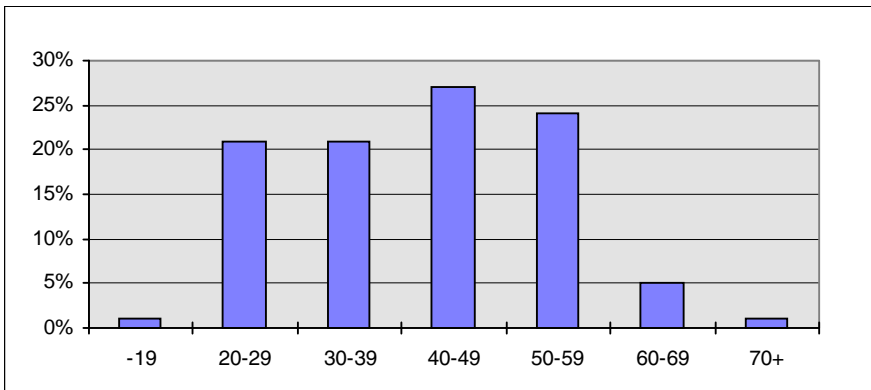


When 49% of men employed in the ministries are in managerial positions, then only 18 % of women are in similar positions. It is quite difficult to interpret these data, since the staff composition of ministries has been partially formed during the downsizing of the existing structures and therefore reflects the former policy of downsizing, as well as the existing practice of recruitment.

*Age distribution*

The average age of staff in the ministries is 42 years, with the average age of male staff being somewhat higher (45,5 years) than the age of female staff (40 years). The largest proportion of staff (27%) is averaged between 40-49 years old and the second largest segment 50-59 years old (23%). However, the staff is relatively evenly distributed according to age (See Figure3). In our opinion, the age structure of ministries is relatively favorable to efficient personnel management.

**Figure 3**  
**Age distribution in the ministries**



We did not discover any meaningful differences between the ministries with regard to the average age of specialists and those in lower management positions. However, there is a sufficient age difference in the case of top civil servants: in one ministry the average age was 51 years and in another, - 38 years. The same difference appears in the comparison of clerical and technical staff. Our sample was not representative enough to make any generalizations on this fact. It would appear that a ministry which has gone

through a more intensive restructuring period, has younger top civil servants as well as younger clerical staff. We will return to this hypothesis later.

### *Age at entrance into the civil service*

The average age of entrance into the civil service is 36 years, with males being aged 41 and females 34 years. (This could explain the status difference between male and female staff.) The figures are the same in both ministries. There is also no meaningful difference in the average age of entrance dependent on the position in the ministry. The average age in different ministries was: for a middle-level position - 37,5 and 39 years and for lower management positions, 37 and 35,5 years. One exception was the position of chancellors and vice-chancellors: in one ministry the average age at entrance was 45 years compared to 35 years in another ministry.

The data gives rise to another question: has the age structure of the civil service changed depending on the period of entrance into service, i.e. before the reforms (1990) and during the reform period? In total, 41% of personnel presently employed in the ministries started their career in the civil service before 1990; 59% started their career afterwards; 18% entered before 1985 and 23% between 1986-1990 (i.e. during the period of 'perestroika'). Hence, the majority of staff, in the ministries studied, is new. But what is the age structure of (literally) old and new staff? (Or as in Estonian political slang, the first category are called - 'the formers').

As one would expect, staff who entered the civil service before 1990 are older (47,5 years) than those who entered after 1990 (38 years). However, this difference is quite small in the case of managerial positions (45 and 42,2 years respectively). If the former difference is relevant to both ministries, then in the latter case, the ministries differ sufficiently. In one instance those in managerial positions, who entered before 1990, are three years younger than those who entered later.

More precise evidence of whether the pre-1990 period mechanism of entrance differed from the following period can be achieved when we compare the average age of entrance into the civil service. Here we reveal quite contradictory evidence. Firstly, there is no difference in the entrance age into the service dependent on the entrance period. All personnel entered into service at age 35-36. However, if we consider staff who are currently in managerial positions, then those who entered the service before 1990 were, at the time of joining, markedly younger (33 years) than those who entered after 1990 (40 years). This somewhat paradoxical

finding is explained by the fact that in the ministries which were not sufficiently 'reshuffled' during the reforms, the senior civil service positions are partially occupied by career civil servants who entered the service at the average age of 31 years and are still in service. Moreover, it would appear that those experienced civil servants have, during the reforms, 'attracted' employees with whom they previously had a joint working experience, into senior positions. However, this statement must be considered as a very preliminary hypothesis.

**Table 2**

**Mean age of personnel by the year of entrance to the civil service**

Year of entrance	Up until 1990	1991-1995
All personnel	47.5	38
Senior civil servants	45	42.5

**Table 3**

**Mean age at entrance to the civil service, by the year of entrance**

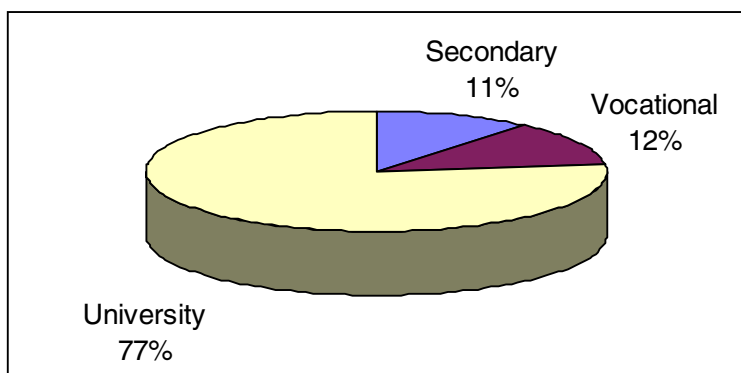
Year of entrance	Up until 1990	1991-1995
All personnel	36	36
Senior civil servants	33	40

*Education*

A focal point in determining the system of the civil service is the educational background of the civil servants. The Estonian Law on Civil Service is oriented towards the 'specialist' who has training in various fields. Let us see how this presumption coincides with the real state of affairs in the ministries studied.

The majority of the staff - 77% - have a university degree and 12% have an additional vocational school diploma. 11% of the staff have a secondary school education (See Figure 4). Also, 66% have obtained a university degree with full-time studies. Amongst managerial staff, 90% have a university degree and 7% have a vocational school diploma, i.e. the majority of staff

with only a secondary education are employed in clerical positions. 94% of men working in the ministries have higher education, and only 67% of women have a university degree.



There were no marked differences in the educational background of the staff who entered the service before and after 1990 (See Table 6). Besides, there was only one person who was educated solely in the former Communist Party educational system. Thus, one can hardly claim that the former 'nomenclature' has preserved its positions in the ministries.

**Table 4**  
**Educational level of staff in the ministries by the year of entrance to the civil service (%)**

Year of entrance	Up until 1990	1991-1995
Secondary	9	12
Vocational	13	12
University	78	76



**Table 5**  
**Distribution of vocational school and university graduates in the ministries according to the form of education and the year of entrance to the civil service (%)**

Year of entrance	Up until 1990	1991-1995
Full-time	66	66
Part-time	32	27
Not recorded	2	7

**Table 6**  
**Type of education obtained (for vocational school and university graduates), by the year of entrance to the civil service (%)**

Year of entrance	Up until 1990	1991-1995
Law	10	6
Economics and business	22	23
Natural science and engineering	32	37
Humanities and social sciences	23	28
Former Communist Party schools	1	-
Other	8	2
Not recorded	4	4

In conclusion, the ministries studied had, in the majority of cases, recruited employees with specialist education in natural and humanitarian sciences. Also, the employees (23%) with a degree in economics should be considered as having a specialist (non-managerial) education. Only 7% of the staff had a degree in law. Hence, the Estonian civil service system is employing specialists and there is little chance that the 'pure' lifetime

career model could be applied. It assumes horizontal mobility between the different ministries. Meanwhile, an efficient system of in-service training in public administration and law should be implemented in this situation.

### *Mobility and career*

We have also tried to establish some evident peculiarities in the career models of the civil servants, dependent on their time of entrance into the civil service.

The traditional career model assumes a relatively long career in an organization in the administrative field of a corresponding ministry. One part of the future ministerial staff started their careers as ordinary manual or non-manual workers. Meanwhile they have graduated from a vocational school or a university as part-time students and later been promoted to managerial positions. Those who studied at university directly after finishing secondary school, rarely entered the ministry or other government bodies straight away. Instead, they first spent a period of their working life as ordinary white-collar employees or as specialists outside the government service. More often than not, the career in the ministries was preceded by employment in a regional office or in local government. One group of employees held top managerial positions in the former ministries and is now employed as middle level staff or as specialists and advisers.

Staff who entered the ministries after 1990 could be divided into several groups. For one group, the entrance into ministry service has been the culmination of a previous career outside. This group has a very similar career model to the traditional one. Often they have been 'invited' by a person already working in the ministry, with whom they have previously worked.

The second group consists of staff who have entered government service after numerous attempts to find a place in other organizations, including private enterprises. Their work experience has not been linked to the ministerial sphere of activities. They therefore see employment in the ministry as being stable.

The third group consists of very young staff who have entered the ministry directly from university with no previous work experience (some of them even before they have graduated). Young professionals are often employed in the new structures and units. However, they are the most volatile group moving between several ministries and leaving their posts after a short time.

**SECTION 6**  
**Changes in Local**  
**Government Finances**

## CHANGES IN LOCAL GOVERNMENT FINANCES

*Glen Wright\* and Dobrosav Milovanović\*\**

The panel on Changes in Local Government Finances provided four papers presenting an excellent perspective on the issues on this subject. Some issues that are considered as a requirement for all papers and the topic of the session are: a) the types and the origin of local governments' incomes in different countries of Central and Eastern Europe, b) how much discretion and what is the degree of self-regulation over the financial arrangements and accounting practices used in local government, c) the predominant local expenditures' purposes, d) control of local government expenditures, e) government financial transfers and their share of local revenues, f) model of local government borrowing, g) new techniques in budget planning, h) local tax and capital investment policies, and I) model of local government financial reform.

Pawel Swianiewicz, of the Local Government Assistance Programme of the British Know-How Fund in Poland, provided a comprehensive paper covering several topics. The unique feature of the paper was the manner in which certain theoretical perspectives were tested against practical research. The paper represents a model for a combination of academic and practical value. It also makes a contribution in the areas of teaching and providing useful information for those making decisions at local government level.

A very interesting issue addressed in the paper was the discussion on the budgeting process at local government level. Pawel Swianiewicz looks at the theory proposed by Aaron Wildawsky concerning the "devastating combination of poverty and uncertainty on the budgeting process". He tested this thesis of Wildawsky and formulated a "defensive budget planning" approval used by local government officials.

The testing of several theories (Downs, Peterson) in the paper and the revelations concerning the behavior that local government officials engage in during the budgeting, tax setting, and capital investment decisions process, provides some keen insights and a new area for research and inquiry with officials in other countries of the region.

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\* Professor, School of Public Administration, Budapest, Hungary

\*\* Lecturer, Law School, Belgrade University, Yugoslavia

Piotr Bury's paper contributes towards a deeper understanding of Pawel Swianiewicz' paper by looking at the budget service decisions made in the Polish city of Łódź. Consequently, we have an opportunity to examine what one city has done with respect to its service areas - kindergartens, transport and the creation of local public security services by a city guard unit. In each of these areas, the city officials have had to face service requirements and also the budget realities of providing those services.

Adjustments in the funding of the kindergartens had to be determined as the number of kindergartens decreased. The strain of kindergarten fees on parents, combined with unemployment, created changes in parents utilizing the services.

The transportation system in Łódź was restructured and private operators are now providing services. There have been dramatic changes in the amount of money spent by the city on transport services.

The creation of a "city guard" represents an innovative approach to answering the concerns of citizens with respect to public security. This is a situation where even though the city faces budget pressure there is a need felt by local officials to provide additional public security, even if this means increased costs.

There is much to be learned from Piotr Bury's paper and it provides several ideas that other local governments could learn from. The problem of dividing central-local responsibilities is still an issue which Piotr Bury left open at the end of his paper.

Soňa Čapková's paper follows on from this issue by examining the financing options faced by local governments as a result of the transfer of responsibilities from central to municipal and regional governments. The division of functions and adequate financing capacity for local governments is still the fundamental problem in making local governments effective government units. This paper serves as an excellent model for making comparisons of the situation in the Slovak Republic with other countries. The paper is well organized and structured and reveals the sources of local revenue with identification of financing options that should be considered. We could say this paper provides the model for developing "policy issue papers" for presentation to central and local government decision-makers. At the end of the paper the next steps in researching the topic are identified. It is hoped that this research can be presented at a future NISPAce conference.

The paper and presentation by Mihály Lados concerning the use of debt financing by Hungarian local governments demonstrates how a good idea which is implemented broadly can have negative consequences. The issues raised in the paper concern how local governments in Hungary have used debt for inappropriate purposes, how the absence of debt limitations can allow local governments to rely on local debt to a level of debt they cannot meet, and how credit institutions make faulty credit risk assessments which are based on social and political considerations rather than economic analysis.

