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**NISPAcee**

THE NETWORK OF INSTITUTES AND  
SCHOOLS OF PUBLIC ADMINISTRATION  
IN CENTRAL AND EASTERN EUROPE



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of Public Administration and Policy





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The Network of Institutes and Schools of Public Administration  
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Polianky 5

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Slovak Republic

tel/fax: +421 2 6428 5557

e-mail: [nispa@nispa.sk](mailto:nispa@nispa.sk)

<http://www.nispa.sk>

Editorial correspondence, including manuscripts for submission, should be addressed to Mr. Juraj Sklenar, the Managing Editor, NISPAcee Press, e-mail: [sklenar@nispa.sk](mailto:sklenar@nispa.sk). Manuscripts should be sent in electronic form. Book reviews are also welcome.

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# Values, Standards and Competences

Christopher Pollitt<sup>1</sup>

## The model contemporary organization

Values, standards and competencies are the three themes of the 2007 NISPAcee conference. This selection reflects a great deal of contemporary discussion and agenda-setting. For there is a model modern organization which lives on the pages of many management texts and in the Powerpoints of many management speakers. It is an organization which is 'value-driven'. It is an organization which seeks and attains declared *standards of excellence*. It is an organization which is able to achieve this high standard performance because it has a forward-looking HRM policy which ensures that the staff possess the *competences* to undertake their current tasks and, what is more, those necessary for the new tasks that are just coming up over the horizon. Many workshops and web-based training programmes emphasize some or all of these three elements as essential to organizational success.

In this keynote address I want to interrogate this model. It is not that I think it is wrong as such, but rather that, as I will argue, *the way we discuss it is frequently mistaken*. It is too often spoken of as something which we can put together quickly, like a piece of flat-packed furniture or a model car or aircraft. Just follow the instructions and you will have no problems or awkward choices. But in this simple form the value-driven, high standard, competency-endowed organization is not so much a vision as a fantasy. The mechanical, 'Do-It-Yourself' way of discussing these issues hugely underestimates some of the on-going fundamentals of life in the public sector. These include, to mention only a few, mission ambiguity, value diversity, the politics of standards, the fragility of competences and, perhaps most of all, the time which any serious attempt to influence any of these three elements usually requires. My message will be that, yes, we should certainly engage with values, standards and competences but, no, we should not expect to be able to 'fix' these in such a way as to

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<sup>1</sup> Professor of Public Management, Public Management Institute, Catholic University of Leuven, Belgium.

produce a flexible, super-competent and de-politicized organization – and certainly not before the next election!

## Behind the Model: Values

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Let us begin with values. They are not like the parts of a model that can be quickly fitted into place. On the contrary, they are large, vague mental dispositions which are deeply set in our consciousness and which are usually very hard to change. A value is ‘an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end state of existence’ (Rokeach, 1973, p5). Thus, for example ‘honesty’ (a specific mode of conduct) is a value, and so is ‘the greatest happiness for the greatest number’ (an end state of existence which is held to be socially preferable). Ethics are a particular sub-class of values – those which relate to questions of right or wrong, good and evil. So some values (e.g. honesty) are ethical values while other values (e.g. an intense belief in the importance of elegance) are not.

Values and norms make up the building blocks of our national and organizational cultures. They hang together in complicated ways, and ‘re-designing’ cultures is both a long term exercise and a very difficult one to control. The early optimism of generic management theorists such as Peters and Waterman (1982) to the effect that organizational cultures can be rapidly transformed in a planned way by top management has not been supported by systematic evidence from western public sectors. Indeed, it is somewhat easier to undermine and dismantle existing cultures than to build new ones, and what grows in the place of the culture you have destroyed may not be at all what you had intended or hoped for:

*‘Culture is to an organization what personality is to an individual. Like human culture generally, it is passed on from one generation to the next. It changes slowly, if at all’ (Wilson, 1989, p91)*

A good deal of recent research confirms that values change only gradually. For example, Christensen and L greid (2007) show survey evidence which indicates only a very marginal shift in the values of the Norwegian civil service over the past couple of decades, despite prolonged exposure to differently-valued NPM ideas.

One reason why values are important is that they can play an important part in motivation. Values fuel the intrinsic motivation of staff in a way that extrinsic motivations, such as money, find hard to match. If I have a deep belief in the ethical value of honesty, then I will try very hard to avoid ever telling lies. If I am a civil servant and my minister suggests that I should draft a statement which contains facts I strongly believe to be inaccurate, or sentences which I judge to be deliberately misleading, I will argue against his or her wishes, and, if the statement goes forward anyway, may even consider ‘whistle-blowing’ But if my leading values are loyalty to ‘my minister’, and eagerness to advance my career, then I may go

ahead and draft the statement just as the minister wants. [For a lively case of this kind, see Ponting, 1985.]

However, the linkages between a particular value (honesty, loyalty) and an actual piece of behaviour may be long and complicated, for several reasons. To begin with, most of us hold a considerable number of values, and there is no guarantee that these are all mutually consistent (e.g. 'freedom' versus 'order' or 'impartiality' versus 'sympathy' or 'loyalty'). On the contrary, it is highly likely that tensions will arise as to which particular values should have preference (see the example in Pollitt, 2003, chapter 6). Attempts to list the values comprising a 'public service ethos' have come up with varying prescriptions (Needham, 2006, p846). Impartiality, accountability, trust, equity and probity and vie with customer service, innovation and political loyalty. A second complication in the chain linking values to actions is that many other ingredients go into motivation apart from ethical values. Fear, dislike, admiration, fatigue, shortage of resources, time constraints and sheer lack of information – all these and more may influence what happens. One important ingredient – often confused with values, but conceptually rather different – is *norms*. Sir Geoffrey Vickers, a noted English public administration writer in the 1960s and '70s, argued that norms played an absolutely central role in public policymaking, but that whereas values were usually explicit and general ('fairness', 'democracy', 'honesty'), norms tended to be concrete and specific ('all children should be taught how to read and write', 'every household is entitled to a supply of clean running water and proper sanitation') (Vickers, 1973). Norms tend to remain implicit *until* they are transgressed. Public policy decisions, Vickers claimed, were frequently prompted by the discovery that a norm was being broken, e.g. that 12% of 10 year olds could not read or 6% of households were still not connected to the public water supply and sewerage. Norms and values interacted to drive policymaking, but they were different kinds of animal. And whereas it may be possible to summarize a few key values in a noble-sounding mission statement it will usually be quite impracticable to formulate and list all the hundreds or thousands of specific norms that influence public administration. Indeed, even in the 1970s Vickers foresaw that a major challenge for public administration was already becoming the never-ending multiplication of norms, and the complexity of their interactions with each other and with sets of values.

In short, values may play an important role in managerial decisionmaking, but they may themselves contain tensions and contradictions, and, in any case, in the real world they are almost always only one influence among a mixture of other influences.

## **Behind the Model: Standards**

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At first sight standards may seem much more controllable than values. After all, they are explicit and specific. They can be written down in the form of a rule or code, and their achievement or non-achievement can be observed and measured.

This apparent straightforwardness begins to fade as soon as a few key questions are posed. These include the following:

1. What kind of standards do we want, minimum, average or some kind of 'best practice' maximum – or some combination of these?
2. Where do standards come from?
3. How are standards to be effectively implemented? In particular, should they be loosely or tightly coupled to rewards and sanctions?

The first issue – concerning different types of standard – is important because minimum, average and maximum standards send quite different messages to both staff and service users alike. There is not time here to go into all the possible combinations, but consider just the difference between minimum and best practice (maximum) standards. Minimum standards can be attractive because they set a floor – a threshold at or above which all practitioners must achieve. They can act to raise poor performers to an acceptable minimum. They can be announced by politicians and public service leaders as entitlements – “this much at least you citizens can henceforth expect and rely upon”. The police will answer your emergency call within one minute; the primary care doctor will see you within 48 hours; no elementary school class will contain more than 25 children – and so on. However, these are not the only effects of minimum standards. They are also likely to lead to 'threshold effects' (Bevan and Hood, 2006) where at least some public servants who could easily have exceeded the standard aim to hit it and then relax – why do more? If minimum standards are achievable by all, then almost by definition (assuming something like a normal distribution of performances) they will be rather un-challenging and non-motivating targets for many practitioners. A cruder expression for the same phenomenon would be the American one of 'dumbing down'.

So now let us consider the opposite – maximum standards. Here the standard is set high, determined by the best practices known of at the time. The effects here are very different. Those who achieve the standard will no doubt be delighted and proud. However, for many practitioners this will be an unachievable goal – sub-optimal local conditions will mean that a school or hospital in a poor and unattractive part of the country can seldom compete with one in a wealthy, sought-after location. The schools and hospitals in the more advantaged areas are likely to attract more and better-qualified staff, and less disadvantaged or sick students or patients. In the UK Oxford and Cambridge can usually afford to teach smaller, more intimate student groups than can, say, Liverpool John Moores University or the University of Luton. Oxbridge can set standards for class size, student recruitment and even

staff qualifications which would be pointless and unachievable for those institutions much further down the list of wealth, academic status and social cachet. Of course there are ways of weighting standards and targets to allow for contextual differences (e.g. by applying weightings based on socio-demographic measures of a school's catchment area; or on case-mix measures for hospitals). However, while there are strong arguments for such procedures they also have distinct drawbacks. They immediately render the 'results' less intelligible to non-experts and the general public, who are unlikely to understand or even know of the weighting calculations. Furthermore, there may be only a poor or non-existent consensus among the experts on what the optimal weighting system should be. Apparently small differences in weightings can make substantial differences in the rank order of the organizations concerned (Jacobs and Goddard, 2007)

Furthermore, if a best practice standard is publically declared, the citizens will inevitably see that, in many instances, the services they receive fall short of the expectations which the declared standard should have induced. According to GAP analysis this will produce dissatisfaction with the particular service (Zeithaml et al, 1990) but also, possibly, a wider, growing disillusionment with the administrative system of even 'the government'.

If standards work they will have definite effects on the behaviour of those carrying out public tasks. In democratic societies, we will therefore want to know how these standards are formed – where do they come from and who is able to influence how they are set? We would probably not want, for example, the ethical standards for the police force to be set by a private sector arms manufacturer, or the standards for the financial accountability of a government agency giving grants to small firms to be set by a secretive international venture capital firm – or even a Swiss merchant bank! On the contrary, we would want the process of forming standards to be fairly transparent, and ultimately subject to some kind of democratic veto. What we find, however, is that the origins of many of the standards used in our public services are anything but transparent:

*'Rather than being controlled by states, many standardizers want to influence and control state policies' (Brunsson and Jacobsson, 2002, p3). Also:*

*'Standards are often regarded as highly legitimate rules, even if they are produced by experts who are somewhat divorced from any democratic procedures' (Brunsson and Jacobsson, 2002, p 171)*

Consider, for example, the complex lobbying process that goes on in Brussels where companies and associations constantly lobby the EU Commission to formulate technical standards that will advantage their particular interest and disadvantage those of their rivals. Or think of the model of the European Foundation for Quality Management, widely used as a standard approach in European public

sectors. The EFQM model is derived from US commercial quality models, and the EFQM organization is a private body, originally created by a group of leading European corporations. But it is not only the private sector that contributes to standard formation:

*‘Various international organizations such as the United Nations, OECD, UNESCO, or the European Union, which have sovereign states as their members but which often lack the authority to issue binding directives, create a great number of standards instead. They issue huge numbers of recommendations, white books and the like – what is sometimes called soft law’ (Brunsson and Jacobsson, 2002, p3)*

In short, there is a ‘politics of standards’ – they are not miraculously objective pronouncements handed down from some technical heaven at all. Different groups envisage and advocate different standards and different kinds of standard. It is now more than 15 years since Charlotte Williamson wrote a book entitled

**Whose standards? Consumer and professional standards in health care** (Williamson, 1992) but her main message – that there is often a need for greater democratic or user input to public service standards – remains entirely relevant today.

Finally, there is the issue of how standards used, once you have them. In effect, standards are a kind of performance target, and so the question arises of how closely and automatically they should be tied to systems of organizational rewards and sanctions (OECD, 2007). Tying them closely – often termed ‘*tight coupling*’ – means that failing to reach a standard will swiftly and automatically lead to sanctions on those responsible. The relevant management will be publicized as failures, or they will lose budget or bonuses or management freedoms, or senior managers may even be moved on or sacked. ‘*Loose coupling*’ is a less punitive (or rewarding) relationship, where failure to meet a standard would lead to further investigations and discussions, with a view to achieving the standard in the near future. Carter, Klein and Day (1992) described these two uses of performance indicators as ‘dials’ and ‘tin-openers’. With the first (the marker on a dial) the score against the target/standard is treated as a result which leads directly to rewards or punishments. With the second the score is treated as something which opens the can so that there can be subsequent discussions of the contents. Overall, there is no one right answer to the optimum degree of coupling. It will depend on, first, how hard you want the management of an organization to be pushed, second, how far you are convinced that the standards in question adequately capture well-understood processes (Wilson, 1989) and, third, how serious you judge the consequences of gaming to be. Coupling and gaming go together: On the whole, the tighter one makes the coupled link, the more pressure there will be on staff to ‘game’ their measured results (Hood, 2007). The implications may not be so serious if one is dealing with, say, an agency

which issues driving licenses, since the process is probably quite well understood and the consequences of gaming are not terribly worrying. If, by contrast, one is dealing with a hospital system, then the range of processes and interactions are extremely complex, and the possible consequences of gaming may be extremely serious (Bevan and Hood, 2006; Pitches et al, 2003)

## **Behind the Model: Competences**

Of our three key concepts, the idea of ‘competencies’ is the most recent, dating mainly from the generic management training discourse of the 1980s. A considerable industry has grown up around the proposal that management should be competency-based, gainfully employing many consultants, academics and public servants (Lodge and Hood, 2005).

In practice, however, competences pose some of the same choice problems as standards. So, first, *what kind of competencies do you want to have?* The German system has tended to focus more on substantive expertise in particular sectors (so that civil servants in transport may be expected to know something about how roads are constructed, for example) whereas the system in the UK civil service tends to focus on generic management concepts/behavioural traits like ‘thinking strategically’ or ‘making a personal impact’ Hood and Lodge, 2005). There is something to be said in favour of each approach, but their consequences are rather different. In fact the choice of types of competence is even more complex than this brief dichotomy suggests. Lodge and Hood distinguish four basically different conceptions of what a competency is – subject expertise; organizational capacity; behavioural traits or the minimum abilities needed to carry out specified tasks (2005, p781). Thus, before opting for a ‘competencies approach’ one has to decide what sort of competence one is talking about (and why that particular definition is more relevant to the perceived problems of the day than alternative approaches).

Then there is the same issue of tight or loose coupling that was discussed earlier with respect to standards. If you couple tightly then you give competencies a big and immediate impact on recruitment, postings and promotions. That means you replace the traditional criteria – and accumulated wisdom in using those criteria – with something new. All the staff concerned with recruitment, postings and promotion (and that means a large percentage of all managerial staff) will need to be thoroughly trained in the new system of competencies. Many detailed technical rulings will have to be made about what kinds of experience and qualification counts as towards a given competency and what does not. And any feature which happens not to be explicitly recorded as contributing towards one of the approved list of competencies will immediately lose some of its value and may well be neglected by those who are keen to get promoted and get on. In short, the transactional cost

of acquiring a competency system may be high, and the unintentional distortions introduced by its firm application may be unfortunate.

On the other hand, if you go for loose coupling, the exercise may be seen as having little importance alongside the traditional ways of doing things – as just another ‘initiative’ or fashion, to which lip service probably needs to be paid, but no more. This may be the reason why some of the existing research into competencies in action has found that many civil servants are skeptical of their value and may even be ignorant of their content.

## **Getting Towards the Model: Requirements**

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Let me be very clear what I am trying to say and not to say. I am *not* saying that competences are irrelevant. I am *not* saying that high standards are unattainable. And I am *not* saying that value change is either undesirable or completely unrealistic. What I *am* saying is that, if you look closely at the scientific evidence, none of these three aspirations is straightforward, none of them can be achieved in a very short time, and all of them involve some difficult political and technical choices. The choices are difficult because they are of the type where one decides to aim for one set of desirable features partly at the cost of losing certain other desired features.

Thus to work on values, standards and competences in the public service should be thought of as an on-going, perpetually unfinished endeavour, in which leaders attempt to fashion successively closer approximations to a series of goals that are themselves changing. Technical skills and specialist knowledge are highly desirable for this endeavour, but at the bottom it is also a political process, involving balances and compromises:

1. One balance is in the mixture between first, noble general values, second, specific formal standards and, third, informal norms.
2. A second balance is the choice, within the sphere of standard-setting, of going for best practice excellence or guaranteed minima (or something in between). This choice is likely to impact widely on the attitudes and behaviours of staff and, eventually, citizen service users.
3. A third balance, also within the sphere of standard-setting, is between tightly coupling the chosen standards to the system of organizational rewards and punishments or going for a looser arrangement, where the link passes through an important intermediate stage of analysis and discussion before final decisions are taken.
4. The implementation of competency schemes calls for further difficult choices. Most obviously, there is the question of which is more appropriate – a series of sector or subject-specific technical competencies, or an overarching system of generic management competences? To say there is to be a mixture is not really



an answer, because then one must also decide what weights are to be assigned to the two very different types of competence.

5. And, fifth, competency schemes face the same balancing issue as do standards systems – how tightly or loosely to couple other HRM systems to the ‘results’ of the competency assessments?

Finally, it should be noted that most of these choices are likely to vary according to the specific task at hand. The general values most relevant to a professional army are not identical to those most relevant to a good school, and neither are they quite the same as those most relevant for the administration of a state pension system. Neither is it likely that the same set of standards – or even the same types of standards – will fit each of these three types of public sector organization equally well. And the most appropriate set of competencies will probably also vary.

Thus there is no technical trick – no ready-packaged solution – that will help us to build a model organization. We have to look at where we are starting from, and who we are starting with. We have to make difficult choices about what is most important and what is less so. And then we have to work consistently over time and at many levels to train, to exemplify and to embed the values, standards and competencies which we think are, for the time being at least, those most critical for the good of our citizens.

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# **Bridging the Third Great Divide: Teaching Public Administration in Europe and America**

*William N. Dunn<sup>1</sup>*

## **The First Great Divide**

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A great divide separates the United States and Europe. The divide is found primarily in politics and policies, particularly foreign policies, including the invasion of Iraq under questionable pretenses, the use of preemptive invasion to overturn international norms governing the use of force, and a bellicose stance towards upholding the rights of detainees under established international treaty and customary law. No matter what we think about the threats posed by asymmetric warfare – the two faces of terrorism – it is plain that the neo-conservative clique that has monopolized foreign policy under the Bush Administration has triggered the steepest decline in American moral authority since the country was founded.

## **The Second Great Divide**

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There is another divide, one that has come to separate American and European higher education systems. Although understandable as a response to the apparent monopoly of graduate higher education by the United States, the Bologna Process appears as a thinly veiled strategy for retaining European graduate students and stopping the outflow of the most qualified students and faculty to the United States. The Bologna process has provoked a nervous and counter-productive response from many American universities, which continue to focus on arithmetic manipulations to solve problems of “credit equivalency,” rather than look more deeply at the substance and quality of education. Together, Europe and United States are creating an unhealthy form of competition in an arena which for most of the last century was marked by robust intellectual partnerships in research and educational exchange.

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<sup>1</sup> Professor of Public Policy and Management at the Graduate School of Public and International Affairs, University of Pittsburgh, USA.

Many of us are disappointed with this turn of events because it ignores the profound benefits which have accrued to both sides through the trans-Atlantic educational and research partnership which began in earnest after World War II. The largest American initiative, the Fulbright-Hays Program, has been a demonstrably successful experiment in international research and exchange; many other programs, increasingly based in Europe, have followed suit. In my own case, I was deeply influenced by my many outstanding European mentors who relocated – and subsequently returned, periodically or permanently – to their birthplaces in the United Kingdom, Scotland, Germany, France, Austria, and other countries. Many of my American professors themselves spent as much time in Europe and other parts of the world as their European counterparts, just as I have over the past thirty years.

In 2002, we received the largest country-specific grant ever awarded by the State Department, enabling us to establish and operate the Center for Public Policy and Management (GCPPM) in Skopje, Macedonia. The GCPPM has been a genuinely collaborative undertaking between Americans and Macedonians, with a primary focus on Macedonian interests and the difficult problems of public administration reform the country now faces. The GCPPM took more than ten years to plan, negotiate, and eventually carry forward. Through the largest real-time distance learning system linking Europe and the United States, the GCPPM has awarded a University of Pittsburgh Master of Public Policy and Management degree to 53 outstanding Macedonian students, all of whom work in professional positions in the public, private, and nonprofit sectors.

Finally, it is important to realize that the Americans have been followers as much as leaders in bringing public administration and cognate disciplines – economics, political science, sociology, psychology – to Central and Eastern Europe. American social science and professional communities have depended heavily on European thought, writing, and experience. The Americans do not have a strong tradition of theory and research in public administration and organizational sociology that matches that of Alexis de Tocqueville, Max Weber, Fritz Morstein Marx, Reinhard Bendix, Michel Crozier and others. This dependency on Europe is consistent with the geographic distribution of theoretical, methodological, and practical advances in the social sciences, as reported by Karl Deutsch and his collaborators in *Advances in the Social Sciences, 1900 – 1985*. Among the major producers of research in political science, sociology, psychology, economics and related disciplines, approximately two-thirds are Europeans from the United Kingdom, Germany, Austria, France, Switzerland, Sweden, Italy, the Netherlands, Czechoslovakia, and the Soviet Union. I have omitted other advances in the physical and social sciences over the last several decades, as chronicled in works like *The Timetables of Science*. Overall, the situation has tipped more toward Europe and Asia.

I say this not to diminish the contributions of Americans, or to exaggerate the benefits of scholarly research and writing passed on by Europeans. On the contrary, I believe that our history of successful intellectual migration, transmigration, and exchange is now threatened by what I have called the second great divide. We risk much if we continue down the protectionist path now evident in graduate education and other forms of scientific and professional exchange.

## **The Third Divide**

The third great divide – one that is directly relevant to members of NISPAcee – is the divide separating public administration research, teaching, and training in Europe and the United States. Today, a fundamental disagreement drives trans-Atlantic discourse on public administration reform. One of the focal points of this disagreement is the New Public Management (NPM), a program for governmental transformation initiated in the 1990s and captured by the concept “reinventing government” (Osborne and Gaebler 1992).

In *Reinventing Government* (1992), Osborne and Gaebler identify ten principles that represent an operational definition of NPM. One of these principles is that governments have a responsibility to “steer” the delivery of public services. This principle reflects a notion that governments do not necessarily have to deliver public services in order to be responsible for steering their delivery by nongovernmental organizations. Related is the principle of empowerment. Because governments should be based on a sense of “community ownership,” they need to empower citizens and communities to govern themselves through democratic participation. This idea stands in sharp contrast to the belief that a citizen is some type of “client.” “Good clients,” they say, “make bad citizens. Good citizens make strong communities” (Osborne and Gaebler 1992, p. 52).

Another principle involves selective competition. Competition has many forms and some of them are appropriate, some are not. Although the aim of competition is efficiency and innovation, competition in general will not solve all problems.

*If competition saves money only by skimping on wages or benefits, for instance, governments should question its value. Nor are we endorsing competition between individuals. Merit pay for individual teachers ... just sets teacher against teacher and undermines morale ... merit pay for schools is another matter. Competition between teams – between organizations – builds morale and encourages creativity (Osborne and Gaebler 1992: 79 – 80).*

Sometimes competition means that public and private firms compete to procure the rights to deliver a public service. It can also mean that departments within a government must compete for limited public resources and that communities must compete with each other to offer fresh and original ideas. This principle is related

to using market-based strategies to deliver public goods, provided that the resultant competition is selective and appropriate. The emphasis on selectively appropriate forms of competition means that there is no one way to deliver a public good.

Governments also should be driven by their missions. The enforcement of rules, per se, may be insufficient; it is the purposes for which rules are created which should drive agencies. Along with this mission orientation is the principle is that agencies should be judged by the results of their actions. Results are assessed against organizational goals and objectives – not merely against standard operating procedures and written rules. Results-oriented government is empty without citizens who participate in the assessment of results. For this reason, citizens are seen as customers who have a right to choose among competing approaches to the delivery of public goods, provided that the form of competition is not inappropriate, for example, inappropriate competition designed simply to cut back public services or to imitate businesses in a market economy. Agencies should also have an anticipatory and preventive orientation rather than a reactive one.

## **The New Weberian State**

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NPM was originally advanced as a new paradigm of government under the banner of “reinventing government” (Osborne and Gaebler 1992). Motivated in part by Thomas Kuhn’s *The Structure of Scientific Revolutions* (1970), it was and is a sweeping new paradigm. Yet its tendency to overpromise the benefits of NPM, and its mistaken identification with Ronald Reagan and Margaret Thatcher, has resulted in a range of mistaken interpretations and justified skepticism.

With the exception of groups of consultants and some academics in the United States, the United Kingdom, New Zealand, and Australia, NPM has never had a critical mass of adherents. NPM is believed to have failed in achieving the goals set forth by its American and British advocates, particularly the goal of achieving more effective and efficient public organizations (Drechsler 2005). What systematic empirical reviews that do exist, including those sponsored by international NPM advocates such as World Bank (see Manning (2000/2005), provide little empirical or practical support. Although there have been a few guardedly positive accounts such as Schick’s work on New Zealand (1996), he himself has been opposed to the transfer of NPM to developing countries (Schick 1998).

The inadequacies of these principles have been addressed by proponents of the neo-Weberian state (NWS). They argue, first and foremost, that NPM does not provide for a strong state which can manage the many internal and external challenges facing newly independent states. These challenges include civil services plagued by ethnic strife, inefficient and ineffective administrative agencies, hyper-pluralistic party systems, weak or unenforceable health and environmental regulations, and

national economic and social policies that are often compromised in the face of external penetration and control by the IMF and the World Bank.

NWS critics also see in NPM a misplaced emphasis on improving management functions, a new form of “managerialism” which neglects wider governmental, political, and sociocultural contexts. What makes this criticism plausible is the subordination of political, legislative, and parliamentary reforms to the goals of the management and governance reforms which lie at the heart of NPM (Osborn and Plastrik 2000: pp. 2 – 3). Although they emphasize that reinventing government is about governmental, not political reform, the latter is a murky precondition of the former.

NWS critics seem to have accepted surface features of NPM, as stated in the titles of books – for example, *Banishing Bureaucracy* – which was not intended to replace bureaucracy in the thoughtful sense in which that term has been used by scholars and professionals since Max Weber (see Mouzelis 1967). Indeed, in its original formulation reinventing government did not call for the abandonment of bureaucracy at all; it rather called for maintaining the bureaucratic model in some organizations, and its reduction or elimination in others. Governmental reform was placed along a continuum from entrepreneurship at one pole to bureaucracy on the other, mistakenly suggesting a simple trade-off of one for the other. In their chapter titled “An American Perestroika” (itself a fascinating reversal of metaphors of governmental reform) Osborne and Gaebler affirm that “the bureaucratic model worked superbly” before 1945, in what they see as unstable political and economic environments in the United States between World War I and the Depression until World War II. Even now, they contend, the bureaucratic model is appropriate under a range of conditions:

*Bureaucratic institutions still work in some circumstances. If the environment is stable, the task is relatively simple, every customer wants the same service, and the quality of performance is not critical, a traditional public bureaucracy can do the job. Social security still works. Local government agencies that provide libraries and parks and recreational facilities still work, to a degree (Osborne and Gaebler 1993: 15 – 16).*

The NWS builds on but goes substantially beyond key principles for European public administration put forth by SIGMA and the Organization for Economic Cooperation and Development (OECD). Because the design of national public sectors in the European Union is left as much as possible to each state, the legal and institutional framework of the *Acquis Communautaire* is based on broad principles and directives that may be harmonized with the specific contexts of the original European Union and later accession states. This situation is not unlike that of the United States vis-à-vis the country’s fifty constituent states.

The first broad principles are those of reliability and predictability in the delivery of public services. Operationally, this means that governments conduct themselves according to rules which ensure the appropriate exercise of administrative discretion, procedural fairness, proportionality, and professional integrity. Related principles govern openness and transparency, such that the organization's activities must be available for scrutiny and supervision. This openness is partly a participatory objective, in that newly harmonized laws required agencies and ministries to engage in broad consultation with political and community groups while drafting and amending legislation and developing and implementing policies. Another principle is that of accountability: a ministry is "answerable for its actions to other administrative, legislative, or judicial authorities" (Rutgers and Schreurs, 2000: 624). Finally, the past and anticipated future outputs of governments should be subjected to monitoring, evaluation, and forecasting. Regulatory Impact Assessment (RIA) is a specifically mandated form of social, political, and financial forecasting. Outcomes of governmental activity should be anticipated in advance in order to prevent problems rather than cure them.

