Great expectations

The regional administrative reform in Eastern Central Europe in anticipation of the EU

Introduction

One of the key issues of governance of European Union is relationship between its governance and its boundaries in broad sense adopted by Friis and Murphy\(^1\), who distinguish (after Smith 1996) four types of EU boundary; geopolitical, institutional, legal, transactional, and cultural. This paper on governance and boundaries between the European Union and Central and Eastern Europe; concentrates one type of barrier; the institutional.

This paper on current reform of regional administration in Central and Eastern Europe: Czech Republic, Slovakia, Poland and Hungary an example suggesting adaptation to similar regional structure, as in the European Union. There have been plenitude of studies on 'convergence in Europe', for example, B`rzel\(^2\) investigation of institutional adaptation to Europanization in Germany and Spain, Harmsen's\(^3\) comparative study of national administrations of France and the Netherlands and finally, Wollmann's\(^4\) comparison of Great Britain, French and German local government systems; from historic divergence toward

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1. *Journal of Common Market Studies*, June 1999; 216
convergence? However, it is likely that a degree of convergence is also taking place in the countries which are not members of the European Union.

In the ten years since the fall of communism in Eastern Europe, a stable and often sophisticated framework of political and free market economic institutions was established in most of the countries. However, the systematic reform of the administrative system lagged behind, although the absence of administrative reforms means the continuation of one of the most severe legacies of the socialist system. The systemic administrative reform was belated, despite its earlier start and importance of the agenda. For example, in Poland local government reform was according to Elander and Gusstafsson\textsuperscript{5}, was one of four main issues of the round table talk February - April 1989. During 8 months since formation of Mazowiecki's government the whole package of bills went through parliament and local elections took place on 27 May 1990. This election was a landmark, as it was first free election since 1945 in Poland, and whole of Eastern Europe.

Similar importance of local government for development of democracy was also in case of local government in Czechoslovakia\textsuperscript{6} and Hungary\textsuperscript{7}. In all these countries local governments institutions were introduced only at commune level. Hungary was the most advanced local government reform was introduced at two levels: commune and districts, while regional divisions were preserved. By contrast, the other countries waited for the reform of district and regional administration - Poland till 1 January 1999 in Czech Republic and Slovakia will have to wait for the reform of regional administration until 2001, even though the last regional administrative reform of Slovakia was adopted by Meciar in July 1996.

\textsuperscript{5} European Journal of Political Research, 1993
Thus, the two questions rise: why the regional stages of local government reforms, which are important both to domestic economic development, and development of democracy was delayed in most of these countries? And second why are they beginning to be adopted now?

The most likely answer to the first question is that they were recognised as important, however, the political argument was decisive and thus they were delayed. And to the second, introduction of these reforms is no doubt driven by primarily by expectation of EU membership and no doubt propelled by structural funds can be seen as a major incentive here.

Let's analyse these four mini-case studies of regional administrative reform in Czech Republic, Hungary, Poland and Slovakia and investigate the role of the EU in the 'convergence' of administrative structures.

**A. Hungary**

In Hungary, it is particularly significant that preparation for local government reform and political discussion had already begun in 1987\(^8\). This fact had an impact on the shape of the reform, which was ratified by parliament as early as in May 1990. Fiscal reform, which created the basic tax structure of the state had already been introduced before the political transition of 1989. In consequence, local government was assigned its own local tax bases and the share of national taxes.

Second, the advanced state of preparation for reform, was also reflected in their scale; since it was applied not only to communes, but also to districts, the next tier of administration. This distinguished the Hungarian reform from all other post-socialist countries.

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The 1990 reform in Hungary established the elected and self-governing municipalities. For development at this level, of particular importance was the right of the former communes to claim municipal status; and this reversed the trend of socialist amalgamation. As a result, the number of municipalities doubled, which meant a substantial weakening of their opportunity to perform certain functions.

The decision not to abolish decision was only resisted after a proposal to divide the tasks between municipalities and districts, and in this manner to establish a non-hierarchical relationship, in contrast to the previous system. Nevertheless, their position was weakened, since their assembly was to be elected indirectly by the representatives of local government.