The growth of local government bonds, as a percentage of local governments budgets, is dramatically presented. The result is that some Hungarian municipalities now face bankruptcy and the Hungarian Parliament has now created a municipal bankruptcy law. Debt financing is spreading rapidly through the region, into Ukraine and Russia. The credit institutions, credit risk analysis and accounting systems are not sufficiently well developed to provide defences against the misuse and abuse of debt financing.

These papers address every major issue in local government finance with specific examples of the developments in the three countries. The papers serve as useful models for developing analysis of these topics and a basis for comparative research with development in other countries. The papers provide a resource for academic teaching and political application for practitioners at the local government level. A solid basis for future research was identified and can be brought to future NISPAcee conferences.

# **CHALLENGES AND BARRIERS OF THE EFFICIENCY OF LOCAL GOVERNMENT MANAGEMENT IN LIGHT OF SOCIOLOGICAL RESEARCH AND OECD EXPERIENCE IN THE OPOLE, SILESIA REGION OF POLAND**

*Zofia Kupińska\**

## **Challenges And Barriers**

The main goal and hope of self-government reform in Poland is to evoke innovative thinking and a “spirit of enterprise” among local leaders, and to move the so-called “dormant potential” of the local communities.

In 1990, the necessity of adapting to free market economies and to democratic rules confronted local management. The results of sociological studies have shown that the local decisions of an executive nature at first were made carefully, under the impact of current urgent needs. Many local self-governments have focused on solving present problems, and on trying to resolve the negative effects of past actions, without any orientation to planning for future development or formulation of general objectives for local economic development. The main obstacles were: only a slight knowledge of opportunities to gain financial support; lack of enterprising managerial types in the framework of the budgetary organization; and the experience and knowledge of civic education among the community.

Non-government institutions such as the Opole Center in Support of Local Democracy have organized many courses for local managers to both acquaint them with forms of efficient activities and with possibilities of overcoming the difficulties of management caused by unfavorable laws and organizational systems.

In this paper, I will focus on the issue of civic education as a key element of sustaining changes toward democratic principles.

## **Education as a key element sustaining changes toward democratic principles**

The dramatic changes in the political, economic and social realities in Poland need no elaboration. New democratic free-market systems are replacing five decades of centralized authoritarianism, although the process of reform is still incomplete.

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\* Director, Opole Center in Support of Local Democracy, Opole, Poland

Many sociological studies, however, have identified wide discrepancies between these rapidly changing economic, political and social structures and the slower transformation of beliefs and attitudes inherited from the Communist era. Polish citizens have had little opportunity to prepare themselves for their new roles and responsibilities as citizens of a democratic society. As a result, without experience, Poland's new democratic institutions still rest upon fragile social foundations.

Widespread political disorientation underlines the need to build and strengthen emerging grass-roots local institutions, and to develop skilled, responsible and active democratic citizens.

One major component of Poland's current democratic reforms is the decentralization of what was a previously highly centralized national primary and secondary school system. As of January 1996, the transfer of responsibility for primary schools to the municipal level will be complete.

A parallel decentralization of the secondary schools is already underway. In this way, the primary and secondary schools of Poland are integral components of the process of decentralization, which is a hallmark of the democratization movement. This also means that schools are now accessible to innovative local initiatives and grassroots reforms, whereas previously, all such changes came from the top.

Together with the family and church, primary and secondary schools are highly important instruments for shaping the beliefs and values of the next generation of Polish citizens. However, neither the schools themselves, nor their teachers, have had opportunities to develop effective and attractive civic education programs. Existing programs are scattered and thin. They tend to rely on highly formalistic lecture and recitation methods, which are not attractive to students and are philosophically incompatible with the goal of training young students for active democratic citizenship.

These realities lead to two principal conclusions.

Firstly, we must make a much greater commitment to include democratic civic education as a core component of the primary and secondary school curricula.

Secondly, in keeping with the concept of active democratic citizenship, teaching and learning styles which emphasize innovative teaching and learning systems must replace formalistic lectures and recitation. These must actively engage students in their education for democratic citizenship.



These are the two main goals of the Opole Center's proposed program of "Civic Education in Democratic Systems."

We believe the "Civic Education in Democratic System" should have a substantial impact on increasing public awareness of community issues and local decision-making processes, and encourage and enable people to become more involved, while taking responsibility for solving neighborhood problems and improving the quality of their lives.

It is for this reason that we address our Civic Education in Democratic Systems Programme, not only to teachers and students, but also to other recipients. We believe that only simultaneous civic education addressed to various groups of recipients will bring the best results.

Before I describe the project and what has been done so far, allow me to take a step back and dwell briefly on the past.

## **Opole center for local democracy experience**

### *Organizational background*

Founded in 1991, the Opole Center for Local Democracy has, as its mission, the strengthening of democratic local government in the Opole region of southwestern Poland. As a member of the Foundation in Support of Local Democracy, the Opole Center is linked to fifteen regional centers which together cover the whole of Poland.

The Opole Center has concentrated its resources and energies on providing training and educational programs to local government officials and citizens; to strengthen the foundations of local democratic government and to train community leaders for their new roles and responsibilities in a democratic society. The principal focus has been on helping to ensure that the process of democratic decentralization is both sustained and productive.

As the schools have become involved in the process of decentralization, the Opole Center has paid considerable attention to working with primary school teachers in order to strengthen their capabilities to teach their students about the principles of democratic government and the roles and responsibilities of democratic citizenship. The Center has also had substantial experience in organizing a special course for teachers on civic education in a multi-cultural society, reflecting the ethnic mix of the population of the Opole region.

In 1995, the Opole Center, together with the regional Parliament and the regional school board authority concluded a comprehensive agreement officially recognizing the Center as an integral partner in fostering comprehensive civic education, in cooperation with the Warsaw Civic Education Center. “Civic Education in Democratic Systems” builds upon this record by developing new materials and resources to extend this work to a national level, in partnership with the Warsaw Civic Education Center and the Foundation in Support of Local Democracy.

The Center has a full-time staff of twelve. It also makes extensive use of part-time consultants and trainers. Since its foundation, the Center has attracted more than 12,000 participants to its diverse training programs. It has also developed an extensive system of technical assistance and support for local government and its officials. To carry out the specific activities of this project, and as an indication of our long-term commitment to democratic civic education, the Center is establishing a specific Civic Education Institute, which will have the primary responsibility of implementing this program.

The Opole Center originally concentrated on training municipal elected and management officials from the 65 *gminas* of the Opole region in southwestern Poland. More recently, it has initiated the DIALOG project and other civic education programs, designed to educate citizens on their civic roles and responsibilities, and to facilitate their active participation in the processes of local democratic government.

### **Challenges and Barriers of the Efficiency of Local Government in Light of Opole Center for Local Democracy Experience**

This year, OCLD entered its fifth year of activity, becoming a participant in Opole local governments’ developing processes. We observe more intensive and growing contacts with the Opole region municipalities, which perceive the Opole Center for Local Democracy as an important partner and ally in the complicated task of implementation of local government activities.

OCLD’s five years’ experience confirms the results of sociological research described in point 1. Many local governments have focused on solving present problems, without any orientation towards planning for future development.

Due to the relatively low interest in the workshops and seminars entitled “Training for the Future,” and the ineffective promotional efforts,

one may get the impression that our local government administration authorities are too bogged down with tackling their everyday problems, thus resulting in a lack of a proper future perspective.

The biggest obstacles to be overcome on the road towards efficiency are cultural baggage, little experience and a lack of knowledge of civic education. After five years of training conducted for local government officials, it has become clear that the municipalities run by managers who value "know-how", are more dynamic.

These managers have partnership contacts with foreign municipalities. They can apply for, and make use of, European assistance funds (e.g. PHARE). They know how to seek support, both at home and abroad, for communal investment to accelerate economic development of their municipalities. Their prime objective is infrastructure development. They work out systems of incentives to attract investment capital. Thanks to this approach in those municipalities, unemployment is not as big a problem as in those which are functioning passively, struggling under the pressure of current problems.

Besides having well educated local government officials, citizens' participation is another factor influencing dynamic development at the local level. That is why, apart from an urgent need to continue economic reforms, ownership transformation and further changes in the state administration system, carrying out activities aimed at changing public awareness towards building a society which can benefit from democratic freedom, will be the most important task over the coming years.

The basis of the Foundation's activities is its belief that the easiest way to reach the goal will be at the local level through territorial self government. At the moment, the lowest local government level is the *gmina*. One may presume that very soon, county (*powiat*) government will come into existence. To engage citizens in public life matters at these levels is relatively easy, as is the possibility of observing the results of citizens' participation.

It is for these reasons that the Opole Center for Local Democracy is about to accomplish a series of training programmes entitled: "Civic Education in Democratic Systems."

## **Short description of the project “civic education in democratic systems”**

“Civic Education in Democratic Systems” is a one-year programme for trainers and teachers, local government officials, and current and future community leaders in the Opole region of south-west Poland. This programme contains six blocks. Blocks I and II focus on training trainers and educators in advanced participatory methods appropriate to democratic teaching and learning styles. Blocks III - V provide practical leadership training intended to enhance the knowledge and skills of three groups with civic functions which are critically important to the success of democratic local government. Block VI contains an innovative civic education programme for secondary school students who are about to become adult citizens.

### **Table of Contents**

Block I	Training of Trainers
Block II	Training Primary School Teachers for Democratic Civic Education
Block III	Training for Local Community Leaders
Block IV	Training Local Government Officials for Decentralized Schools
Block V	Training for Priests and Seminarians
Block VI	Civic Education for Secondary School Students

The six groups selected as participants in this diverse but comprehensive programme have been chosen based on their importance as teachers and trainers working to strengthen local democracy, as current or future citizens and community leaders, and as government officials with major responsibilities for specific democratic reforms. These innovative demonstration programmes are designed both to respond to critical community and government needs and to serve as major guideposts for shaping the future programmes and services of the Opole Center for Local Democracy.

### **Implementation (What Has Been Done So Far.)**

As was mentioned at the beginning of point 4, it had been assumed that the project would be started within a year. Practical experience has shown, however, that to reach the effective results, a continuation of the project for at least three years will be necessary. The biggest barrier to the project’s total realization is the lack of sufficient funding.

## **What has been done so far?**

### **Block I**

The programme to expand the group of civic education trainers is being implemented thanks to funding provided by the Westminster Foundation for Democracy. The twenty-five participants come mainly from the Opole and Częstochowa regions.

### **Block II**

A programme for a group of 60 primary school teachers is in the final stage of implementation. Four workshops have been implemented; one 7-day workshop and three 3-day workshops. After each workshop, the teachers present the programme at schools, using interactive methods. In addition, one conference for school principals responsible for implementing this programme, was held.

According to the schedule, the programme will be completed by April 1996.

Funding for these activities was obtained partly from the Friedrich Ebert Foundation and Civic Education Center, and partly by our own resources.

### **Block VI**

This will be realized during the period May to August 1996, supported by the Stephan Batory Foundation and Opole Center's resources.

Implementation of the remainder of the Blocks and following programme continuation in coming years will depend on available funding.

I think it is obvious how much effort we have put into programme implementation, especially in the area of fund-raising. This is because we attach so much hope to the programme and believe that this is an investment for the future which will bring about the desired results.

### **Expected Results**

We assume that the programme implementation will bring tangible results for the development of local community in the region:

- I. A group of trainers will educate various groups of the local community of our region using the best participative and interactive methods.

- II. Formed groups of teachers - multipliers in civic education will have the following assignments:
  - preparing other teachers to extend civic education in schools implementing new civic education programs among school children.
- III. A group of local leaders will emerge, bringing together other citizens to:
  - solve specific local problems
  - expand the number of people willing to participate in local community life.
- IV. Creating in the municipalities, teams responsible for efficiently taking over the educational functioning at local level. The teams, which will consist of local government authority representatives and school principals, will be developing the models of school functions which will be one of the most important elements of building civic society.
- V. Priests, who are opinion leaders in local communities, will stimulate community civic activities by indicating the benefits of democratic rights learned in this program
- VI. Through youth civic awareness development, the methods of their active participation in public life will be worked out. Young people will be prepared for participating in elections and other forms of local community activities.

As the project is addressed to various groups of local community, its continuation will be necessary over the coming years.

The result of the project will be participative civic communities, able to use democratic freedom.

# **PUBLIC SERVICES IN THE BUDGET OF A BIG CITY: CASE OF ŁÓDŹ, POLAND**

*Piotr Bury\**

## **1. Introduction**

Local government in Poland was reintroduced in June 1990, more than six years ago. That event counts amongst the most important changes that have taken place in Poland during its political and economic reform.

This paper examines public services rendered by the local government in Łódź, based on expenditures from the local budget (Section 5). It includes three concrete examples of these services; how the functions are organized, how much they cost and what important changes they have faced during last few years (Section 6). As prerequisites to these changes, the author points to transformations in the economy, organization and politics, using cases of kindergartens, city transport, and City Guard, respectively.

Such detailed analyses need some background information about local government in Poland. First, therefore, we review the key events which eventually led to the current local government system, with some basic information on their position and structure (Section 2). Section 3 is devoted to describing local government tasks. In Section 4, expenditures made from the budget of Łódź are compared to those of local governments in total. Section 7 contains conclusions about the issues raised in Sections 5 and 6. The last Section is again of a general nature, with some remarks referring to the future of local government in Poland.