The NWS incorporates these principles but goes beyond them. Drechsler (2005), Pollitt and Bouckaert (2004), and Dunn (2006) refer to a specifically European perspective of bureaucratic organization based on but not identical to that of Max Weber. Drechsler (2005) emphasizes that the neo-Weberian perspective is based on at least four principles:

- *Centrality of the State*. Create strong states with the capacity to deal with domestic and international challenges.
- *Enforcement of Administrative Law*. Guarantee equal, fair, and predictable actions by state agencies.
- *Creation of Competent Public Service*. Create a public service with a distinct status, culture, and terms and conditions of employment.
- *Representative Democracy*. Representative democracy is a basis for legitimating, controlling, and maintaining the stability and competence of the public bureaucracy.

Drawing once more on the discussion of the NWS by Drechsler (2005), we find new principles which mirror those of NPM and diminish some of the differences between Europe and the United States.

- *External Orientation Toward Citizens*. An outward shift away from internal bureaucratic rules toward the needs, values, and perceived opportunities of citizens.
- *Supplemental Public Consultation and Direct Citizen Involvement*. Creation of a range of procedures for public consultation and the direct representation of citizen views.
- *Results Orientation*. A focus on the achievement of results, not only on compliance with formal procedures and written rules.



- *Management Professionalism*. Here, “the ‘bureaucrat’ becomes not simply an expert in the law relevant to his or her sphere of activity, but also a professional manager, oriented to meeting the needs of his or her citizen/users” (Pollitt and Bouckaert 2004: 99 – 100; quoted by Drechsler 2005: 6).

## **Bridging the Third Divide – Evidence Based Public Administration**

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Claims advanced by proponents of NPM and NWS are hypotheses about how to achieve desired administrative reforms – they are not well-tested or credible solutions for problems of administrative reform facing Central and Eastern Europe and the European Union at large. Accordingly, we need to move away from a primary certitude that one or another broad perspective of administrative reform is correct – whether it is that of SIGMA, NPM, or NWS. We need to assess the results of reform initiatives against evidence of *what works* as well as what we want to achieve.

One way to move forward is to create programs of evidence based public administration. Following the example of evidence-based public policy in the United Kingdom and the United States (see Petrosino, Boruch, Soydan, and Sanchez-Meca 2001), programs of evidence based public administration would attempt to improve the role of the social sciences and the profession of public administration – including economics, law, sociology, and political science – in finding out *what works*. Systematically gathered evidence could help counteract the distorting effects of ideology, religion, and politics, repair shoddy social science, increase the competency of consultants and advisors, and help assess the practical efficacy of educational and training programs.

Good examples on which to base programs of evidence based public administration already exist. Based on the success of the Cochrane Collaboration in public health, the Campbell Collaboration prepares, maintains, and makes accessible systematic reviews of research on the effects of social and educational reforms of many kinds, including the efficacy of service delivery by public and non-profit organizations (<http://campbell.gse.upenn.edu>). Similar efforts are under way in the United Kingdom ([www.esrc.ac.uk](http://www.esrc.ac.uk)), Sweden, Spain, and the United States. In the United States there is a Council for Evidence Based Policy located in Washington, D.C. (see [www.excelgov.org](http://www.excelgov.org) and [www.evidencebasedprograms.org](http://www.evidencebasedprograms.org)).

A new “NISPAcee Collaboration” on administrative reform might accomplish similar objectives through rigorous quality control, electronic publication, and European coverage of research and records of experience. It would be important to review ongoing research in the 100 and more professional evaluation research societies and governmental agencies in Europe and around the world (see [www.home.wmis.net](http://www.home.wmis.net)).

At the present moment, it is important to adopt *standards* of evidence for claims about reform strategies put forth by NPM and NWS. Evidence based public administration is not a substitute for politics and public policy; there may be much wisdom in the policies and practices of administrators and this should not be ignored, despite the need to test alternative solutions. Such testing, however, requires standards of evidence including the following:

- **NUMERACY** – In examining public management reforms, are the observed effects (or non-effects) of reforms due to properly validated statistical measures, rather than unreliable and invalid measures? Many of the statistics needed to monitor progress in fulfilling European Union Regulatory Impact Assessment (RIA) requirements are unavailable or unreliable (see Staronova, K., Kovacsy, Z., and A. Kasemets 2006).
- **EFFICACY** – What factors in addition to administrative reforms produce observed effects? First of all, in assessing effects of reforms such as the privatization of transportation or the introduction of monetary incentives in health care, it is necessary to determine whether reforms were actually implemented – otherwise any in order to draw conclusions about possible improvements (or losses) in effectiveness and efficiency.
- **COMPARISON** – Are different effects of administrative reforms observed in similar settings, or are similar effects observed in different settings? When countries with very different histories, cultures, and legal systems attain equivalent levels in meeting criteria such as effectiveness, transparency, and openness, there are reasons to doubt that reported successes are real.
- **CONCEPTUALIZATION** – Are observed effects due to poorly defined concepts and conceptual frameworks? When the term “network” is contrasted with that of “bureaucracy,” it is seldom acknowledged that a bureaucracy is a particular type of network. Because “bureaucracy” itself is almost never defined and properly characterized, it is impossible to see that former socialist states were by no means bureaucracies in the sense established by European scholars and practitioners since Max Weber (see Mouzelis 1967; Bendix 1989. Weber 1918/1946).

## **Conclusion**

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Together, we can begin to bridge one of these divides. This is the divide between American and European scholars, practitioners, and teachers of public administration, as represented by the dispute between advocates of NPM and NWS. One obstacle to bridging this divide is the mistaken ethnocentric belief that differences can be properly reduced to cultural, political, economic, and legal differences between Europe and the United States. Although such contrasts surely exist, it is important to “denationalize” the debate, raising it to a professional level where we can apply our expertise in theory, strategy, research, and practice. To do so, I have suggested

the establishment of programs in evidence based public administration. Independent non-governmental professional organizations such as NISPACEE could act in the spirit of Alena Brunovska and take a leading role.

## **Dedication**

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I dedicate the 2007 Brunovska Award to the students, faculty, and graduates of the Graduate Center for Public Policy and Management in Skopje, Macedonia.

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# Health Care Reforms in CEE: Processes, Outcomes and Selected Explanations

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*Juraj Nemec<sup>1</sup>, Colin Lawson<sup>2</sup>*

## **Introduction**

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After 1989, all Central and Eastern European (CEE) countries implemented large-scale health care reforms. The reform starting point was almost identical: a centralized state health care model providing comprehensive but medium quality health care for all, free at the point of delivery, financed from general taxation. The concrete reform approaches and measures differed across the CEE countries, depending very much on the specific local conditions.

Much was expected of the changes. But recent evidence indicates that many expectations of the reform in health care in the CEE region were unfulfilled (EBRD, 2007). Health systems in CEE, now financed predominantly on a social/private insurance basis perform relatively effectively from the viewpoint of the ratio between outputs and inputs, but have significant shortcomings from aspects such as universal access, cost containment and the organizational and medical quality of services.

Our paper highlights two critical issues, the impact of financial constraints on the chance to achieve real reform success, and the problem of motivating the main stakeholders to contain costs.

## **1. Health care reforms in Central and Eastern Europe**

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Here we will briefly describe the main characteristics of the pre 1989 health care systems in the CEE region and highlight the main reform trends and attitudes – both their common and disparate features.

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1 Professor, Faculty of Economics, Matej Bel University, Banska Bystrica, Slovakia.

2 Dr., Dept. of Economics and International Development, University of Bath, Bath, UK.

### 1.1 Starting point – pre 1989 health systems in the region

As noted, before reform the situation was very similar in all CEE countries. Describing institutions and performance across countries authors use similar words: for example,

“During the communist time in Ukraine there was a centralized health protection system, which possessed the signs of a totalitarian regime of state authority, had a highly developed administrative and bureaucratic nature and was not receptive to dynamic changes. Non-governmental structures of prophylactic and general health protection services did not function and the financing of the health system was provided overwhelmingly through the state budget. Such important mechanisms as medical insurance and private medical practice were not used. These historic conditions have created the gradual alienation of the health protection systems from the basic tasks of health services for citizens and have become obstacles for reforming the existing conditions of the current transitional period in Ukraine”. (Khadzhyradeva – Kolisnichenko, 2004)

“In Russia, as an integral part of the USSR, health care was financed and provided by the state (the so-called Semashko model) when the practice of private medicine was a rare exception. While significant achievements of the system are generally recognised, some major drawbacks are also well known. It is generally admitted that while the Semashko model showed positive outcomes when the principal aim of health care was to fight infectious diseases, it could not ensure the proper level of treatment of chronic illnesses when their share in the morbidity structure increased. The health care system continued to develop “in-width”, for example setting up new polyclinics and hospitals, and training more professionals while increasing its efficiency even when allocated resources fell because of slowing economic growth. This did not attract a warranted attention from the Soviet leadership or from researchers” (Chubarova, 2004).

“Before 1989 the objective (in Slovakia) was to provide a comprehensive system of health care for all members of society. Both services and medicines were free to the patient, but until 1987 there was no individual choice of practitioner. From 1987 patients could choose their primary health care provider, optician and dentist. In addition, as an experiment, a small number of hospitals were given self-governing status. The supply of services was constrained by the plan, and the purchaser and provider were one. Economic resource allocation played no part in determining services, whose level and distribution, influenced by social, medical and administrative considerations, were determined by political decision. There were no economic incentives, either for individuals or for the system to improve performance, and there was chronic and sometimes acute excess demand for services” (Nemec and Lawson, 2005).

The common starting situation is unsurprising, for all countries in the region except Yugoslavia and Albania were members of the Soviet bloc, with almost identical societal and economic structures. The initial health care differences reflected genuine variations in performance. For example when transition began the Czechoslovak and Hungarian health care systems were far from the crisis states of the Polish (Millard, 1994) and Soviet systems (Davis 1993, 2001). It is also worth noting that despite the proclaimed guarantee of free medical assistance regardless of social status, the practice of unofficial extra payments to receive good medical treatment was common. Only the scale of this “shadow economy” differed across countries.

## **1.2 Post 1989 reforms – similarities and differences**

The concrete changes and the timeframe of their realisation after 1989 differ between the CEE countries, depending very much on the specific conditions at the start of the reforms and during their implementation. However, there are some common issues across the health reforms in CEE countries – most notably the introduction of several market-based instruments to replace the ‘socialist’ health care delivery systems. The most important market linked changes were the introduction of health insurance financing systems to replace a general taxation-based model, privatisation, and the introduction of private payments/co-payments. Perhaps the main difference in reform approaches concerned access guarantees.

### *Health insurance*

After 1989 CEE countries introduced a Bismarckian system of social health insurance to replace the previous general taxation finance system. The change to a health insurance system was commonly supported by standard arguments that a plurality of providers, independence and competition would automatically lead to improved performance. From an institutional point of view, the switch to insurance systems was to large extent influenced by major international donors, especially the World Bank and International Monetary Fund (PADCO, 2002).

The political economy rationale for the switch from a tax based to an insurance based health care finance model is a mixture of economic, administrative and political considerations. The economic arguments involve a trade off between, on the one hand, the costs of the previous public monopoly, whose efficiency might have been improved by an internal market. And on the other hand, the possibility of excessive administrative costs if there were many competing insurance companies but few economies of scale. Alternatively there would be the general economic welfare problems of oligopolies if the market turned out to be dominated by a small number of large insurance companies. The administrative arguments for the change are that the insurance companies are separate from the main government administration, and that that by itself would improve the quality of the administration. The political rationale for the change to an insurance-based model is simply the desire

to signal a break with the old regime – and this dimension might be counted as the most important factor behind the change.

The differences between CEE countries lie in their concrete approaches. For example several countries started by introducing pluralistic insurance systems, with public and private insurance companies. Typical examples in the mid 1990s were the Czech Republic with 26 companies and Slovakia with 13 companies. Later these “peak” numbers significantly decreased as the “market” was too small, and some companies were created more for short-term profit motives than for long-term service delivery. By spring 2007 the health insurance “market” in the Czech Republic was dominated by the public General Health Insurance Fund of the Czech Republic (VZP CR), enrolling two-thirds of the population. Eight other health insurance funds covered the rest of population (Czech National HIF, HIF of the Ministry of the Interior, Military HIF, HIF of Banks and Insurance Companies, Metallurgy HIF, Revirni Bratrska Pokladna HIF, Metal-Aliance HIF, and Skoda HIF. In Slovakia at the same time the public General Health Insurance Company (Vseobecna HIC) covered more than half of the insured population. The rest of the population was enrolled with another public insurer, the Spolocna Health Insurance Company, and by four private insurance companies.

Almost all other countries – Bulgaria, Croatia, Estonia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Slovenia and Serbia opted for a single public sector insurance company with local and regional branches. Similar systems were also established in most CIS states, though some of them – Russia is the major example – opted for a mixed system, where a range of public sector actors – the state insurance company, the federal state and regions pay for free at point-of-use services (Chubarova, 2004).

### *Privatisation*

In almost all countries it was accepted that the primary care, specialised ambulatory care and pharmacy sectors should belong to the private sector, and privatisation has been or is almost completed. The difference is connected with the hospital sector.

In some countries, for example Czechia, most hospitals still remain public bodies, governed by the central government and local governments. In other countries, for example Armenia, hospitals were transformed into semi-public non-profit organisations. There have been four major changes in the legal status of health care facilities during recent years as the facilities were transformed from organizations funded from the state budget to state non-commercial companies. In January 1995, all health care facilities were transformed into state enterprises. In 1997, another change was introduced as part of the decentralization of the health care system: all health care facilities were reconstituted as non-commercial state joint stock companies following the passage of the 1996 Law on Joint Stock Companies. After enactment of the Law on State Non-Commercial Organizations in November 2001,



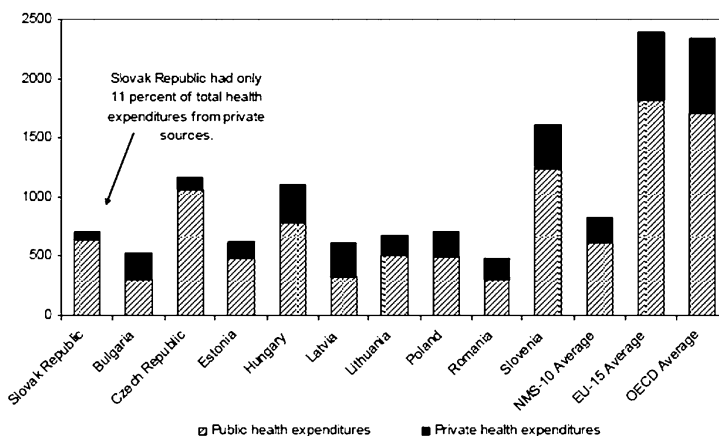
health care facilities were required to be reconstituted as state non-commercial organizations (SNCOs). By law, only the Republic of Armenia is allowed to create an SNCO” (PADCO, 2002).

One of the most extreme cases is Slovakia. On the basis of the 2004 liberal reform package all hospitals were converted into companies. University hospitals remained in the form of the public shareholders company; all other hospitals were transformed into different forms of non-profit or for-profit bodies (Pazitny, 2006). A similar trend is visible in Georgia – as an outcome of the health care reform all health care institutions are now independent legal entities. They function as either private or joint stock companies and are administratively and financially autonomous from the state budget (Sumbadze and Dolidze, 2004).

*Private financing/co-financing*

The relative share of public and private finance in funding health care services differ significantly across CEE countries after the reform. A relatively high proportion of public financing of health care expenditures is still a common feature of the most developed countries, currently EU members, with two extreme cases – the Czech Republic and Slovakia (Figure 1).

**Figure 1. Health Expenditure in the OECD and NMS-10, 2000–04**  
(Period average in PPP dollars)



Sources: OECD and WHO Europe

The Czech Republic provides almost all health services free at the point of delivery and only started to introduce marginal co-payments in 2007. Slovakia also provides almost all health services free at the point of delivery, introducing co-payments as late as 2004, but abolishing most of them in 2007. Officially the share of public financing for health care services in these two countries is about 90% (Pazit-

ny, 2006). But OECD data which also include the shadow health economy (for faster and better services) indicate that the private payment share in Slovakia is almost 25 % (Wetzel, 2007).

The other extreme cases are mostly from NIS countries, where the share of private payments increased significantly. The government regulations are related only to the (insufficient) publicly financed services, while the rest of the system develops in a non-regulated way, with increasing costs and decreasing accessibility. The relative amount of public expenditures for health care in Russia fell from 4,4 % GDP in 1997 to 3,3 % of GDP in 2003. This gap was only partly filled by private resources so in total fewer services were available (Table 1).

**Table 1**  
Health care in Russia – selected indicators

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Public health expenditures/GDP	3,1	2,5	2,3	2,2	2,0	2,3	2,2
Central government health expenditures/GDP	0,4	0,3	0,2	0,2	0,3	0,3	0,3
Regional government health expenditures/GDP	2,7	2,2	2,1	2,0	1,7	2,0	1,9
Health insurance expenditures/GDP	1,3	1,2	0,9	1,0	1,0	1,2	1,1

Source: Chubarova, 2004

### *Access*

The issue of access is very much connected with financing, as described above. With access, two groups of countries can be distinguished:

- Those continuing to focus on universal access as a key principle of the health sector, and:
- Those where access is no longer guaranteed.

The first group comprises mainly countries in Central Europe that are now European Union members. Their internal policies, but also EU universal health care coverage principles, for example expressed by the European Charter of Social Rights, motivate countries like Czechia, Slovakia, and Hungary to maintain as much universal access as possible. The 1998 Slovak government's Programme Statement ([www.government.gov.sk](http://www.government.gov.sk)), prepared at a time of deepening financial crisis is symptomatic of this desire to retain access. Neither did the rhetoric change during the liberal 2004 reform:

“The government will guarantee generally accessible and high quality health care for all citizens. Within the framework of the basic health insurance, any citizen is assured equal access to and an equal quality of basic health services.”

In countries where publically funded to finance health expenditures were quite inadequate, the policy of universal access needed to be officially rejected. A good example is Ukraine, which in 2000 spent only 2.7% of GDP on health. Consequently Ukrainian experts have argued that only 30% of the population’s minimal medical needs are being met. As a result no national healthcare programmes are being fully implemented (Khadzhyradeva – Kolisnichenko, 2004).

## **2. CEE health reform outcomes**

There have been several attempts to evaluate the performance of healthcare systems across the world, focusing on various aspects and using different methods. A typical example, which included selected CEE countries, is the 2001 WHO rankings (Table 2), focusing on three main performance dimensions – health status of inhabitants, fairness/access and costs. In our paper we will use a similar approach, assessing the outcomes of health reforms in the CEE region by the following criteria:

1. Health status
2. Access to health services
3. Efficiency in two dimensions:
  - a. Input-output ratio
  - b. Cost containment

**Table 2**  
Ranking of Health Care Systems: Selected Countries

	<b>Overall</b>	<b>Health</b>	<b>Fairness</b>	<b>Cost</b>
France	1	4	26	4
United Kingdom	18	24	8	26
Germany	25	41	6	3
USA	37	72	54	1
Slovenia	38	62	82	29
Czech Republic	48	81	71	40
Poland	50	89	150	58
Slovakia	62	88	96	45
Hungary	66	105	105	59
Estonia	77	115	145	60
Russia	130	127	185	75

Source: World Health Organization, 2001.

Before we start the analysis of what was achieved, it is necessary to stress that CEE countries in say the 1980s had very “modest” levels of income per capita in comparison to OECD states (Table 3), and that picture has only begun to change very recently as they have begun to narrow the gap with the older EU members. So the hope that improved health outcomes were attainable until recently must have rested on one or more of the following ideas:

1. An improvement in efficiency was possible after 1989 that would not be hidden by a fall in resources from the transformational recession of the 1990s.
2. A higher priority would lead to more and/or better resources being spent on health by governments and/or citizens.
3. Citizens’ health would improve for some other reason – eg. better diet, in part a result of better food choice or quality.

**Table 3**

GDP per capita (PPP) across Europe 1989 – 2005: in constant 2000 US \$

	<b>1989</b>	<b>1993</b>	<b>1997</b>	<b>2001</b>	<b>2005</b>
Bulgaria	7211	5744	5244	6432	8035
Czech Republic	-	12985	14559	15671	18272
Hungary	11983	9859	10984	13401	15913
Poland	-	7203	9179	10723	12319
Romania	7183	5560	6104	6315	8060
Slovakia	-	8361	10332	11568	14120
Slovenia	-	12575	14785	17250	19815
Austria	22326	23916	26010	28744	29981
France	21605	22208	23624	26293	27033
Germany	20324	22222	23631	25619	26210
UK	21544	21708	24521	27259	29571

Source: World Bank, World Development Indicators 2007

## 2.1 Trends in the health status of CEE residents

Health status is normally measured by standard outcome indicators, especially life expectancy, infant and child mortality and death rate. One of the most complex sources for such comparison is the World Bank World Development Indicators. Selected data from this source are presented in the Table 4.

The data in Table 4 show distinctly different patterns for the health status of CEE residents – in some countries, health is improving, but in others it is unchanged or is significantly declining. Only a few CEE countries, for example Slovenia and the Czech Republic are close to the EU average.

**Table 4**  
Health status indicators – selected CEE countries

Country	Life expectancy at birth		Infant mortality rate		Under 5 mortality rate	
	1990	2004	1990	2004	1990	2004
Armenia	68	71	52	29	60	32
Bulgaria	72	72	15	12	19	15
Croatia	72	75	11	6	12	7
Czechia	71	76	11	4	13	4
Estonia	69	72	12	6	16	8
Georgia	70	71	43	41	47	45
Hungary	69	73	15	7	17	8
Kazakhstan	68	65	53	63	63	73
Kyrgyzstan	68	68	68	58	80	68
Latvia	69	71	14	10	18	12
Lithuania	71	72	10	8	13	8
Macedonia	72	74	33	13	38	14
Moldova	68	68	30	23	40	28
Poland	71	74	19	7	18	8
Romania	70	71	27	17	31	20
Russia	69	65	23	17	29	21
Slovakia	71	74	12	6	14	9
Slovenia	73	77	8	4	10	4
Tajikistan	63	64	92	75	119	93
Turkmenistan	63	63	80	80	97	103
Ukraine	70	68	19	14	26	18
Uzbekistan	69	67	65	57	79	69
Europe:EMU	76	79	8	4	9	5

Source: <http://devdata.worldbank.org/wdi2006>

Although a country's health care system has only a limited impact on the health status of its inhabitants (the potential of health care financing to influence health status is estimated to be between 10 and 20 percent – for example see Pazitny, 2006), some links do exist. A lack of financial resources, including financial resources for health, and a citizen's lifestyle (with no resources to change or influence it), are likely to be among the most important factors underlying these life expectancy differences.

The problem of worsening health status is illustrated by Georgia. Reliable conclusions about the dynamics of mortality and morbidity in Georgia cannot be drawn from the country's unreliable data. According to official statistics, mortality

has declined; however, experts estimate that the mortality rate has increased steadily from 6.4 in 1996 to 8.2 in 2000 (Tsuladze and Maglaperidze, 2000). The difference may be explained by the fact that a considerable number of deaths are not registered. For example in rural areas there is no real need to register deaths, which anyway require payments. Data on diseases per 100,000 inhabitants are also not absolutely reliable due to inefficient registration and unreliable population figures. There were no censuses between 1989 and 2002. After 1989 there was considerable unregistered migration. This, together with the low rate of attendance at health care facilities, suggests morbidity rates higher than those reported through registration and presented in statistical compendia. Data from the Centre on Health Statistics and Information (Healthcare, 2002) demonstrate the steady deterioration of the health of the population, after reform began (see Table 5).

**Table 5**  
Number of Cases of Disease Per 100,000 Inhabitants: Georgia

No.	Disease	1996	1997	1998	1999	2000	2001
1	Infectious and parasitological diseases	671.3	738.2	729.1	715.9	659.3	945.3
2	Tuberculosis	*	*	*	*	133.4	128.8
3	Sexually transmitted illnesses	37.2	66.2	77.6	45.6	33.5	50.3
4	AIDS and HIV	0.2	0.4	0.5	0.7	1.8	2.1
5	Neoplasms	482.5	475.1	501.9	539.9	557.4	586.6
6	Diseases of endocrine system	320.2	329.7	246.8	313.2	333	306.5
7	Mental disorders	1554.9	1689.	1850.9	2193.2	2192.6	2338.5
8	Diseases of circulatory system	3124.1	3221.3	3527.1	4524.7	4257.4	4838.1
9	Diseases of respiratory system	*	*	*	*	3382.8	3532.7
10	Diseases of urinal system	296.8	304.7	351.2	529.5	476.9	569.2
11	Diseases of digestion system	1555.7	1021	863	899.4	628.9	902.7
12	Diseases of nervous system and sense organs	363.7	459.9	644.9	781.9	718.6	800
13	Traumatism and poisoning	*	*	*	*	*	535.1

\* Data not available.

## **2.2 Trends in access to health services in CEE region**

As noted in 1.2 above there are two groups. Richer countries in Central Europe, especially the Czech Republic and Slovakia try to assure equal quality access for all, predominantly financed from public resources.

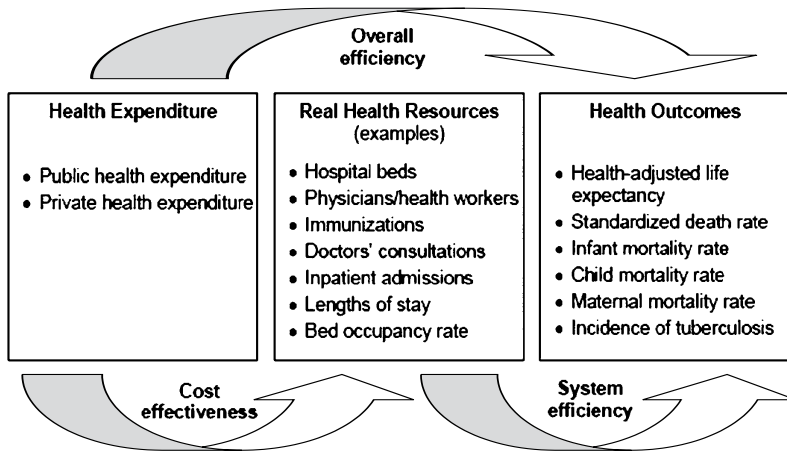
But countries that lack resources, including all the CIS countries, could not continue their pre-reform policies of universal access. Some of them still formally aspire to universal access others have entirely abandoned this objective. A typical example from the first group is Ukraine. Formally, according to its health reform strategy, Ukraine has focused on achieving economic effectiveness and providing quality medical care, while at the same time preserving accessibility for its entire population. However in practice the government has been unable to maintain universal access. Access is increasingly limited because of insufficient public funds and the transition to a system of private payment. These factors have shrunk the network of medical institutions available to citizens and led to a shortage of (free) medicines for the sick, as well as a constant fear of ill health, inadequate treatment and even total impoverishment (Khadzhyradeva – Kolisnichenko, 2004).

An example from the second group is Georgia. After the reform the state finances only a limited number of programs. Public expenditures on health care as a percentage of GDP fell from 4.1% in 1991 to 0.59% in 1999. In 2001 these expenditures were US\$7.30 per capita. In Georgia, the number of people covered by health insurance is negligible – 615,165 out of a population of about 5 million, or about 12.3% (Sumbadze and Dolidze, 2004).

In reality accessibility to services and equality of access are decreasing everywhere, but to different degrees. To a large extent this is the result of the deepening financial crisis and the unofficial shifting of the financial burden onto citizens. These inequalities are aggravated by the existence of an informal health economy. Even in the most developed countries, like Slovakia, there are waiting lists for specialists and unequal treatment occurs because there are no formal, effective rules for deciding patient priority. Also, in the case of hospital care it is common to make additional illegal or non-legal payments for extra services, e.g. a separate room. It is likely that a systematization of these practices will be introduced through additional co-insurance. Access is not always equal because of corruption and other factors. There are no Patients' Charters, and complaints generally find no responsive addressee. This is important, because as we have noted according to Miller et al. (1998) most Slovaks claim that they have had to pay bribes to ensure good health care.

## **2.3 The efficiency of CEE health systems**

Measuring efficiency is not a simple task, especially in health care, where outcomes are not directly related to health expenditure. Verhoeven, Gunnarsson and Lugaresi (2007) propose the following approach:



Many studies, including some from the CEE region, try to use Data Envelopment analysis (DEA) based on the estimation of a notionally efficient production frontier. The efficiency score can be calculated when output is maximized for a given level of input, or alternately, when input is minimized for a given amount of output (Dlouhy, 2004, Raguseo and Vlcek, 2006).

The Euro Health Consumer Index 2006 focuses on other dimensions of efficiency, including the openness of the system towards the patient. It used 28 indicators to rank selected European systems in the following areas – patient rights and information (10 indicators), waiting time for treatment (5 indicators), outcomes (6 indicators), provision levels (3 indicators) and pharmaceuticals (4 indicators). The results are shown in the Table 6.