The persistence of the districts even in a weakened form enabled a transfer from the central administration of supra-local tasks such as; secondary schools, hospitals and social care institutions. This was in contrast to neighbouring countries, where those tasks were still to be administered by an unreformed and distant central administration.

According to Illner (1999) the Hungarian reform introduced in 1990 was the best prepared, the most comprehensive and the most liberal when compared with reforms in the neighbouring countries. However, several issues still remained outstanding, among them the strengthening of the district which took place in 1994.

The country was also divided into 8 regions, which were administrative units, without an elected body and each headed Commissioner of Republic. He was the regional agent of

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7 Davey 1996: 116
8 Davey 1996: 116
central government and his task was to co-ordinate state administration within the region and to supervise the local governments.

An important stage in the development of administration was the May 1994 parliamentary elections where the post-communists gained the majority. In September 1994 parliaments approved the amendments, which abolished the regions and instead, Public Administration Offices (PAO) were established in the 19 districts. In contrast to the former regions, the PAO became a full-fledged administrative institution with defined by the government responsibilities.

According to Davey Hungary's position at the forefront of local government reform was again strengthened in 1994 when they entered the second cycle of reform and the position of the district was strengthened. The formation of the district, which took over supra-local tasks, ended the conflict over services between big towns and surrounding villages.

The second problem was multiplication of special administrative units which were under direct control of these ministries and did not possess any real autonomy (vertical fragmentation). The solution to this problem was the strengthening of the role of the districts what created the opportunity to integrate these decentralised agencies into district government. However, according to OEEC rapport\(^9\), they were still critical and emphasised that decentralised units of government existed in districts in such areas as for example, employment, environmental protection, education, agriculture and construction. Moreover, they indicated that local government received a wide range of new powers but its financing mechanism was inadequate. Moreover, in contrast to Davey they even so the current situation as dangerous:

\(^9\) Transition at the local level: the Czech Republic, Hungary, Poland, and the Slovak Republic. Centre for Co-operation with the Economies in Transition (1996: 68-71)
Paradoxically decentralisation could lead to a situation where the central state effectively strengthens its control. The establishment of deconcentrated units with the limited financial autonomy and the fragmentation of communities may help to maintain a strongly vertical administrative structures.\textsuperscript{10}

The issue of vertical fragmentation of administration with maintenance of several units directly subordinated to ministries, is the legacy of communism in all Eastern European countries. However, in Hungary due to the formation of communes, district and regions in 1990 vertical fragmentation was much smaller than in neighbouring countries. Nevertheless, vertical fragmentation has been one of the problems of the regional policy planning, despite that for example, the first regional development plans were prepared as early as in 1971\textsuperscript{11}. However, these regional development plans were prepared according to several narrow sectoral-ministerial lines according to which socialist economy was divided and the lacked territorial co-ordination.

In 1996 Regional Development Act defined the institutional structure for formulation of regional policy. District Council for Regional Development became responsible for coordination local and regional development activities conducted by a range of actors: that include both the representatives of the central government and local authorities. They also include non-governmental regional organisations and Economic Chambers, Regional Development Agencies.

However, the issue of the regional level administration returned. The solution to the problem of vertical fragmentation seems to be the formation of strong, big and thus self-reliant

\textsuperscript{10} Transition at the local level: the Czech Republic, Hungary, Poland, and the Slovak Republic. Centre for Co-operation with the Economies in Transition (1996: 71)

\textsuperscript{11} Horváth, Gyula Changing Hungarian Regional Policy and Accession To the European Union, European Urban and Regional Studies, Vol. 6, Issue No. 2, 1999
regional level, as a precondition to effective decentralisation and opportunity for coordination of administration at this level. According to Horvath, the weakest level is the region, as the establishment of the regional development council is voluntary. Moreover, the regional development council has no scope of authority or resources and it can only perform tasks transferred to it by the district. Their formation of these regional councils is still incomplete and it creation is largely determined by the EU and resources expected to be provided by them. However Horvath also emphasises the unitary tradition of Hungarian State and suggests that central authorities are not interested in substantial transfer of power to the regional level. Thus, the reform programme assumes that six so-called programme regions but not the administrative regions will be formed.