The cases used in the paper refer to Łódź, the second largest town of Poland, where the author lives and works. The history of Łódź might itself be a topic for a separate book - if one book was enough! One-hundred and seventy years ago, Łódź was a stagnating country town of less than 1,000 inhabitants. During the next ninety years, due to the fast process of industrialization in textiles, it exploded to a city of 580,000 inhabitants. Now the population is almost 830,000 people. Łódź seriously suffers from the overall economic recession, moreso since textiles still dominate its industry.

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\* Professor, School of Public Administration, Łódź, Poland

## 2. A Brief History and Current Structure of Local Government

Political, economic and social changes taking place in Poland arose from the unrest which occurred periodically in its postwar history. The direct cause was the events that evolved in Gdańsk in August 1980. A subsequent period of Martial Law ensued, on the one hand, strengthening the opposition and, on the other, causing the internal disintegration of the Communist Party. The effects were the Round Table debates and (eventually) the election of a two-chamber Parliament in June 1989. It was this Parliament which in 1990 issued the Act on Local Government, which is the basis on which the current Polish system of local government was organized.

The governmental structure of Poland consists of locally governed *gminas* (a Polish name of units of the first and, until now, the only tier of local government), and of the forty-nine State administrative units (voivodships). This territorial division is generally the result of reforms during 1972-75.

Right now there are about 2,470 *gminas*, of which 300 are towns, 1,610 rural *gminas* and 550 units of mixed character (i.e., a town and a neighboring rural *gmina* having a common local government). The capital city of Warsaw is a union of 11 urban *gminas*.

The voivodships' heads act with the help of almost 270 subregional offices, which are to be replaced in the future by another local government tier of *powiat* (county).

Because of the local government reform, local budgets were separated from the State budget. The ratio between them is somewhere around 1:5, respectively.

*Gminas* vary with respect to their areas and populations. They vary from quite small towns with 2,000 inhabitants and an area of less than 5 sq.km, up to as big as 950,000 people (the Warszawa-Centrum urban *gmina*) with hundreds of square kilometers (mainly rural and mixed). These two factors together with, for example, a dominant function (agriculture, industry, recreation) or a place in the country (seashore, lowlands, mountains) make the set of *gminas* highly differentiated. Nevertheless until 1996, they were all required to administer the same set of tasks with the same range of revenue sources (see Section 7).



### 3. Local Responsibilities

Tasks of the local government in Poland are typical, covering all the fields important to the functioning and development of the local communities like health, social care, education, housing, and local roads. It is not the scope of tasks, but rather the conditions of their fulfillment that makes the essential difference from the past. The most important are that the *gminas* were granted legal status and communal property. These elements, together with a rather clear division of powers and relative freedom in preparing and spending the budget, created a completely new situation — both in local management and in central-local relations. The consequence of the applied solution is the full, explicit responsibility of *gminas* for fulfilling their tasks. The 1990 Local Government Act specifies the areas of *gminas*' "own" tasks as follows:

- spatial organization, land use and environmental protection;
- commune roads, streets, bridges, squares and traffic organization;
- water mains and water supply, collection and treatment of municipal sewage, environmental health and sanitary facilities, municipal refuse dumps and waste recycling, energy and heat supply;
- local public transport;
- health service;
- welfare, including care facilities;
- communal housing construction;
- education, including primary schools, kindergartens and other educational facilities;
- culture, including public libraries and other cultural facilities;
- physical culture, including recreational grounds and sports facilities;
- market places and shopping malls;
- communal parks and wooded areas;
- communal cemeteries;
- public order and fire prevention; and
- the maintenance of commune premises and public facilities and administrative buildings.

These general statements require much more detailed and precisely expressed divisions of power between the local and Central governments. Initially spread through many Acts, they were consolidated in 1990 into

**Table 1**  
**Structure of expenditures, Łódź, 1994**

Sectors	Łódź	Poland
Agriculture	0.0	2.3
Transportation	-	1.9
Communal Economy	46.7	26.8
Housing & Other Communal Services	14.1	6.7
Education	10.2	25.5
Culture & Art	3.0	3.3
Health Care	3.2	8.7
Social Care	3.7	9.9
Physical Culture & Sport	2.1	1.3
Different Activities	6.2	n.a
Administration	9.9	10.3
Other	0.9	3.3
Total	100.0	100.0

one special Act which clearly defined local versus State responsibilities in these areas. Even more powers were recently shifted to big towns (see Section 7).

*Gminas* may also be charged with other tasks stemming from the State administration's responsibilities. Parts of them are obligatory. The others require the *gmina's* agreement. In both cases, the necessary money is to be provided by the Central Government. The tasks of particular *gminas* vary a lot in practice, due to the above-mentioned differences in size and character.

#### **4. The Gmina of Łódź's Budget and Tasks**

Łódź is not a typical *gmina* in Poland. The same is true of its budget. Therefore, before a more detailed analysis of its particular expenditures is begun, it seems reasonable to compare it briefly to an average Polish *gmina*.

As described above, the tasks of local governments cover various spheres of activity essential for the normal functioning and development of *gminas*. Their relative importance may to some extent be expressed by the spending from local budgets. These do not necessarily reflect the real involvement of local administration. They nevertheless show the areas where the local government acts in financial terms, suggesting priorities and limitations.

Operating expenditures depict activities aimed at a direct, immediate supply of the current, individual, group and common needs of the local society through public services. Capital investments, on the other hand, extend the material base for these services. Both kinds of spending are important. Like everywhere else in the economy, their proportions should be thoroughly weighed.

The structure of the expenditures from Łódź's budget as it was in 1994 (the State grants for delegated tasks excluded) can be seen in Table 1.<sup>1</sup>Next to it is a similar structure for the whole of local government (but due to available data with grants for delegated tasks, comprising 10% of the total local budgets).

In Łódź, expenditures for the Communal Economy and for Housing took up as much as three-fifths of the town's budget. The first part went mainly to city transport. The second went to the maintenance of the old communal housing stock. Together with Education and Administration (10% each), these four categories used as much as four-fifths of the town's budget. Shares to other sectors had therefore to be significantly smaller. The ratio between the operating expenditures and capital investments has now stabilized around 7:3. In 1991, however, it was as high as 5:1.

## **5. Expenditures from the *Gmina* of Łódź's Budget**

The following analysis covers the period 1991-1995, i.e., complete years of local government activity. Data for 1991-1994 were taken from budget reports, and from the budget proposal for 1995.

All the data refer to the so-called local government's own tasks, meaning that they exclude the State special purpose grants. Figures in the annexed table, and in the text, were converted to PLN. The Sectors specified in the table correspond to the scope of activities defined above as public services. Under the heading "Other," all the "productive" sectors are included, e.g.

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1 For more comparative detail over years, see Table 2 at the end of the paper

Building Construction and Domestic Trade, and financial services such as Transfer Payments and Finance. This combined sector was reduced from 4% in 1992 to 1% of the budget in 1994. Detailed analysis of that sector of the expenditures shows that these can also be counted as public services. One may find there, for instance, money spent on public housing, land-surveying services, and occasional and promotional events.

Total expenditures were growing in the period discussed, faster year-by-year than inflation. Spending in most sectors also grew at entirely different rates, but sometimes only nominally. From among the public services sectors, only in two cases were the expenditures lower than in the previous year: in 1992 in Education, and in 1995 in Different Activities. The former was caused because of the closing down of several kindergartens (see Section 6.1). The latter indicates two large investments financed by the *gmina* of Łódź. Of 17.1 million PLN. spent in 1994, as much as 11.4 million went towards the continuation of construction of an exhibition and trade center, and for the modernization of a local airport. In 1995 for these projects only 2.1 and 0.8 million PLN. respectively were planned, partly because of the final stages of work and partly due to changes in policies of the new City Board.

Shares in the total expenditures show the importance of each sector and its changes over the period. Every year most money went towards the Communal Economy. Its portion rose from 44% up to 50% of the budget. At the same time this was the most stabilized spending, with the maximum difference in share not exceeding 12%. Housing, together with other non-material services (such as cemeteries) took second position, accounting for 14-17% of all expenditure with a fluctuation of 23%. Third was Education (9-15%, but with a difference of 63%) and fourth, Administration (6-11%, with a strong 71% growth).

These four sectors consumed each year between 81% and 85% of the town's budget. For the other service sectors, the *gmina* of Łódź was spending from its budget from 1% (Physical Culture and Sport) to 6% (Different Activities). This last sector had the biggest fluctuations, reaching up to 295%.

The percentage of money spent for capital investments was increasing all the time, from 16% in 1991 to more than 32% in 1994. It was planned to be 30% for 1995. As mentioned above, this was the result of the town's engagement in several big projects, including the exhibition and trade center, and the local airport.

## 6. Local Public Services

After this general analysis of expenditures by sectors from the *gmina* of Łódź's budget, examining some local government functions in more detail seems worthwhile. From all the possibilities, the author selected those which were influenced by recent changes in the economy (kindergartens), municipal organization (city transport) and politics (City Guard).

### 6.1. Kindergartens

In the recent past, kindergartens were usually free. In Łódź, with so many young mothers employed, there was a strong demand for this service. To obtain a place for a child was not easy. All the kindergartens were state owned, whether they were run by local authorities or by other enterprises or institutions. Cooperative firms were rather small, as was their social activity. Kindergartens were, from the beginning, assigned as a local government task. The *gmina* of Łódź took over not only those that had been under State administration, but also those run by industries.

Economic crisis severely touched most of the State, but particularly firms in Łódź, especially those dealing with textiles. Thousands of people, mainly women, became unemployed. Now, having much less money and much more free time, they decided to take care of their children by themselves at home. This tendency was strengthened even more when the City introduced a kindergarten fee. A similar, weaker effect had occurred a couple of years earlier, when parents became obliged to pay for their children's meals. This led to the demand for kindergarten services to decrease compared to what it had been.

The *gmina* of Łódź had therefore to reconsider its spending level in this sector. In May 1991 they introduced a kindergarten fee. Other substantial changes impacted upon the facilities themselves. As a result, in 1991 the City closed down 44 kindergartens, with a further nine in 1992. During the same time the number of employees fell by 600, especially amongst administration and operating personnel. Soon, however, due to changes in the teaching programme for the so-called "0" (pre-school) classes, employment grew again, but only in the teachers' group. Since then the number of teachers has stabilized at 1,300, while that of the other posts significantly decreased from more than 2,200 in early 1991 to less than 1,600 by the end of 1995.

Since 1991, all kindergartens in Łódź belonging to the local government have been transformed into separate, independent units, called budgetary

enterprises. In general they are supposed to earn the funds required to run them for themselves. Nevertheless, they may receive subsidy grants or have to share their profits with the *gmina*.

Kindergartens used to consume most of the money in the Education sector, although their share has been decreasing, from as much as 99% in 1991, to 73% in 1995. That is because the city is spending more and more money for other tasks in the Education sector, such as for pupils' rest, "0" classes in schools and even financial help for high schools.

From 1996 on, however, this whole structure will be strongly dominated by primary schools, which have become each local government's own responsibility. The next important move is decentralized secondary education which in Łódź, as in the other 46 largest towns in Poland (except Warsaw, which will enter this programme in 1997) is being shifted from the State to the Łódź authority.

Most of the monies spent for kindergartens (up to 100% in some years) were on operating costs. In general, capital investments were not necessary as there was a surplus of facilities inherited from the previous system. Only one kindergarten was built by the City in a new residential area. Construction of a church-sponsored facility was also supported, along with some adaptations of existing buildings for disabled children.<sup>2</sup>

At present, approximately 17,000 children attend 165 kindergartens in 700 groups. There are about 400 vacancies. Enrollment was similar at the beginning of 1991, but they were cared for in 720 groups in 220 kindergartens.

The town's budget for 1995, for the first time, allocated funds to support private and church-sponsored kindergartens. They supported 11 units with 610 children total.

## 6.2. City Transport

Łódź has the second largest population in Poland. At the end of 1994 there were 828,000 people in an area of almost 300 sq. km.<sup>3</sup> Compared to other similarly large towns (Kraków, Poznań, Szczecin and Wrocław), Łódź

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2 This is another interesting face of on-going changes. Before recent times such facilities couldn't even be seen. Omission of many social problems seemed to be a proof they did not exist.

3 During the last ten years the town has lost more than 20,000 inhabitants, the process being especially strong recently. In 1994, the net decrease was 5,000.

has the highest population density, despite the annexation of about 80 sq.km of its rural neighborhood a few years ago.

A substantial part of Poland's towns' territories (in our case, 51-54%, but only 35% in Szczecin) is used for agriculture and forestry; functions which could hardly be acknowledged as urban. This means that in Łódź there are as many as 5,780 inhabitants per 1 sq.km of the urbanized area. In the other towns mentioned, the number varies from 4,650 to 4,860, with the exception of Szczecin, where it is only 2,130.

Within the town of Łódź one can see its old, densely populated part, dating from its period of impetuous growth in the second half of the nineteenth and beginning of the twentieth centuries. Łódź was almost destroyed during the last War. As a result, for years the decision-makers<sup>4</sup> from the Capital did not see any need for its reconstruction, especially since this could be seen as a real threat to the ruined lands in Warsaw.

Łódź had not in fact land thresholds for its growth, except along the belt rail-line.<sup>5</sup> New residential areas for tens of thousands of people (in Britain they would proudly call them "new towns") were built close to the old center. Łódź was, and still is, a compact town. On the one hand, the town's spatial pattern, together with its old building inventory, limits the length of streets with trams and buses. On the other, it complicates the traffic organization within the center where most transit lines cluster.