**Table 6**  
Euro Health Consumer Index 2006

Total score	498	533	422	403	473	421	496	576	571	434	453	359	471	365	340	546	463	572	409	435	369	466	434	566	563	436
Rank	8	7	19	22	10	20	9	1	3	17	14	25	11	24	26	6	13	2	21	16	23	12	17	4	5	15
	Austria	Belgium	Cyprus	Czech Republic	Denmark	Estonia	Finland	France	Germany	Greece	Hungary	Ireland	Italy	Latvia	Lithuania	Luxembourg	Malta	Netherlands	Poland	Portugal	Slovakia	Slovenia	Spain	Sweden	Switzerland	United Kingdom

Source: <http://www.healthpowerhouse.com/media/RaportEHCI2006en.pdf>

To assess the efficiency of the post-reform CEE health systems we investigated two possible dimensions: output and the outcomes/input ratio, and the capacity of a country for effective cost containment.



### 2.3.1 Relating outcomes and outputs to inputs: methods with low explanatory potential

According to Verhoeven, Gunnarsson and Lugaresi (2007) CEE countries achieve relatively low health outcomes with high real resource combinations. In part, this is due to inertia – for instance, hospital structures may still reflect old standards and a significant number of current health workers were educated in the pre- and early transition period. On the other hand, higher levels of cost effectiveness (Table 7) reflect relatively low prices for labour and other inputs for health services. As a result, despite spending levels, real resources in the health sector are relatively high.

**Table 7**  
Rank of Health Efficiency Scores Relative to the OECD 1/

	System Efficiency 2/	Overall Efficiency 3/	
	Intermediate resources to outcomes	Public expenditures to outcomes	Public and private expenditures to outcomes
Slovak Republic	1.7	1.1	0.4
Bulgaria	2.0	0.5	0.5
Czech Republic	1.4	0.7	0.5
Estonia	1.9	1.4	0.7
Hungary	1.9	1.5	1.4
Latvia	2.2	1.0	1.5
Lithuania	2.0	1.6	1.1
Poland	1.6	1.0	0.5
Romania	2.0	1.5	0.6
Slovenia	0.7	1.1	1.0
NMS-10 average	1.7	1.1	0.8
EU-15 average	0.9	1.0	1.1

Source: Verhoeven, M., Gunnarsson, V., Lugaresi, S. (2007)

- 1/ Ratio of output-oriented efficiency rankings of NMS-10 and EU-15 countries and the average ranking in the sample of OECD countries. The ratio is 1 if the country is as efficient as the average for the OECD, and is higher if the country is less efficient.
- 2/ Based on output-oriented efficiency rankings using as inputs, the average ranking of various real resources and as outputs, various outcome indicators, including infant, child, and maternal mortality, the incidence of tuberculosis, and adjusted life expectancy.
- 3/ Reflecting the output-oriented efficiency rankings.

The relatively high ranking of CEE countries is explained in part by the use of some non market prices – especially salaries of medical staff – but also the methods used to measure efficiency. DEA and similar measures only give an indication on where the production possibility frontier is and such methods cannot give any comprehensive impression of the state of health in very poor countries. Technical efficiency does not imply an acceptable level of health.

For example in Raguseo and Vlcek's (2006) study, using the DEA approach, Romania appears in pole position simply because it obviously spends well below average to deliver below average volumes of health care relatively efficiently. It is apparent that the extreme values of indicators can seriously misrepresent the results of efficiency evaluation based on multi-criteria approaches. With DEA, countries that have very high levels of health expenditure tend not to reach maximum efficiency scores. For example, Italy has an input efficiency score of 83,18, meaning that if it were efficient it could deliver the same level of output but spending 16,82 per cent less.

Dlouhy (2004) directly used his DEA analysis of the effectiveness of selected health systems to highlight the shortcomings of available efficiency assessment methods. His results show that under some assumptions Cuba might be ranked as the worlds' best health system. Taking account of all these problems with efficiency measurement it is clear that input-output comparisons tell us little about the actual levels of health delivered.

### **3.2 Capacity for effective cost-containment arrangements**

The focus here on the post reform systems' capacity for effective cost containment is based on two main arguments:

- The limited potential of standard methods to measure efficiency.
- The fact that one of the main arguments behind switching from general taxation to health insurance was improved cost-containment capacity.

The cost-containment dimension will be evaluated only for more developed systems, predominantly financed from public resources and guaranteeing universal access. The reason is obvious – countries with public care health expenditures of 5 – 10 USD per capita simply cannot be assessed by this criterion.

All sources analysing the cost containment aspects of CEE health systems paint the same picture – in spite of many formal reform goals, real transformation to a modern structure of health care delivery is still to be achieved. For example, according to Wetzel (2007) the Slovak health care system is characterised as follows:

- a basic network of primary care is still to be developed,
- too many hospitals, too many hospital beds (670/100 000 inhabitants), with a low rate of occupancy (only 66%),
- centralised management
- real public/private mix in delivery only in the early reform days,
- too many physicians (in relation to GDP per capita) – 319 per 100,000 inhabitants (France 326)
- too many hospital doctors – 58 % of all physicians,
- oversized specialist medicine sector.

The most visible outcome of the very limited cost-containment capacity is expenditures for pharmaceuticals. The costs for drugs exploded after 1990 in all transition countries. This is partly explained by the increased use of effective but more expensive imported medicines. But it is also caused by an ineffective regulatory system for drug prescription. The tools of evidence-based medicine are still not used for determining which medicine to prescribe, to whom and under what circumstances. This leaves an opening for lobbying by pharmaceutical firms, bribing doctors to prescribe more and more expensive drugs than necessary. In this ineffectively regulated environment the costs of drugs is almost equivalent to the remaining costs of the hospital system. Table 8 clearly highlights the problem.

**Table 8**  
Expenditures on Pharmaceuticals, selected CEE countries  
(1999 – 2002, period averages)

	Public pharmaceutical expenditure (as a percent of public health expenditure)	Public and private pharmaceutical expenditure (as a percent of public and private health expenditure)	Public pharmaceutical expenditure (PPP\$ per capita)	Public and private pharmaceutical expenditure (PPP\$ per capita)
Slovak Republic	31.8	34.8	180.8	220.8
Czech Republic	19.0	22.2	178.5	232.0
Estonia	...	23.3	...	...
Hungary	24.9	28.1	165.3	293.0
Poland	15.0	28.4	67.5	208.0
Slovenia	...	19.8	...	...
NMS-10 average	22.7	26.1	148.0	238.4
EU-15 average	13.4	15.4	200.4	334.6
OECD average	14.1	17.4	184.9	330.9

Source: Verhoeven, M., Gunnarsson, V., Lugaresi, S. (2007)

*Motivation of main stakeholders partly explains cost-containment problems*

The above data indicate that reformed, insurance based health systems, such as those in more developed CEE countries, are unable to provide the required degree of cost-containment. Here we provide some explanations for this fact. The tool in this part is an analysis of the interests and strategies of the main players. This analysis helps to explain why all CEE countries from this group have major problems with health care financing. The key players and their strategies are:

- A: Hospitals – are unconstrained by hard budgets. Their managements are able to channel part of their finance into private pockets, and official salaries are low.
- B: Doctors – are unconstrained by hard budgets, can often do what they want, using the chance for supplier induced demand in all dimensions (e.g. extra treat-

ments, equipment and drugs). They have job control over shadow incomes to compensate for low official salaries.

- C: Politicians – may benefit from providing their voters with “free” universal coverage.
- D: Bureaucrats – with extra resources their power increases.
- E: Patients – are not well informed and hence can be persuaded to opt for better (more expensive) drugs or treatments, even if they are not needed.
- F: Insurance companies – in most CEE countries insurance companies are not really independent and do not serve as regulators, but only as resource distribution channels. For them more resources means a higher level of overheads for their own use.

**Table 9**

Economic performance of the health care system in the Czech Republic  
(in billions of CZK)

	1996	1997	1998	1999	2000	2001	2002	2003-5
Health insurance system resources	89.1	97.5	107.9	110.5	115.9	131.1	137.5	–
Resources from the central and local governments	12.6	11.5	11.8	13.1	13.7	14.0	16.7	–
Direct payments from inhabitants	8.3	9.9	10.6	11.5	12.2	13.7	14.5	–
Total resources	110.0	118.9	130.3	135.1	141.8	158.8	168.7	–
Health insurance companies costs:								
Primary care costs				5.6	5.8	6.4	6.7	–
Secondary outpatient care costs	20.1	17.3	17.4	12.6	12.9	14.1	15.9	–
In-patient care costs	30.3	42.6	46.2	50.7	52.5	58.2	66.0	–
Medicines and health aids costs	20.4	20.6	21.9	27.1	27.4	29.5	32.6	–
Other costs	9.5	10.1	10.9	11.8	12.5	13.3	14.5	–
Costs of the central and local governments	12.6	11.5	11.8	13.1	13.7	14.0	16.7	–
<b>Balance</b>	-2.5	-0.9	-1.1	2.5	2.1	1.4	-1.2	*
Government coalition	R	R	R	L	L	L	L	L

Source: Czech Statistical Office, 2004; Institute of Health Information and Statistics of the Czech Republic, 2003 and 2004

\* the deficit started to grow in spite of systematically growing resources, and its cumulative value at the end of 2005 reached 10 bil CZK

The brief overview of the strategies of all the key actors indicates that there is only one main player deciding about the “health” of health finance – the government/elected politicians. The data from the Czech Republic (Table 9) and from Slovakia (Table 10) show interesting relations between the type of government (liberal, social-democratic) and health finance (taking into the account the time gap between policy and its impacts).

**Table 10**

Economic performance of the health care system in Slovakia (in billions of SKK)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Health insurance system resources	35.4	38.4	41.4	43.0	45.3	49.6	55.0	58.6	62.4	72.3
Resources from the Ministry of Health	4.6	4.9	4.7	4.4	4.5	4.9	4.8	4.8	4.8	4.1
Resources from Social Insurance Company	1.0	1.2	1.3	1.3	1.0	1.1	1.2	1.8	0.9	2.2
Direct payments from inhabitants	2.6	3.8	4.1	5.4	5.9	6.3	7.0	10.2	14.9	17.6
<b>Total resources</b>	<b>43.6</b>	<b>48.3</b>	<b>51.5</b>	<b>54.1</b>	<b>56.7</b>	<b>61.9</b>	<b>68.0</b>	<b>73.6</b>	<b>82.3</b>	<b>94.0</b>
Primary care costs	4.3	4.5	4.2	4.4	4.7	4.9	5.1	8.7	10.8	13.3
Secondary outpatient care costs	0.2	1.3	1.5	1.8	1.9	2.1	2.2			
Inpatient care costs	21.4	24.0	25.6	25.0	26.0	28.1	29.5			
Medicines and health aids costs	12.2	14.5	16.1	18.8	20.6	22.8	24.1	22.2	21.2	24.2
Other costs	1.1	3.4	5.0	4.1	6.9	7.7	8.0			
Ministry of Health costs	4.6	4.9	4.7	4.4	4.5	4.9	4.8	4.8	4.8	4.1
<b>Total costs</b>	<b>43.8</b>	<b>52.5</b>	<b>57.1</b>	<b>58.5</b>	<b>64.6</b>	<b>70.5</b>	<b>73.7</b>	<b>77.8</b>	<b>86.1</b>	<b>96.0</b>
Balance	-0.2	-4.2	-5.6	-4.4	-7.9	-8.6	-5.7	-4.2	-3.8	-2.0
Government coalition	L	L	R	R	R	R	R	R	R	R

Source: Nemeč, 2004, Pazitny 2006

Data from the Czech Republic and Slovakia indicate that a left wing government’s main goal is universal access, independent of the financial situation of the

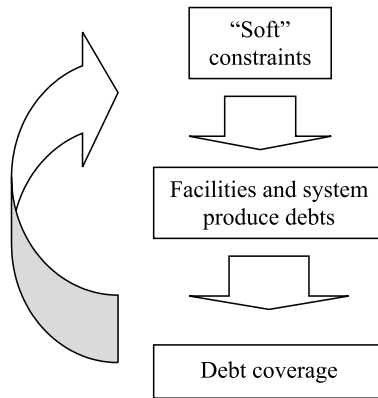
system. With such a policy the system must be imbalanced, as described by the following simple inequality:

$$\text{Supply} \succ \text{Resources} \prec \text{Demand}$$

Supply: government decision on scale of “free” services

Demand: the scope of “free” services demanded by patients/citizen

The deficit of the system is covered predominantly by arrears, at the expense of private suppliers (see for example Verhoeven, Gunnarsson and Lugaesi, 2007). The basic idea of such a system, where financial constraints are not binding be described by the following figure:



It would seem that left wing governments or governments prioritising service delivery above cost considerations cause health systems to work in debt cycles as described above and only external constraints arising from EU membership might set some limits to the size of debts and the repetition of such cycles.

## Conclusions

Our paper analyses the key aspects of the post-reform performance of health systems in the CEE region, namely health status, access to health services and efficiency indicators. The analysis clearly indicates that although much was expected of the changes, and a lot of resources were expended, many expectations were unfulfilled.

One of the main factors behind this result are the financial constraints limiting any chance to achieve real reform success, especially in countries with poor economic performance and very low public and total per capita health expenditures. Also in the more developed countries of the CEE region, now EU members, after 1989 there was neither a significant improvement in health care efficiency to help to cope with the fall in resources from the transformational recession of the 1990s, nor

was health care accorded the higher priority that could have led to more or better resources being spent on health by governments or citizens.

The final part of the paper opens an interesting reform dimension – how the motivations of the main stakeholders impacted on the problem of cost containment. It suggests that there is only one main player deciding about the “health” of health finance – the government/elected politicians. Left wing governments’ main goal is generally universal access, regardless of the financial situation of the system. With such a policy the health care system must be unbalanced, as it is pushed to produce more than available resources allow.

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# Case Studies





# Does Civic Culture Influence the Use of Online Forums? A Comparative Study of Local Online Participation in Estonia and Norway

*Kristina Reinsalu<sup>1</sup> and Marte Winsvold<sup>2</sup>*

## Abstract

In this article we study the relationship between civic culture and the use of local online forums in Estonia and Norway. We expect that due to the countries' different political experiences their civic cultures give rise to different forms of political participation, and that each of their motives for participating differ. By comparing survey data on the use of online forums, we find that the level of online participation is slightly higher in Estonia. This may be due to a lack of other outlets of public expression and moreover due to the fact that Estonian democracy and the Internet came about at approximately the same time. In Estonia, the development of civic culture and ICT has been interwoven – the former strongly influenced the latter, leaving an impression on democracy in Estonia. In Norway, on the contrary, democratic institutions were long established; therefore, online participation became just another means of public expression and consequently achieved less attention.

## 1. Introduction

With the introduction of Internet discussion forums, citizens worldwide have acquired new outlets of expression. Unlike participation in traditional arenas of public communication, participation in online forums is in principle, unrestricted, which means a wider array of voices can be heard in the public political debate. The potential of the Internet to enlarge the public sphere of political discussion has led to high expectations of democratic gains, and therefore a more inclusive, pluralist and

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1 Researcher and doctoral student, University of Tartu, Tartu, Estonia.

2 Researcher, Norwegian Institute of Urban and Regional Research and doctoral student, University of Oslo, Norway.

comprehensive public sphere has been envisioned. Although this optimistic view has crumbled, online debate has nevertheless influenced politics, locally, nationally and globally (Torpe 2005, di Gennaro and Dutton 2006, Dugdale et al. 2005, Winsvold 2007). The political role and function of online discussions, however, will depend on the context in which the discussions take place. In this article, we look at the political role of local online forums in Estonia and Norway. The two countries represent typical examples of new and old democracies: Estonia, which gained full independence from the Soviet Union in 1991, has comparatively new democratic institutions. Norway, on the other hand, has a long-established democratic tradition; Norwegian citizens have taken an active part in politics since the early 19<sup>th</sup> century. Because the citizens of the two countries have different political experiences, their attitudes and orientation towards the political system, that is, the respective civic cultures of the two countries have developed differently. Several studies have found that civic culture influences the forms and levels of political participation (Ingelhart 2002, Letki 2004). In line with these findings we hypothesize that the civic culture will also affect the political role and function of this new participation arena: the way online forums are used, and the citizens' motivation to use them.

Estonia and Norway differ with regard to civic culture (Ingelhart 2002), whereas they are similar concerning Internet access, which is equally high in both countries. The high access level means that online forums have the potential of being politically important, whereas the different civic cultures of the two countries may give different impetus to the use of online forums for political purposes and may also give the political online communication different functions and status in the general political discourse. A comparison of the two countries may therefore provide insight into the relationship between civic culture and the use of online forums.

Our main research question is: How do civic culture and political experience influence the use of online political discussion at the local level?

This question will be answered by comparing the use of local online discussion forums in Estonia and Norway. Population surveys of Internet use have been conducted in both countries. To account for the differences in civic culture, we refer to existing literature in the field.

## **2. The notion of civic culture**

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The main idea of the concept of civic culture is that citizenship not only consists of formal rights and obligations, but also has a subjective dimension to it (Dahlgren 2007). Even if legal and political factors are absent or insufficient, the civic culture may be strong enough to support political action, which we saw in several countries when the Communist system began to collapse (Dahlgren 2003:154). A simple way to picture civic culture is as the political psychology of a nation or com-

munity, which guides the way citizens of that particular nation or community relate to politics and political participation. Civic culture thereby denotes “the pattern of individual attitudes and orientations toward politics among the members of a political system” (Almond and Verba 1989). Civic culture may support or not support democratic or participatory forms of governance, and will hence influence the way participatory possibilities such as online discussion forums are received, used and integrated into politics.

Peter Dahlgren (2007) divides civic culture into several interrelated dimensions of which four are especially useful for analysing political participation: The first is the dimension of *spaces*, which refers to the spaces available for public political participation. The second dimension, *values*, refers to the participatory values that exist in a specific culture, such as the sense of civic duty. The third dimension, *practices and skills*, concerns the skills of the population necessary to participate in the democratic process and the routine practising of these skills. The fourth is the dimension of *identity*. Important features of a civic identity which may affect the citizens’ aptness to take part in politics are their self-image as political agents and their sense of political efficacy and empowerment.

As for the connection of civic culture to online participation, Dahlgren’s dimensions of civic culture give us a realm within which we can interpret online activity. We assume that differences in spaces, values, skills and practices and civic identity will affect the use of online forums, and thereby the role of these forums in politics. The differences in civic culture between the two countries hence help us develop a hypothesis on the use of online forums. The questions we seek to answer in the following are: How do the civic cultures of Estonia and Norway differ, and how does this affect the use of online discussion in local government?

## **2.1 How do the civic cultures of Estonia and Norway differ?**

As for the dimensions of civic culture proposed by Peter Dahlgren, Norway and Estonia differ markedly on several points. Concerning the first dimension, *spaces* available for public communication and debate, the infrastructure of the public communication space differs due to the different historical regimes. The existence of public arenas of political information and discussion is vital to democracy and for civic culture to develop (Dahlgren 2007). Such communication spaces include physical spaces of face-to-face communication, along with different media. Online forums represent one among several publicly visible spaces where political communication can take place.

Due to their different political histories, Estonia and Norway differ with regard to the dissemination of available spaces of political communication. The Norwegians have been relying on and are accustomed to expressing themselves through the printed press (Elvestad 2001). In Estonia, on the contrary, because the free press is a relatively new phenomenon, Estonians are not as accustomed to using the press

to take part in the public debate. These differences might lead one to think that the online space of communication would be more important and gain greater volume in Estonia than in Norway. One could hypothesise that the Estonians will make great use of the new spaces available, whereas the Norwegians will stick to the traditional ones to which they are accustomed. The question we pose is therefore:

- Does the level of political online activity differ between the two countries, compared to the level of participation in the traditional media?

The second dimension of civic culture, participatory *values*, has also been shown to be different in the two countries. Exactly what shared values are necessary for a democracy to function can be discussed (Dahlgren 2007:6). Yet, the duty to *participate* in political processes in one way or another is fundamental to democracy and an important part of a democratic citizenship, irrespective of how democracy is structured and what institutions it relies on. The extent to which citizens expect themselves and others to participate will affect the level of participation and the motivation for participating. In Norway, the right to participate is long established and taken for granted. The sense of civic duty and the inclination to vote is relatively high, although there has been a certain fatigue in the population for the last decades and a corresponding decline in voter turnout (Rose 2005). People tend to participate less in traditional party politics (party membership, voting) and more in alternative forms of political participation (demonstrations, action groups). These alternative forms of political participation are often less demanding (when it comes to time and resources) and more single-issue focused. In Estonia, the situation is the opposite. People generally tend to participate more in traditional forms of political action and less in alternative forms. Still, there is reason to believe that the sense of civic duty is lower in Estonia than in Norway, as Estonians are not equally socialised into a culture of participation, because they were only recently freed from a long-lasting totalitarian regime. We therefore assume that the motivation for participating in online discussions differs between the two countries, and that the motive of civic duty is more pronounced in Norway than in Estonia.

The *value* dimension is closely connected to the dimension of *identity*. People must see themselves as members of and participants in a democracy in order to act as citizens. According to Dahlgren, “a robust civic identity implies an empowered political agent and achieved citizenship” (Dahlgren 2007:7 – 8). Empowered citizens feel that they, acting in concert with others, can make a difference and that they have some kind of impact on politics. Political efficacy and political agency are aspects of political empowerment. People should feel that their say can influence the decisions about local issues. We assume that Estonians, because they experienced a repressive regime, feel less politically empowered and that they have a weaker sense of political agency. This would also affect their motives of participation in online discussions. We assume that Norwegians believe more in the impact of their



participation than Estonians believe in the impact of theirs. Our research question concerning values and identities is therefore:

- How do the motives of online participants differ in the two countries?

The fourth dimension of civic culture concerns participatory *skills and practices*. To be able to exercise one's citizenship requires certain skills. Furthermore, concrete practices of participation must be generalised and regularly performed, to be part of the civic culture; that is, they must have an element of routine about them, if they are to be part of the civic culture (Dahlgren 2007:7). To be able to read, write, and operate a computer can all be seen as competencies important to participating in online forums, but lack of civic practices, skills, and traditions may be an obstacle for many citizens in new democracies. Both Estonians and Norwegians obviously have the skills and practices to navigate on political pages on the Internet. They differ, however, regarding their skills and the practice of voicing their concerns publicly on social issues. Whereas Norwegians have a long tradition of doing so through the printed press, Estonians have experienced this possibility only during the past decade. They are hence less practised in having their say in public matters. We assume that the different levels in skills and practices will show in the composition of participants. More specifically we expect the skills and practices of participation to be more evenly distributed in Norway than in Estonia, and therefore that the Estonian online participants, to a larger extent, come from the highly educated elite, whereas the Norwegian participants come from all educational groups. Hence our research question concerning skills and practices is:

- Who amongst the citizens participate in online discussions?

## **2.2 Local government context and e-governance**

In Estonia, the status and role of local government have differed throughout history. As Tönnesson pointed out (Tönnesson 2006) local government played an important role during Estonia's first period of independence (1918 – 1940), but during the following 50 years of Soviet occupation, local government lost its role as “the pillar of democracy”, as often happens in totalitarian systems (see also Drechsler 2000). During this period, the local governments were directly under the control of the Communist Party, and in this environment, publicly presented values, attitudes and beliefs had to reflect the views of the Communist Party (Veskimägi 2005, Fleron 1996). The period was characterised by a lack of tolerance for opposing ideas and values (Lauristin and Vihalemm 1997).

After Estonia regained its independence, local-level government was the first to be transformed according to democratic principles (Kettunen and Kungla, 2005). Within a short time, Estonian local governments had to create new organisations and structures (Tönnesson 2006:10). Today, Estonia's 227 municipalities provide a rather large range of services, such as secondary education, social care, housing

and municipal public transport. The municipalities are also responsible for the maintenance of public infrastructure. Even if many responsibilities have been divided among central government and municipalities for more than a decade already, a clear understanding of the roles, functions and responsibilities of the different governmental levels is still lacking. Moreover, because central government has constantly changed its expectations of local government, mutual understanding between them has been lacking. At the same time, the municipalities themselves have not been too proactive in developing their own initiatives and approaches (Tönnisson, 2006). This, in turn, affects the will of the citizens to be in dialogue with their local municipality.

In Norway, democratically elected local governments have been in place since 1837. The municipal council is elected by the residents of the municipality every four years. However, the role of the municipal level is not mentioned in the constitution, and it is the central government that delegates responsibilities to the municipalities. Consequently, the municipalities' field of responsibility varies with irregular intervals. However, the core tasks pretty much resemble those of the Estonian municipalities: primary education, primary health care, social services, and local transport and infrastructure are among the most important. Several areas directly affecting people's daily lives are hence under the control of the municipalities, and one would expect this to motivate citizens to take part in local decision-making. During the last decades, however, the voter turnout has decreased from nearly 80 to 60 percent. The municipalities have complained about losing their independence in relation to the central government, because an increasing number of citizens' rights, such as the right to a certain level of social services, are established by law. This diminishes the municipalities' scope of action, which has been used as an explanation for the decreasing voter turnout at local elections.

Regarding general ICT use in Estonia and Norway, Internet access and e-government provision in both countries are at a high level. In Estonia, 74% of citizens use the Internet<sup>1</sup>. In Norway, about 80% of the population use the Internet regularly. For young people in both countries, the Internet is a natural part of their daily lives. The basis for ICT to become important also as a political tool therefore exists. In both countries there exist several national plans for ICT development, which specify the goals and priorities for the local government level. Likewise, in both countries, municipalities are requested to provide for broadband connection to their population. Apart from that, the municipalities of both countries have a high degree of autonomy regarding what e-services to offer.

In Estonia, e-government has been high on the political agenda since 1998. The first e-government build-up and development documents such as *Principles of Estonian IT Policy*, approved by the Estonian Parliament in 1998, focused on issues such as Internet accessibility and transparency of governance. In subsequent e-government documents, the technological dimension dominated. The *Information So-*

*ciety Development Priorities* for 2004 – 2006 set up the implementation of e-services by the public sector as the main goal (Reinsalu 2006).

The most recent e-government document, *Estonian Information Society Strategy 2013*, formulates the following action plan: “Widening opportunities for participation in decision-making processes (e-Democracy), by developing Internet-based environments for participation while continuing to use e-Voting”. However, as the plan focuses on the security and functionality of IT solutions, the technical dimension clearly has a higher priority than the social dimension.

According to international studies such as “Online availability of Public Services: How is Europe Progressing?” (Capgemini, July, 2006), Estonia holds a very high position – second after Austria – in implementation of e-services. However, the services referred to are simple everyday services such as submitting applications online. Their aim is not to enhance discussion and thereby to increase citizens’ involvement in the decision-making process, but rather to provide effective services.

Still, there exist some e-participation solutions in Estonia, but most of them are at the national level. One of them is the portal TOM (“Today I decide” in Estonian). The main idea is to enhance public participation in political decision-making by allowing citizens to submit proposals and discuss new legislative initiatives via the Internet. The site opened in June 2001, and there are now more than 6000 registered users; more than 1150 presented ideas and more than 6400 provided comments. However, its popularity has declined. One reason is perhaps a lack of publicity and hence a lack of awareness of the opportunity.

At the local level, the only existing possibility for online participation is online forums hosted by local newspapers and by the municipal websites.

In Norwegian municipalities, e-democracy applications have been regarded as one way of enhancing the participation of citizens in the democratic process. National guidelines for how to develop this area have been developed, but the municipalities have, in principle, been free to implement the applications they find appropriate. As in Estonia, most Norwegian municipalities have prioritised e-services over e-democracy. The bulk of the content on their websites is assigned to the services the municipalities provide. However, the municipalities also provide information about the dates and agendas of council meetings, they publish minutes from the meetings, and most municipalities publish articles about political issues. A number of municipalities also offer participation opportunities on their websites such as e-hearings, e-debate, e-chat with the politicians and so on (Winsvold 2007). However, these applications are not very much used by the citizens. There are many reasons for this lack of use. The most important is probably that neither the politicians nor the administrative staffs of the municipality pay attention to suggestions or arguments occurring in such arenas. Besides, the local newspapers have already established online forums which attract many users (Skogerbr̄ and Winsvold 2008). As Norwegians are accustomed to turn to the press when wishing to express them-

selves, most of the e-dialogue in Norwegian municipalities now takes place in the newspapers' forums.

### 3. Methods

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The questions concerning the use and political role of online forums will be answered through a comparative study of data from population surveys in Norway and Estonia. Our focus is on local government because it is at the local level that citizens most directly experience the presence of the government and can influence government decisions. In both countries, the local level provides a large part of the public services, and local politics thus closely affect people's lives.

The Norwegian survey was conducted in four municipalities: Tromsø in the north, Stavanger and Førde in the west and Drammen in the east of Norway. They are all, except Førde, considered as large municipalities on a Norwegian scale, with populations of sixty thousand to a little over a hundred thousand inhabitants. Førde is the only middle-sized municipality in the sample, with about ten thousand inhabitants. The municipalities have been selected because each is located in a major region of Norway. None of them differs significantly from the national average with regard to socio-demographic data of the population, media situation and Internet access.

The Norwegian survey was mailed to a representative sample of persons aged from 18 to 90 in mid-September 2005. The response rate was 36 per cent, resulting in N of 1275. To assess the bias this low response rate might result in, the composition of the sample with regard to age, education and political activity was compared to data from the official nationwide survey, attaining a more satisfying response rate (70 per cent). The results showed only marginal differences, but the results should be interpreted with caution. The Estonian survey was conducted between February 10<sup>th</sup> and 21<sup>st</sup> 2007. As a research method, face-to-face interviews were used. Citizens of Estonia aged from 18 to 74 formed the sampling frame. The sample contained 803 respondents.