B. Poland

After the formation of communes in 1990 the next stage of administrative reform; districts and regions was prepared in 1993. However, the shift of power to ex-communist governments, there were many efforts to stop reform, as attitudes toward the administrative reform divided the post-communist coalition down the middle. Only the most advanced project of reform of Suchocka’s government, the town-district bill, which was already enacted by the parliament was finally introduced in a limited form.

The reform of districts and region was to end on of the most sever administrative legacy of socialism, Gierek’s reform of 1975, when 17 strong and independent regions, which could challenge the national elite position were replaced by 49 regions. The new regions had much more limited competencies and lost their political strength. Even more disruptive was the abolition of districts the intermediate level of administration between regions and communes, which were historical units of local self-government. Replacement of strong regions by 49
small ones meant a change of their competencies and functions, as they were no longer able any to fulfil the 'ambitious' tasks which they had earlier performed. After the reform, these tasks were taken to the centre. Instead, competencies of former districts, were then taken by new small regions, and the *raison d'être* of districts disappeared.

Since the middle of the nineties, delaying of district and regional reform has been the main obstacle to the further development of the Polish economy. It was suggested that although the district and regional reform was to be costly at the initial stage, in the long run the merging of the 49 voivodships into 12 large seems to be necessary. Modern trends in Europe indicate that the creation of big decentralised regions could lead to cuts in costs, greater flexibility, and efficiency in governing. Moreover, the need for closer co-operation within the EU emphasised the role of strong regional units. The majority of Western European countries were divided into regions several times larger than the voivodships in Poland at that time. This suggested that regions similar in size to the German *Länder* or the French provinces should be created in Poland. These would enable them to be equal partners in regional exchange and would enhance co-operation

Furthermore, establishment of about twelve larger regions would break with a tradition going back to the socialist period, vertical fragmentation, which divided central administration into several narrow-sectoral ministries. As a result, several administrative units were created at regional and local levels which received orders directly from different ministries without co-ordinating with each other or informing the general administration of these level of their actions. Thus, the reform meant not only delegating responsibilities from central

12 Hryniewicz 1995.
administration to lower levels according to the principle of subsidiarity but also co-ordinating the whole district and regional policies from one relevant office.

The reform also intended to limit dramatically central level responsibilities and create the opportunity for them to concentrate on national policies, on the formulation of economic strategy, and on issues of preserving the unity and uniformity of the state. This reform was also intended to stop central government interfering in local and regional issues, and to clarify the division of power between various levels of administration.

On 1 January 1999, 16 large regions were formed, and, at the same time, elective administrative units were established at district and regional levels, and finally, the significant decentralisation of power from the central level was carried out. Nevertheless, the final shape of the reform passed by parliament was a compromise, which had a rather negative impact on the shape of the reform. For example, because of political bargains to gain MPs votes the ambitious government proposal to form 12 strong regions had to be reduced into 16 regions with very different sizes and artificial shapes, with, the Warsaw region twice the size of the smallest one. Regions also received tiny financial resources, and many of responsibilities which might have been transferred to this level of administration were preserved by the central administration ‘lobbies’.

C. Czech Republic

During the inter-war period, Czechoslovakia was divided into four lands enjoying a limited form of self-government. In the Czech part there was Bohemia and Moravia. The first administrative reform after the war in 1948, the lands were replaced by entirely new subnational level, kraje, of which there were 19. As a result, much weaker administrative units were established. The Czech central authorities after 1993 ‘velvet divorce’ of
Czechoslovakia were concerned with the further possible outbreak of the Czech Republic thus they were against restoring the of historical regions of Bohemia and Moravia\textsuperscript{14}. This 1948 administrative reform is a typical example of socialist territorial fragmentation, and seems to have lasting effects ever after the fall of communism.