Since 1898, the basic means of city transport has been the tramway. It is only in the last few decades that the bus has become important, due to the spatial growth of the town, and also to the extension of service to the peripheries.

At the same time the tram-network was under reconstruction, new sections were built to connect new large residential areas. Existing lines were simplified by, for example, limiting left-turns. Short terminal sections were closed, especially where new possibilities of connections emerged, or where the bus proved to be more economic. Introduction of the time-tariff in the Autumn of 1994 made such modifications more easily accepted by passengers.

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4 Decision-makers refer to the decision-making which is (or at least should be) a logic, consequent process based on the real resources and limitations with full responsibility for the decisions.

5 In recent decades lack of water became another serious threat but of quantitative nature, to further growth.

Rapid growth of industry in Łódź required more workers than could be found in the town itself. Therefore, an extensive network of suburban tram-lines was built. The subsequent decline in industry, triggering a decreasing demand for workers, caused the demand for transportation services to fall significantly.

The first decisions on closing lines were purely political. Soon after the newly implemented administrative division of Poland in 1975, during road reconstruction, the tram-line which had run to the town of Tuszyn, was shortened to end at the larger village of Rzgów. Being assigned to another voivodship, Tuszyn could no longer maintain visible links to its natural core-town.

The next changes were based on economic reasons. In 1991, the line to the town of Aleksandrów Łódzki (20,000 people) to the West was closed. It was caused, in effect, by a lack of agreement about sharing the costs between the two interested *gminas*. For many months trams did not operate on the lines to Lutomiersk (also in another voivodship after 1975) and to previously mentioned Rzgów. The latter was eventually closed in 1993.

Suburban ("inter-city") trams operate from Łódź to Pabianice (a town of 76,000 inhabitants) to the South, Konstantynów Łódzki (a town of 18,000) and Lutomiersk (an old town, now a village), both places to the West, Zgierz (59,000) and Ozorków (22,000), both to the North. This last line is the longest, both as far as distance (24 km) and time (1.5 hrs) are concerned. It is no wonder that people there prefer other means of transport.

Outer-city bus lines are of much less importance. The city transport services are now supplied mainly by the MPK-Łódź Ltd Co., which originated on the basis of the organization and assets of the previous *gmina's* enterprise. Two other limited companies of the same origin service suburban lines. There are also two bus lines in Łódź operated by a private firm. There were more firms, but only this one remains. At the same time they contracted out several operating functions, e.g. internal transport, security and cleaning.

The new character of the city transport companies resulted also in a form of settlement of accounts. Grants to the *gmina's* enterprise were replaced by payments for transport services to all four mentioned firms.

The biggest city transport company is MPK-Łódź, which carries 1,250,000 passengers daily. It serves 24 tram lines totaling 300 km in length and 58



bus lines, exceeding 700 km. The *gmina* of Łódź lent the Company all necessary assets, for example three tram depots (two were lent to “suburban” companies) and three bus garages plus 470 trams and 440 buses.

In 1994 MPK-Łódź started to operate transportation for disabled people as a new service. Passengers order the service by phone. It uses eleven specially equipped vans, and charges a reasonable fare. In 1995 the Company expected to have about 19,000 users.

This restructuring has brought about significant economic results. The share of money spent on the city transport in the whole sector of the communal economy decreases year by year. In 1991 it was 56%, and in 1995 it was 35%. Absolute sums are also smaller. For 1995, it was to be just 70% of what was spent in 1991.

To pay for the city transport services in 1995, the *gmina* of Łódź provided the following sums ('000 of PLN.):

MPK- Łódź	40,820.4
private firm	95.5
suburban companies	2,386.5
MPK- Łódź (for disabled)	692.0

In total, the *gmina* pays 44.0 million PLN. of the operating expenditures. Capital investments were to be an additional 7.3 million, to be devoted to the purchase of vehicles and for track improvements.

### 6.3. City Guard

The City Guard is linked to changes of a political nature. Its creation meant a break after many years of the State's monopoly in the sphere of institutions devoted to maintaining public order. The authority of the “local police” is much less than that of the national police. On the other hand, they attend to matters which are important for maintaining law and order within the town, thus complementing, or even replacing, the police in cases of “less” importance.

The City Guard in Łódź was created in February 1991, as a so-called budgetary unit. This means that all its income was transferred to, and all expenditures paid from, the local budget. Among its tasks are to take care of the citizens' security, protect streets and market places, eliminate “wild” trade, act against devastation of communal property, survey order and

cleanliness in public places, control car-parking, and protect buildings used by the town's and State's administrations.

At the beginning, the City Guard numbered 20 employees. At the end of the first year of activity it employed more than 60. Now total employment is 220, of which more than 200 are uniformed guards.

In 1994 the City Guard of Łódź wrote nearly 20,000 traffic tickets, amounting to 313,600 PLN. Most of them (10,700) were issued for offences connected with road-traffic, mainly illegal parking. Next were tickets related to market activities (7,200) and for damaging grass (1,200). Three-hundred contested cases were directed to special bodies of citizens with jurisdiction over minor offences. Local budget income from these penalties in 1994 totaled 280,000 PLN.

Expenditures for the City Guard are classified within the sector called Different Activities. This sector includes various categories of spending, including shelter for alcoholics, promotion of the town, and assistance to many associations. This sector of the local budget grew rapidly during 1991-1994, increasing from 1.9 million to 17.1 million PLN. In 1995 it fell to 9.5 million. The portion spent on the City Guard was different each year. It varied from 11% to 32%. The exact sums were (in '000 PLN):

Expend./ Year	1991	1992	1993	1994	1995
Total	283	896	1408	2563	3016
Operating	251	859	1366	2499	2873

The operating expenditures include salaries (with all surcharges), purchase of furniture, uniforms and guns, and in the last two years horses and horse-riding equipment. Horse guards are used for patrolling the 1,000 hectares of "Lagiewniki", a large communal forest. Money for capital investments went mainly to buy cars.

The above figures suggest that after a rapid growth in spending connected with the creation of the City Guard, they should now stabilize.

## 7. Conclusions

Since, at the beginning of this paper, we had no formulated thesis to be proven or disproven, we therefore have no formulated conclusions. However, we can summarize with the following remarks.

Referring to the three prerequisites of changes suggested in the introduction, it may be said that:

1. In response to changing overall economic conditions, and economic situations of the public, the gmina of Łódź had to rethink their contribution towards kindergarten and related services expenditures. They closed many facilities, although the number of children remained the same. A few kindergartens in new residential areas were opened.
2. To improve and economize city transport services, the gmina of Łódź transformed the existing city transport enterprise into a limited company. Moreover, two separate companies were established to serve suburban lines. Operating functions and two of the less important bus lines were contracted out. An observer can easily see improvements made in the quality of the city transport services. These include a time-tariff, timetables and network diagrams at bus and tram stops, new stops with newsstands, and a transport service for the disabled.
3. The City Guard, a new organization, was established to complete services which were supposedly previously rendered by a State monopoly. Public order and security are surely better than was the case prior to the hiring of 200 additional people in uniforms.

The examples presented refer to Łódź. They may, to some extent, be thought of as typical for large towns. At any rate, they confirm the common opinion that reinstitution of local government (with other changes in politics and the economy) has had a significant, positive influence on the quality of public services at local level. To await further transfer of powers to local government is then justified. That process, however, must be linked with shifts of sufficient monies and particularly to local powers for gathering them. Otherwise such attempts either will fail (like the so-called Pilot-Programme; see below) or the scale and quality of assumed services will decline.

Recent friction connected with the taking over of the primary schools from the State administration by *gminas*<sup>6</sup> proves, however, that the government likes repeating its mistakes. The same may be said generally about the so-called Big Towns Plan.<sup>7</sup>

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6 At first this was a voluntary and sluggish action. In January 1996 it became compulsory. Only the mixed urban/rural *gmina* of Aleksandrów Łódźki, refused to comply, arguing that the law guarantees sufficient financial support.

7 Recently the Union of Polish Towns decided to challenge the State in court about the insufficient funding of the primary education system.

From 1996, 46 highly populated towns (and the 11 urban gminas of Warsaw from 1997) have been given significantly more powers.<sup>8</sup> They took over, for example, all public middle schools, health and social care centers, cultural institutions of regional importance, and roads (except express and motor ways). They were also charged with many other of the state's responsibilities.

Other voivodship towns, together with neighboring gminas, can create "urban zones of public services," making agreements to take over the same responsibilities as big towns have, but only as delegated tasks.

As additional tasks need additional money, the "big towns" are to receive for their own new tasks additional shares of personal income taxes collected, calculated according to an elaborate formula. For delegated tasks, they will be given special purpose grants. The same refers to tasks taken over by the urban zones of public services. Due to the Big Towns Plan, Łódź's budget in 1996 is to be 14% larger than the "normal" one.

That new division of responsibilities should also help local governments to save face in their relations with the public. Until now they were often blamed for sins not of their making. The reason was that the divisions of powers, although clear, were complex and sophisticated. People were not able to distinguish which particular task in a given field was the responsibility of their local government, and which was that of the state.

Streets in towns serve as a good example. The more important ones (in practice, those with public transport) fell under the *voivod* as the state's official regional agent. The rest, i.e. local, "belonged" to the local government. Questions emerged during the winter, when they were covered with snow or ice. One can imagine the injury claims against the local government, even when a street was not their responsibility, added to which they had no money.

Such unclear situations were strengthened by the local mass media which, once it gained independence from State (Communist Party) censorship, often looked for cheap sensations instead of reporting fair, reliable information. An example is the media's comparison of spending for the local administration and health care sectors. In 1994, for example, it was 27.1 million PLN, versus 8.9 million PLN. The information was presented to the public omitting that the latter was in the hands of the

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<sup>8</sup> From 1994 some of them participated in so-called Pilot-Programme which eventually failed due to too little money in comparison with delegated tasks.

*voivod* which provided as much as 299.7 million PLN. for the entire region of 1,137,900 inhabitants, but with three-fifths of them living in Łódź. From that sum, almost one-third was directed to Łódź in the form of special purpose grants for delegated tasks. The local government's attempts to explain these complexities were usually treated as attacks against the free press.

## **8. Final Remarks**

Our economic and political systems are under the process of change and this in turn has to be reflected in the scope of the local public services.

It is too early to identify and evaluate the actual effects of the Big Towns Plan, or of the delegation of primary education everywhere on the local level. It is conceivable that some amendments to their approaches will be necessary. The system of public services still remains highly centralized. The vital issue of central-local financial relations remains unresolved.

These and other new problems will have to be solved during the preparation for setting up a *powiat*, the second tier of local government. These historical units, containing a number of *gminas*, must be allocated not only tasks, but also money. The first step toward *powiats* has already been made by forming big towns and urban public services zones. What's more, the current 49 voivodships are to be transformed into a smaller number of larger units.

Irrespective of how wide and deep those changes will be, local governments' financial resources have to match them. *Gminas* will remain the most important government units serving the people living in their areas.

**Annex**  
**The budget of Łódź - expenditures for gmina's own tasks (in '000 PLN)**

Sector	1991		1992		Year		1994		1995 (plan)	
Communal Economy	41996 <sup>a</sup>	46.4	67383 <sup>a</sup>	49.5	92955	46.8	128071	46,7	144859	44,2
Housing	15613 <sup>a</sup>	17.3	20639	15.2	31325	15.8	38737	14,1	51978	15,8
Education	13279	14.7	12280	9.0	18218	9.2	27831	10,2	36124	11,0
Culture & Art	2123	2.4	3177	2.3	4611	2.3	8341	3,0	8572	2,6
Health Care	2710	3.0	3419	2.5	4516	2.3	8898	3,3	7434	2,3
Social Care	2951	3.3	3930	2.9	7023	3.5	10157	3,7	10055	3,1
Phys. Culture & Sport	1490	1.6	2044	1.5	2802	1.4	5747	2,1	4846	1,5
Different Activity	1876	2.1	4205	3.1	12387	6,2	17088	6,2	15254	4,7
Administration	5869	6.5	13170	9.7	20700	10,4	27083	9,9	36528	11,1
Other	2585	2.9	5919	4.3	3935	2,0	2113	0,8	12378	3,8
Total	90489	100	136165	100	198471	100	274065	100	328028	100
Operating	76024	84.0	100214	73.6	137211	69.1	185487	67.7	230042	70.1

a - including respective grants for the *gmina's* enterprises.

## **ANALYSIS OF ALTERNATIVE OPTIONS FOR FINANCING TRANSFERRED RESPONSIBILITIES TO MUNICIPALITIES AND REGIONAL GOVERNMENT**

*Soňa Čapková \**

The next stage of reform of the local public administration has been in preparation in the Slovak Republic since 1991. The basic aims are to provide:

- the development of local democracy and the involvement of citizens in decision-making
- continuing decentralization by the transfer of responsibilities to local and regional governments, thereby enhancing the subsidiary principle
- improving the finance system for local governments so that they can meet their new responsibilities
- a more efficient system of organizational structure of local public administration
- optimal new territorial and administrative structures for the Slovak Republic

The proposals include the creation of a regional level of local government. But the means by which tasks will be allocated, and the range of tasks to be reallocated between the two levels of local government and local state administration, will need to be decided.