The Estonian data about motives and assessment was gathered in two ways. First, those who in the survey claimed that they had participated in online forums and were willing to answer further questions were contacted (89 persons from the general sample of 803). Despite the mentioned willingness, only 12 persons actually responded to an e-mail follow-up survey. We therefore carried out additional online questioning about motives for participation and assessments of online discussions. An online questionnaire was uploaded to the website of the Department of Journalism and Communication of University of Tartu, and thereafter invitations to participate were posted in all existing online forums of Estonian local governments and local newspapers. The latter was carried out between April 6<sup>th</sup> and 16<sup>th</sup> 2007, and there were 194 respondents.

## 4. Findings

### 4.1 Level of participation

In both Estonia and Norway the level of participation in online forums appears to be low, compared to other forms of political participation (see Table 1).

**Table 1**  
Level of traditional and online participation  
Percentage of sample who claim to have participated in different political activities

	<b>Estonia</b>	<b>Norway</b>
Voted in municipal election	68	60*
Contacted a local politician	20	18
Partook in action or demonstration, signed petition	17	52
Contacted/appeared in local media	4	14
Read Internet debate on local politics	13	17
Participated in Internet debates on local politics	8	2
Participated in Internet debates in the local newspaper	6	6

\* This number is the official level of voter turnout in the four concerned municipalities.

As for the non-digital forms of participation, approximately the same number in each country state that they have voted in an election or contacted local politicians, whereas a far higher number of Norwegians have taken part in actions, demonstrations or signed petitions. Nearly half the Norwegians interviewed stated that they have done so during the last few years, whereas these forms of participation are not as frequent in Estonia. A more interesting difference in this context, however, concerns the proportion stating they have contacted or appeared in local media. The number of citizens having done so is significantly higher in Norway than in Estonia. This may reflect the different structure of communicative spaces in the two countries. It may also mean that Estonians are afraid of or disappointed with traditional media or they are not accustomed to having access to traditional media. This shows, as we assumed, that the space available is an important determinant of e-activity. The fact that the Estonians do not turn to the traditional media should lead us to assume that they would instead use the possibilities that the new media offer. Our data only partly confirm this hypothesis. The proportion of citizens stating they have participated in online debates on local politics is significantly higher in Estonia than in Norway. However, the proportion stating they have participated in online debates hosted by the local newspaper is equal in the two countries. The participation pattern is hence unclear. It may be that the skills and practices, to a larger extent than available spaces, determine the use of the forums.

In both countries, online participation varies significantly with age and political activity. In Estonia, online activity also varies with education, as we can see from Table 2.

**Table 2**  
Percentage of people having participated in online forums

	<b>Estonia</b>	<b>Norway</b>
<b>Gender</b>		
Men	13	5
Women	10	9
<b>Age*</b>		
18 – 29	19	8
30 – 49	10	8
50 – 69	6	6
70+	2	3
<b>Education</b>		
Elementary	6	8
Secondary	11	7
University	14	7
<b>Offline political activity*</b>		
Non-existent	6	2
Low	7	3
Medium	17	4
High	33	16
	N= 801	N=1275

\* P<0,01

As we can see from Table 2, Estonians are slightly more e-active regardless of social-demographic characteristics. In Estonia, young people (18 – 29) are remarkably more active than those in the next age group. There is also a marked decrease in online activity in the age group 50 to 69. In Norway, age seem to have less effect on online participation – people between 30 and 49 are just as active as the youngest, and the next age group (50 to 69) is only slightly less active.

There is almost no difference in online activity between educational groups in Norway, whereas in Estonia online activity rises remarkably with education. This strengthens our hypothesis that skills and practices influence political participation. Democratic skills are more widely distributed in Norway, due to Norwegians' long experience with democracy, and the skills are also more evenly distributed in the population. In Estonia, on the contrary, democratic skills and practices are not yet widely distributed, nor are they evenly distributed either – only those with the most

resources participate in politics. Income does not, however, correlate with online-participation, in either country.

As found in other studies (Norris 2005), e-activity and general political activity were related. To study the relationship between online and offline participation, indexes of general political activity and online political activity, were constructed<sup>2</sup>. In both countries, e-activity rises with political offline activity, but the rise is more pronounced in Estonia.

#### 4.2 Motives for online participation

The question of motives for online participation can be related to the identity dimension of civic culture, more specifically to a sense of empowerment, political agency and political efficacy. If citizens feel empowered, and if they believe their voices will be heard and make an impact, *influencing political decisions* is more likely to be a motive for participation. The motive for participation can also be related to participatory values, such as the value of civic duty. If this value is strong in the population, more people will state some kind of *obligation* as a motive to participate in political discussion. We offered our respondents the following list of motives, and asked them to assess whether they felt the motives were very important, rather important, little important or not important at all. In Table 3 the ranking of the motives in the two countries is displayed. The basis for the ranking is the proportion of participants who rated the different motives as “very important”. This proportion varies between 24 per cent and 1 per cent in Norway and between 47 per cent and 2 per cent in Estonia. For many reasons, most respondents have given the response “rather important”. It is however, interesting to note that the Estonians give more answers in the upper levels of the scales than the Norwegians. The high-ranked motives are ranked high by more Estonians than Norwegians, who are more moderate in their answers.

**Table 3**  
**Ranking of the motives of online participation**  
(in brackets the proportion assessing the motives as “very important”)

	<b>Estonia</b>	<b>Norway</b>
Experienced something worthy of critic (*civic duty)	<b>1 (47%)</b>	<b>1 (24%)</b>
I read/heard/saw something in the media that I wanted to comment on (*civic duty)	<b>2 (35%)</b>	5 (14%)
Wanted to tell/influence the responsible (e.g. the politicians) (*empowerment, efficacy)	3 (34%)	4 (15%)
Participate in an ongoing debate (*civic duty)	4 (30%)	<b>2 (21%)</b>
Wanted to convince them of my view in a case (*empowerment)	5 (27%)	<b>3 (17%)</b>
Like to discuss (*participatory value)	6 (14%)	6 (6%)
Promote a political party or an organisation (*political agency)	7 (2%)	7 (5%)

Contrary to what we expected, the most important motive for Estonians is a motive that can be associated with or indicate a sense of civic duty ('I experienced something worthy of critic'). As we expected, this is also an important motive for the Norwegian participants.

The second most important motive for the Estonians is a motive that can also indicate a sense of civic duty ('I read/heard/saw something in the media that I wanted to comment on'). This signifies that a number of the Estonian participants wish to take part in public debate about issues that concern them, and regard it as their role to comment on these issues publicly. Even although the sense of civic duty might be higher in Norway than in Estonia, this is not so among the online participants.

The third most important motive for Estonians indicates that they see themselves as politically influential, and thereby have a sense of empowerment ('Wanted to tell/influence those responsible'). The second most important motive for the Norwegian participants can also be related to civic duty ('I wanted to participate in an ongoing debate'), whereas the third most important motive indicates a sense of political empowerment; ("I wanted to convince them of my view"). Even though the participants from the two countries differ in the motives they hold as most important, they do not differ concerning what motives they find unimportant. The most unimportant motives for both Estonians and Norwegians are motives of political agency ('Promote a political party or an organisation').

The most striking discovery is, however, that so many Estonians consider it very important to comment in online forums on the topics and issues they find in traditional media channels. This finding is not paralleled in Norway, where, as we saw earlier, people prefer to use traditional media channels.

## **5. Conclusion**

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The analysis of participation in local online forums in Estonia and Norway has shown us that civic culture might be related to online activity, although not always in the direction we assumed. The two countries differ on the civic culture-dimensions of space, values, identities and practices and skills. We hypothesised that the larger number of traditional public arenas and the population's habit of using traditional media to voice their concern would make the online arenas less used in Norway than in Estonia, as the Norwegians already were accustomed to turning to the traditional media and would not have the same need for new arenas as the Estonians. We further assumed that both Estonians and Norwegians would have the skills and practices to navigate on political pages on the Internet, but that they would differ, regarding the skills and practice of voicing their concerns publicly. Therefore, online participation was expected to be more of an elite phenomenon in Estonia than in Norway, as participatory skills are more evenly distributed in the Norwegian population due to long experience with democratic institutions.



Both assumptions were partly confirmed. Even though Estonians cannot be characterised as particularly e-active, their online-participation is still higher than that of Norwegians. Norwegians stick more to traditional media channels, although the technical infrastructure, the indicators of access and use of the Internet and also the quality of online forums are at the same level or even better than in Estonia. Regarding socio-economic characteristics, the differences between different educational groups were significantly larger in Estonia than in Norway. Education was a more important condition for online participation in Estonia, and it could hence to a larger extent be characterised as an elite activity. Income, however, was not correlated with online participation. Regarding age, in Estonia the young people are remarkably more active than the next age group, which can be explained by the political experience of the various age groups: Older generations being raised in a totalitarian regime are not accustomed to having their say in social or political issues. The difference between age groups was much smaller in Norway.

Contrary to what we expected, however, Estonian online participants were highly motivated to participate by a sense of civic duty. The same holds true for Norwegians, but this was expected. In Norway, the right and obligation to participate is long established and taken for granted. The sense of civic duty and the obligation to vote is relatively high, although, as mentioned earlier, there has been a certain fatigue in the population over the last decades and a corresponding decline in the commitment to the institution of election. People tend to participate less in traditional party politics (party membership, voting) and more in alternative forms of political participation (demonstrations, action groups). In Estonia, the opposite trend is observed. Generally people tend to participate more in traditional forms of politics and less in alternative forms of political participation. For that reason, it is to some degree surprising that for both Estonians and Norwegians, the least important motive for participating in online forums is the motive of promoting a political party or organisation.

No fundamental conclusions about the role and potential of ICT for general development of democracy can be made based on the present study. However, comparing political participation in an old and a new democracy through a channel that is equally new to both populations has taught us something about the potential this new channel has to enhance political participation.

In Estonia, the connection between online and offline political activity is weaker. This may indicate that in new democracies there is a potential to be involved in political discussion via online forums, even for those who have been very passive or indifferent towards politics previously.

In the case of Estonia, we are dealing with a unique example where the civic culture started developing parallel with the development of ICT, and was being strongly influenced by that. At the same time, ICT has strongly influenced democracy in Estonia. E-participation is hence probably much more integrated in Estoni-

ans' notion of democracy and political participation. In Norway, on the other hand, the democratic systems were developed before the arrival of Internet. Online participation therefore became just an alternative among others, and has hence achieved less attention. This parallels other findings. In their study of online participation, Hill and Hughes (Hill, Hughes 1998) conclude that Internet is just an extension of old, traditional media. Those who were passive in the pre-Internet era did not become politically active by gaining access to the Internet. The media in itself does not change much. Margolis and Resnick (Margolis and Resnick 2000) have also come to the same conclusion. However, our study shows that some proportion of the politically inactive citizens participate in online discussions.

According to the present study, however, the level of political online participation at the local level is relatively low in both countries. If they wish to enhance online participation, the local municipalities have to make an effort to enhance e-activeness. In both counties, an explanation for the low level of participation is the lack of moderation in the discussion forums. Although moderating can be considered as censorship by some critics, we believe it is an absolute precondition for vital, attractive discussion. Moreover, officials should be more visible as discussants in forums. Without moderation and without active participation from municipal representatives, the discussions tend to slow down or come to a halt. Moreover, a number of municipalities lack discussion forums. In Estonia, we could during the study, identify forums in about 15 per cent of the municipalities. In Norway, 12 per cent of the municipalities had such forums.

In summary – the e-activeness of citizens depends on more than historical experience, political development and civic culture. It also largely depends on the will and skills of officials and politicians to see the potential of Internet in involving citizens in political discussions and in the decision-making process.

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## **Notes**

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- 1 According to the latest study made by Department of Journalism and Communication, University of Tartu and the poll company Klaster.
- 2 The variables in the index of political activity were based on the following yes/no- questions: Have you during the last four years ... 1) voted in the municipal election, 2) participated in a protest meeting, demonstration or signed a petition concerning local issues, 3) contacted local politicians about a local issue, 4) contacted the municipal administration about a local issue, 5) contacted the media about a local issue, 6) called a radio or television program or written a letter to the editor about a local issue. The variables in the index of online activity were based on the following yes/no questions: Have you during the last four years ... 1) participated in debate in the online version of the local newspaper, 2) participated in any debate on the Internet regarding local politics or the local community.



## **Ethnic and Linguistic Issues in Ukraine: Implications for Democratic Institution-Building**

*Natalya Kolisnichenko<sup>1</sup>, Allan Rosenbaum<sup>2</sup>*

Issues of linguistic and ethnic diversity are complex ones for any country or society. As recent political controversies from Canada to China and from Belgium and the Balkans to the south of Africa suggest, such issues can escalate to the point that they call into question the very survival of countries and, in the worst case, can produce repression and even genocide. Often, indeed perhaps in most cases, these issues do not emerge simply as a result of the everyday activities of people living in multi-ethnic and/or multi-linguistic communities. In fact, in many cases of ethnic and/or linguistic conflict, one finds that there is a prior history of reasonably harmonious, or at least non-conflictual, relationships between the groups involved.

More often than not, it appears that such issues emerge as highly divisive and, in some cases, profoundly destructive ones as a result of the efforts of particular public figures, and/or groups, to mobilize large bodies of a country's population on behalf of their personal political success and/or electoral victory. Recent events in Ukraine demonstrate how an issue that was not of great concern to many, indeed probably most Ukrainians, the status of the Russian language, can become part of efforts by politicians to mobilize citizen support for personal political agendas and electoral success. Most assuredly, the results of such activities, if carried to the extreme, could be highly negative.

In this article, we both shall briefly examine the political and social roots in Ukrainian society from which this issue has emerged and the manner in which some of the principal institutions of that society have responded to it. In so doing, we shall get a better sense of both its political implications in terms of the future of that country and also how various institutional actors are responding to these matters.

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1 Associate Professor of European Integration, Odessa Regional Institute of Public Administration, National Academy of Public Administration Office of the President, Odessa, Ukraine.

2 Professor of Public Administration, School of Public Administration, Florida International University, Miami, Florida, USA.

## **The Ukrainian Context**

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The past few years have witnessed the emergence of significant political debate and controversy over ethnic and linguistic issues within Ukraine. The Country's westward-leaning political forces, led by Ukraine's President Viktor Yushchenko, and its eastward-leaning political forces, led by sometime (2002 – 2005; 2006 – 2007) prime minister, Viktor Yanukovich, have, among other topics, had significant political disagreement regarding both the use of the Ukrainian language in the public sphere generally and as a requirement for the carrying out of governmental activities by public administrators (a requirement which, in many instances, is not enforced).[1] Even more intense than the debate over the role of the Ukrainian language in the work of government has been the conflict over the role of the Russian language in the Country and the question of whether Russian should be established as a second official language within Ukraine.

In fact, however, ethnic and linguistic issues within Ukraine are much more complicated than just the emerging battle over the place of the Russian language. Rather, they reflect and are manifestations of a variety of different cultural and political divides within Ukraine. In some cases, as in the situation of the Country's Crimean Tatar population, these issues are, for the most part, a contemporary manifestation of the kind of past traumas that typically characterize most societies that have been dominated by authoritarian and oppressive regimes. They also, perhaps not surprisingly, are intimately intertwined with the complexities and contradictions of a society that has in a relatively short period of time gone through extraordinary political, economic and social transformation.

Of particular significance in Ukraine is the fact that this transformation has enabled some people to move ahead in a very dramatic fashion, but it has also left many behind. One consequence is that many of those left behind understandably look back with nostalgia for the bygone era when life was for some much better and, for many, more stable. This development is reflected in growing support for a return to the pre-1989 era. Recent national surveys have found that 20 percent of Ukrainians wish for the restoration of the Soviet Union and the socialist system. Another 26 percent would like to see this happen but believe it to be impossible. Only 51 percent of Ukrainians say that they would strongly oppose such a development. [2]

Not surprisingly, given the size of Ukraine, and the transformation through which it has gone, there are at least three major dimensions of the issue of ethnicity within the Country and three major dimensions of the linguistic issue as well. As regards ethnicity, the three key dimensions, all of which impact Ukraine's political development in various ways, include the following:

- 1) *The role and influence of Ukraine's ethnic Russian population.* This group of Ukrainians, officially indicated in the most recent census as being 17 percent of the Country's population (but frequently estimated to number closer to 30



percent of Ukraine's population) represents a politically very strong and well-integrated minority community that is fully-accepted within Ukrainian society. It does however include a substantial number of individuals (perhaps more than 50 percent of that community) who would prefer to be a part of Russia rather than Ukraine. Obviously, this creates major issues of national identity and political loyalty within the Country. Indeed, some extreme Pro-Russian nationalist groups have engaged in what many might characterize as provocative or confrontational actions designed to encourage the possibility of annexation to Russia.

- 2) *The Crimean Tatar population.* This much smaller group, numbering in the hundreds of thousands, is descendant from the Country's principal indigenous people. Having been almost entirely expelled from their Crimean homeland during World War II, they have returned over the past decade in large numbers to the Crimea and have and continue to mobilize politically for the purpose of having land and other resources repatriated to them. This has led to significant tension between some elements of the Tatar population and Crimean local government. Indeed, it is clear that significant portions of this population would like to see the establishment of an independent Crimean state.
- 3) *Other ethnic minority groups.* In addition to the Russian and Crimean Tatar groups, Ukraine has over 100 other ethnic minority groups. Many are individuals whose homelands are neighboring countries. However, for the most part, these are not groups that seek any type of independent political status but rather are working to ensure their continuing identity through the promotion of cultural institutions and education in their native languages. They have engaged in some nascent political activity but, for the most part, seek assimilation within the Ukrainian state.

As regards linguistic issues, there are also at least two and, to some extent, three key dimensions reflected in recent Ukrainian political life. These are:

- 1) *The promotion by Ukrainian nationalists of the Ukrainian language* – While almost all of Ukraine's population can understand the Ukrainian language, probably only about 50 percent of the Country's population is really comfortable speaking Ukrainian – a language which does have many similarities to Russian. The promotion of Ukrainian has, however, been adopted by many (especially Ukraine's most western-leaning political leadership) as a symbol of national identity and unity. Some of the Country's more extreme Ukrainian nationalists also would actively reject all use of the Russian language as a means of fostering the national identity of Ukraine through the mandatory usage of the Ukrainian language.

In fact, the promotion of the Ukrainian language has been a central element of political effort to create a Ukrainian national identity since the early 20<sup>th</sup> cen-

ture. In an effort to consolidate Soviet influence over Ukraine, the prior Russian imperial policy of assimilation was rejected in favor of Bolshevik policy of promoting local identities. This led to the emergence of a cultural and political movement aimed at achieving Ukrainization which flourished throughout the 1920's and the early 1930's.

By the mid 1930's, Communist policy changed dramatically and "Ukrainian bourgeois nationalism" was seen as a major threat to the consolidation of Soviet power. The effort to achieve the "Ukrainization" of Ukraine did however remain a major goal of Ukrainian nationalists who today continue these efforts through their involvement in the Our Ukraine and People's Self Defense political parties.

- 2) *The Russian Language*. As noted above, the use of this language is very widely-accepted within Ukraine by most segments of its population. It is the dominant language of Eastern and Southern Ukraine and a prevalent language in most of the rest of the Country. Nevertheless, it has become a very politically volatile issue for Ukraine's ethnic Russian population who are increasingly being encouraged by some political leaders to demand that the Russian language be given co-equal status with the Ukrainian language. For some, this is perceived as the first step toward a reunification with Russia.

In fact, the actual attitudes of most of Ukraine's citizens on this matter, while significantly divided, are nevertheless both moderate and tending towards inclusiveness. A recent national survey found that 37 percent of Ukrainians felt that both Ukrainian and Russian should be official state languages. Only 35 percent felt that Ukrainian should be the sole state language with 20 percent feeling that Ukrainian should be the national state language but Russian could be an official language in some regions of the country.

Of particular significance, however, there is, despite the fact that many Ukrainians still are less comfortable speaking Ukrainian than Russian, remarkable support for the use of Ukrainian as a national language. Only four percent of Ukrainians felt Russian should be the official state language and 3 percent had no opinion. [3] This, along with other survey data seems to suggest that, despite the Country's several ongoing political controversies, Ukrainian nationalism in the sense of modern nation-hood basically is alive and well.

- 3) Finally, there is the issue of the impact of the reality that *many other languages* are spoken in Ukraine. In most cases, the diversity of languages used by the Ukrainian population is not a very politically significant issue. It does, however, reflect the ongoing concerns of various groups for the maintenance of their cultural identity within the new independent Ukraine. Frequently, such matters are reflected in terms of many demands at the local level to support ethnic cultural activity and native language schools – demands that the coun-

try's still relatively new and not well developed local governments sometimes find difficult to satisfy.

Though controversy over language issues is very real in Ukrainian society, public policy (in the form of a "united" strategy and set of measures) in this sphere has yet to be adequately developed. In some cases, there has been a lack of institutional capacity to coordinate or reconcile the positions of social groups between which there is disagreement. In part, this is because the language issue is still a relatively new one in contemporary Ukrainian politics (although its roots go back at least a century). In terms of recent Ukrainian politics, it has only been since the emergence of highly competitive elections at the end of 2004 that the language issue has become a controversial part of the national political dialogue. In fact, recent surveys show that the "language issue" is not an "important" dimension of public political concern. Citizens are much more concerned with economic and trade issues (76.2 percent) and energy issues and problems (42.7 percent). Cultural issues (including language) occupy last place among citizen concerns (9.8 percent). [4]

The same survey testified to the current popular acceptance of the status of the Russian language and Russian language speakers in Ukraine. Almost 80 percent of respondents said that the needs of Russian-speaking population currently are satisfied completely or partially and only one tenth (9.6 percent) said that these needs are not satisfied. Nevertheless, language differences (not ethnic, religious or cultural) have become a major basis for recent political tension in Ukraine society. In a general sense, Ukrainian society can be divided in terms of historic linguistic differences into the Ukrainian-speaking rural areas and the Russian-speaking urban areas. Geographically one finds a Russian-speaking East and the Ukrainian-speaking West. Historically, these language differences have not led to inter-group tension. Recently, however, they have become the basis for frequent conflict and permanent contradiction at the political level – typically between political forces which lay claim to the role of being representatives of the political and economic interests of some definite language group.

The recent political conflict is not so much for the promotion of a dual language system (equal status for and the functional extension of the Ukrainian and Russian languages), but for what language is to be the leading one. This is so in spite of the fact that recent sociological research constantly (and systematically) suggests the positive attitude of the society to both the support of the Ukrainian language and the increasing status of the Russian language. According to data compiled by the Razumkov Center of Economic and Political Studies and the Kyiv International Institute of Sociology on designating the Russian language to be the second state language – 56.2 percent of the respondents were positive, and only 35.9 percent were against. [5]

## Ethno-Linguistic Issues in Political and Governmental Processes

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It was the political party, the Party of the Regions (PoR), which has its strong base in the Russian-leaning eastern region of Ukraine that took the lead in introducing ethno-linguistic issues into the mainstream of Ukrainian politics during the bitterly fought 2004 presidential campaign. The proposal to grant Russian the status of a second state language was strongly endorsed by its leader, the former Prime Minister, and then candidate for the office of President, Victor Yanukovich. On September 27, 2004, he spoke about granting Russian the status of a second state language. At the same time, he lent support to the idea of dual citizenship – Ukrainian and Russian – for Ukrainian citizens. One consequence of this was that, subsequently, in Parliament there was a substantial increase in the number of bills filed about language issues. In addition, it is highly likely that the political interest generated by these proposals helped to produce the electoral turn out and vote necessary to make the PoR the largest single bloc within the Parliament.

Subsequently, the PoR continued to emphasize this issue for political purposes. In the program of the PoR during the parliamentary elections of 2006, Yanukovich stated: “We are for granting Russian the status of second state language in Ukraine.” Indeed, the slogan: “Two languages – one people!” was frequently heard and, during the campaign of 2006, Yanukovich remarked repeatedly that, after the parliamentary elections, his party would be initiating a proposal for Russian to have the status of a second state language and further commented “... it is a principal question for us”, since to “grant Russian the status of second state language will remove lots of contradictions which are in our society.” In an interview Yanukovich spoke about the possibility of conducting a referendum concerning granting Russian the status of a second state language and bringing changes to the Constitution of Ukraine: “... if it is needed to conduct a referendum, we will conduct it, if it is needed to change the Constitution – we will change it. Parliament will accept the proper decision. We will have voices, I am convinced. If there is a referendum on this question, we will win also.”

Not surprisingly, the introduction of the language issue into Ukrainian political discourse over the past three years has meant that most of the principal institutions of Ukrainian political life have felt it necessary to address this issue in at least some manner. The responses have included the following:

**The President of Ukraine:** President Yuschenko, from the beginning of his presidency in 2005, has stressed constantly the importance of issues connected with the protection of rights and cultural diversity for ethnic minorities. He has called the appreciation of the rights of ethnic minorities one of the key internal priorities of the Ukrainian state. In 2005, President Yuschenko signed the Decree “On Measures to Realize National Policy in the Area of Inter-Nation Relations, Religion and

Church” (№1172 from 23.09.2005). In this document of the Cabinet of Ministers, it is proposed “to develop (with the participation of research institutions and the public organizations of ethnic minorities) and approve by November 1, 2005, the National Program of Inter-nation Peace in Ukraine”, which would address the “prevention of inter-ethnic conflicts through the carrying out of, for instance, some definite activities in inter-nation peace, tolerance in relations with the representatives of various nationalities, support of national cultural traditions, making changes in curricula and programs and provision of relevant research.”

However, beyond this initiative, President Yuschenko has not, perhaps because of preoccupation with the ongoing conflict that has characterized Ukraine’s politics for the past few years, paid great attention to the initiation of new policy regarding these matters. Particularly notable has been the absence of a systemic position by the President regarding issues surrounding the renewal of Crimean Tatar rights. Similarly, the limited activity of the numerous advisory bodies on ethnic minorities that function within the Office of the President of Ukraine has been especially notable. During 2005, there wasn’t a single official meeting of either the Board of Crimean Tatar Representatives or the Board of Community Organizations of Ethnic Minorities Representatives.

**The Legislative Body – The Verkhovna Rada of Ukraine:** During 2005, twenty-five draft normative legal acts were presented to the Verkhovna Rada Committee on Human Rights, Ethnic Minorities and Inter-Nation Relations. Four of these acts, and two regulations, were on legislation in the sphere of the provision of ethnic minorities’ rights. None of these six actually made it to a plenary session meeting (and vote) of the Verkhovna Rada and only one (the third edition of the Draft Law of Ukraine №3558 from 04.03.2005) was reviewed by the Parliament’s research agency. Nevertheless, as 2005 was a pre-election year, there were many active attempts by the people’s deputies to develop and introduce draft laws directed towards the language issue – especially with regard to the establishment of Russian as a second official language. However, in the end, no such legislation was approved.

**The State Committee On Nationalities and Migration Affairs:** The State Committee On Nationalities and Migration Affairs, as the only permanent central body of national executive power in the sphere of inter-minorities relations (the Law of Ukraine “On Minorities in Ukraine” №2494-12 from 16.06.1992, Article 5.), has the largest scope of responsibilities regarding the realization of state ethnic policy. It is the principal body in the Office of the President responsible for initiating policy in this area of activity. Nevertheless, and again illustrative of his limited concern in terms of the initiating of new policy about these issues, on October 24, 2005, the President signed a decree, which did restrict the functions of the Committee. For instance, the distribution of funds on measures to support the Ukrainian Diaspora abroad was transferred to the Ministry of Foreign Affairs and the Ministry of Culture and Arts.

Unlike most European models for the support and preservation of minorities' diversity and culture, national ethnic policy in Ukraine suffers the disadvantages of its inherited Soviet era process-oriented system of public administration. This serves to minimize initiative in addressing these issues. It also further encourages a reality which involves a heavy influence of politics focusing on the issues of bilingualism and regionalism.

**Regional Bodies of Power:** The principal regional governing body in Ukraine is the oblast administration. As administrative units of the national government, they have numerous responsibilities for addressing the problems of ethnic minority education and culture. There are, for example, permanent commissions on international relations and agencies on nationalities and religious affairs (for example, within the Odessa oblast state administration) which have responsibility for a whole complex set of tasks, including education and language issues in regions. These bodies are however very often heavily influenced by the region's dominant political party and reflect its attitudes towards such matters.

**Political Parties:** In Ukraine, there is an active multi-party system which is continually changing and growing. As noted earlier, those political parties which have a strong base in the eastern and southern part of the country have expressed frequent and vocal support for an enhanced role for the Russian language in Ukrainian political and governmental activities. Especially significant in this regard has been the activity of what, during 2006/2007, has been the largest party in the Ukrainian Parliament, the Party of Regions whose leader has been an outspoken advocate on behalf of the Russian language.