In 1960 the number of \textit{kraji} was reduced from nineteen to ten. Also at the lower level of administration districts – \textit{okresy} – the number of units decreased substantially. Since then the reorganisation of territorial structure has been very limited\textsuperscript{15}.

In Czechoslovakia, the political changes in 1989, came as a surprise to the national elite and the reform of local government started only after first free local election in November in 1990. Nevertheless, democratisation was one of the most important demands of the velvet revolution.

The demand for democratisation and decentralisation and the short time in which the local reform was introduced, meant that the reform was limited to the lowest level of administration, the commune. Communes had only limited influence on the higher levels, via the district assemblies they elected. The sensitive situation during the break up of Czechoslovakia also suspended any further attempts at administrative reform.

The significant problem for Czechoslovakian local government, as in the case of Hungary, was its extreme fragmentation. For example, in the Czech part of the federation in 1990, the number of communes increased by 40 percent, which oppose action to the policy of forced

\textsuperscript{14} Sura\v{s}ka, et al., 1996.
\textsuperscript{15} Maurel 1989: 115-116.
amalgamation of the socialist period\textsuperscript{16}. The other major challenge of this hastily prepared local government reform was the absence of tax system reform as a result of which local governments depended on centrally distributed grants until 1993.

Despite its unquestionable achievements the local government reform of 1990 quickly reveal its limitations, and the urgent need, therefore for further reform of territorial administration. Illner\textsuperscript{17} presents the main reasons for the current need to establish the intermediate level of government in Czech Republic:

1. there are a number of regional problems which can only properly be treated at the district level and which need a wider territorial framework
2. the absence of regional – level administration justifies the maintenance of socialist vertical fragmentation with several narrow sectoral administrative units directly subordinated to ministries, which in effect hinders territorial co-ordination of administration
3. the reform of public administration was designed as a system which would also include the upper tier of territorial government; without this element its architecture is incomplete,
4. the absence of regional-level self-government contributes to the growth and overload of central bureaucracies.

In contrast to Hungary, in Czech Republic the 1990 local government reform abolished the district level. The territorial reform stopped half way through, and then more centralist tendencies emerged in the middle of the nineties. Local government reform was conducted almost immediately after the collapse of communism, as it was believed that its

\textsuperscript{16} Eliander, Gustafson, 1993.
\textsuperscript{17} 1999b
postponement could have serious negative impact on economic and political transformation. However, in contrast to local government reform, the district and regional reform was seen as less important for economic transition and democratisation. The regional elite saw the district and regional reform as relevant for their own political interests and thus the prolonged bargaining delayed the reform.

However, there are quite advanced plans to establish higher levels of administration from 1 January 2001, although the final shape of the reform is not certain. In late 1997, the constitutional amendment passed by parliament called for establishment of 14 regions in three years time. However, the issue of how much decentralisation should take place and how many competencies should be delegated to the regional authorities is still a sensitive one. According Beckamann the main difficulty of this reform is the precise definition how much power should be transferred to regional governments. For example, which institution will be responsible for such important issues as health, culture, unemployment, or agriculture is not specified. Thus, Beckmann quotes a Czech MP who believes that the issue is not how many regions should be established; 13, 9 or 26, but rather the 'character of the decision-making processes in this democratic society'. This, however, is debatable: the formation of 9 or 26 regions will have primary impact on the opportunity of these new bodies to take over substantial powers. The proposed reform can be also criticised because these new regions have insubstantial historical foundations, and because their borders ride roughshod over traditional economic and cultural lines.

Moreover, Beckmann also indicates that these regions will be much smaller than in the EU. The formation of between 9 and 14 regions will mean that they will have less than 1 million

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18 Central Europe Review, 20 September 1999
inhabitants each, and are thus too small to form a basic territorial unit for the distribution EU structural funds.

D. Slovakia

Despite the veto of president of Slovakia in July 1996 a new territorial and administrative division was adopted. The higher levels of territorial administration were established: eight regions were formed and the number of districts doubled from 38 to 79. At first glance, it seems that Slovakia was quicker in overcoming the difficulties of reforming its territorial structure than its Czech counterpart. Nevertheless, on further investigation, the new territorial model of Slovakia seems to have had predominately negative results. After the shift in national leadership, new projects of territorial administrative reform have been prepared and should be introduced next year. But the questions which I will address are: why the Meciar's reform of the higher levels of territorial administration has brought such negative results, and why there are proposals to change again it after less then four years.