The efficient financial system based on the balanced rate of own revenues and governmental transfers, together with spending standards, are the basic preconditions of a properly operating self-government structure.

Reflecting on these issues, a collaborative research study has been carried out jointly by the Institute of Municipal and Regional Development of Matej Bel University and the Institute of Local Government Studies of the University of Birmingham.

This paper presents the current basis of central-local financial relations in Slovakia, results of the first stage of analysis dealing with the alternative methods by which transferred responsibilities could be financed.

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\* Director of the Institute of Municipal and Regional Development, University of Matej Bel, Banská Bystrica, Slovakia

The objective of the research is to identify options for:

- changing the current financial base of municipal government;
- financing additional responsibilities which may be transferred from central to local government;
- financing a regional tier of self-government if and when it is established.

Whatever has been considered, these issues cannot be presented outside of the context of the local government system, especially the local finance system.

### **The current basis of central-local financial relations**

The present system of local government in Slovakia was established in 1990, when new legislation created a system of primary-level elected municipal bodies with legal entities and defined right. There are more than 2,800 municipalities for 5,2 million citizens.

According to the Local Government Act, municipalities are responsible for providing:

- administration and maintenance of public housing;
- completion of housing estates and complementary technical infrastructure;
- physical planning;
- public transport in big cities;
- the construction and maintenance of local roads and public spaces;
- public parks and open spaces;
- cemeteries;
- street lighting;
- local market places;
- refuse collection;
- household waste disposal;
- local cultural, sport and recreation facilities;
- nurseries for young children;
- promotion of initiatives in education, nature conservation and the protection of ancient monuments;
- promotion of humanitarian initiatives;



- basic social care services;
- local police service;
- fire service;
- municipal administration.

Obviously the extent to which these activities are undertaken depends on the size of the municipality and its financial base.

According to the Local Government Act, a municipality is independent in making and implementing all decisions regarding the administration of the municipality and its property, provided that another law does not consign such decisions to the state or some other legal or personal entity.

Many hundreds of small municipalities are seen as a problem, but there is also an awareness of the strong local feelings of local independence. The disadvantages of these small municipalities are obvious. They are not large enough to carry the costs of a professional administration. They cannot enjoy the advantage of economies of scale. There are some public services they are not able to provide at all. The base for their revenue sources is limited and also variable.

The municipal level is the only level where local government has been established. Regional authorities appointed by central government as an administrative constituency and administrative division of the central government had been implemented at the same time.

### **Major Sources of Revenue**

The principal sources of revenue available to local government are :

- local taxes and fees;
- revenues from municipal property;
- non-tax revenue;
- transfers;
- the share of centrally-collected taxes;
- grants from central government.

Municipalities levy and collect the local tax and fees. In a new system of national taxation introduced in 1993, the real estate tax was assigned to local governments. The real estate tax base includes land and buildings. The tax rate is based mainly on areas (square metres of different types of property).

Legislation currently provides Slovak municipalities with a total of eleven separate local fees which can be employed to generate local revenues. There are ceilings on the levels of fees which can be set, but these levels, and whether particular fees are imposed, are discretionary.

The sharing of revenue is regulated by law. Municipalities receive a share of the national government's total tax revenue, generally distributed on an unweighted per capita basis. Which taxes are shared, and in what proportions, are settled by the Act on State Budget every year. In 1996 there are three shared taxes:

- a 23,6% share of income tax on wages which is distributed to municipalities according to the number of inhabitants;
- a 3,33% share of income tax of legal entities, 60% of which is distributed to municipalities according to the number of inhabitants and 40% according to the taxpayer seat;
- a 30% share of road (motor vehicle) tax collected for the tax administration area is redistributed to municipalities within the area, the precise share for each municipality being equivalent to their share of the total population for the area. It is dedicated to the building, repairs and maintenance of local roads.

The central state budget also provides specific subsidies to support certain activities in municipalities with up to 5,000 inhabitants. The amount of such subsidies is based on size of population multiplied by a coefficient of agricultural land quality. There are also subsidies from the central state budget for the operation of city public transport (in four cities only).

Formerly, there were substantial amounts of government aid for capital investment in infrastructure by localities. Among these were funds for development programmes, and for financing the completion of housing complexes begun before 1989. But at present, there are no specific capital grant programmes, except for city public transport (in the four cities), and ad hoc subsidies from specific state funds such as the State Environment Fund.

Municipalities may raise credit without having to apply for permission. They are able to borrow from the capital markets. Local governments may finance capital expenditure through municipal bonds.

The level of local public expenditure reflects the scope of responsibilities performed by local government. The decentralisation will further widen

the scope of responsibilities especially as far as budgetary responsibilities are concerned. The share of local government budgets in total public expenditure<sup>1</sup> was 13,2 per cent in 1993.

### **The Alternative Methods of Financing Transferred Responsibilities**

Starting reform involves establishing regions as local self-governments. The devolution of new tasks of local government is related to regionalization, but some tasks can be transferred to municipalities.

It is the intention to transfer the responsibilities for kindergartens, secondary, basic schools and other educational facilities, culture facilities, water and sewerage systems, and primary health care. Some administrative tasks are also under consideration to be transferred to local government such as registry, procedures for building construction and physical planning. Such a reform can only be successful if the financial conditions are right. It will imply assigning resources to regions and municipalities depending on their tasks. It would be necessary to establish approximate scale of additional expenditure which may fall to regional and municipal self-governments as a result of the transfer of functions.

Theoretically, there is an option between financing transferred responsibilities by transfer payments from the state budget, or by enhancing local taxation, or as an alternative by user fees. Theoretical possibilities of each of these major issues have been suggested such as:

- increase local shares of state taxes;
- devolve state taxes;
- specific or multipurpose grants;
- assign share of state taxes to regions - either as a share of or for surcharge.

Research issues on which these possibilities depend were examined, e.g.: Is it feasible to devolve any existing tax source to regional and municipal government? Are any existing state taxes suitable for a local surcharge?

### **Transfer payments**

Transfer payments from the State budgets to local government are the key issue both for the regional and for the municipal tier.

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1 Public expenditure here is public budget expenditure

Obviously state transfer payments cannot be analyzed without referring to the whole of local government finance. They influence the level of overall public expenditure and reflect the central government policy on local government. The amount and regulations of grants and tax shares depends on the distribution of responsibilities among government levels and other government income sources established by the law.

There are currently three kinds of transfer payments in Slovakia:

- lock grants to municipalities with up to 5000 inhabitants;
- specific grants for city public transport;
- tax shares.

If grants and tax shares are cumulated, they provide one third of total local government revenue (1995). The wider the scope of local responsibilities, the higher the share of total public income that needs to be assigned to the local budget. The choice between an increase in grants or the assignment of higher yield taxes to local budgets was to be considered.

### **Revenue sharing**

Revenue sharing provided 74% of intergovernmental transfers in 1995. However, the tax shares provide one quarter of the total local government revenue. The shared taxes identify closer with local origins than other taxes and there is no strong argument for reviewing the current shared base.

The present tax sharing system suffers from instability of the percentage shares. They are settled by the Act on State Budget every year. In 1993 when the new taxation system was introduced, 70% share of the centrally collected income tax on wages was distributed to municipalities.

Since 1994 there have been three share taxes:

- income tax on wages;
- income tax of legal entities;
- road (motor vehicle) tax.

Although compensated to some extent by rising yields, the percentage shares have been reduced gradually:

a share of income tax on wages	1994	29.92%
	1995	22.53%
	1996	23.6%
a share of income tax of legal entities	1994	5.87%
	1995	4.51%
	1996	3.33%

The only stable share is a 30% share of road (motor vehicle) tax. However, this share provides only about 7% of total shared revenue yield.

Tax sharing of the income tax allocated on a per capita basis includes an equalization effect which is deemed to set off the tax potential inequalities. Tax sharing is classified with local tax revenues because of its fiscal origin. However, individual local government decisions have no influence on local tax revenue when the sharing key is applied to national revenue yielded by the tax. In any case, tax shares can be calculated on the basis of the tax revenue yielded locally.

Reducing percentage share means a decline in the share of national resources for local services. In the next stage of the research it would be necessary to investigate the feasibility of converting the tax on the incomes of small businesses into a local tax

There could be a case for extending the shared tax base to value added or excise taxes if critical national functions such as education, social and health care were devolved and funded by revenue sharing rather than grants.

It has been requested to look at regional distribution of the tax base on the personal and corporation income tax (tax maps) to see what level and type of additional sharing might be relevant to the needs of the regional tier.

## **Grants**

Much less importance is given to grants as compared to tax shares in transfer payments. Grants are used by central government to support basic local government functions and compensate low income basis in small municipalities, as well as to support specific functions assigned by the law

to some municipalities. They are allocated only to support certain activities in municipalities of under 5,000 inhabitants and the capital investment and the operation of public city transport in the four cities. The bulk of functions to be performed are otherwise financed by local revenues and tax shares.

It is proposed to investigate the suitability of specific grants for certain services where uniform or minimum standards are important. National standards will be important in the provision of education and of any health or social care responsibilities which may be devolved. Basic preconditions are evaluation of the operational costs, investments necessary for the upkeep and to ensure stable resources to cover these costs.

It is necessary to define how far the funding of transferred responsibilities should guarantee national interest in the levels, directions and uniformity of expenditure.

### **Local taxation**

Ideally local government revenue should include some taxation over which local authorities have discretion. National legislation usually defines which local taxes shall be levied and how they should be assessed and collected, while local governments have discretion in deciding the tax rates. The local discretion is important in giving local representatives some margin of choice over the size of municipal budgets and making them accountable to local taxpayers for the use of their money.

Real estate tax is the only significant tax which is transferred entirely to local government. Local tax provides only a very small proportion of the total local government revenue (9,2% in 1995). It might not be expected that the yields will increase significantly, even if the local discretion over its rates has been broadened in 1996 and local councils are empowered to fix the rates of most real estate categories. The major problems are assessment of the value and the lack of close connection between the property value and the incomes from which the owners have to pay the tax.

For the financing of responsibilities transferred to regions, three solutions are possible: taxes assigned to regions, tax shares, or grants based on expected level of expenditure. The grants would make the new regions a mere agent of the central government. The shared taxes assigned to regions will be decided centrally and the regions will have no influence on their income. The assignment of one or several regional taxes will give the

region a limited tax power. A greater concern is equalization. With more local tax revenue, the local budget will reflect more economic inequalities between localities.

As a variation of local taxation, local surcharging of national taxes has been considered. Local surcharges are applied to personal income taxation in several countries. The advantages include the relative buoyancy of the tax source, the clear identification of the individual taxpayer with specific place of residence and the direct connection between the level of the tax and ability to pay. Personal income taxation is already the largest source of tax income for Slovak municipalities through tax sharing. Allowing them to surcharge this base would provide them with tax power and responsibility as well. Surcharging personal income tax would be much easier to operate at regional, rather than municipal level, since each regional tax office would only be applying one level of regional surcharge and paying proceeds to one regional authority.

Comparing these possibilities depends on examining a number of issues in the next stage of the research: what is the current scale of central government expenditure on any function likely to be devolved to regional or municipal government; how does this transferred expenditure compare with the yields of taxes which could be transferred (as a whole or as a share); what are the distributional consequences; would any transfer of responsibility and revenue have to be accompanied by an equalization measure.

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## FINANCIAL POLICIES OF POLISH LOCAL GOVERNMENTS IN 1991-1994: LEARNING WHILE DOING

*Pawel Swianiewicz\**

Most of the existing research on local finances in Poland focuses on legal and economic problems. A large proportion of the analysis has an important normative component - it indicates how existing regulations influence effectiveness of delivering local services and suggests systematic changes. This paper concentrates on policy outputs, although the existing legal and economic environment is an important background of this analysis. The most important questions are:

- how may we describe the process of the translating existing legal environment into real policy outputs?
- what are the factors which influence differentiation of financial policies?

The relatively low interest in policy analysis of Polish local governments has had its roots in a “determinist approach”. It has often been assumed that local government makes “the only possible” policy choices. In fact, such an approach has been harmful to local governments. The ability to diversify policy choices in different municipalities is one of the major “core values” of the local democracy. In this paper some factors influencing this differentiation are identified.

In this paper the following topics are discussed<sup>1</sup>

- Changes in the structure and the level of local revenues and differentiation of the fiscal capacity of Polish municipalities.
- Budget planning. How are local budget plans being prepared? How precise are the predictions concerning local revenues and expenditures? What are the directions of changes being introduced to the budget during the financial year?
- Tax policies. The system of local tax in Poland is frequently criticized for being overcentralised but this does not mean that municipalities

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\* Programme Manager, British Know-How Fund for Poland “Local Government Assistance Programme” and research fellow in the Gdansk Institute for Market Economics.

1 The paper is based on a part of the study undertaken in the Gdansk Institute for Market Economics and sponsored by the Adenauer Foundation. The study is going to be published in Polish (P. Swianiewicz, *Polityka finansowa gmin*, Gdansk Institute for Market Economics, 1996). Readers interested in a full English summary should contact the author.



have no discretion in this respect. This paper tries to analyze how they make use of that discretion.