Ukraine's two next largest political groupings, the Our Ukraine party led by the Country's President, and the Yulia Tymoshenko bloc within parliament (led by Yulia Tymoshenko who served as Prime Minister in 2005 and 2007 – 2008) remain major sources of support for the continuing efforts at "Ukrainization" by Ukrainian nationalists. These efforts have become a part of government policy and are reflected most notably in the gradual but continuing shift to the use of the Ukrainian language for teaching in the public schools and the complementary decline in the use of the Russian language. Similarly, in the broadcast media (which is more subject to government regulation than the print media) there has been a major movement to the use of the Ukrainian language, an occurrence that remains a matter of some cultural and political controversy.

In addition to the Country's large, broad based parties, there have also been, and continue to be, several small political parties which have come into existence specifically for the purpose of promoting the interests of individual ethnic or linguistic groups. These parties, while often not long lived, nevertheless, represent a significant opportunity for various ethnic and linguistic communities to publicize their agenda and interests. Among the many such parties has been the "Party of Muslims of Ukraine" which registered as a political party in November 1997, and

in 2005 joined into the “Party of Regions” and the “Russian Block” which registered as a party in March 2001, took part in the 2004 and 2006 elections and continues to work with the Party of Regions. [6]

Before the 2006 elections to the Verkhovna Rada, two Hungarian parties were registered: the Democratic Party of Hungarians of Ukraine (registered September 24, 2005) and the Political Party of Hungarians of Ukraine (registered February 17, 2001). However, such parties, which are organized by separate ethnic groups, have had very limited success in Ukrainian political life and in some cases disappear before anyone really hears much of them. In part, this is because there is a general feeling that such overly nationalistic parties encourage the split of the Ukrainian society according to ethnic characteristics.

Of particular significance in limiting the ability of ethnic parties to have a major impact is the fact that such parties have little chance to overcome the 3 percent barrier (requiring the support of approximately 750,000 voters) that is a prerequisite to having representation in parliament. Within the Country’s borders, only Ukrainians and Russians have such numbers. Also, political parties must have all-Ukrainian status and be able to create local offices in the majority of the Country’s administrative-territorial units. Ethnic communities, which live in compact territories, have difficulties in achieving these requirements. As such, it would be much more rational to create one party which could represent the interests of multiple national minorities, but there has been no effort to do this. Similarly, as of yet, there is no movement to have quotas for the representatives of ethnic minority groups in the list of the candidates put forward by the larger and more influential party groups.

**Ethno-cultural Organizations:** While there are numerous ethno-cultural organizations in Ukraine, certainly the Russian ones are the most numerous and politically strong. They include many active constituents of the Russian ethnic minority community and are involved in a wide spectrum of its interests: including the creation of political parties; active participation in parliamentary elections and elections to local self-government bodies; and in the formation of and influencing of executive bodies at all levels. The basis of their activity is to focus the Russian movement in Ukraine towards actual political power or, at least, to participation in its realization. The openly pro-Russian organizations seek to address such issues as language, double citizenship and integration into the Commonwealth of Independent States (CIS). The goal is the creation of a strong political structure with its own political program which will be accepted by the majority of ethnic Russians and most Russian-speaking citizens of Ukraine. The objective is to support the participation in politics of forces which seek not only to protect the interests of the Russian ethnic group in Ukraine, but to represent the “Eastern” pro-Russian direction of Ukrainian development. [7]

**Local Government:** The newest and most active battleground over “linguistic policy” is in the arena of municipal councils. In some instances it pits local politi-

cians against the national government and as such it is a testing place of the capability of central power bodies to react to the decisions of local bodies which may not be congruent with Ukrainian legislation. In the forefront of the local government linguistic-political movement has been the Kharkiv City Council, which on March 6, 2006 decided to grant the Russian language the status of a regional language in the territory of Kharkiv. On April 25 – 26, 2006, the Lugansk Oblast Council and Sevastopol City Council also adopted this “initiative”, and made the decision to grant Russian the status of a regional language.

By mid 2007, such decisions had been made in at least five local areas of Ukraine (Donetsk, Lugansk, Mikolaiv, Odessa, Kharkov). In all of these municipal councils, the majority of representatives belong to the Party of Regions. The establishment of such “regional linguistic policy” is one element of the central strategy of PoR in terms of local council activity. Local PoR leaders assert that, in accordance with the European Charter of Regional Languages, which was ratified by the Verkhovna Rada, bodies of local power can take this function to themselves. Their theme of the equality of the Russian and Ukrainian languages is clearly a high local PoR political priority and this suggests that other oblast, city, and rayon councils where it is in the majority likely will take decisions on Russian language status.

The decisions by the local councils have been made with reference to the Law of Ukraine “On Ratification of the European Charter of Regional Languages or Languages of Minorities” (№ 802-IV from May 15, 2003). In response, the Justice Ministry has asserted that the decisions of local councils in relation to determination of the status of regional languages are not legitimately included in the sphere of “jurisdiction of village, settlement and city councils.” It is the Ministry position that local jurisdiction is limited to decisions only about languages which are actually used in the work of a council and/or its executive body and which is utilized in official announcements.

Subsequently, the Ministry has indicated that not a single Ukrainian law contains positions that city or oblast councils may determine the status of languages within their territories. The Ministry position is that the objective of the Charter is directed to the defense of languages which are threatened with disappearance. Consequently, the object of the Charter is to support languages as ethno-cultural phenomenon, but not to create linguistic rights for national minorities which live in certain regions.

As a result, after the parade of “linguistic-regional sovereignties,” where local councils attempted to sort out by themselves what is arguably a national function, the President of Ukraine, Victor Yushchenko, issued a commission to the Ministry of Justice and General Prosecution of Ukraine to investigate the current decisions by local councils about granting Russian the status of regional language. Thus, the public prosecutor offices of Lugansk and Kharkiv oblasts and the city of Sevastopol



are conducting investigations in relation to the legality of decisions by local councils about Russian as a regional language.

## **Conclusion**

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The dual issues of language and ethnicity, which have emerged in Ukrainian government and politics over the course of the past three years represent a truly significant paradox for the Country's democratic development. On the one hand, the emergence of these issues, which have produced genuine regional differences and disagreement, represent a major step forward in the development of competitive political discourse and debate in the country. As such, they are a very real and legitimate part of the process of emerging democratic political competition and institution-building in Ukraine.

Prior to 2004, these issues, which are important ones, did not emerge on the political scene because of the general pattern of presidential domination of Ukraine's political institutions that characterized the nation's political and administrative development from its independence in 1991 through 2004. First, under President Leonid Kravchuk and then, subsequently, under his successor Leonid Kuchma, most of Ukraine's political and administrative institutions were closely-controlled by the presidential administration. Indeed, prime ministers were routinely replaced depending on the specific inclinations of the president and the parliament rarely acted independently.

All of that changed with the Orange Revolution at the end of 2004 and early 2005. In part, citizens began to assert themselves further and other institutions of governance – including the courts, the legislative branch and the political parties – began to assert much greater independence than they had during the course of the preceding decade. In addition, new institutional arrangements were implemented which divided and dispersed administrative power on the executive side of government. In particular, the position of prime minister was given greater power vis-à-vis the office of the President.

It is this latter development that has proven critical in terms of the emergence of ethnic and linguistic issues as key elements in Ukrainian politics. The Western-leaning President Yushchenko became a major advocate of the Ukrainian language and an Eastward-leaning Prime Minister Yanukovich became the principal advocate for the establishment of the Russian language as a second official language of the Ukraine. In the past, when Presidents dominated the national government, prime ministers whose views deviated were summarily replaced by more compliant individuals.

However, this very development that represents the emergence of a more vigorous and independent Ukrainian politics also poses a potential threat to the Country's future well being. As prior experience in many countries, in many parts of the

world, suggest, ethnic and linguistic concerns represent the kind of emotionally charged issues that have the capacity to not only divide a country but to encourage violence and repression. Often these negative consequences have developed when ambitious, self-serving, and often unprincipled, political leaders have chosen to use these issues for their short-term political advantage in such a way as to encourage the emergence of discrimination, and ethnic cleansing.

Up to this point, that has not occurred in any extreme form in Ukraine since its independence. But certainly, if the Country's political divisions sharpen greatly, it could be a possibility. Thus, the paradox of a set of political developments, the emergence of ethnic and linguistic issues, that on the one hand represent an important manifestation of democratic institutional development; yet, on the other hand, represent a potentially-harmful threat to the unity of the country and the well being of its citizens. This threat has not materialized up to this point in Ukraine's short history as an independent nation because its political leadership has, following the attitudes of the Ukrainian public, generally chosen a conciliatory rather than a confrontational approach to the linguistic issue.

While there are certainly reasons for optimism in terms of the Country's continued movement in such a direction, as noted at the outset, recent political history provides many examples where ethnic and linguistic difference have been used to justify exclusion, repression and murder. To this point Ukraine represents a case in which the forces of nationalism and compromise are being jointly promoted in a harmonious manner through the process of democratic institutional development. If those forces are to continue to coexist in a peaceful and productive manner, it is critical that the process of democratic institution building be both consolidated and promoted by a committed political leadership. While the outcome is still not final in this regard, thanks in good measure to the commitment of the ordinary Ukrainian citizen, there is reason for optimism.

## **Endnotes**

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1. Interestingly, in his role as a political candidate and when he served as Prime Minister, Yanukovich, and most of his cabinet members, became increasingly fluent in Ukrainian, which they mainly spoke while in official settings.
2. *Razumkov Ukrainian Center for Economic and Political Studies*, "National Security and Defense Study" No.1 (73), 2006, p 6.
3. *ibid*, p 7.
4. *Dumka gromadyan Ukrainy stosovno zadovolennya natsional'nykh potrebr osiys'komovno naseleण्या // UNIAN. – 2003. – 21 chervnya.*

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6. [www.nbuv.gov.ua/polit/05uaparet.htm](http://www.nbuv.gov.ua/polit/05uaparet.htm).

7. *Svistunov A.* Glavnyye printsipy stroitel'stva russkogo dvizheniya v Ukraine // Dialog ukrainskoy i russkoy kul'tur v Ukraine. Materialy nauchno-prakticheskoy konferentsii. 9 – 10 dekabrya 1999, Kiev. – Kiev, 2000. – S. 196.

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# Local Self-government in Armenia: Incentives and Perspectives for Policy Reforms

*Anush Dulgaryan<sup>1</sup>, Arthur Drampian<sup>2</sup>*

## Abstract<sup>3</sup>

The objective of this research study is to present and analyse possible policy options for the initiation of new reforms in the area of local self-governance. The authors identify basic challenges that local self-government in Armenia faces at present. For the purpose of finding a viable solution to these challenges, the author chooses the method of survey research. Questionnaire and in-depth interviews were conducted with government officials, NGO representatives, 13 community associations<sup>4</sup> and 135 community leaders.

Analysis of opinions and preferences of different stakeholders, together with the current legislation of the Republic of Armenia and other materials, reveal a practical and feasible policy direction that accommodates the interests of all parties involved. The policy direction which most satisfies these interests was identified as being the voluntary inter-community union formation. In view of some issues and challenges connected with the voluntary approach, the authors also suggest several recommendations that central government could put into effect to ensure the success of the reform. The authors hope that this research study will increase the

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1 Graduate student, School of Political Science and International Affairs, American University of Armenia, Yerevan, Armenia.

2 Adjunct Senior Lecturer, School of Political Science and International Affairs, American University of Armenia, Yerevan, Armenia.

3 This paper is based on the results obtained during an internship project at the Armenia Local Government Program, Phase 3 funded by USAID and implemented by RTI International. The project was fulfilled in the summer-autumn of 2007 with the purpose of writing and submitting a policy paper for partial fulfilment of the degree of Master of Arts at the American University of Armenia.

4 There are 21 community associations in Armenia which formally registered as non-profit organisations rather than Intercommunity Unions for a number of reasons (status of ICUs not legally regulated, these unions have no taxing authority, they do not provide public services, etc.).

knowledge of all parties about preferences that each of them hold and will support co-operation between them.

## 1. Introduction

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Post-Soviet countries, such as Armenia, when moving away from the old political regime, came to a decisive point of making an important decision on what type of territorial administrative division and local self-government system they should adopt for future development. The reform decisions concerning local government that Armenia made in the early years of its independence reflected liberal values and principles of democracy. These reforms had significant importance and were central in the first attempts of creating a new system of public administration and initiating devolution of highly centralised powers. They ensured certain progress on the way to decentralising the country and devolving certain powers to local governments. However, in the course of time, further strengthening and development of the system requires a more flexible approach. At present, the increased number of small communities that exercise self-governance has created fragmentation in the local government system. Many small and weak communities are incapable of adequately implementing their responsibilities, and increased inequalities between communities have produced impediments for regional development.

For several years now, there has been much discussion in the country about new reforms and potential restructuring of local self-government (hereafter LSG) system. Yet, these initiatives have not been transformed into a systematic, clearly defined long-term vision and national strategy for LSG development. The objective of this study is to suggest a policy reform direction and practical steps that will overcome present-day challenges of fragmentation that hinder strengthening and further development of a local government system in Armenia. The study is conducted with the purpose of finding the most practical option which will take into account the differences of opinions between major parties and will accommodate the interests of all.

## 2. Problem Description, Hypothesis and Research Questions

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Armenia consists of a two-tier governance system: state government and a single-tier local government system. Currently, there are 10 marzes<sup>5</sup> (regions) and 1000 localities<sup>6</sup> combined in 925 communities that operate in the territory of Armenia (Tumanyan, 2006). Out of 925 communities, 48 are urban, 865 rural and 12 Yerevan

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5 The capital city of Armenia – Yerevan, had a status of a separate marz according to the Constitution of 1995. Following the amendments made to the Constitution in 2005, its status was changed to a community (Article 108). The peculiarities of local self-government and formation of local self-government bodies in the City of Yerevan will be defined by the law.

6 Locality is understood as a populated area representing either a village or a town.

district municipalities. Marzes in Armenia are given the responsibility of executing state governance and are not considered as local government. Local self-governance is executed at community (*hamaynk*)<sup>7</sup> level. The communities are given a wide range of own<sup>8</sup> (mandatory and voluntary powers) and delegated powers to fulfil.

The current state of affairs endorses the inefficiencies within the system. At present, Armenia experiences high fragmentation within the local government system. Fragmentation first of all hinders the potential of regional development and is inadequate for the implementation of large-scale projects which require regional coordination. The correspondence principle is not complied with: local governments sometimes provide services that spill beyond their boundaries and these should be rendered by provincial governments, which do not exist. As a consequence of an increased divide between communities, infrastructure and services established during the Soviet period to serve the common needs of several localities are not available for joint use. For example, utilisation of a music school by a neighbouring community member incurs costs for the community where the music school is located.

Another negative consequence of fragmentation is the incapacity of LSGs to provide quality public services. Each community, irrespective of its size, has the same status and the same powers to fulfil. However, financial and institutional capacities to implement their responsibilities greatly differ. Comparison of the planned budget with its actual implementation reveals that local governments fulfil, on average, only 40 – 50% of their powers (Gimishyan, 2004). Many of the small communities not only lack the necessary infrastructure, machinery and resources, but have low human resource capacity. The lack of professionalism of local government staff affects the quality of budget implementation and hinders the development process (Darbinyan et al. 2004).

The fragmented nature of the local government system also creates obstacles for the efficient use of the scarce financial resources. According to 2003 data, the average budget size of communities was 24.5 mln drams, and budgets of communities with a population of less than 500 people were less than 5 mln drams (Gimishyan, 2004). The small size of communities does not allow the utilisation of economies of scale and contributes to a waste of finances. A huge amount of resources are spent for the purpose of maintaining the local government apparatus. As a result, the lion's share of municipal budgets, especially in smaller communities, is spent on salaries. The compensation of all these employees in the same year was reported as being 3,281.8 mln drams, whereas, the total municipal budget

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7 "A community comprises the populace of one or more localities. A community shall be a legal entity, have the right to property and other economic rights" (Constitution, 2005, Article 104.1).

8 Article 10 of the Law on Local-Self Government states that LSGs possess own powers which include mandatory and voluntary powers.

expenditure (including investments and capital repairs) constituted 11,458.1 mln drams (Tumanyan, 2006).

The problem of local government fragmentation is not unique to Armenia. Many post-communist countries in Europe faced challenges in the process of developing a Local Government system in their countries. They had different start-up points and differences in choosing their reform options. Poland, for example, which never underwent massive disintegration of amalgamated municipalities after the fall of the Communist regime, did not experience the problem of fragmentation of local government (Swianiewicz et al. 2002). This relatively large number of population allows the utilisation of economies of scale and is an essential factor for resource conservation. The large size of a community is often a prerequisite for further decentralisation. Even though Poland did not undergo a disintegration of communities amalgamated during the Soviet period, in 1999 they felt the necessity to establish a second tier of local self-governance (Swianiewicz et al. 2002).

Other countries such as Latvia, Estonia, Slovakia, Hungary, and the Czech Republic went through the disintegration process of the local government system and experienced a great deal of fragmentation, scarcity of financial resources and an inability to utilise economies of scale. To overcome the problem, Latvia and Estonia returned to the policy of amalgamation (Vanags et al, 2002). Insisting on amalgamation of municipalities would be an impossible task for the Czech Republic, as the right to self-government is a valued accomplishment for municipalities. To solve the problem, the Czech Republic established provincial governments in 2000 and assigned them both mandatory and delegated powers of regional importance (Illner, 2003). The administrative/territorial division of Hungary is represented by multiple levels; however, there is no subordination between local government and other levels. Moreover, all settlements, irrespective of their size, enjoy the same level of autonomy. The problems of small and weak municipalities in Hungary were solved by seeking the assistance of nearby larger cities and the county in the provision of public services. In Slovakia, in 2001, eight counties were introduced as regional governments which took the names and territorial areas of the pre-existing counties of the Communist period (Sopóci et al. 2006). In addition to these initiatives and reforms, Slovakia, Hungary, the Czech Republic and Latvia enacted a law that encourages municipalities to form associations, unions and consortia for the purpose of improving public service provision (Sopóci et al, 2006; Fekete et al, 2002; Illner, 2003; Vanags et al, 2002).

Bearing in mind the experiences of the different countries, as well as the actual issues, characteristics and specificities of LSG in Armenia, the current research puts forward the following hypothesis and research questions.



## **Hypothesis**

Formation of voluntary intercommunity unions is a practical and feasible option for eliminating the issue of fragmentation and strengthening the capacity of local government in Armenia.

## **Research Questions**

The research questions which aim to answer the different parts of the hypothesis are as follows:

1. Are government and NGOs interested and willing to pursue reforms of amalgamation, to establish a second tier of local government or assist the formation of Inter-community unions?
2. Is there a correlation between communities which are members of community associations and their willingness to become a member of an ICU?
3. Is there a correlation between effective functioning of community associations and the willingness of communities to be involved in inter-community unions, in comparison with those communities that have a negative experience with the community association they are involved in?
4. Which approach of forming ICUs – voluntary, compulsory or voluntary with some mandatory elements, is preferred by the different stakeholders?
5. Which powers, according to the different stakeholders, should be delegated to ICUs?

## **3. Methodology**

Several methods have been used in this research design. First, a cross sectional survey design is used to carry out a quantitative analysis of LSG opinions and approaches towards ICU formation. This survey is conducted in all marzes of Armenia. A sample of 150 communities was selected from 913 communities<sup>9</sup> in 10 marzes of Armenia. The response rate of the study was calculated to be 90 per cent<sup>10</sup>. (A total of 135 communities were interviewed). The sample unit represents the local government leader of the community. Communities were selected purposely to include communities which are members of a community association; communities which are members of an “Inter-Community Union – Community Association<sup>11</sup>”;

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9 The survey was conducted outside of the capital Yerevan and did not include 12 Yerevan district communities.

10 Refusal rate was 3.3 %, and an additional 6.7% could not be reached.

11 Some community associations consider themselves to be inter-community unions; however, based on the analysis of their activities and responsibilities, they can be classified as community associations having NGO status. Therefore, hereafter they will be referred to as community associations.

and communities which are not a part of any type of community co-operation. The data was collected through self-administered questionnaires. Before conducting the interviews, the questionnaire was pre-tested. All data from the completed questionnaire was recorded and analysed using SPSS.

Utilising an in-depth interview method, another cross sectional survey is conducted to carry out a qualitative analysis of opinions and approaches of functioning community associations, government officials and representatives of non-governmental organisations. Two government officials and five respondents from the NGO sector were interviewed. All selected respondents from non-governmental organisations, professional associations and an international donor organisation (UN)<sup>12</sup>, have had significant input in the development process of local government systems. They participated in the preparation of laws dealing with the LSG system, provided expert opinions on possible development directions, assisted in the implementation of different projects aimed at increasing the capacity of LSG, and performed other activities. Since non-governmental organisations are in close contact and co-operation with government, their opinions quite often coincide in most of the issues. Therefore, in the paper, their opinions are combined and presented together. In cases where government and NGO opinions diverge, they are presented accordingly. In addition, chief executive officers and presidents of 13 out of 20 community associations were interviewed. The selection of these respondents was conducted purposely to include the two types of community associations mentioned above.

## **4. Findings**

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As the research comprises both quantitative and qualitative analysis, findings are presented in two sections. Section 1 provides findings from the quantitative analysis of questionnaire interviews with community leaders, and Section 2 provides findings from qualitative analyses of in-depth interviews with community associations, government officials and NGOs.

### **4.1 Section 1 – Quantitative Analysis**

The study classifies communities by towns and villages, by size and according to their membership in community associations as basic information. Out of 135 communities interviewed, 125 (92.6 per cent) were villages and 10 (7.4 per cent) were towns or cities). 61 communities (45.2 per cent) interviewed have a population of 1 – 1000 classified as small size; 57 of the communities (42.2 per cent) have a population of 1001 – 4000 classified as medium sized, and 17 of the communities (12.6 per cent) have a population of 4001 – 16000 classified as a large community. The average size of communities is 2187 people.

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<sup>12</sup> Hereafter, all these organisations will be referred to as NGO organisations.

The major variables of the study membership in community associations are recorded, as well as the attitude of communities towards the effectiveness of the activities these associations perform. 57.8 per cent (78 communities) of the interviewed 135 communities are members of a community association, and 42.2 per cent (57 communities) are not involved in such associations. 35 (44.9 per cent) of the total 78 communities involved in community associations consider the activities of this organisation as being very effective, 27 (34.6 per cent) consider it to be somewhat effective; 6 community leaders (7.7 per cent) say they are somewhat ineffective and 8 community leaders (10.3 per cent) express the opinion that their community association is completely ineffective.

Next, the willingness of communities to become a member of an ICU after the adoption of the Law on Inter-Community Unions is measured. 90 out of 135 communities (66.7 per cent) express the desire to become a member of an ICU; 39 communities (28.9 per cent) do not want to be involved in any ICU and six communities (4.4 per cent) are undecided.

The study tries to identify the major reasons for resisting membership of ICUs. Out of the 39 community leaders who do not want to be involved in any ICU, 33 respondents explain the reasons. There are several explanations given and they vary significantly. Although many of them are combined in groups, there are some that do not fit into any group. Seven respondents explain that their community is not ready yet: the community is weak and poor, they have low living standards, and lots of problems, also society is not ready psychologically, therefore it is still early for becoming involved in an ICU. Six communities confuse formation of ICUs with amalgamation: those that are large in size explain that large communities do not need to be amalgamated, they have sufficient resources and infrastructures to be self-sufficient, and that only those with smaller populations should be involved. Smaller size communities explain that local governments have to function in smaller communities to protect the interests of the community members; otherwise these localities will be neglected and will disappear. Also, many of them have a unique identity and well-established traditions which will be lost. Five community leaders say that ICUs will bring additional difficulties with management. Five communities say that ICUs will require additional expenses because of the inequality of resources between different sized communities: neighbouring communities are small and weak, and the larger ones have to think about how to handle their own problems. Three respondents believe that co-operation will never work in Armenia, as there is too much self-interest involved and communities will never stand on an equal footing. The remainder of the eight respondents give diverse answers, some of which are: previous failed experience of a community association; ineffectiveness and limitation of community power.

The willingness of community leaders to become a member of an ICU is measured in relation with their present membership status in any community associa-

tion. To analyse two types of discrete level data, a Chi-square Cross tabulation test is run. Out of the 78 communities which are members of community associations 58 (74.4 per cent) express a willingness to be involved in an ICU; 14 (17.9 per cent) reject it and six (7.7 per cent) are undecided. From a total of 57 communities which are not members of any community association 32 communities (56.1 per cent) are willing to become members of an ICU, whereas 25 (43.9 per cent) do not have this willingness. This difference is statistically significant (Pearson chi-square = 0.001).

The willingness of communities to become members of an ICU is also analysed in respect to the attitudes of community leaders towards the work performed by the community association they are involved in. An independent sample T-test is used to compare the attitude mean of the two groups. The average attitude mean of 58 respondents who wish to become members of an ICU is 1.69, and the average attitude mean of 14 respondents who do not want to become members of an ICU is 3.00. '1' in this case means very effective, '2' for somewhat effective, '3' for somewhat ineffective and '4' for not effective at all. The difference between the two groups' means is statistically significant ( $p=0.000$ ).

Continuous level data on community size is analysed with the discrete level data about the willingness of community leaders to become members of an ICU. An ANOVA test was run to determine whether there is a difference between groups willing to become members of an ICU and those rejecting such membership in terms of their mean size. Based on the test results, 90 communities willing to become members have an average size of 2,114 people, and 39 communities not willing to become members have an average population of 2,521, and six communities that are undecided have an average population of 1,096 people. This result shows no statistical significance.

The next variable measured is the approach of communities towards formation of ICUs based on the following principles: voluntary, compulsory, or voluntary with some mandatory elements. Ninety-seven out of 135 community leaders (71.9 per cent) require the formation of ICUs on a voluntary basis; 10 community leaders (7.4 per cent) consider a compulsory approach as a better solution, and 26 community leaders (19.3 per cent) agree that some mandatory elements can be used together with a voluntary approach, and two (1.5 per cent) are undecided.

The size of the communities is also analysed in respect of the opinion of community leaders about voluntary and compulsory approach. An ANOVA test is used with continuous level data on community size and discrete level data on three approaches. The three groups, namely those that prefer a voluntary approach, a compulsory approach or a voluntary with mandatory elements approach, are compared in terms of the mean of their size. The average size of the group choosing the voluntary approach (97 communities) is 2,287 people; those choosing the compulsory approach (10 communities) number 1134, and those choosing voluntary approach

with some mandatory elements (26 communities) is 2,276 people<sup>13</sup>. This difference is not statistically significant.

Concerning the issue of which powers can be given to ICUs, 73 out of 135 community leaders (54.1 per cent) agree that some of the mandatory powers of LSG can be prescribed to ICUs, and 81 (60.0 per cent) agree that powers delegated by the state should be transferred onto ICUs. The most frequently mentioned delegated powers are: property and land tax collection (6 respondents); veterinary services (6 respondents); anti-epidemiological activities (3 respondents) and others. Out of the 73 community leaders who agree to transfer some of their mandatory powers to ICUs, among the most frequently mentioned mandatory responsibilities are: public utilities (including waste collection, drinking and irrigation water management (14 respondents); formation of community budgets (5 respondents) and provision of legal services (4 respondents). Ten people express a willingness to transfer the delegated functions of property and land tax collection to ICUs.

#### **4.2 Section 2 – Qualitative Analysis**

In-depth interviews conducted with central government officials, NGO representatives, and executive officers of community associations aim at finding out their opinions on possible strategic directions towards the development of a local government system. The first part of Section 2 presents the opinions of government and NGO representatives, and the following part provides data collected from 13 community associations.

All respondents representing government and NGOs consider amalgamation to be the most economically viable option. They say that amalgamation will strengthen the local government system and provide opportunities for resource conservation and development of capacities for the solution of many problems that present-day communities face. The answers to the question about how amalgamation should be conducted reflect different opinions. One respondent thinks that communities themselves should decide whether they want to be amalgamated. The others think that communities can be asked for their opinions but the final decision for amalgamation should not be left with communities. Nonetheless, all the respondents explain that despite the strong resistance from communities, amalgamation is a difficult step to take.

Some NGO and government representatives think that a second tier of self-governance could provide greater opportunities for the development of a local government system. Others explain that establishment of the second tier of LSG would be negative for the county: 'this requires the creation of a three-tier budget system. Today, Armenia experiences difficulties with tax collection, and a second tier of self-governance would create issues concerning tax revenue division between these

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<sup>13</sup> Two communities are undecided.

tiers.' Nonetheless, there is a uniform opinion that, at present, the establishment of a second level of local self-governance is not a viable option. This requirement entails changes in the Constitution which are not likely to happen in the near future.

Nonetheless, some of the respondents express the opinion that, despite some differences, such as the election of the governing body for the second tier of self-governance through direct popular vote, ICUs are somewhat similar to the second tier of self-governance. They state that the establishment of ICUs is the least controversial and complicated option. Government officials think ICUs will promote further political decentralisation by delegating new powers to the lower level of the government and increase the efficiency of local government in performing its responsibilities. NGO representatives enrich this list with more detailed objectives that ICUs may achieve. First, they will improve the quality of public service provision. Second, they will save financial resources and utilise best available professionals in a concentrated manner. Third, they will become capable of implementing projects of regional importance. Fourth, the state will be able to allocate more money to local governments: today it is impractical, as those resources will be wasted because of the large number of communities and lack of capacity. And lastly, it will allow the development of a municipal service system: at present there are about 7,000 municipal servants, and organising their training and attestation will require an enormous amount of financial resources.