Surprisingly, this reform seems to repeat the main feature of Gierek's reform of 1975. Thus it seems that the administrative territorial structure is more distorted than in 1989. This reform, and, to a smaller extent, the proposals of regional administration in Czechoslovakia provoke a more general question: is it possible to introduce effective and strong territorial administration, that is the formation of a few strong units, without going through the whole cycle of the formation of numerous very small artificial administrative units?

The striking similarity of Meciar' reform to Gierek's may be traced mainly to his desire to preserve centralisation. The division of the budget between the state and the municipal level is illustrated in the ratio of 90 % to the state and 10 % to the municipal. In the Slovak republic local budget, share of GDP decreased from 21.6 percent in 1990 to 4.3 percent in
1995¹⁹ EU members were suspicious of the rise of authoritarism in Slovakia and its application to enter negotiations with the European Union was excluded on political grounds.

Analysis of Meciar's territorial division of administration also indicates the domination of political criteria, for example the splitting up of several naturally-formed regions, the division of districts with a predominately Hungarian population, the selection of centres of districts and the numerous shifts of municipalities between neighbouring districts, are all reminiscent of Gierek's gerrymandering of administrative units. According to Faltan and Krivy, the 1996 territorial division significantly multiplied the number of districts in which Meciar's party had support. However, the most striking example of distortions are the wide variation in districts areas and population.

However, the change of government in 1998 has been promising. Therefore a Strategy for Regional Development was drafted and new territorial reform is prepared for the next year.

**Conclusion**

To sum up, systemic administrative reform in all four countries indicate on similar developments. At the beginning of the nineties there was radical decentralisation facilitated by the formation of self-governing administrative units at lower level of communes. However, gradually the further administrative reform was either stopped or impeded and some re-centralisation has appeared. Thus, only ten years after the transition begin the second wave of reform: district and regions have appeared.

¹⁹ Faltan and Krivy 1999.
It was despite the fact that the local government reform was very positively evaluated. The example of Poland shows as it fulfilled most of reformers expectations. First, local government became the first effective administrative institution, though they were not always applied to the degree proposed. Second, local government became the first elected governmental unit and truly representative of the interests of local communities. For example, according to several opinion polls, local government was one of the most highly valued public institutions\textsuperscript{20}. Moreover, according to many informed observers from the beginning, the economic efficiency of local administration was several times higher than that of the central government, despite that fact that they were formed from scratch and that they were led by inexperienced outsiders, the members of the former opposition\textsuperscript{21}. Moreover, these countries are often praise for the pace of their economic transition and establishment of democracy, however, systemic administrative reform lags considerably behind despite the fact that that delay may be obstacle to the following:

\begin{itemize}
\item further development of democracy and civil society (this is only possible to be continued by transferring certain power from the centre to elected local and regional units),
\item further stable economic development
\item in relation to future membership of the European Union, the opportunity to co-operate with other members states,
\end{itemize}

Thus, the recent decisions in these countries to establish district and regional level administration is positive. However, the fact that these proposals suggest formation of a relatively large number of regional units results in the relative small size of these units, which can be seen as the downsize of this policy. Formation of smaller units will also weaken their economic potentials and that will also effect possible decentralisation. In other words, the

\footnote{Regulska, 1997.}
accession to the European Union prompted the district and regional reforms in all these countries. However, the legacy of socialism has been quite strong which had led to the formation of several smaller administrative units which substantially weakened them and consequently resulted in a wider central control. The main motivation standing behind adaptation of these proposals was like under socialism to ease political control despite their economic rationale. Thus, it may be not be surprising that during post–communist rule in Poland the administrative reform was delayed indefinitely. Similarly in Hungary the post-communists abolished regions and replaced 3-tier administrative structure with a 2-tier one.

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