I will try to argue that local government policies were changing considerably during the period 1991-1995. At the beginning of this period new local elites were mostly inexperienced and they used financial instruments cautiously and hesitantly. During the following years, with the advancement of the learning process, the financial policies became more complex and much more diversified. "Learning while doing" seems to be a correct description of the development of the situation.

The paper presents an analysis of financial policies of local governments in Poland over the period 1991-1994, although some analyses are extended to 1995. The data used in empirical analysis comes from two sources:

- nation-wide city-level data on the structure of local revenues and expenditures,
- more detailed budget data collected from a sample of municipalities covering approximately 10% of the total number of municipalities. This sample method is used to analyze the precision of budget planning at the beginning of the financial year (compared with the actual budget) and local tax rates.

## **1. Losers and winners: changes in the financial situation of local governments**

The financial situation of Polish municipalities is far from being stabilized. During the first part of the transformation process this was because of the revolutionary nature of changes from a centralized to a local government system but also due to a lack of permanent regulations on local finances. The new "Local finances act" had been voted by the end of 1990 as "tentative" and Poland has only had the permanent (but also frequently amended) act, since the end of 1993. An unstable financial situation has also been related to rapid changes in local economies. The collapse of certain state-owned enterprises resulted in an unstable inflow of tax revenues.

All facts mentioned above are common knowledge but the variation of the process is less frequently discussed. In this section I will try to answer what the reform's impact has been on the level and variation of local revenues. Which municipalities gained and which lost as a consequence of the change process ?

**Table 1**  
**Local revenues as percentage of national average**

	Inhabitants	1985(*)	1991(**)	1994(**)
Urban municipalities	over 100 th.	128	152	128
40-100 th.	130	127	116	
20-40 th.	122	130	114	
up to 20 th.	156	148	143	
Urban-rural municipalities	over 20 th.	112	121	110
up to 20 th.	108	97	102	
Rural villages	over 5 th.	85	90	90
up to 5 th.	102	97	103	

(\*) - without regional shares in local budgets,

(\*\*) - without a school subvention and grants for delegated powers.

Table 1 presents changes in the relative (in relation to national average) wealth of municipal budgets.

The general picture of differentiation remained unchanged during the period 1991-1994. Urban municipalities had higher revenues than mixed urban-rural, which were more affluent than those in rural areas. Generally speaking, revenues per capita increased with the size of the municipality. This simple rule is disturbed by the relatively high revenues of small towns and the smallest rural villages. The standard deviation of revenues in those groups is extremely high. In fact, among the smallest units, one may find a relatively low number of very affluent municipalities, which then influence the average for the whole group. Those wealthy local governments are usually found in:

- rural villages with a large industrial plant located within their area. The revenues from property tax and corporate income tax can make local budgets extremely rich;
- seashore municipalities with very high revenues coming from taxes on small businesses serving tourists.

The thesis on the worsening of the local governments' financial situation is frequently formulated both by local governments' associations and by scientific analysis. Nevertheless, it is not easy to answer the questions

precisely if there has been a fiscal stress in Poland during last few years. It is obviously not enough to compare local revenues in  $t$  and  $t+x$  years. The following are complicating factors:

- inflation. This problem may be relatively easily solved using a corrective coefficient;
- changes in local functions. The same level of revenues may indicate improvement or worsening of the local budget wealth, depending on the increasing or decreasing number of local functions. In Poland the most important recent changes have concerned the taking over of responsibility for primary schools (voluntary from 1991-1995 and obligatory from the beginning of 1996) and since 1994 transferring some additional functions (secondary schools, major roads, health service) to cities with a population of over 100,000;
- changes in local fiscal policies. Absolute increase or decrease of local revenues may be related not only to the fiscal slack or stress but also to changes in local tax rates. Due to limited local discretion over tax rates this factor has not been as significant as, for example, in Sweden, Denmark or the USA. However, in the third section I will show that it may be quite consequential in some municipalities. For example, the massive reduction in the rate of the property tax on private houses may cause some additional functions (secondary schools, major roads, health service) to cities with a population of over 100,000;
- changes in local fiscal policies. Absolute increase or decrease of local revenues may be related not only to the fiscal slack or stress but also to changes in local tax rates. Due to limited local discretion over tax rates this factor has not been as significant as, for example, in Sweden, Denmark or the USA. However, in the third section I will show that it may be quite consequential in some municipalities. For example, the massive reduction in the rate of the property tax on private houses may cause a considerable decrease in local revenues due to the choice of political option, rather than to the fiscal crisis;
- subjective perception. Rose (1980) claims that *"frustration is the subjective consequence of a squeeze between what is expected and what is received"*. This psychological aspect seems to be important in Poland and is related to the gap between what many local leaders expected at the beginning of the reform and what is the real situation.
- impact of tax policies. In 1985 local authorities had virtually no discretion over so-called local taxes. For the 1992-1994 period I used revenues

calculated on the assumption that tax rates were equal to the “ceiling level” (according to the law, local tax rates cannot exceed the maximum level defined by central government regulations),

- impact of changes in local functions. For calculations I use the theoretical concept of “common functions” and therefore disregard grants on delegated powers as well as the subvention for primary schools maintenance. Similarly, in the data for 1985, spending on primary schools is deducted.

Table 2 suggests that the reform of 1991 brought about improvements to the financial situation of local governments. This improvement was largest in rural villages, while some cities noted a fiscal stress<sup>2</sup>.

**Table 2**  
**Real changes in local governments financial situation 1985-1994**  
**(1991=100)**

		1985	1991	1992	1993	1994
Total		89	100	96	111	114
Urban municipalities	above 100 th.	99	100	73	85	86
	40-100 th.	110	100	81	93	97
	20-40 th.	115	100	87	101	103
	up to 20 th.	125	100	92	110	116
Mixed urban-rural municipalities	over 20 th.	93	100	87	102	101
	up to 20 th.	101	100	97	111	117
Rural gminy	over 5 th.	79	100	96	110	112
	up to 5 th.	80	100	101	118	120

It is important to remember that Table 2 includes average numbers. In fact, real revenues in 1991 (compared to 1985) decreased in almost 40% of municipalities of different sizes and located in virtually all regions.

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2 Obviously, analysis of revenues level alone, does not provide sufficient ground for the description of the 1990/1991 decentralization reform. At the same time the real local government system was implemented, introducing municipal property and municipal budgets separate from the state one.

The financial situation has also changed during the period 1992-1994. 1992 saw a worsening of the financial situation in almost all categories of municipalities. The decrease in revenues was strongest in the large cities. This was the result of two intervening factors:

- real decrease in revenues from own local sources (approximately 10% in all size categories);
- change in shares of the central tax system. In 1992, with the introduction of personal income tax, the 15% share of local governments was introduced. However, the formula of the shares distribution had a strong equalizing impact and resulted in the very high increase of shared revenues in small *gminy*<sup>3</sup> and at the same time a very strong decrease in the large cities. Considerable improvement was noted especially in rural *gminy* in Eastern Poland, in which small private farms dominate the economic landscape.

Table 2 clearly indicates that 1993 brought about an increase of real revenues in all categories of local governments. This was thanks to an increase of revenues from own sources (about 20%). But many municipalities complained that this increase had been eaten up by costs related to the introduction of VAT that year. Also, 1994 brought about an increase of revenues, although much slower than in 1993. As a result, in 1994 (compared to 1991) there was a fiscal slack in rural villages and in small towns. On the other hand there was fiscal stress in larger cities. In the group of the largest cities (with a population of over 100,000), the decrease in real revenues was quite substantial (more than 10%).

## 2. Budgeting process

In 1990, new local governments responsible for municipal budgets, had to cope with several problems at the same time:

- lack of experience in the financial planning and the cash flow control, especially the lack of experience in market economy mechanisms,
- unstable macroeconomic situation (especially very high inflation),
- unstable microeconomic situation of enterprises (including those paying taxes to local budgets).

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3 Rural units has received revenues from shares in personal income tax proportionally to their population, despite the fact that farmers do not pay the tax.

Those factors are commonly known and were usually regarded as sufficient explanation for the problems in financial planning. I think that we should also remember the psychological factor. It is important to recall that in 1990 in many municipalities, new local governments inherited budgets with huge deficits. To cope with the deficit problem was very often the first and the most important task for new treasurers. It was especially complicated due to economic turbulence and lack of experience. It was very impressive to note that most municipalities had already solved this problem successfully by the end of 1990. But this experience, to a large extent, shaped the approach to the way of thinking on budget policies. This approach may be labeled as *defensive budget planning*. The most important objective on many municipalities became avoiding the deficit trap. Using game theory language, it can be said that the strategy to minimize risk became much more important than the strategy to maximize expected profit.

In this section I will concentrate on precision of budget planning and on the possible consequences of a lack of precision. The main hypothesis suggests that budget revenues were often planned too cautiously. The budget accepted by the council at the beginning of the year usually has much lower revenues than those actually implemented. Local authorities assumed it was better to amend the budget, even several times during the financial year, rather than risk overestimation of revenues. In fact, in many municipalities “changes in the budget” became a regular item on the local council’s monthly meeting agenda.

The direct consequence of this strategy was the extension of a bargaining phase for almost the whole year. There is no doubt that the strategy was to some extent, rational. Two of the reasons for the “defensive budget planning” were the unstable legal situation and late decisions on central grants. But it is possible to show that predictions related to revenues from own sources were not much more precise.

A “defensive” strategy made long-term planning very difficult, if not impossible. The exact list of projects to be financed was sometimes still unknown even a few months into the new year. A clear hierarchy of priorities was quite often replaced by a bargaining process accompanying each change in the budget. Moreover, sometimes local governments did not have enough time to spend resources available after a very late change in the budget. As a result, many municipalities had a very high budget surplus at the end of the year. Although limited surplus was very useful

due to irregular and low revenues at the beginning of the next year, with some simplification we can assume that any surplus exceeding 10% of total revenues reflects an inefficient use of available resources. This is especially true in the case of a high inflation rate.

The picture presented above was typical of the first years of local government reform, but some elements of it may still be found today.

In this section I will try to verify the following hypothesis (summarizing the above):

- 1.2 *Budgets voted at the beginning of the year reflect a “defensive planning” strategy. Planned revenues and expenditures are much lower than actual and the council accepts the necessity of frequent changes in the budget (during the financial year).*
- 2.2. *“Defensive planning” was most visible in 1991. In the following years, its importance decreased due to increasing experience of local governments and to economic stabilization.*
- 3.2. *“Defensive planning” was even less prevalent in 1994. This could have been due to the new local election and electoral cycle, which was found to be significant for local policies in many countries (Mouritzen 1989). Election campaigns provoked many local governments into making more risky spending plans and to more frequent borrowing.*
- 4.2. *“Defensive planning” has been most visible in the case of municipal investments. At the beginning of a year, local councils usually assumed a very low level of capital budgets. Most of their investment projects were introduced into the budget during the current financial year.*
- 5.2. *“Defensive planning” was especially popular in small municipalities (due to the lack of technical expertise necessary for more precise planning).*

*Budget surplus (deficit) as a result of the approach taken to financial planning.*

A very high budget surplus (in this paper: more than 10% of total revenues) may be due to two reasons. Firstly, revenues high enough that the municipality has a surplus, even after satisfying all the needs of the local community. This possibility seems to be unlikely even in the richest Polish municipalities. Secondly, it may be a result of imprecise estimates of local revenues. Changes made too late in the budget, make the use of available resources impossible .

Table 3 suggests that up until 1994 a budget deficit was rare and a very high surplus was quite common, especially at the beginning of the reform (40% in 1991, 7% in 1992., 4% in 1993, 3% in 1994).

The increasing number of municipalities with budget deficits in 1994 may be explained by the “electoral cycle”. Alternatively, one may try to explain this phenomenon by fiscal stress. As I pointed out in section 1,

**Table 3**  
**Percentage of municipalities with budget surplus or deficit**

Surplus as % of revenues	1991	1992	1993	1994
< -10	0.7	0.5	0.8	4.7
-10 - -5	0.5	0.1	0.9	4.4
-5 - 0	1.6	0.9	1.0	6.2
0	0	43.1	38.3	33.2
0 - +5	25.4	34.5	44.2	39.4
+5 - +10	27.7	14.2	10.8	9.1
>+10	44.1	6.9	4.0	3.0

**Table 4**  
**Percentage of municipalities with budget deficit according to wealth of local budget**

Local revenues from own sources as percentage of national average	
<75%	8.9
75-90%	13.6
90-110%	21.3
110-125%	18.1
>125%	19.4



1994 brought about a very small increase in real revenues. One can argue that at the same time municipalities took on the responsibility of more functions (for example, in 1994, many local governments took over responsibility for primary schools). This resulted in a burden on local budgets. But if the latter explanation is true, we should see a relationship between budget deficit and wealth of local budgets. Table 4 indicates that there was no such relationship. Moreover budget deficits were uncommon in the poorest municipalities. Therefore, we may speculate that budget deficit was due to policy choices.

A very high budget surplus is correlated with local revenues per capita, but the relationship is not that strong: high surplus is found relatively rarely in poor municipalities and somewhat more often in the richer.

The difference between larger (urban) and smaller (rural) units is clear but not very significant. A high budget surplus was found in 5% of urban and 8% of rural units in 1992 and in 1% of urban and 3% of rural in 1994. This would seem to weaken the support for the hypothesis of the strength of “defensive budget planning” in smaller municipalities. However, this thesis requires further investigation. It is possible that smaller municipalities prepare more defensive financial plans, but this is not clearly reflected by the budget surplus at the end of a year, since small budgets are less complicated and it is easier to spend all available resources even in the case of very late local budget changes.