Government and NGOs are asked for their opinion on the most appropriate approach that can be used to assist the formation of ICUs. The opinion of government and NGOs is divided into two groups. One group (only some NGOs) prefers a compulsory approach, pointing out that no ICU has yet been formed over the years in Armenia, albeit the current legislation allows its formation. The reasoning behind this is the belief that no community leader will voluntarily give up his power and functions even for the sake of economic benefits for community. Though community leaders participate in the governance of ICUs, he/she does not exercise this power individually. One of the respondents also asserts that voluntary co-operation holds the threat of being based on personal relationships: "Two amicable community leaders can get together and form their ICU, simply for the sake of showing that they belong to one." This opinion infers that there is a lack of trust among people in government institutions that democratic principles will be upheld. Therefore, this group pushes forward the idea of conventional methods, proved to be effective in the past.

The other group which forms the majority of respondents (government representatives and NGOs) suggests a voluntary approach where some mandatory elements can be used. An NGO representative explains that the purely voluntary principle is not the only democratic way to approach this issue. "If reforms are not moving forward and there is an objective to meet the requirements of the European Charter, the state needs to take the initiative to find a solution." A respondent from

central government points out that the experience of ICUs is very new to Armenia and the government should be very cautious in order not to “compromise” the idea of inter-community unions in the process of its formation. There is a need to be extremely careful to ensure the anticipated success of ICUs.

As to the term “some mandatory elements”, the government and NGOs understand it as giving some time to communities to decide and which ICU they want to become a member of. If, after a certain period of time, they are still undecided, then the government can point out a specific ICU they will have to join. Central government representatives do not consider this as exerting a pressure: “Central government delegates its powers to ICUs and also suggests to communities where they can receive these services from.” The NGO sector explains mandatory elements somewhat differently: legal pressure can be exercised only in cases where communities are not able to fulfil their responsibilities.

This part of Section 2 presents data on the opinions of 13 executive directors and presidents of community associations, collected during in-depth interviews. All the respondents belonging to community associations claim that communities are very enthusiastic for their co-operation within a community association. They state that the reason for this enthusiasm is the assistance communities receive for solving some of the community problems that none of them is able to address individually. These are solid waste management, repair of roads, drinking water and irrigation pipelines, and gas supply. Another reason for this enthusiasm is the assistance in implementation of a delegated power, such as property and land tax calculation, on the basis of a contract with the government. Still, some executive directors mention that the objectives of community associations are compatible with those of communities: community associations provide benefits without harming the interests of communities and decisions are made exclusively by themselves. Three community associations mention that the results of their co-operation are visible in terms of conservation of time and resources, and providing bargaining strength against central government.

The majority of respondents claim that amalgamation is wrong. They believe amalgamation will result in the destruction of many localities. A small number of respondents, however, believe that amalgamation is a necessity. However, amalgamation requires some time and a well thought-out strategy to implement through persuasion and proof of efficiency.

Respondents also tried to explain the reasons why their community associations have not been registered as an ICU. Many respondents answer that it is still unclear what ICUs are. Their functions and responsibilities are not clearly stipulated by law. They are waiting for the law in order to change their status and start functioning in the scope of rights for ICUs. One of them even mentions that at this moment, they do not have the right to be registered with the Ministry of Justice.

However, some of the respondents consider themselves to be an ICU, despite the fact that they do not function as subjects of public law.

The opinions of community associations on the choice of the principle for ICU formation mostly coincide. The majority is for the voluntary formation of ICUs. A small number of community associations mention that voluntary should be combined with some mandatory elements. The understanding of what “some mandatory elements” mean differs among respondents. The first explanation for this term is – “persuade; if they don’t join, then force them to join by law”; second – “force communities to join for implementation of delegated powers, but leave implementation of mandatory powers at the discretion of communities”; and the third explanation is “if 90 per cent of communities join (100 per cent is considered to be all communities of the previous regions) then force the remaining 10 per cent to join. No community association has opted for the compulsory approach of ICU formation.

## **5. Conclusion and Recommendations**

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The hypothesis of the study states that the “formation of a voluntary intercommuni-ty union is a practical and feasible option for the solution of local government problems in Armenia”. To prove this hypothesis, the study put forward several research questions which were answered through the analysis of survey results. The analysis shows that amalgamation would be a direct solution to the existing problems; however, in view of the strong resistance from communities, central government is cautious in taking this step. Establishment of a second tier of self-government requires changes in the present Constitution of Armenia. Also, having two tiers of self-government may be too costly for a small country. It necessitates the redistribution of budget revenues between three tiers and entails high costs for maintaining the elective bodies and staff. This kind of policy decision, together with other considerations, may require in-depth economic assessment and analysis of all the benefits to society. ICU formation is found to be the most preferred option by all stakeholders. ICUs can bring forth consolidation of public services, whilst ensuring the political and administrative autonomy of local government.

The results of the survey demonstrate that all stakeholders are interested in and motivated towards ICU formation; however, their opinions about which approach should be used in ICU formation differ. The majority of communities insist on the voluntary formation of ICUs. However, considering the correlation between the willingness of communities to become a member of an ICU and their membership of successful a community association, it can be inferred that the resistance from communities to voluntarily become a member of an ICU is still very high. The reason for this is the fact that the number of current community associations does not yet cover the whole of Armenia. Consequently, government is insisting on an



approach that limits the free choice of communities. The results of interviews conducted with some government representatives, who have an important role in shaping the government policy in this area, opt for a voluntary approach that will incorporate some mandatory elements; this approach implies that in case a municipality does not make a decision upon expiration of a certain time limit, then the government decides on its behalf. This kind of approach contradicts the provision of the European Charter which requires central government to consult with local government “in the planning and decision-making processes for all matters which concern them directly” (Council of Europe, 1985). Also, as expressed by several community associations, the imposition of co-operation will never bring about a successful result. If communities join against their will, the state will have to continually use the method of pressure to ensure co-operation. The proposed approach could work if ICUs were given only delegated powers. However, if government wishes to promote the development of a local government system, then the implementation of some of the mandatory powers by ICUs would be a must. In this case, transfer of community powers, consequently transfer of community finances from community budgets, will also require the ‘strong arm’ of the state. However, democracy formation in this state of affairs becomes as illusionary as forcing a successful co-operation.

The study reveals that central government and communities have opposing expectations from ICUs, which are not being considered in the decision-making process of ICU formation. For the majority of communities, ICUs are expected to help in solving their community problems. These communities are striving to increase their capacity for the purpose of strengthening their position. Those communities that refuse to become a member of an ICU feel weak and poor and thus fear amalgamation and loss of autonomy for their community.

In contrast, central government is not concerned with the preservation of an individual community’s identity. It views ICUs both as an entity that will achieve financial efficiency, and improve the quality of delegated power implementation, as well as a means for introducing amalgamation of communities. It is this aspect of amalgamation that brings confusion amongst communities and a fear to voluntarily become involved in an ICU.

In conclusion, it should be stated once more that differences in expectations is the major factor that should be considered in the decision-making process. Consideration of these differences will enable accommodating the interests of both parties. Consequently, the most practical and feasible option that has the potential to serve both interests is the voluntary intercommunity union formation. **To assist voluntary intercommunity union formation and ensure the success of the reform, the study recommends the government takes the following steps.**

1. To adopt a law that will clearly define the responsibilities and nature of ICUs. Once the law is clearly stated and understood, the fear of communities of being amalgamated will diminish, and consequently voluntary involvement of com-

munities in ICUs will increase. Consequently, we do not recommend using ICUs as a tool for achieving amalgamation of communities. Uncertainty about this institution or presumptions about its intentions to bring in amalgamation will increase the chances of resistance from communities to become members of an ICU. Despite the fact that 925 communities are a large number for a small country, such as Armenia, amalgamation of only very few communities that are close to each other and share the same national, cultural, and traditional values should be considered. Even in this case, it should not be conducted by force – rather it should be a result of a natural merger. Natural mergers will take place as a result of differentiation of community status (described below), in combination with intensive preparatory and encouraging activities carried out with population. For the time being, ICUs can solve the problem of fragmentation by implementing the responsibilities of its member communities.

2. To transfer implementation of all delegated powers to ICUs with adequate financial support from the state budget. Those communities that do not become members of an ICU, will still receive services from the nearby ICU but will not be involved in its decision-making process.
3. To introduce a differentiated status between communities: some communities will have more powers than others. ICUs, in this case, will play an important role in providing the necessary public services, not only for its member communities, but also for those which are outside of this entity and have a lower status. The assignment of a different status to communities will be carried out as an outcome of evaluation, which means that the status should be granted, based on the performance of communities. Evaluation should be conducted based on well-defined performance criteria. It is highly recommended to conduct a study and establish performance benchmarks for municipal services. Communities which perform their responsibilities either equally or above the established standards will be granted higher status. They will be given more powers and financial resources for their implementation. Those communities which perform poorly will be given a lower status: they will be granted a limited set of basic powers and the respective amount of financial resources. Those powers that these communities are unable to implement<sup>14</sup>, as well as certain financial sources for their implementation (such as some portions of governmental transfers given to communities, service fees, shares from other taxes and others), will be transferred to ICUs. If that specific community chooses to be outside the ICU, it will have no say over how these services will be conducted. These communities will lose much of their decision-making powers and in the future will be prone to natural amalgamation. However, under these circumstances it is expected that communities will decide to preserve their status and become involved in an ICU. The

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14 It is believed that these are mostly powers that require a regional approach, such as waste management, irrigation and drinking water provision, road construction and renovation, environmental protection and others. These responsibilities are often partially financed by service fees.

ICU, in this case, will be a shelter for them to keep their high status and not lose their decision-making powers. In fact, this solution is believed to be a better option than amalgamation.

To promote trust in and ensure the fairness of the evaluation procedures and independent decision-making, it is recommended establishing a separate, independent evaluation body that will be comprised of representatives from central government, the ICU governing body and community leaders who are not a part of any ICU.

4. To start a pilot ICU project to demonstrate the effectiveness of this institution. As presented in the findings section, the effective experience of community associations is the major factor that promotes voluntary initiative. Pilot ICU projects, combined with the widespread promotion of their activities will ensure voluntary participation.
5. Financial tools and incentives have often been used as an important instrument in policy decisions. Therefore, the study recommends creating reward mechanisms to allocate additional resources for those communities that will delegate many of their mandatory powers to ICUs. Financial incentives will be the strongest motivation for voluntary involvement, and we suggest conducting a comprehensive economic assessment to identify the amount and sources for such rewards.
6. In order to discuss this and other possible options, it is recommended organising a national conference with the participation of central government, NGOs, community associations, and community leaders. It is also recommended inviting international experts who will best present international practices in different countries and the success and difficulties associated with each practice.

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# Improving Technical Assistance to Public Administration Reform in Russia: Addressing Implementation Issues

*Tony Verheijen<sup>1</sup>, Maya Gusarova<sup>2</sup>, Natalia Ivanova<sup>3</sup>*

## Abstract

The study analyses the Russian case of technical assistance (TA) delivery to public administration reform and focuses on two main aspects:

- donor coordination and attempts to mitigate the risks of competition and/or duplication among donors<sup>4</sup> in this high profile case of reform;
- strategies to support implementation, which pose a particular challenge in the Russian (multi-level governance) context, especially as most donors (for positive economic reasons) began to wrap up their assistance once the design stage had been completed (thus negating different lessons of previous technical assistance programs, and the need for a longer term engagement, especially in complex cases).

Experience of the ongoing reform process, as well as the role of donors, has produced some valuable lessons for those who study the role of external actors in the design and implementation of governance reforms. The design and implementation of technical assistance programs in public sector reform in Russia, initiated after the election of President Putin in 2000, had an opportunity to build on lessons learned by donors from more than a decade of supporting administrative reform in transition states, summarised in several evaluation reports commissioned by international organisations in the late 1990s, notably the EU and the World Bank<sup>5</sup>.

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- 1 Senior Public Sector Management Specialist, Poverty Reduction and Economic Management Network Europe & Central Asia Region, The World Bank, Washington DC, USA.
  - 2 World Bank Russia Country Office, Moscow, Russian Federation.
  - 3 EU TACIS Project, Moscow, Russian Federation.
  - 4 This is stated as a major risk in Paris Declaration on Aid Effectiveness, 2005.
  - 5 Parison, N., Koichumanov, T., Lukashenko, O. Human Resource Management in the Russian Federation Federal Civil Service: Diagnostic Study. World Bank, 2004.

This paper summarises the results of a number of the World Bank studies and draws on the observations of the authors, who have been actively involved in coordination and delivery of technical assistance to public administration reform in Russia during the last two years. The paper presents proposals on how the effectiveness of technical assistance in this area could be improved, based on the experience with the implementation of a joint DFID / World Bank initiative: the Donor Secretariat for Public Administration Reform in Russia. The Secretariat, in co-operation with the Russian government, undertakes the coordination of technical assistance. It works as a one-stop-shop and resource centre for international consultants involved in donor projects and bridges the gaps on the analytical side of the reform.

Speaking about the example of the Donor Secretariat, the authors discuss challenges in support of implementation in general, as the public reform agenda moves on, from design to implementation.

The analysis provides lessons learned from the Russian case and draws conclusions on the sustainability of change in the area of public administration reform in complex multi-level governance systems and the potential effectiveness of technical assistance in such contexts, which can be useful both for the governments of CEE and CIS countries reforming their public administration systems, and for donor agencies.

## **1. Demand and Supply for Technical Assistance: The Evolving Context**

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The case of the Russian Federation represents an interesting case of technical assistance delivery in public sector reform. Experience and lessons of the ongoing reform process, as well as the role of donors, is likely to produce some valuable lessons for those who study the role of external actors in the design and implementation of governance reforms. The design and implementation of technical assistance programs in public sector reform in Russia, initiated after the election of President Putin in 2000, had an opportunity to build on lessons learned by donors from more than a decade of experience in supporting administrative reform in transition states, summarised in several evaluation reports commissioned by international organisations in the late 1990s, notably the EU and the World Bank. In addition, the re-initiation of technical assistance programs in Russia (after a number of failed initiatives in the early 1990s) was, together with the reform process in Serbia in 2000, the last case of high profile public sector reform initiation in a transition environment. It remains to be determined to what extent the lessons summarised in the evaluations undertaken in the late 1990s were utilised in this instance, and if they were, to what degree this has impacted the quality of assistance.

## **The evolving debate on the impact of technical assistance: transition states and EU accession**

The debate on the role of external actors in reform processes that deal with what used to be considered 'sovereign' aspects of governance has evolved over the last decade. The increasing disillusionment with the development of public administration systems in the new member states of the EU, as exemplified in, for instance, a recent World Bank study on administrative capacity in the EU-8 (World Bank, 2006) has raised new questions over the extent to which external actors can influence the shaping and design of domestic institutional reforms. Whereas the late 1990s were the years of discussion of the 'European Administrative Space' (Fournier, 1998) and, later, the development of the EU-driven Common Assessment Framework for administrative capacity (Staes and Thijs, 2006), more recent analyses pose new questions as to whether reform by model transfer is either feasible or sustainable. Regardless of more than 15 years of intensive technical assistance programs paired with conditionality, even if the credibility of the latter may not have been very strong; public administration systems in the new member states remain weak and the number of successful cases have been the exception rather than the norm (World Bank, 2007). Even the Economist, not usually most interested in public administration reform, has published a strikingly direct account of failed administrative reforms in the EU-8 in November 2006.

The seemingly failed transfer of European administrative models to the new EU member states follows on the heels of a number of other studies questioning the viability of administrative reform by technical assistance or conditionality, notably the World Bank's evaluation of its own civil service and public administration reform programs in 1999 (World Bank, 1999), which led to a significant change in the way the institution engages with client states in administrative capacity development (Governance and Institutional Reform Strategy Paper, 2002).

One of the key issues raised in studies of the role of external actors in administrative reform is national ownership. The case of the new member EU member states also shows that this notion is fungible; in many ways administrative reforms related to the EU accession process were owned by the acceding states, as they were part of a system that they wished to join. However, ownership in most states was obviously insufficiently established to consolidate and deepen reforms that had been initiated as part of the accession process, which meant that as soon as the 'accession factor' lost relevance, the initiated reforms were dismantled and, in some instances, reversed. In addition, as already identified in the evaluations of technical assistance on public administration reform and European Integration management that were commissioned by the European Union in 1999 (European Commission, 1999), the quality of the delivery of technical assistance projects was not satisfactory, devoting too little attention to national and regional conditions in their advisory and training work. Comparable to the World Bank's evaluation of its own technical as-

sistance and policy-based lending activities of public administration reform, these evaluations equally emphasise that reforms are most likely to succeed when they are designed by joint teams of insiders and outsiders, and based on a sound understanding of national specificity.

### **The Russian case and its relevance**

As noted in the introduction to this paper, the start of the reform process in Russia, and the re-engagement of the donor community with administrative reform in Russia, coincided with the publication of a number of evaluations regarding the impact of technical assistance on public administration reform processes in transition states<sup>6</sup>. Thus the lessons learned, notably by the EU and the World Bank, two of the key international organisations involved in supporting the Russian reforms, could have informed the design of technical assistance activities. In addition, the Russian case is also an example of reforms that were nationally owned, and which were not associated (or at least not directly) with any international conditionality. Thus, clear national ownership and the lack of 'interfering variables' of conditionality (which provided a semblance of commitment to reform in some of the EU-8 that later appeared to reach less than skin deep) addressed two of the main factors considered as causes of the relative failure of technical assistance in transition and EU accession states. With these two factors out of play, there is no up-front reason for the delivery of technical assistance to fail in the Russian context. The study of the successes and failures of technical assistance with public administration reforms in Russia over the last seven years will thus provide insights into which additional factors can influence the level of success of technical assistance programs.

Considering the above context, the underlying paper will focus on two main aspects of the delivery of technical assistance to Russian administration reforms:

- donor coordination and attempts to mitigate the risks of competition between donors in this high profile case of reform;
- strategies to support implementation, which pose a particular challenge in the Russian (multi-level governance) context, with the additional complication that most donors (for positive economic reasons) began to wrap up their assistance once the design stage had been completed (thus negating different lessons of previous technical assistance programs, and the need for a long-term engagement, especially in complex cases).

The paper will also devote attention to the interaction between international and national technical assistance providers, adding an extra dimension to the specific case at hand.

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6 Apart from the above mentioned evaluations by the EU and the World Bank, DFID also issued a governance strategy paper in 1999, based on evaluations of previous technical assistance efforts. DFID also published its evaluation of programs in the Baltic States in the same year.



## **2. Discussions on the Demand Side: Multi-level Government Context, Fragmentation of Responsibility for Reforms, Uneven Government Interest and Limited Manpower**

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Beginning in 2000, Russia embarked on an ambitious program of public administration reform. The need to reform the government was unquestionable, since it was a critical factor for the country's economic development. In the 1990s, the liberalisation of the economy was the primary policy objective of successive governments, while institutional reform was neglected. By the early years of the current decade there was a vacuum in terms of legislation, a unified approach to reform state institutions, and a comprehensive program to address the various aspects of governance, including government structures and functions, civil service human resources, public service delivery and others requiring solid civil service performance. In spite of the ambitious reform agenda, the timeline for reform implementation was relatively short due to the political cycle (World Bank, 2006).

Regarding reform design, a number of initiatives were launched addressing the issues enumerated above. The major ones included: Presidential Program Civil Service Reform in the Russian Federation (2003 – 2005), further extended to 2006 – 2007; Government Program Budget Process Reformation in the Russian Federation in 2004 – 2006; Concept and Action Plan for Implementation of Administrative Reform in the Russian Federation in 2006 – 2008; Federal Targeted Program "Electronic Russia (2002 – 2010).

Whereas the civil service reform program covered mainly human resources issues, administrative reform focused on government structures, functions, public administration efficiency and the improvement of public services.

While the general intention to undertake institutional reform is associated with President Putin, the leadership in various aspects of the reform process belonged to different agencies. Civil service reform was coordinated by the Administration of the President and implemented by the Ministry of Health and Social Development. The Ministry of Finance took the lead on the reformation of the budget process; the Ministry of Economic Development and Trade was responsible for the implementation of administrative reform. This artificial split of the reform agenda and lack of coordination affected the results in each area, which were not synchronised in terms of time, resources and methodological approaches.

Another fact which needs to be borne in mind in discussing the implementation of Russian public administration reform is the scope of the country and multi-level governance system. To date, the Russian Federation includes 85 subjects at the regional level (even though there is a tendency to merge the regions), which are all very diverse in terms of size, economic development, demographic composition and ethnicity. Whereas federal level institutions have been exposed to implementation of reform processes in the course of restructuring the federal government in 2004, the

regions were less active, as civil service and budget process reform design did not encourage their participation, except in the case of several pilots. Administrative reform from this point of view revealed a more progressive approach and proposed a special mechanism to stimulate reform at the sub-national level. Still the progress in the regions has been diverse and there has been a tendency for federal support to focus on more developed regions with a high capacity for reform implementation, while many regions with low capacity and lack of fiscal resources have lagged behind.

International experience demonstrates that the multi-level governance context adds complexity to the implementation of institutional reforms. On the one hand, there is pressure from the federal government for centralisation of approaches and unified public services standards. On the other hand, the organisation of human resources and the implementation of state administration principles are either shared between central and sub-national levels or are an exclusive competence of sub-national authorities (World Bank, 2006). As a result, the federal government can initiate the reform program, but has limited mechanisms to accelerate reform at the sub-national level, and thus cannot be fully responsible for the results. The sub-national authorities are more preoccupied with implementation of functions assigned to them by legislation and lack the motivation to undertake activities which are not enforced by the same.

To summarise, although the Russian Government had a comprehensive approach to the design of its public administration reform program, its implementation was affected by the lack of integration. While programs of civil service, administrative and budget reforms complement each other on substance, approaches to implementation lacked coordination and involved several executive agencies taking the lead with specific reforms. Furthermore, with the given political cycle, the results of an ambitious reform agenda were constrained in terms of a restricted timeline to demonstrate both quality and sustainability. In addition, the scope of the country and its' diversity in terms of economic and social development required special efforts to accelerate reforms all over Russia. The multi-level governance context added complexities to the implementation of reform; the federal level having limited influence and responsibility for reform results at the sub-national level, while the sub-national authorities had little motivation to undertake reform. Finally, limited attention was paid to the strategy in implementing reform; changes in legislation were seen as the key mechanism while it alone, could not naturally produce a change in administrative systems and practices.

### **3. Discussions on the Supply Side: The “Goldrush Mentality” and Quick-win Solutions**

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Donors have provided support to the Russian public administration reform agenda since 2000 and by the end of 2006 they have contributed over US\$ 200 million<sup>7</sup> to

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<sup>7</sup> As estimated by the Donor Secretariat for Civil Service and Administrative Reform in Russia.

the reform process under major technical assistance programs. Primary assistance came from bilateral donors such as the European Commission, the UK Department for International Development (DFID), the Canadian International Development Agency (CIDA), and the Swedish International Development Agency (SIDA). Multilaterals – the United Nations Development Program and the World Bank – also carried out advisory and technical assistance programs in this area.

As a result of donor efforts, Russian federal executive authorities and some sub-national administrations were exposed to the experience of OECD countries with governance systems and the implementation of public administration reforms, including study visits and international consultants' advice on specific issues, which changed the minds of many public officials and supported them in developing reform concepts. Meanwhile the results of the TA projects per se were hardly able to generate systemic changes, and we would like to look at the design and characteristics of international TA, to be able to explain better the issues in coordination of technical assistance initiatives with Russian government reforms.

The first observation to be mentioned on the strategy of technical assistance is linked to the client and type of support. The majority of TA projects concentrated on supporting federal level reforms, and they were designed to provide policy advice and undertake capacity building. As most donor programs were aligned to the timeline of the Government program, and thus had a limited timeframe for implementation, projects usually sought "quick results" to demonstrate impact. The typical activities included comments to draft legislation and methodologies or development of draft legislation; policy recommendations; outreach events on international practice and study tours. However it was difficult to ensure the sustainability of those results. Support with implementation was generally perceived as more risky and not realistic due to political reasons. Some donors undertook pilot projects at agency-level and sub-national level, but those interventions had a limited effect and results were not always sustainable in the context of the existing system and rules of the Russian government.

Elaborating more on TA strategy, we have to mention that in most cases, it supported the replication of international experience, primarily of the donor-country. The approach is understandable, given the political context of bilateral technical assistance. At the same time, one should bear in mind that Russia did have its own history of state bureaucracy and legal traditions, which cannot be overlooked when making recommendations, especially in the area of public administration. Meanwhile the balance of international experts and Russian experts on the TA projects teams was not in favour of local consultants and little attention was paid to integration of international best practices into the Russian context.

In terms of projects' implementation flexibility, most of the projects were bound only to an individual counterpart and had limited flexibility in the scope of work. There were cases of co-operation with multiple counterparts, which allowed

for the decrease in implementation risks. DFID and CIDA demonstrated flexibility in this regard. For example, the DFID Technical Assistance to the Public Administration Reform project had a number of counterparts, including the MoEDT and its subordinate agencies, the MHSD, the Ministry of Agriculture, the Accounting Chamber, and the Office of the Deputy Prime-Minister. The CIDA Government Advisory and Exchange Program supported the Administration of the President, the MoEDT, the MoF and sub-national authorities through the delivery of analytical advice and a capacity building program. While those projects experienced a lack of commitment from some counterparts, they did have successful stories in co-operating with others. But this practice was the exception rather than the rule.

Last but not least, access to projects' outputs was generally limited, since most of the projects worked with either individual or a limited number of counterparts. Given the competitive nature of relations between Russian executive agencies responsible for various strands of the reform process, this posed another negative externality – some activities were duplicated and did not take into account results of their predecessors. Donors recognised there was a coordination issue. If this issue could be resolved at the level of donors through communication between donor organisations while developing projects frameworks, it was more complicated to ensure good coordination at the level of project teams. The latter often belonged to competing consulting companies, and made it even harder to convince Russian counterparts to share projects outputs with other executive agencies.

Thus, speaking about key tendencies observed in delivering technical assistance to the Russian Government in the public administration reform area, although much has been done to expose Russian public officials to international practice, the results of technical assistance projects were often achieved far from the Russian reality and hardly sustainable. Moreover, only a limited number of agencies at the federal level, not to mention sub-national level, had access to them. Also in the context of the dynamic political environment and the development of a fast moving reform agenda, major donors had a more conservative and inflexible approach to the delivery of their programs. Finally, a lack of coordination between donor programs resulted in duplication of activities and a lack of coherence in donor interventions.

#### **4. Potential Tools for Resolving the Supply-demand Dilemma: The Case of the Donor Secretariat**

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Projecting observations on technical assistance delivery to the approaches of the Russian government in implementing public administration reform, one can see that although the issues are evident, it is not an easy task to find an effective solution, due to their political sensitivity. Both technical assistance programs and the public administration reform agenda cannot be separated from a political context. In many countries, the issues of aid effectiveness are resolved through donor co-

ordination, undertaken by the government of the beneficiary country. It is a natural approach since the government has ownership for reform programs and is interested in getting sustainable results. However, empirical experience shows that the government is ready to undertake responsibility for that, on the condition of a substantial in-flow of foreign aid, first, and second, only if there is an integrated approach to the government program and clear leadership structure. Neither is relevant to the Russian case. As Russia is a middle income country and demonstrated a budget surplus since 2000, development aid to Russia has begun to downsize. Also, from the discussions above, it is clear that in the Russian case public administration reform has been split into several strands, coordinated by different executive bodies, which makes integration of implementation approaches difficult.

Another important aspect in addressing coordination issues is that when we pursue improvement of aid impact, solutions should aim at improved quality of outputs. Improving coordination could save input resources but would hardly automatically result in better impact. International experience reveals that mechanisms of donor coordination under thematic focus are more effective in increasing aid effectiveness, since they provide a platform for discussion of methodologies, case studies, etc. MoEDT has made attempts to institutionalise donor coordination in Russia, establishing the Commission on Technical Assistance to the Russian Federation. But the impact on aid effectiveness was questionable as the agenda of the Commission was more oriented towards maintaining a register of donor projects, verifying the targeted use of aid resources and solving VAT exemption issues in procurement using aid. Quality control was beyond the scope of its activities.

Taking the Russian case, it was donors providing support to public administration reform, who recognised the need for improved coordination to reduce duplication and increase access to donor project results, as well as the need for improved quality of outputs. Donors also realised the political sensitivity of the issue and agreed that only an intermediary entity would focus more on implementation effectiveness rather than on a political agenda. Thus, in January 2004, the Donor Secretariat for Civil Service and Administrative Reform in Russia was established with the support of DFID funding, while the World Bank, as a multilateral development agency, has been chosen to handle the coordination and quality assurance role.