### *Precision of budget plans*

Until now analysis of budget planning was based on indirect indicators - budget surplus or deficit. In this section we compare directly the budget planned at the beginning of a year with actual revenues and expenditures. This is based on data collected in 62 municipalities in 1994.

Table 5 shows that in 1994 almost 95% of surveyed municipalities underestimated their revenues. In 69% of cases the error exceeded 10%. Only 5% of local governments overestimated their revenues. What is interesting is that the most precise were those estimations of the state subsidy. In 90% of analyzed cases, the estimated value was between 90% and 110% of actual. The most frequently underestimated were conditional grants - it is not surprising because they are distributed on the basis of purely subjective criteria and it is very difficult to predict the final result of the application made. Many municipalities put “0” value for conditional grants received.

**Table 5**  
**Planned revenues and expenditures as % of the actual budget**  
**(1994)**

	Total revenues	Subvention grants	Conditional sources	Revenues from own expenditures	Total expenditures	Capital expenditures
<70%	10	0	93	3	10	39
70-90%	59	7	0	34	38	27
90-100%	26	82	2	35	38	13
100-110%	3	6	0	11	11	5
>110%	2	6	5	20	3	16

Heavy underestimation of local revenues from own sources is a bit less frequent. It is worth pointing out that more than 30% of local governments overestimated their own revenues.

As was expected, “defensive planning” is more visible in the case of capital expenditures. Total expenditures were underestimated by more than 30% in 10% of municipalities, but in the case of local investments the proportion of units with such a heavy underestimation was almost 40%. At the same time, we may notice that a considerable proportion (20%) of municipalities overestimated investment spending. It is clear that planning of investment spending is more difficult for local governments than predictions concerning operational expenditures.

Table 6 illustrates the precision of budget planning in municipalities with different sizes of population. There is no doubt that budget estimations are the least precise in small rural local governments. Considerable underestimation (more than 10%) of revenues was noted in 80% of rural governments and under 60% of urban municipalities. Variation in precision of local investment plans was similar. Thus, despite the fact that rural budgets are less complicated, so it should be easier to predict the budget precisely. However, on the other hand, technical skills in local administration are also scarcer in small local governments. It seems that rural villages are also aware of their low “bargaining power”. That is why none of them “dared” to assume success for obtaining a conditional grant (whose distribution depends on subjective decisions made by the regional and

central administration), although some of them received such support later (during the financial year).

**Table 6**  
**Planned revenues and expenditures as percentage of the actual budget - differences between urban and rural governments (1994)**

		<90%	90-100%	>100%
Total revenues	Urban	59	35	6
	Mixed (urban- rural)	55	36	9
	Rural	79	18	3
Subvention	Urban	6	88	6
	Mixed	0	82	18
	Rural	9	79	13
Conditional grants	Urban	47	30	23
	Mixed	46	27	27
	Rural	100	0	0
Revenues from own sources	Urban	47	29	30
	Mixed	46	27	27
	Rural	38	39	23
Total spending	Urban	35	53	12
	Mixed	27	46	27
	Rural	59	29	12
Capital spending	Urban	59	17	24
	Mixed	55	9	36
	Rural	74	14	14

Unfortunately, data concerning precision of budget plans is only available for 1994. Moreover, 1994 was an electoral year and not typical for financial plans, if we believe in the “electoral cycle” concept. Indirect indicators (related to budget surplus/deficit) suggest that underestimation of revenues

was larger in previous years. An “electoral cycle” hypothesis suggests that the difference between 1994 and the previous year should be especially significant in the planning of capital spending. Unfortunately, lack of precise data, does not allow to verify this thesis.

### *Conclusions*

Empirical data analysis positively verified all five hypothesis presented in the introduction to this section. Budget planning may be described as “defensive” (hypothesis 1.2) - estimation of local revenues is usually much lower than actual budget. Introduction of budget amendments during the year happens often and in some municipalities, this can happen several times during any one financial year. Underestimation has been especially frequent in the case of capital expenditures (hypothesis 4.2). Complete verification of the “electoral cycle” thesis (3.2) would require more precise data, but there is some evidence that local governments decided to vote for more optimistic budget plans (and consequently to spend more aggressively) before local elections.

Defensive budget planning was especially visible at the beginning of the reform (hypothesis 2.2), when almost half of local governments had a very high budget surplus by the end of the financial year. It was caused by the lack of experience in financial planning on the one hand and by negative experience of coping with the “inherited” budget deficit in 1990 on the other.

Precision of the budget planning was especially low in small rural units (hypothesis 5.2).

Wildavsky (1975) formulated the thesis about the devastating combination of poverty and uncertainty on the budgeting process. It seems that Polish municipalities provide an excellent example of the thesis. Poverty is a consequence of the public finance crisis and, to some extent, to the centralization of public finance. Uncertainty is related to the local financial system (for example lack of clear criteria in conditional grants distribution), unstable macro and micro-economic situation, but also to the lack of technical skills necessary for preparation of precise budget plans (sometimes even the lack of understanding as to why those skills are really important). As Wildavsky noted, such a situation renders difficult the efficient use of scarce resources.

### 3. Local tax policies

The system of local taxes in Poland is frequently criticized for over-centralization. In the case of the most important taxes: property tax, tax on vehicles and tax on agriculture, central regulations decide the maximum rates possible and local governments may only decide the actual rate up to this ceiling. The most important tax - on properties - has a very simple construction. It is based on the number of square meters of the property, not on its value. Moreover, this same ceiling level per square meter is not only established for the center of the large city but also for the small rural village far from any urban agglomeration.

Nevertheless, local taxes provide a substantial part of local revenues (almost 40%) and even limited discretion in making their own tax policies sometimes has important consequences for tax payers as well as for local budgets. How local governments use those opportunities is the main topic of this section.

According to many political science theorists, decisions made by local governments may be explained by the *median voter* theorem (Downs 1957). According to Downs *governments continue spending until the marginal vote gain from additional expenditures equals the marginal vote loss from financing* (p.73).

If the median voter concept is right, Polish local governments are in a very difficult situation and the political environment for tax decisions is similar to a vicious circle. On the one hand, most councilors and especially citizens, demand an increase in local spending. Consequently, there is a temptation to set tax rates as high as possible. On the other hand, understanding of the relationship between the level of spending and taxes is uncommon. This phenomenon is not a unique Polish specificity, but may also be found in countries with a much longer tradition of local democracy. Winter and Mouritzen (1992) claim that Danish voters also have very incoherent opinions i.e. among those who think local taxes are too high (52%) as many as 59% expect an increase in local spending and only 23% agree that cuts are inevitable. Only 1% suggest increasing taxes, but 68% expect an increase in spending. Baldassare (1989) quotes similar results to the study in a Californian county.

However, it is possible to prove that such incoherence is even more frequent in Poland. According to the 1994 General Social Survey, support for increasing public spending was almost unanimous. 95% of respondents

suggested increasing expenditure on environmental protection, 96% on health, 87% on education and 88% on welfare services. According to a CBOS<sup>4</sup> survey, “administration” is the only section of the budget in which popular opinion accepts cuts. At the same time, 75% of the Polish population think taxes are too high, and only 1% agrees that they are too low (*Nowe zasady...*, 1994). Such incoherent views are expressed not only by “average voters” but also by local politicians (see Swianiewicz 1994).

How, in such an environment are local tax decisions made? According to the public choice theory, local bureaucracy tries to maximize budgets (Niskanen 1971). But if the resistance is strong enough, it does not necessarily lead to an increase in local taxes. Sometimes pressure to reduce taxes is felt stronger than a willingness to increase spending because the latter may be “exported” by complaints towards central government (who does not provide sufficient financial resources to local governments). Such “delegation of responsibility” is not only political (to defend policy choices) but also a psychological process in the minds of local decision-makers (to convince themselves that they are not be blamed for unsatisfied local needs). In some of the hypothesis presented below I try to define under what circumstances such resistance against tax increase is especially strong.

### *Hypothesis 1.3.*

*Maximal possible tax rates increase faster than keeping up with inflation<sup>5</sup>. Local governments increase real tax rates, but slower than the increase in “ceiling” levels.*

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4 Centre for Public Opinion Researchers. Report: *Podatki a budzet*, 1993.

5 The question on relationship between inflation and changes of maximal available rates of local taxes seems to be illogical because of art. 20 of the Act on Local Taxes. The article says that “ceiling” rates are annually changed to keep up with inflation. However this rule is not implemented in reality because:

1. The regulation does not concern tax on agriculture which formally is not a local tax,
2. The annual change of rate depends on inflation in the previous year. In a situation of year-by-year lower inflation, the increase of the tax rate is larger than the increase in prices,
3. In the case of some taxes (especially on vehicles) the Act defines the maximal rates only very generally and allows very high rates. More detailed decisions are made by the Ministry of Finance who has a lot of leeway to differentiate increased taxes on different types of vehicles.

### *Hypothesis 2.3.*

*In 1991 local governments' tax policies were relatively uniform and actual tax rates were close to ceiling levels. Tax policies have become more diversified during the following years (more differences between municipalities as well as more common use of tax incentives and exemptions).*

### *Hypothesis 3.3.*

*In 1994 tax rates were lower than before because of the impact of the "electoral cycle". This change was especially visible in the case of taxes which affect most voters i.e. property tax on individual houses, tax on private cars and - in rural areas - tax on agriculture.*

### *Hypothesis 4.3*

*1995 brought about an increase in local tax rates because of: (a.) new phase of "electoral cycle" (b.) results of the 1994 local election (relative success of left-wing groups).*

### *Hypothesis 5.3*

*The rates of taxes which affect most citizens are lower in small municipalities (pressure of voters is more intense because of the more inter-personal relations with local councilors).*

### *Hypothesis 6.3.*

*Rates of taxes which are paid by most citizens are lower in municipalities in which competition of rival political groups is larger and in those in which local elites are more alienated.*

*In this paper level of competition is measured by the number of candidates in a local election. If the number is high, candidates look for more arguments to convince voters - lowering tax rates is a promising option. Alienation is measured by turn-over in the election. If alienation is stronger, it is more difficult to make unpopular decisions (i.e. to increase taxes).*

### *Hypothesis 7.3.*

*Rates of taxes paid by farmers (on private houses, on agriculture) are lower in villages dominated by private agriculture (than in those with the important role of state-owned farms).*

These hypotheses are tested on the basis of data collected in over 210 municipalities and concerning rates of the following taxes:

*property tax:*

- on private houses,
- on buildings used for business activities,
- on plots used for business activities,
- tax on agriculture,
- tax on vehicles
- on private cars of average size (engine 1300-1500 cubic cm),
- on agricultural tractors.

### *Changes of local tax rates in 1991-1995*

Table 7 suggests that maximal possible rates were increasing faster than the inflation rate. The only exception was tax on agriculture, which has been strongly dependent on market prices for rye. The real increase of rates was highest in the case of tax on private cars.

Table 8 shows that in 1991-1995 actual tax rates voted by local councils increased, although this increase was somewhat lower than in the case of “ceiling” levels. In the most important of the local taxes - property tax - the average annual increase was slightly lower than 10%.

**Table 7**  
**Real changes of maximal available local tax rates**  
**(previous year=100)**

	1992	1993	1994	1995	1995 (1991=100)
On private houses	122	105	104	111	148
On “business” buildings	122	106	104	108	145
On “business” plots	121	106	104	109	145
On agriculture	57	241	86	91	108
On private cars	327	102	103	108	371
On tractors	161	104	101	104	176



The comparison of actual tax rates with the maximal rate is more complicated (table 8). With some simplification we may say that at the beginning of the reform (1991) local governments chose rates close to maximal and in 1992 rates dropped significantly. During the following two years (1993-1994) we see stabilization and a small, but visible, increase in 1995.

**Table 8**  
**Real changes of actual tax rates voted by local councils (previous year=100)**

	1991	1992	1993	1994	1995	1995 (1991 =100)
On private houses	. (52)	105 (44)	113 (45)	107 (46)	111 (47)	141
On "business buildings"	. (81)	106 (71)	111 (75)	105 (75)	107 (76)	132
On "business plots"	. (83)	106 (73)	110 (76)	106 (77)	111 (80)	137
On agriculture	. (100)	58 (99)	189 (77)	89 (80)	101 (90)	99
On private cars	. (100)	317 (97)	105 (97)	100 (97)	108 (97)	359
On tractors	. (7)	152 (91)	101 (91)	102 (91)	103 (92)	161

Note: numbers in brackets indicate % of the "ceiling" rate.

Table 9 presents proportion of municipalities which decided to differentiate tax rates for tax- payers (for example to introduce tax incentives for certain types of businesses). It is clear that tax resolutions voted by local councils were at their simplest in 1991 and became more complicated (included more tax reductions or exemptions) in the following years.

**Table 9**  
**Proportion of municipalities giving tax exemptions or differentiating tax rates for certain groups of taxpayers**

	1991	1992	1993	1994	1995
Tax on private houses	26	31	37	40	36
Tax on "business buildings"	18	25	27	27	29
Tax on "business buildings" - lower rates for new and increasing employment firms	2	4	5	5	8
Tax on cars - lower rates for cars with catalyzers	0	0	7	17	27

Many municipalities, especially in rural areas, wanted to exempt local citizens from tax on private houses, but the administrative court has decided that such universal exemption is illegal. Therefore, many resolutions concerning this tax are in fact attempts to reduce the tax from citizens as much as possible.

In the case of tax on buildings owned by businesses, tax exemptions were much less frequent, but some municipalities decided to differentiate rates (for example depending on the branch of economy). One of the popular tax incentives is an exemption or lower rate for firms which are new or who increase the number of their employees. In 1995 such an incentive was used by 8% of analyzed municipalities.

### *Differentiation of the tax policies*

In this part of the paper, factors influencing differences in local tax rates are analyzed. In propositions formulated at the beginning of this section the following independent variables (explanatory factors) have been mentioned:

- administrative status (urban, urban-rural, rural),
- population size,
- economic structure (especially ownership structure of the agriculture),
- fiscal wealth,
- local political situation.

These variables are used below to build an explanatory model.

### *Tax on private houses*

Table 10 shows that the average tax rate in urban municipalities is almost three times as high as in rural villages. This proportion was stable during the period 1991-1995. In all types of municipalities the actual rate as a proportion of the maximal possible has been changing in a similar way. It decreased in 1992 (compared to 1991), then was stable until 1994, and increased slightly in 1995.

**Table 10**  
**Tax on private houses (as percentage of maximal possible rate) in municipalities with different administrative status**

	Total	Urban	Urban-rural	Rural
1991	52	98	73	39
1992	44	87	60	33
1993	45	89	65	32
1994	46	87	65	33
1995	47	88	66	36

Urban and rural municipalities are also different where tax exemptions are concerned. In urban municipalities any tax exemptions are rare but in about 10% of mixed urban-rural units and in about 20% of rural, houses owned by private farmers were exempted from the tax.

*Property tax on business*

**Table 11**  
**Property tax on business (as percentage of maximal possible rate) - difference according to administrative status**

	Total	Urban	Urban-rural	Rural
1991	81	79	86	80
1992	71	81	70	71
1993	75	83	76	74
1994	75	82	77	74
1995	76	86	80	73

**Table 12**  
**Tax on agriculture (as percentage of maximal rate) -**  
**differentiation according to the administrative status**

	Total	Urban	Urban-rural	Rural
1991	100	100	100	100
1992	99	100	99	99
1993	77	93	77	76
1994	80	60	83	80
1995	90	88	94	89

Differentiation of this tax rate is much more difficult to describe. In 1991 tax rates lower than maximal were rare. What is interesting is that the complicated legal status of this tax (not mentioned in the Act on Local Taxes, but being an exclusive source of revenues for local governments) meant that many councils were not aware of their competencies in respect of the tax on agriculture. In 1992-1995 differentiation of rates was, to a large extent, dependent on changes in market prices of rye (which determine the maximal rate of this tax). In rural villages the pressure of tax-payers to lower the rate was much stronger than in the cities. But on the other hand the tax was a much more important source of revenue for rural budgets and therefore the temptation of fiscalism was also more important there. In cities, the pressure of tax-payers was relatively weak, but arguments to oppose that pressure were not very strong either. As a result, rural governments decided to reduce rates only in 1993 when the market price of rye increased significantly. In other years fear of revenue loss was too strong, and local governments decided to vote for rates close to maximal (See Table 12).

### Tax on vehicles

Differences between types of municipalities are especially low in the case of tax on private cars (therefore not presented in the separate table) and only somewhat more significant in the case of tax on tractors (See Table 13).

**Table 13**  
**Tax on tractors (as percentage of maximal rate) - differentiation according to administrative status**

	Total	Urban	Urban-rural	Rural
1991	97	100	98	96
1992	91	95	96	89
1993	91	98	97	87
1994	91	88	96	88
1995	92	99	98	90

**Table 14**  
**Percentage of municipalities deciding the tax reduction for cars equipped with catalyzers**

	Total	Urban	Urban-rural	Rural
1992	0	0	2	0
1993	7	23	8	5
1994	17	46	23	11
1995	27	77	37	19

It is very interesting to note the spatial distribution of municipalities where it was decided to lower tax rates for private cars with catalyzers. The distribution remains the classic *diffusion of innovation* process (table 14). At the beginning, innovation emerged in *central places* (large cities), and subsequently spread out to the *peripheries*. 1994 and 1995 may be described (using the language of diffusion of innovation theory) as an *invasion* period - acceptance of innovation is common, but still most frequent in

areas close to sources (centers). In 1995 the reduction was voted by 77% of cities but by only 19% of rural communities.

*Differentiation of local tax rates - explanatory model.*

The analysis presented in this subsection has been limited to rural communities. In that way we eliminate the impact of (difficult to measure) intervening factors such as:

- differences in value of properties,
- different functions of cities and rural areas in the settlement system,
- differences in spending needs between cities and rural areas.

Table 15 presents the relationship between tax rates and population size. This is strongest in the case of taxes which directly affect a large proportion of voters: tax on private houses and, to a lesser extent, the tax on agriculture. It confirms the thesis that setting high rates is especially difficult in small villages. In larger local governments where relations between voters and councilors are less personal, unpopular decisions are much easier to make.

**Table 15**  
**Pearson's correlation between population size and tax rates**

	1991	1992	1993	1994	1995
On private houses	.144*	.205**	.217**	.253**	.256***
Property tax on business		.128*			
On agriculture			.250**		.189*
On private cars		.187*			
On tractors			.134*		

Note: in this and next tables           \* means correlation significant on .05 level  
    \*\* - on .01 level  
    \*\*\* - significant on .001 level.

Table 16 measures the impact of the political situation on tax rates. As was suggested in the hypothesis formulated at the beginning of this section, the relationship between the competitiveness of the political system and tax rates is significant in the case of certain taxes (on private cars, on agriculture, on tractors and on private houses).

We may assume that in municipalities with a low turn-out for local elections, local governments do not feel a strong legitimization of their power. In those circumstances, it is more difficult to make unpopular decisions. It is especially difficult to increase rates of taxes paid by most of the electorate. This relationship is strengthened by the fact that in villages with a low turn-out, we may expect an especially low understanding of the political processes, in particular awareness of feedback between taxes and public spending is certainly not universal. Correlation analysis (table 16) confirms this assumption.

**Table 16**  
**Correlations between local tax rates and political situation of municipality**

	1994	1995
Tax on private houses - turn-out	.273***	.201**
Tax on private houses - number of candidates	-.140*	-.177*
Tax on agriculture - number of candidates	-.205**	-.254***
Tax on cars - number of candidates	-.212**	-.281***
Tax on tractors - number of candidates	-.189*	-.187*

Note: data on turn-out and number of candidates to local council concerns 1994 local election.

Property tax on business is not related to turn-out nor to number of candidates.

### *Typology of tax policies*

Is it possible to identify any pattern in local tax rates? Do high rates of some taxes co-exist with exemptions or reductions of others? To answer those questions the Typology of tax policies has been proposed<sup>6</sup>. Types have been defined according to the rule described in figure 1.

Results of the typology are presented in table 17. “Stimulating” policies are equally frequent in small and large municipalities. “Populist” type is the most characteristic for small villages.

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<sup>6</sup> This Typology is a modified version of classification proposed by A. Miszczuk (Miszczuk, Miszczuk 1995).

**Figure 1**  
**Rules of tax policies typology**

		Taxes related to business activities	
		low	high
Taxes affecting most of voters	low	liberal	populist
	high	stimulating	fiscal

**Table 17**  
**Typology of tax policies - percentage of municipalities falling into category**

Type	1992-1994	1995
Liberal	17	13
Stimulating	24	16
Populist	19	16
Fiscal	36	48
Mixed	4	6

Differences between results for 1992-1994 (before the last local election) and 1995 (after the election) are not very large but are significant. Because of the general increase of local tax rates, decreased proportion of municipalities falling into the “liberal” category, and the number of “fiscal” local governments has increased.

### *Conclusions*

The data presented above confirms hypothesis 1.3. i.e. the real tax burden increased in 1991-1995, although slower than the increase of maximal possible tax rates. The proposition 2.3 has also been confirmed. An increasing number of local governments introduced tax exemptions and reductions to their tax resolutions. It may be related to the process of learning. New instruments are used when decision makers feel more confident in their ability to formulate mature financial policies.



Hypothesis 4.3 has been confirmed only to some extent. It is true that tax rates increased in 1995 and this is probably true of more left-oriented local councils after the 1994 election. However, it is doubtful that this change is related to the “electoral cycle”. 1994 was no different from previous years and hypothesis 3.3 has not been confirmed i.e. the fact that local elections had no indigenous impact on tax rates.

### **Learning while doing and geography of financial policies**

Data presented in previous sections indicates that local financial policies of Polish municipalities have been developing throughout the period 1991-1995. They were relatively uncomplicated at the beginning of the period analyzed and have been becoming more sophisticated with more experience gained by new political elites. Such a development is not surprising considering the fact that the large proportion of new mayors and councilors (elected in 1990) had no previous experience of work in public administration or elected councils. For example, according to the survey conducted in 1991, only 23% of mayors were councilors for more than one year, and only 43% had worked in local administration before 1990. (Most of them were employed in more junior positions prior to 1990) (Baldersheim ed al 1996).

This evolution of financial policies has involved many elements: increasing precision of budget planning, more diversified tax policies (including broader use of tax reductions and various forms of tax incentives), gradual increase of the number of municipalities with clear development strategies and improving understanding of the role of credits in capital projects financing. The phenomena of the “defensive budget planning” or short-term investment planning was based more on balancing the power of local pressure groups than on investment strategy and are still widespread, but the tendency to change is quite clear.

On the other hand the role of routine, administrative behaviour has also increased. The growing role of “incremental budgeting” provides a good example of this thesis.

Polish local governments are busier with redistributive and allocative policies than with developmental ones. It seems that only the most affluent local governments have sufficient intellectual capacity and financial resources to be able to afford to implement developmental policies. Other cities have serious problems with building their competitive powers.

Can we summarize factors influencing variation of local financial policies? In the literature on local policies it is possible to distinguish between three classic explanatory models.

The first may be referred to as the *environmental model*. In this model, variations of local policies are seen as a result of variations in socio-economic environments. The affluence of citizens, their age structure, the structure of the economy, and the position of a municipality in the hierarchy of settlement systems have been identified by many analysts as important factors. The local politicians' choices are determined by "guidelines" produced by the environment. This finding has repeatedly occurred in American literature (e.g. Easton 1965, Peterson 1981), but is also to be found in many European studies.

The second model is the *partisan model* where policies depend on the dominant party (or political group) and its ideology and where we also find classic differences between left-wing and right-wing policies. The traditional left-wing policy stresses the importance of redistribution and provision of public goods, even if it leads to high tax rates. By contrast, the right-wing approach frequently uses public choice arguments, and argues for the limiting of public spending and lowering levels of taxation. At the local level, this model is more likely to be confirmed in countries with highly partisan local politics. That is why the model has often been falsified in the USA but positively verified in the United Kingdom (Sharpe and Newton 1984, Page et al. 1990).

The third example, the *political culture model*, is less frequently mentioned in discussions of local policies, but it seems to be present (explicitly or implicitly) in many empirical studies. This model refers to basic norms, values and orientations shared by political actors across traditional divides such as parties, associations or institutions in a particular political setting (Almond and Verba 1963, Thompson et al. 1990). Political culture as a factor explaining local policy orientation is especially discussed in American literature (e.g. Clark and Fergusson 1983, Elazar 1975), but it is also implicitly present in some European research, such as in the study of expenditure policies in Britain by Sharpe and Newton (1984) and where they identified a "Welsh effect" which could be accounted for neither by environmental nor by party political variables. They suggested the explanation was to be found in differences in political culture between Wales and other parts of the U.K.

Can we relate identified geography of local financial policies in Poland to these three theoretical models? The most immediate are relative to the environment model. Population size has been an important factor explaining differences identified in almost all analysis: budget planning, local tax rates, role of “incremental theory” in the budgeting process and the allocation of operational and capital budgets. Also, some other variables frequently considered in the environment model proved to be significant: economic structure has some importance in tax policies variation and the affluence of the municipality influences capital spending and allocation of operational expenditures.

However, elements of the two remaining models are not without their uses. Although the nature of analyzed data has not allowed for extensive verification of the partisan/attitude model, some analysis in the tax policies’ section, indicates that local leaders’ attitudes (for example opinions on privatization, egalitarian values) may be an important explanatory factor. Interestingly enough, attitude analysis emerged as effective in the explanation of variations unsatisfactorily understood in the light of environment variables. Some earlier analysis (Swianiewicz 1994) shows that political/ideological preferences have a surprisingly significant impact on policy preferences. It does not mean that the political model is universally powerful as an explanation of local policy choices in Poland. For example, data available indicates a lack of influence of the political/ideological factors for changes in operational and capital budgets allocation. But it is important to stress that this model could not be properly tested in this paper, and that this part of the analysis needs further investigation in future studies.

Finally, political culture considerations, lie at the base of the explanatory model for local tax policies. Summing up, however, only environment model variables have attracted sufficient attention in the empirical analysis presented in this paper. There is some evidence that the remaining two models may have some significance where environment is less powerful.

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