The activities of the Donor Secretariat were designed around two major objectives: *(i) leveraging support for the coordination and integration of public sector reforms; (ii) broadening the analytical base for reforms.* The main role of the new entity was to build a network of donors and government institutions, undertaking the reform in question and serve as a resource centre, platform for discussions and flexible mechanisms to address ad hoc requests for analytical support. For major activities of the Donor Secretariat please see Box 1.

## **Box 1 – Donor Secretariat Services and Activities**

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### **Services for Donors and Donor Implementing Partners**

- Reform monitoring: weekly news updates, Toolkit for International Consultants.
- Preventing project duplication: peer reviewing of donor projects ToRs, participation in steering committee meetings, maintaining donor projects matrices on various strands of public administration reform.
- Briefings and consultations for donor project consultants.
- Donor coordination meetings.

### **Services for the Federal Government of the RF**

- Coordination of requests for technical assistance.
- Addressing ad hoc requests for analytical support.
- Providing information on international best practice.
- Coordination of expert working groups.

### **Services for Regional Executive Authorities of the RF**

- Weekly news updates and thematic disseminations (over 30 regions are subscribed to e-dissemination lists).
- Matrices of donor projects on public administration reforms at the sub-national level.
- Analytical support and capacity building: Interregional projects and seminars.

### **Services for all Stakeholders**

- Maintaining the web-based Resource Centre of analytical materials (<http://www.worldbank.org/russia/donorsecretariat>) which contains:
  - Analytical papers
  - Methodologies and guidelines
  - Donor project materials
  - Conference and seminar materials
- Maintaining Database of Federal Legislation and Conceptual Documents related to public administration reform in Russia.

To better understand the impact of the Donor Secretariat, we would like to provide examples of its major achievements. First of all, *the Donor Secretariat proved to be an effective demand-driven mechanism*, working in close co-operation with key federal government partners. The design of the Secretariat allows program flexibility and addressing ad hoc requests at short notice, which is complimentary to traditional technical assistance projects on-going in the area. For example, per a request

from the Ministry of Economic Development and Trade (MoEDT) in July 2006, the Donor Secretariat staff provided independent expert evaluation of requests for funding received from federal executive bodies and regional administrations under the competition conducted by MoEDT on administrative reform, and in November the staff were asked to assess some of the reports of the winning regions and federal executive authorities. Another example could be the recent peer review of the draft Concept of Civil Service Reform 2007 – 2013 by the Donor Secretariat.

In addition, the Donor Secretariat *filled the gap in supporting reform at the sub-national level*. Each quarter, the Donor Secretariat receives and addresses around 50 to 70 requests for information from various stakeholders, the largest part of which comes from regional administrations. Moreover, to support the reform implementation at sub-national level, the Donor Secretariat launched inter-regional projects mechanisms which allow:

- Providing TA to regions in implementing selected issues of the public administration reform;
- Building inter-regional networks around public administration reform implementation;
- Capacity building in implementing development / change management programs (it is useful for the region to go through the process proposed by our projects and participate in methodology development, piloting, peer reviewing and knowledge sharing activities).

*The Donor Secretariat has been effective in supporting knowledge sharing.* It was among the co-organisers of all major inter-regional events on administrative reform; all training events organised on implementing administrative reform at the regional level so far have been organised with the support of the Donor Secretariat. In 2006, the Donor Secretariat conducted or supported 15 knowledge-sharing initiatives, including seminars, training events, inter-regional study tours, and inter-regional conferences, involving up to 300 participants, and thus putting in place a mechanism for informational peer networking, relatively new for Russia. In addition, each quarter the Donor Secretariat conducts around 40 thematic email disseminations on issues related to reforms (besides the regular weekly news update). Finally, the Donor Secretariat Resource Centre of Analytical Materials includes about 650 items on the issues, related to public administration reformation.

*Finally, proving to be an effective mechanism for coordination and analytical support, the Donor Secretariat model has been replicated by other donors.* An example of this is a recent establishment of the Donor Coordination Unit (Secretariat for Working Group) in the city of Rostov-on-Don in charge of leveraging support to governance work in South Russia regions (funded by the EU).

Thus, analysing results of the Donor Secretariat operations for the last three years, the model of an institutionalised intermediary entity under an international multilateral development agency appeared to be effective in addressing issues from both the Russian side as well with donor related issues. Government associated clients emphasised this structure's role in improved access to donor projects plans and outputs, acceleration of administrative reform at the sub-national level, and the responsiveness of the mechanism to short-term needs of the government. Donors and consultants appreciated on-going reform monitoring and information support in terms of the reform progress and technical assistance.

## **5. Moving from Design to Implementation, Posing New Challenges for Effective TA Delivery**

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Whereas the provision of technical assistance to public administration reform in Russia has generated some interesting lessons and new practices (in particular the use of a donor secretariat as an interface between a divided government and multiple donors), which have certainly helped to improve the impact and effectiveness of technical assistance in the last few years, new challenges are already emerging. Providing technical assistance to reform design has involved a dialogue mainly with the central authorities, even if some experiments and pilots were initiated in the Russian regions. However, as the reform agenda has moved on, from design to implementation, new questions have arisen. In particular, how does one effectively provide assistance to implementation of reforms when the bulk of the reform implementation effort is with the 88 Russian regions, which are spread over two continents and are hugely diverse, both in terms of their level of economic development, technical capacity, as well as political predisposition to administrative, civil service and budget reforms?

A recent World Bank publication has analysed the challenges in the reform implementation and has drawn up a set of lessons and recommendations, which are presented in Box 2 below.

### **Box 2: Moving from Design to Implementation – Summary of Recommendations (World Bank, 2006)**

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#### **1. Ensure Integrated planning and sequencing of reform measures at the regional level**

Initial assessments estimate that up to 80 per cent of Russian regions have a low capacity to implement administrative, civil service and budget reforms (HSE, 2006). Thus, regions will be unable to service competing and conflicting demands from the centre lowercase. Efforts should be made to achieve integrated action plans for reform implementation. One good example of such an approach



is the recently approved integrated Governance Action Plan for Kalmykia, which could serve as an example for other low capacity regions.

## **2. Coalition building and networking are the key factors for success**

Too little has been invested in consultations with the regions on reform implementation. Review of international practice highlights this as a key success factor in reform implementation in multi-level governance systems. Thus, Russian policymakers could draw on the experience of countries such as Brazil, Australia, Canada and Spain to develop institutionalised consultation models.

## **3. Fiscal incentive systems need to take into account the wide disparity in reform and fiscal capacity in Russia**

Competition and fiscal incentives are important potential drivers for reform, but in a federal context with a high level of disparity (fiscally and capacity-wise) such as that in Russia, a multi-faceted approach is required. This would include a continuation of merit-based competitions to draw out best practice demonstration examples of reform, along with a parallel facility which would target low capacity regions only, built on the following principles:

- Allocation that is based on clear rules and is made only if the regions adhere to certain minimum rules and standards and take certain agreed basic initial steps based on an independent diagnostic;
- Criteria for the review of applications that are based on specific characteristics of disadvantaged and post-conflict regions.

## **4. Stepping up diffusion of best practices to enhance methodological support**

The establishment of best practice networks on civil service reform and performance management over the last year has demonstrated the huge potential that such relatively inexpensive reform tools have for disseminating best practice and moving forward in reform implementation. Thus, it is proposed that these tools be expanded to address a broader set of issues. The Canadian experience in using best practice dissemination could provide useful inputs in this regard, as could the less formalised Austrian approach.

## **5. Capacity building programs: The need to be comprehensive and integrated**

Investment in capacity building in Russia has been limited largely to donor-funded programs. In view of the large number of low capacity regions and the complexity of the next stages of the reform program (performance-based budgeting and performance management as well as service standards improvement),

the design of a budget funded capacity building program (integrating other donor support) is an urgent and essential step to take. The Brazilian FNAGE program could provide particularly useful input in this regard.

### **6. Monitoring: Building an outcome-oriented system**

The development of outcome-oriented monitoring systems is critical to the ability of the government to adapt implementation approaches along the way. Whereas this is a relatively new aspect of reform management, and thus less international practice is available, there are several tools available to build on, including the existing Public Officials Surveys (for Civil Service Reform), the recent MoEDT survey on Administrative Reform, and the monitoring methodologies developed under the Budget Management Reform.

The question therefore arises where donors can contribute, and how technical assistance can be best organised to respond to the above agenda.

On the one hand, methodological support to the federal authorities remains a necessity, though the nature of support will change from input and reform design to input and the design and operation of a system for tracking, monitoring and evaluation of regional reforms. Facilitating best practice exchange, though principally a task for the government, might also require donor support. These elements of the agenda do not necessarily require a change in approach to donor assistance, as the focus remains at the central level and existing arrangements for coordination and interface can be retained. However, support for the delivery of assistance to the regions requires both strategic vision and a stepped-up level of coordination. Donor resources are decreasing rapidly in Russia, while requirements of technical assistance and financial support increase as we move to the implementation phase. This essentially requires donors to (i) agree on strategic priorities when it comes to regions/federal districts, and (ii); agree on priority actions and activities.

Regarding the first issue, agreeing on geographical priorities, poses serious challenges, as many providers of technical assistance have long-standing preferences for regions or groups of regions, out of strategic interest, geographic proximity, or simply by chance. Continuing this pattern provides little ground for the use of a more strategic vision of where assistance is needed most (based on criteria such as poverty levels, conflict risks or reform interest).

Agreement on priority actions and activities can be as difficult to achieve, as narrowing down the range of activities that donors engage in with the central government also involves prioritisation, and therefore changes in direction, which are difficult to put in place especially if projects are in mid-course (as they tend to be).

On geographical priorities, some degree of agreement on prioritisation has been reached between some of the main donor organisations involved (EU, DFID,

World Bank, UNDP, USAID), which is prioritisation based on poverty and post-conflict potential. Since this prioritisation is shared partially by the government, which prefers a two-pronged approach of supporting champions as well as attending to low capacity regions, this is likely to have a positive impact. However, on the downside, it is unlikely that others will align with this prioritisation, for the reasons mentioned above. In particular, in view of the decreasing levels of resources allocated to Russia, this increases the risk that donor impact will be sub-optimal at best. Similarly, on prioritising elements of reform substance, some realignment of priorities has taken place, without, however, creating the degree of focus that would be prudent in a decreasing funding environment.

In terms of modalities of managing demand and supply, the creation of 'spin offs' of the donor secretariat, established at the level of federal districts, has been initiated, with an initial structure operating, since early 2006, in the Southern Federal District. As at the federal level, the existence of a 'hub structure' that can both function as a recipient of requests for advice and assistance and support the harmonisation of donor efforts, has made a significant contribution to the effectiveness of delivery of technical assistance. However, replicating this in other parts of Russia would be significantly more difficult, as the need to prioritise the South in technical assistance may be an agreed priority to most donors, but this is much less the case for other disadvantaged federal districts, such as the Far East, which is likely to remain 'off the map' of most donor assistance, regardless of including some of the poorest and lowest capacity regions in Russia.

Thus, whereas some progress has been made in meeting the new challenges of matching demand and supply in technical assistance to the implementation of public administration reforms, the picture remains far less rosy than the earlier conclusions on the reform design phase. In this respect, the case of the new Member States of the EU (relative success in design of reforms, but failure in implementation due to dwindling external support and absence of dialogue on implementation) is an ominous example (World Bank, 2007) that might still be replicated in Russia, regardless of the strong progress that had been made in managing and coordinating donor support to reform design.

## **6. Lessons Learned and Conclusions**

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As one can see from the discussion above, in Russian case, the donor community played a constructive role in offering and supporting the application of new approaches to improve the implementation of public administration reform. This fact might raise questions of legitimacy and ability to resolve it, given the political constraints of international technical assistance. Let us try to explain both.

To address the issue of legitimacy, we should not forget that the current trend of downsizing TA to Russia suggests looking at efficiency and effectiveness to pro-

vide a better return on scarce input resources. The analysis of overall reform implementation strategy was encouraged by discussions on the supply side – donors legitimately cared about the effectiveness of their TA resources used and the majority of donors undertook programs evaluations during the last five years. In addition, the Russian government ownership for reforms was always strong. Articulated in President Putin's agenda back in 2003, as well as in government reform programs, it was hard to question it. Thus, in the Russian story, improvement of reform implementation was a positive externality resulting from improving TA effectiveness.

Regarding political constraints, donors were not able to resolve the problem, if they were limited to bilateral programs only. In the Russian case, the proposed mechanism of an institutionalised intermediary managed by a multilateral international development institution with less political agenda appeared to be an effective solution.

What lessons could we take from that case? First of all, *joint efforts and reliance on an intermediary could mitigate risks of competition between bilateral donors*. Only an intermediary, abstract from bilateral country relations, could focus on effectiveness. Mutual interest and joint efforts of donors to provide better coordination were also important factors. The lack of co-operation from the donor side could impede the functioning of the mechanism.

Secondly, *institutionalisation* of the mechanism was important. With multiple stakeholders involved, there was a risk of losing track in the coordination efforts. For better coordination, formal activities must be introduced to make sure someone is responsible for keeping records and an analysis of the situation. Flexibility was also possible only on condition there were human resources available to address ad hoc requests. That is why development of a special Unit to handle coordination and ad hoc analytics was an important feature of the proposed mechanism.

Third, *emphasis on change management approaches* in the operation of the Unit aiming to increase effectiveness of TA *had a positive impact on the implementation practices the Russian government uses in reform delivery*. The methods used by the Donor Secretariat in the implementation of its projects and agenda turned out to be attractive for the Russian Government and they started trying them in the implementation of their reform programs. For example, the implementation of the Administrative Reform Concept (2006 – 2008) demonstrated better involvement of regions and federal executive bodies; it promoted networking through special events and it envisaged consultative mechanisms such as a “hot line” and analysis of best practices before recommendation on dissemination are made. However, as noted above, significant challenges remain to be addressed in prioritising and organising technical assistance to reform implementation at the level of the regions.

Speculating on the case of the Donor Secretariat from the point of aid strategies, especially in the middle-income countries where donor support is scaling down, we could also propose some recommendations.

There is still a demand for international assistance in such countries as Russia, as was described in parts 2 and 5 above and demonstrated through the Donor Secretariat case; however the structure of the demand is different. Whilst traditionally, donors reveal preferences to support the design of the government program, policy advice and capacity building, countries such as Russia do not need much support in design and recent TA projects in Russia have demonstrated that. Having a strong capacity in reform program development, there is a lack of traditions and positive experience in the implementation of reforms, especially in the context of the Russian scope and multi-level government system. But without a comprehensive approach to reform implementation, the success of reforms remains questionable and results of selective interventions would hardly lead to systemic change.

Another specific feature of demand is related to diverse economic and social development of sub-national agents, including a lack of resources which impacts capacity for reform implementation. If there is no need for donor assistance at the federal level and in developed regions, there are regions lagging behind, which would appreciate additional resources, capacity building and expert advice.

The Russian case also demonstrates that attention to national best practices and cases taking into account beneficiary country context could be more appreciated than the transfer of international experience of the donor country. Thus donors might consider shifting the balance of international and local expertise. In addition, it is advisable to focus more on mechanisms and tools used in best practices' dissemination and knowledge transfer.

The final point to make from this discussion is increasing the need for flexibility and opportunities for ad hoc support. Interventions planned for the mid-term do not always take into account the dynamic political environment and speed of developments in the beneficiary country. Thus traditional technical assistance needs to be counterbalanced by flexible mechanisms which allow program amendments or envisage opportunities for ad hoc requests.

The conclusions made, based on the Russian case, provide the basis to contemplate whether budget surpluses and overall economic indicators of the beneficiary country should be the main criteria for donors' decisions to phase out. To increase the effectiveness of TA it might be worth analysing demand, taking into account beneficiary country scope and structure, and revise TA strategy, adjusting it to demand. When formulating the strategy of TA, it might be useful to look broader than at bilateral politics and concentrate rather on the effectiveness and sustainability of results. This case also shows that the effectiveness of TA and the effectiveness of reform implementation are linked, and this connection can be used to improve the quality of results through addressing implementation from both the supply and demand sides.

Lessons learned from the Russian case are summarised in Box 3 below.

### **Box 3: Lessons Learnt from the Russian Case**

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- Domestic ownership of reforms is not the only factor influencing the quality of reforms, it can be ensured by the supply side;
- Creating a donor coordination mechanism based outside bilateral relations is crucial for the effectiveness of TA implementation, and the donor interest in such coordination is a very important factor;
- Institutionalisation of the donor coordination mechanism is very important, as it provides opportunities to allocate resources for the efficient functioning of the mechanism;
- A donor coordination mechanism can go well beyond pure coordination, influencing the quality of TA implementation on the demand side (Russian government);
- It is crucial that the donors go beyond the mechanical transfer of international practices and pay more attention to the domestic context and experience, involving more domestic experts, especially during the later stages of reforms;
- There is a need to balance medium-term, carefully planned TA interventions with small ad hoc projects upon the request of the beneficiary in order to correspond with the dynamic political environment and changing needs of the beneficiary;
- The need for TA does not go away with the improvement of the economic situation of a country; it just shifts from support to design to support to implementation, especially in terms of expertise and capacity building, as well as to the under-developed regions.

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# Tax Sharing Mechanism and Municipal Management in the Czech Republic

*Lucie Sedmíhradská<sup>1</sup>*

## Abstract

Tax sharing is a significant source of municipal revenues in the Czech Republic. In the period from 2001 to 2007 the share of the total national personal and corporate income tax and the value added tax proceeds devoted to the municipalities (with some simplification 20.59%) were distributed among the individual municipalities based on a formula. This formula contained two parameters: number of inhabitants and a tax sharing coefficient. Municipalities were divided into 14 size groups and different tax sharing coefficients were assigned to them. Therefore a small change in the number of inhabitants of a municipality could lead to significant changes in its revenues.

The aim of this paper is to assess the magnitude of this issue, to find out how many municipalities were affected and to analyse the impact of the decline of population and subsequent decrease of the tax sharing coefficient in selected municipalities and to explore their budget management and behaviour after this change. Next to this, the tax sharing mechanism applied in the period from 2001 to 2007 is characterised and its individual parameters are assessed. The research deals primarily with municipal revenues and thus the changes on the expenditure side of the budget are not closely analysed.

The paper is composed of three parts: first the system of municipal revenues is described and then the tax sharing mechanism is explored. In the last part the results of the analysis of the selected municipalities is presented. The former two parts are based on a detailed study of the legislation a comparative analysis of seven successive public notices, which list the decisive data for calculation of the revenues from the shared taxes for each municipality. The latter part summarises the results of an analysis of municipal financial management of the municipalities which saw

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<sup>1</sup> Lecturer, Dept. of Public Finance, Faculty of Finance & Accounting, University of Economics, Prague, Czech Republic.

a decrease in their tax sharing coefficient and where their number of inhabitants in 2000 exceeded 5,000. The financial data for the individual municipalities were obtained from the publicly available database ARIS (Automatic budgetary information system) provided by the Ministry of Finance.

In the period from 2001 to 2007, more than 12% of the municipalities experienced change in the tax sharing coefficient, of which about half observed a decrease and more than 3.6% of the municipalities experienced more than one change in the coefficient and thus a large fluctuation in the revenues in the different years.

The analysis of municipal financial management of 14 municipalities showed that thanks to the favourable economic conditions and high growth of tax revenues, none of the analysed municipalities showed a decline in the nominal revenues from the shared taxes and that the revenue estimates, except for one municipality, were cautious.

On the other hand, the analysis proved that in case municipalities really experienced a decrease in revenues from shared taxes they would not be able to increase other own revenue sources. Municipalities heavily rely on capital revenues. As soon as they sell all suitable property, they will lose the only real discretion they have over their revenues.

## **Introduction**

Tax sharing is a significant source of municipal revenues in the Czech Republic. In the period from 2001 to 2007, the share of the total national personal income tax (PIT), corporate income tax (CIT) and value added tax (VAT) proceeds devoted to the municipalities (with some simplification 20.59%) were distributed among the individual municipalities based on a formula. This formula contained two parameters: number of inhabitants and a tax sharing coefficient. Municipalities were divided into 14 size groups and different tax sharing coefficients were assigned to them. Therefore a small change in the number of inhabitants of a municipality could lead to significant changes in its revenues.

The aim of this paper is to assess the magnitude of this issue, to find out how many municipalities were affected and to analyse the impact of the decline in population and subsequent decrease of the tax sharing coefficient in selected municipalities and to explore their budget management and behaviour after this change. Following this, the tax sharing mechanism applied in the period from 2001 to 2007 is characterised and its individual parameters are assessed. The research deals primarily with municipal revenues and thus the changes on the expenditure side of the budget are not closely analysed.

The paper is composed of three parts: first the system of municipal revenues is described, and then the tax sharing mechanism is explored. In the last part, the

results of an analysis of the selected municipalities are presented. The former two parts are based on a detailed study of the relevant past and current legislation and available financial data sources. The Czech sources were complemented with related reports from international organisations. There was also a comparative analysis of seven successive public notices, which list the decisive data for the calculation of revenues from the shared taxes for each municipality. The latter part summarises the results of an analysis of municipal financial management of the municipalities which observed a decrease in the tax sharing coefficient and where their number of inhabitants in 2000 exceeded 5,000. The financial data for the individual municipalities were obtained from the publicly available database ARIS (Automatic budgetary information system) provided by the Ministry of Finance.

## **1. Municipal revenues and fiscal autonomy**

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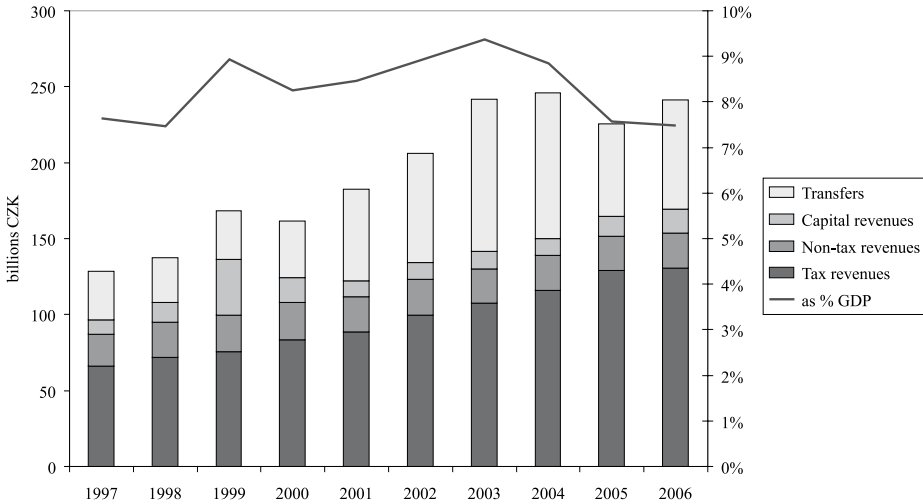
Municipal revenues are specified in two laws: the Act on Budgetary Rules for Territorial Entities (Act # 250/2000 Coll.) lists all municipal revenues and the Law on Tax Assignment (Act # 243/2000 Coll.) specifies the tax sharing mechanism.

Figure 1 shows the development of the four main municipal revenue sources since 1997. According to the budget classification, the revenues are divided into four groups: tax revenues, non-tax revenues, capital revenues and transfers. We can observe stable nominal growth of the total municipal revenues with two exceptions: first the one-shot increase in 1999, which was the result of the municipal sale of shares they had held in utility companies which took place over the period 1998 – 2000, peaking in 1999. Second, the decrease of transfers in 2005 was caused by the change in the mechanism of financing primary education, i.e., the transfers from the ministry of education to the individual schools now pass through the regional instead of the municipal budgets.

The growth of municipal revenues as a share of the GDP in the period 2000 – 2003 is connected to the public administration reform, which led to the abolition of districts and subsequent transfer of their responsibilities to the municipalities. This shift of responsibilities was accompanied by new transfers.

Although the tax revenues amount, on average, to about 54% of the total municipal revenues, the discretionary power of municipalities is very low. According to the principle “no taxation without central representation” taxes can only be imposed based on the central legislation. Using the OECD system of classification regarding own taxes of sub-national governments (OECD 2001) and the 2006 data (MFČR 2007), 94.3% of tax revenues fits into group d.3 (the revenue-split is fixed in legislation and may be changed unilaterally by the central government, i.e., shared taxes (see part 3) and other fees than local fees), 3.8 % into group b (for which the municipality sets only the tax rate, i.e., real estate tax) and only 1.9% into group a (for which the municipality sets both the tax rate and the tax base, i.e. local fees).

**Figure 1**  
Municipal revenue sources 1997 – 2006 (in millions of CZK)<sup>2</sup>



Thus municipalities only have some discretion on a very small part of their tax revenues and this discretion is limited:

- The law on real property tax (Act # 338/1992 Coll.) provides only minimal decision-making power to the municipalities on the tax rate and none on the measurement of the tax base, *i.e.*, municipalities have no discretion over the tax on land, except if they can exempt agricultural land from the tax, and they can select two coefficients (the correction coefficient ranges from 1 to 4.5, as specified by the law according to the size of the municipality and a local coefficient 2, 3, 4 or 5) by which the tax rates on buildings are multiplied. Property tax is administered by the central government bodies.
- The law on local fees (Act # 565/1990 Coll.) authorises municipalities to impose listed local fees. Municipalities have discretion over their levy, their base and the rates, which have to respect the upper limit set down by the law. Local fees are collected by the municipalities.

There are some possibilities to influence revenues from the shared taxes. First, there are the so-called “motivation enhancement” areas: 30% of the PIT receipts of municipalities from the incomes of the self-employed is based on the residence of the self-employed; 1.5% of the PIT receipts of municipalities from dependent incomes is based on the number of employees. Second, the pursuit to increase the number of inhabitants through organised campaigns which should attract new inhabitants or direct remuneration of newly registered inhabitants.

<sup>2</sup> Ministry of Finance – ARIS (Automatic budgetary information system), available at <http://www.winfo.mfcr.cz/aris/>.

The other than tax own revenues are composed mainly of rental incomes, incomes from own activities and incomes from interests (non-tax revenues) and from the sale of property (capital revenues). On average, these revenues amount to approximately 16% of total municipal revenues; however there are substantial differences among the individual municipalities.

### **3. The tax sharing mechanism**

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The tax sharing system was introduced in 1993 and has been changed three times since that time (since 1997, 2001 and 2008). Gradually, new taxes were committed to tax sharing; the existing weaknesses of the system were removed and some new ones were created (see de Carmo Oliveira and Martinez-Vazquez 2001, p. 31 – 33, and Hemmings 2006, p. 14 – 15). Since 1<sup>st</sup> January, 2008 a new tax sharing formula was introduced: Municipalities, except for the four biggest cities, are divided into four size groups and new coefficients enabling sliding changes are assigned to them. The difference between the tax sharing coefficients assigned to the smallest municipalities and Prague decreased from 6.6 times more to 4.2 times more. A new parameter – area of the municipality – is being introduced. At the same time, in order not to hinder any municipality, the share that municipalities receive from the shared taxes will increase from 20.59% to 21.4%.

The tax sharing mechanism applied in the period from 2001 to 2007 encompasses two formulas, how to distribute the collected tax revenues from PIT, CIT and VAT. First, the proceeds are divided amongst the different governmental levels: state, regions and municipalities. These shares are set down by the Law on Tax Assignment (Act # 243/2000 Coll.) and during the period analysed, were changed twice, i.e., the share of the regions increased from 0 % to 3.1 % in 2002 and from 3.1 % to 8.92 % in 2005. Figure 2 gives details on the distribution of the tax proceeds among the levels of government.

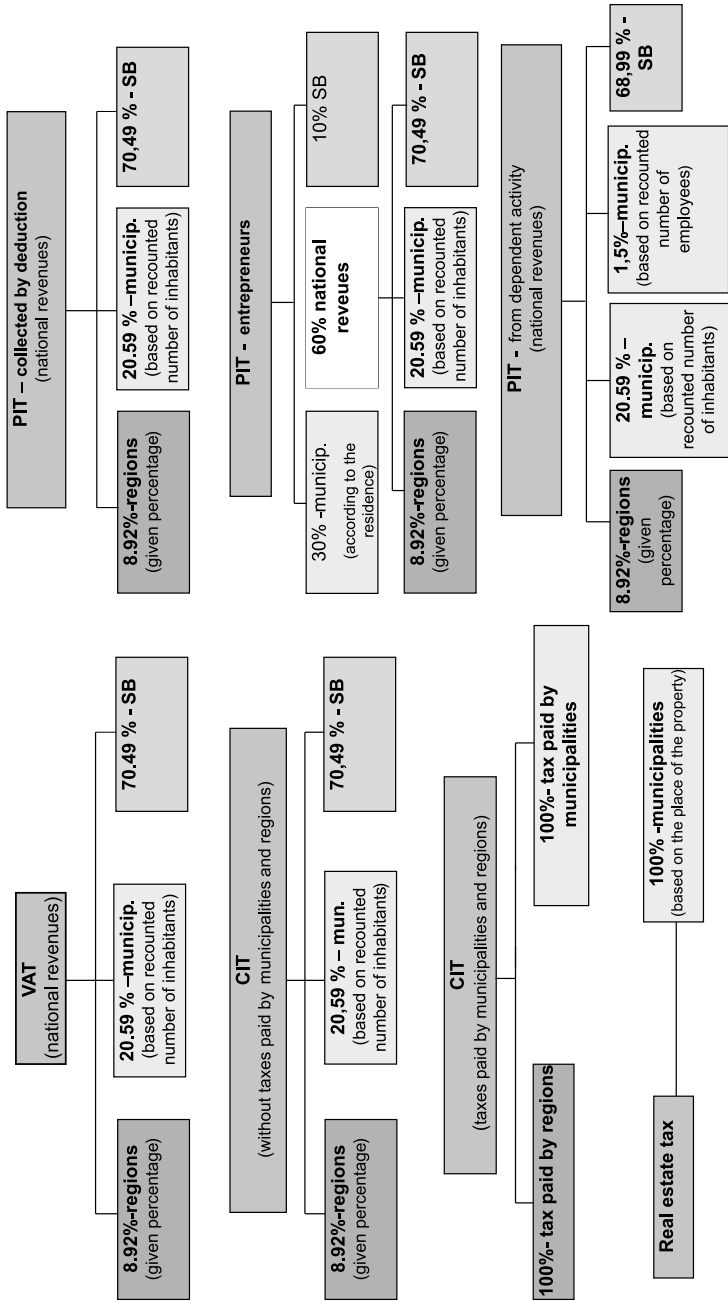
The second step is the distribution of revenues from the shared taxes amongst the individual municipalities. The share of the municipality  $p_i$  of the total municipal revenues from the shared taxes is calculated according to this formula:

$$p_i = \frac{coef_i \cdot pop_i}{\sum_1^{6249} (coef_j \cdot pop_j)}, \text{ where} \quad (1)$$

$coef_i$  is the tax sharing coefficient reflecting the size of the municipality and given by the law on tax assignment (Act # 243/2000 Coll.), thus stable, and

$pop_i$  is the number of inhabitants in the municipality on January 1 of the previous year, based on official statistics, not the registry run by the municipality itself.

**Figure 2**  
Tax sharing mechanism (from 1 January 2005 to 31 December 2007) 3



Note: SB – state budget

3 Ministry of Finance, available at <http://cds.mfcr.cz/cps/rde/xchg/cds/xsl/283.html> (24 March 2007).

**Table 1**  
Tax sparing coefficients and their impact on the revenues in 2006 in the different size groups<sup>4</sup>

Size of the municipality (population)	Tax sharing coef.	Number of municip.	Number of inhabitants	Shared taxes (thousands CZK)	Difference in the coef. between two neighbouring size groups (in %)	Shared taxes per capita (thousands CZK)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<100	0.4213	555	39779	159741	-	4.02
101 - 200	0.5370	1068	160241	830261	27.46%	5.18
201 - 300	0.5630	890	218417	1190620	4.84%	5.45
301 - 1,500	0.5881	2866	1891452	10786673	4.46%	5.70
1,501 - 5000	0.5977	597	1519613	8830767	1.63%	5.81
5001 - 10,000	0.6150	138	939382	5638034	2.89%	6.00
10,001 - 20,000	0.7016	68	954239	6532539	14.08%	6.85
20,001 - 30,000	0.7102	27	666284	4633873	1.23%	6.95
30,001 - 40,000	0.7449	10	349566	2537236	4.89%	7.26
40,001 - 50,000	0.8142	4	181826	1442649	9.30%	7.93
50,001 - 100,000	0.8487	17	1206595	10067701	4.24%	8.34
100,001 - 150,000	1.0393	1	100381	1027303	22.46%	10.23
>150,001	1.6715	3	839594	13807250	60.83%	16.45
Praha	2.7611	1	1181610	33474543	65.19%	28.33
Czech Republic		6245	10248979	100959190		9.85

Note: Shared taxes include those taxes which are distributed based on the formula. Data for Prague also includes revenues which the region Prague receives.

4 Důvodová zpráva k návrhu zákona, kterým se mění zákon o rozpočtovém určení daní [explanatory report to the proposal of amendment of the Law on Tax Assignment (Act # 243/2000 Coll.)], table 2, p. 8, available at <http://www.psp.cz/sqw/text/tiskt.sqw?O=5&CT=319&CT1=0#prilohy> (10 January 2008).

At the same time  $\sum_1^{6249} p_i = 1$ .

The Ministry of Finance issues annually a public notice which lists decisive data for the calculation of revenues from the shared taxes for each municipality. Table 2 shows the individual size groups, their characteristics and also the major shortcomings of the system:

- 1) high impact of the tax sharing coefficients on the distribution of the shared taxes as it is the only criterion used for this distribution,
- 2) big difference in the tax sharing coefficients for the smallest and biggest municipalities (column 2) and resulting differences in the per capita revenues (column 7) and
- 3) differences in the tax sharing coefficients between the two neighbouring size groups, which are particularly high in some cases (column 6).

Introduction of this tax sharing mechanism limited municipal dependence on the PIT and decreased regional and local imbalances, which grew over time. At the same time, municipalities received a stable and growing revenue source (see Eliáš 2005). The size groups and tax sharing coefficients were calculated, based on the municipal management in 1999 and tried to affect as few municipalities as possible (about 25% of the municipalities received less according to the new mechanism than they would have received based on the old system). Thus, the differences in the coefficient and resulting differences in the per capita revenues in municipalities with different sizes (see column 7 in Table 2) originated from the fact that the revenues were higher in bigger municipalities. Unfortunately, the establishment of the individual size categories was carried out artificially and created unnecessary problems, i.e., there is only one municipality (Olomouc) in its size group, even when there are four other municipalities which are only slightly smaller<sup>5</sup> (see Váňa 2006).

Table 2 shows how frequent the changes were in the tax sharing coefficient in the different size groups. Due to the annual update of the coefficients, more than 12 % of the municipalities observed changes in the coefficient, of which about half experienced a decrease. However, there are 227 municipalities (3.6 %) which experienced more than one change in the coefficient, resulting in a large fluctuation in the revenues during the different years. This fact makes medium-term planning extremely difficult. Column 10 shows that the changes of the tax sharing coefficient are quite common in very small municipalities. Due to the low number of large municipalities, the share is also higher in some larger size groups. Municipalities in bold are analysed in more detail in the next section of the paper and are listed in Table 3.

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5 Olomouc (100,381), Liberec (97,950), České Budějovice (94,653), Hradec Králové (94,431) and Ústí nad Labem (94,298) – number of inhabitants on 1 January 2006.



**Table 2**Number of changes of the tax sharing coefficient in the different size groups<sup>6</sup>

Size of the municipality									Share of municipalities with changed coef.
Number of increases	0	1	1	1	2	2	2	3	
Number of decreases	1	0	1	2	0	1	2	2	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<100		73	22		1	9	1		18.2%
101 – 200	48	156	53	6	4	13	5		24.5%
201 – 300	48	124	47	6		16	3	2	28.1%
301 – 1,500	40	35	24	2		3	4		3.9%
1,501 – 5000	8	9	4	1					3.8%
5001 – 10,000	5	1	3						6.7%
10,001 – 20,000	1								1.5%
20,001 – 30,000	2								7.1%
30,001 – 40,000	1		1						20.0%
40,001 – 50,000	1								20.0%
50,001 – 100,000			1						5.9%
100,001 – 150,000									0.0%
>150,001									0.0%
Praha									0.0%
Czech Republic	154	398	156	15	5	41	13	2	12.6%

#### 4. Analysis of selected municipalities

There were 15 municipalities with more than 5,000 inhabitants in 2000 which saw a decrease in the tax sharing coefficient (see Table 3). Out of those, 14 were analysed. Lanškroun was excluded because it had a higher coefficient only for the year 2002. The financial data for the individual municipalities were obtained from the publicly available database ARIS (Automatic budgetary information system) provided by the Ministry of Finance available at <http://www.info.mfcr.cz/aris/>. Additional information necessary for the interpretation of the results of the budget analysis were obtained from the web pages of the individual municipalities and local press.

6 Public notices on the share on shared taxes for the individual years (#426/2006 Coll., #328/2005 Coll., # 477/2004 Coll., #283/2003 Coll., #460/2002 Coll., # 311/2001 Coll. and # 456/2000 Coll.), own calculations.

**Table 3**  
Analysed municipalities<sup>7</sup>

	<b>Year of change</b>	<b>Original number of inhabitants</b>	<b>New number of inhabitants</b>	<b>Number of inhabitants in the year of return</b>	<b>Original coefficient</b>	<b>New coefficient</b>
Adamov	2001 – 2002	5,077	4,966		0.6150	0.5977
Bystřice	2001 – 2002, return* 2003	5,039	4,997	5,024	0.6150	0.5977
Čáslav	2001 – 2002	10,050	9,972		0.7016	0.6150
Česká Lípa	2001 – 2002	40,059	39,212		0.8142	0.7449
Horšovský Týn	2001 – 2002	5,115	4,963		0.6150	0.5977
Hranice	2002 – 2003	20,020	19,817		0.7102	0.7016
Jihlava	2005 – 2006, return 2007	50,100	49,865	50,859	0.8487	0.8142
Jílové	2001 – 2002, return 2003	5,390	4,945	5,272	0.6150	0.5977
Kolín	2003 – 2004, return 2007	30,095	29,817	30,175	0.7449	0.7102
Lanškroun	2001 – 2003	9,834	10,050	9,864	0.6150	0.7016
Meziboří	2001 – 2002	5,085	4,986		0.6150	0.5977
Osek	2004 – 2005	5,004	4,975		0.6150	0.5977
Písek	2002 – 2003	30,024	29,733		0.7449	0.7102
Zruč nad Sázavou	2002 – 2003	5,014	4,998		0.6150	0.5977
Žatec	2002 – 2003	20,105	19,797		0.7102	0.7016

Note: \* return means that the municipality returned to the higher coefficient

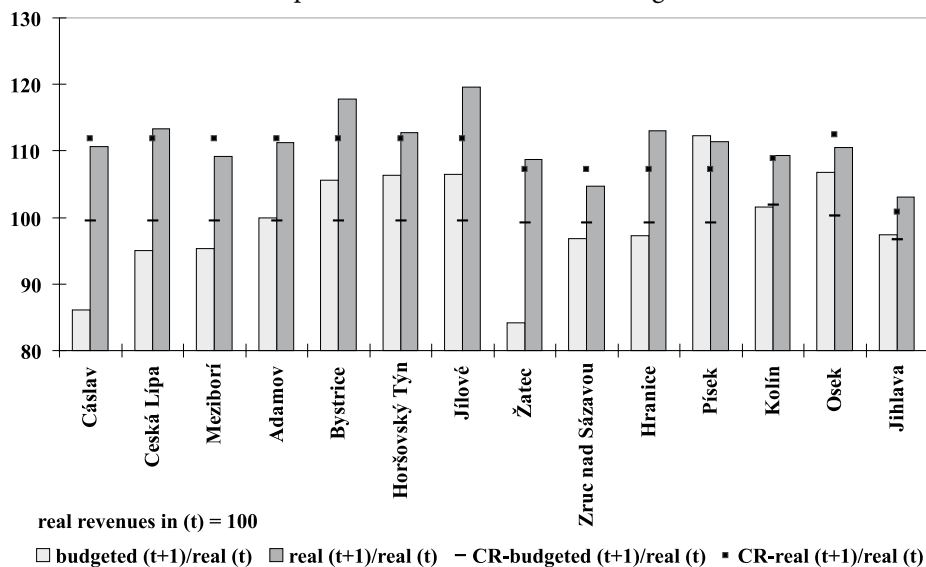
To analyse the impact of the change of the coefficient on the revenue side of the budget, we first of all compared the expected and the real change in the revenues from PIT (entire proceeds, as it is not possible based on publicly available data to exclude the proceeds from entrepreneurs, which are distributed according to the residence of the entrepreneur), CIT without the taxes paid by the municipalities and VAT – further referred to as shared taxes. We then examined the change in the nominal revenues from the main revenue sources, the share of these revenue sources in total revenues and the changes of these shares. This analysis, however,

7 Public notices on the share of shared taxes for the individual years (#426/2006 Coll., #328/2005 Coll., # 477/2004 Coll., #283/2003 Coll., #460/2002 Coll., # 311/2001 Coll. and # 456/2000 Coll.).

did not provide results which would allow us to generally describe the behaviour of the analysed municipalities.

The expected impact of the change in the coefficient (calculated as the ratio of the budgeted revenues to the previous year's revenues from shared taxes) differs among the municipalities (see Figure 3). The municipalities are grouped together according to the year when the coefficient fell. There are also the national averages of the particular indicators in the corresponding year. 8 out of 14 municipalities expected a decline in revenues compared to the previous year and only one municipality (Písek) expected higher revenues than it actually received. None of the municipalities analysed saw a decline in real revenues. This fact does not correspond to our original assumption, i.e., that the revenues fell down. It can only be explained by the high growth of the tax revenues (PIT, CIT and VAT revenues grew annually between the years 2003 and 2007 on average 8.6%<sup>8</sup>).

**Figure 3**  
Expected revenues from tax sharing<sup>9</sup>



As the Czech municipalities have only very limited fiscal autonomy (see part 1) the obvious reaction to the decrease of the coefficients was an attempt to return to the original size group. Four out of the 14 municipalities succeeded. Jihlava and Kolín, for example, offered remuneration for people who registered (see Sehnout-

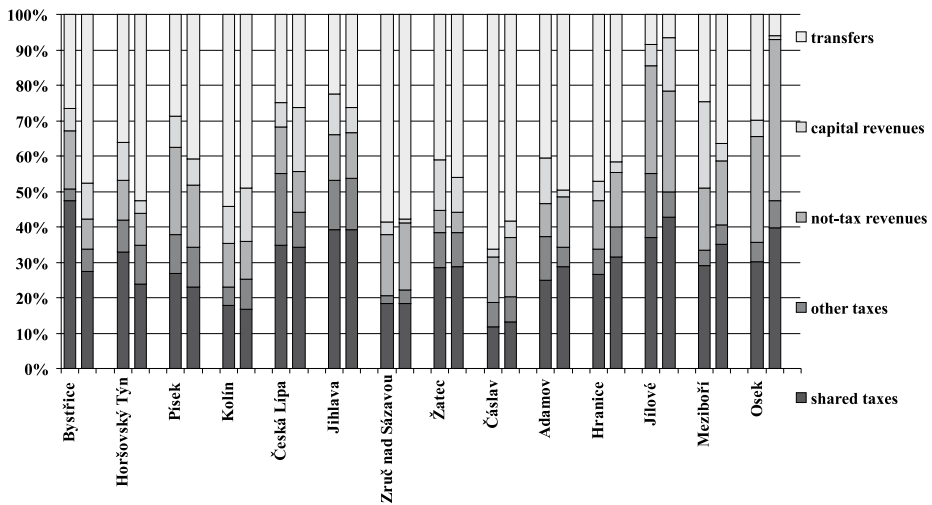
8 Own calculation based on the data provided by the Ministry of Finance, available at [http://www.mfcr.cz/cps/rde/xchg/mfcr/hs.xml/dc2\\_prijmy\\_kraju.html](http://www.mfcr.cz/cps/rde/xchg/mfcr/hs.xml/dc2_prijmy_kraju.html) (10 January 2008).

9 Ministry of Finance – ARIS (Automatic budgetary information system), available at <http://www.info.mfcr.cz/aris/> – own calculations.

ka 2006). Municipalities also tried to influence the decisive number of inhabitants published in the public notice in case of differences between the number provided by the Czech statistical office and used by the Ministry of Finance and the data from their own registry.

The structure of the municipal revenues differs substantially among the municipalities analysed as did the changes in this structure as a reaction to the change in the tax sharing coefficient. Figure 4 shows the revenue structure over two years – before and after the change of the tax sharing coefficient. Although none of the municipalities observed a decline in the real revenues from the shared taxes, there were five municipalities which observed a decline of their share of total revenues.

**Figure 4**  
Revenue structure and its changes<sup>10</sup>



Other tax revenues other than the shared taxes amounted to between 4 and 14 % of total revenues in the year (t). The non-tax revenues in the 13 municipalities amounted to between 6 and 46 % of total revenues for the year (t). The three municipalities (Zruč nad Sázavou, Osek and Čáslav) with the highest share collected their non-tax revenues from: renting flats and other real estate property, communal services (heating, refuse collection) and the school canteen. The highest growth of the non-tax revenues were experienced in Adamov – revenues from land re-cultivation. Interestingly, the municipalities with the highest share of non-tax revenues, together with Horšovský Týn, experienced, contrary to the other municipalities, a growth in the total non-tax revenues.

<sup>10</sup> Ministry of Finance – ARIS (Automatic budgetary information system), available at <http://www.info.mfcr.cz/aris/> – own calculations.

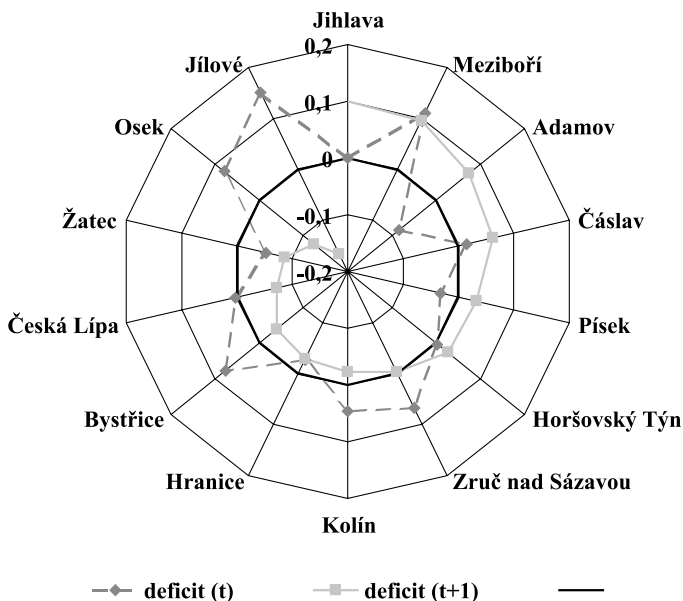
Capital revenues fluctuated substantially in all 14 municipalities; however, we can see some patterns here (see Table 4). There is a very close relationship between the non-tax revenues and capital revenues in some municipalities: Česká Lípa privatised housing in 2002 and non-tax revenues declined.

**Table 4**  
Capital revenues – patterns of behaviour<sup>11</sup>

Maximum in (t) then decline	Exceptional in (t+1)	Exceptional in (t+2)	Slow growth in all years, but (t+4) was exceptional	Constant
Žatec – H Adamov – H Osek – H	Kolín – P, H, K Česká Lípa – H	Meziboří – P Zruč nad Sázavou – A Jílové – H, K	Čáslav – A Horšovský Týn – H Hranice – H Bystřice – P	Písek

Note: H – housing privatisation, P – sell of property shares, A – sell of agricultural land, K – sell of land or property for industrial use

**Figure 5**  
Budget deficit<sup>12</sup>



11 Ministry of Finance – ARIS (Automatic budgetary information system), available at <http://ww-winfo.mfcr.cz/aris/>.

12 Ministry of Finance – ARIS (Automatic budgetary information system), available at <http://ww-winfo.mfcr.cz/aris/>.

Although there is no statutory borrowing constraint, in reality, municipalities can borrow only for investment purposes. Municipalities can generally use three borrowing tools: issue of municipal bonds, use a bank credit or borrow from another public budget, usually one of the state funds. The former two possibilities are purely marketing tools, thus municipalities must satisfy creditors regarding the purpose of the borrowing. The latter possibility also has a special purpose. Therefore borrowing cannot generally replace revenues from shared taxes. Figure 5 shows the deficit as a share of total revenues in the years before and after the change of the coefficient. In the case of a deficit, the number is positive; in the case of a surplus, it is negative. Three municipalities saw a deficit both before and after the change in the tax sharing coefficient; three municipalities saw a deficit only before the change and two municipalities did not see a deficit in either of the two years. Six municipalities with a surplus in the first year observed a deficit in the second year. The budget balance deteriorated in 9 municipalities.

## **Conclusions**

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The tax sharing mechanism in the Czech Republic predominantly has a character of unconditional grants, guaranteed by law and calculated based on a formula, which results from historical development. The formula applied from 2001 to 2007 was often criticised because a small change in the number of inhabitants of a municipality could lead to significant changes in its revenues.

A comparative analysis of seven successive public notices, which list the decisive data for the calculation of revenues from shared taxes for each municipality showed that more than 12% of municipalities experienced a change in the tax sharing coefficient, of which about half saw a decrease. At the same time, 227 municipalities (3.6%) experienced more than one change in the coefficient and thus a large fluctuation in revenues in the different years. This makes medium-term planning hard.

The analysis of the municipal financial management of 14 municipalities which saw a decrease in the tax sharing coefficient showed that thanks to the favourable economic conditions and high growth of tax revenues, none of the municipalities analysed shows a decline in nominal revenues from shared taxes and the revenue estimates, except for one municipality, were cautious.

On the other hand, the analysis proved that in the case where municipalities experienced a decrease in revenues from shared taxes, they would not be able to increase other own revenue sources. Municipalities heavily rely on capital revenues. As soon as they have sold all suitable property, they will lose the only real discretion that they have over their revenues.

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Law on Tax Assignment (Act # 243/2000 Coll.)

Důvodová zpráva k návrhu zákona, kterým se mění zákon o rozpočtovém určení daní [explanatory report to the proposal of amendment of the Law on Tax Assignment (Act # 243/2000 Coll.)], Table 2, p. 8, available at <http://www.psp.cz/sqw/text/tiskt.sqw?O=5&CT=319&CT1=0#prilohy> (10 January 2008)

Public notices on the share on shared taxes for the individual years (#426/2006 Coll., #328/2005 Coll., # 477/2004 Coll., #283/2003 Coll., #460/2002 Coll., # 311/2001 Coll. and # 456/2000 Coll.)





# Book Review





## Foundations of Municipal Autonomy: Karl Freiherr vom Stein at 250 and the *Preußische Städteordnung* at 200<sup>1</sup>

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Wolfgang Drechsler<sup>2</sup>

The year 2008 marks the 200<sup>th</sup> anniversary of the *Preußische Städteordnung* (19 November 1808), the famous Prussian reforms that (re-)established Municipal Autonomy; 2007 was the 250<sup>th</sup> anniversary of the birth of their father, the Prussian Minister of State (Prime Minister) Karl Freiherr vom und zum Stein (born 25 October 1757), one of the most eminent German statesmen of the 19<sup>th</sup> century. These reforms are so important because they were, and to a good extent still are today, the model of local independence not only in Prussia, but in Germany generally and thence emanating to all countries, especially of Central and Eastern Europe, which were part of the German political or cultural sphere, and even well beyond that. As Stein's name is inextricably linked with the concept of Municipal Autonomy, and as this concept has such great relevance to the CEE region, studies of the reforms and on Stein himself that may elucidate or even remind one of the motives, reasons, theories, and experiences of the reforms are always of interest.

Stein's 250<sup>th</sup> birthday has already borne fruit in the form of a new biography, the first scholarly one for over half a century, written by the University of Münster historian Heinz Duchhardt, a well-known expert in the field. The book claims, a bit bizarrely, to be aimed at a "target group" which does not work in research institutions" (1; it may be assumed that Duchhardt includes universities here), but it surely addresses scholars as well, probably primarily so. It is not exactly elegantly written, let alone particularly readable, but it is a very competent work that reflects the state of scholarship and fully masters the sources. If anything, it suffers from pedestrianness and a lack of putting things into a larger context – admittedly, typical problems of the works of contemporary historians if read by social scientists who deal with their

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1 Heinz Duchhardt. *Stein: Eine Biographie.*, Münster: Aschendorff, 2007. ISBN 978-3-402-05365-2. € 29.80. viii+530 pp.

2 Professor and Chair of Governance, Institute of Humanities and Social Science, Tallinn University of Technology, Tallinn, Estonia.

subject matter. In this respect for one, Duchhardt's book compares negatively with Gerhard Ritter's magisterial biography of Stein from 1931 (*Stein: Eine politische Biographie*), which in the end it does not supplant but only add to, if substantially. Ritter is of course somewhat dated, and Duchhardt does not only add new research but also a contemporary perspective, yet Ritter's grasp of public affairs is simply superior, as are his theoretical and literary capabilities. Strangely, in neither book does the protagonist genuinely come to life – but this may not even have been either author's goal. And that Stein, as Duchhardt sums up, was an ambivalent, complex character (455) is hardly more than a truism – for who is not, under close scrutiny?

Stein, a leading statesman in Prussia during the times of the Napoleonic wars and occupation and the restoration times afterwards, headed the government only briefly, during a truce, 1807 – 1808, and was dismissed due to pressure by Napoleon, but his short tenure saw, next to the establishment of municipal autonomy, also the freeing of the serfs and a general liberalization, the curtailing of the aristocracy and a general reorganization of the state. From 1812 on, Stein was advisor to Tsar Alexander I and influenced him greatly in pursuing Napoleon beyond Russian borders after the defeat of the French; he was one of the main instigators of the Prussian insurgence against France in 1813 and the principal creator of the Prussian-Russian alliance. During the Vienna Congress, he was an anti-Metternich 'progressive' (as Russian advisor), and he refused to serve Austria or Prussia after 1815 and retired to his estates. During his last years, he was instrumental in the editing project of the sources of medieval German history, the *Monumenta Germaniae Historica*. Karl Freiherr vom Stein died in 1831.

Stein was revered, in scholarship and public life alike, for almost a century and a half after his death, as "Germany's greatest inner statesman" (Hugo Preuß, the father of the Weimar Constitution), often taking second place only to Bismarck, even being seen as the latter's fore-runner in bringing about the unified German nation-state. (4, 7) The 1970s saw a typical revisionist critique of Stein which today seems more a function of the times rather than genuine scholarly re-evaluation, but this did not reach the publish sphere, especially as Stein remained symbiotic with the idea of Municipal Autonomy.

On this basis, Duchhardt's Stein is certainly reinstated as an important man, but his hedging portrayal occasionally still seems to be more 'non-bold' and waffling than even-handed or balanced. (Epilogue, 445 – 455) Partially, this is academic historical style, but even Duchhardt still seems to subscribe to a 'Whig interpretation of history', a progressivism which is prejudiced against anything that is not in line with an (imagined) development towards the better or even just the 'modern' – one of the most problematic keywords of Public Administration reform as well. What, if not 'appropriate for the circumstances of the times', could modern mean except merely 'fashionable'? And surely, in many respects, such progressivism is a more than doubtful concept after the 20<sup>th</sup> century.

With such an attitude, of course, the genuinely aristocratic Stein, a *Standesherr* and thus the independent ruler of his fiefdom on the Rhine until the mediatization of his estates into the new Duchy of Nassau in 1804, looks worse than he could, as he was precisely not a modernist for modernism's sake. Rather, as it appears between Duchhardt's lines, he was more of an Aristotelian who also believed that "a state comes into existence for the purpose of ensuring survival, and it continues to exist for the purpose of the good life." (Pol. I 1252b) The Holy Roman Empire of the German Nation, another fatality of the Napoleonic wars (dissolved 1806), has suffered from a bad reputation which only recently has been superseded by a more positive re-evaluation, but was it really worse than the emerging ethnic nation-states for the "good life" of the citizens? Not only Jan Zielonka has recently suggested some con-sociation like that as the – positively connotated – goal of the development of the European Union. (*Europe as Empire*, 2006)

For our context, what is the most important is to look at Duchhardt's treatment of Municipal Autonomy, and to see whether there are any new insights or useful reminders. And indeed, both is the case, especially in respect to the position of the autonomous municipality *vis-à-vis* the nation-state, although for these purposes, that segment (195 – 204) could and should have been much more detailed, all the more surprising as Duchhardt is very well aware of the key importance of this *topos* in the context of Stein's life and especially legacy.

Stein's reforms, granting (limited) autonomy to the (larger) cities of Prussia, were clarifying in scope, simplifying municipal administration and certainly not interfering with legitimate central administration. And it is, as becomes clear, still possible, even necessary, to attribute these reforms to Stein himself – that he had help and discussed these matters with many assistants and colleagues, some of whom had an impact on the reforms as well, is as self-evident as the fact that the reforms had their own historical models as well, from English self-government to the recent French local government laws (196 – 197); it does not take away from his merits.

The impetus for the reforms was the motivation of the citizens to take care of their own business and thus see the city and also the state again, or newly, as 'us' and not as 'them'. This was based on Stein's insight into the "necessity to give to the cities a more autonomous and better constitution, to legally form for the citizens' community a firm place of unification, to convey to them an active influence on the administration of the municipality, and to create and maintain community spirit through this participation." (*Städteordnung*, Introduction, § 2) This is the role of the municipality as the cradle or school of democracy.

But from today's perspective, it is more than that – it is actually a model that goes beyond, indeed transcends, simple concepts of civil society and of (new) governance (without supplanting them) in that it re-includes the citizen directly into government and the policy process. In a time of political alienation, this is an aspect

well worth remembering as a genuine alternative to the inclusion of society *qua* society into the decision-making progress. It may also be helpful in times and places where the (new) governance approach is simply not feasible, such as in cases where business and/or societal interests are genuinely mafiose or would lead with some certainty to local regimes catering to special interests and act against those of the citizenry as a whole.

In Prussia, initially the new local independence was not appreciated by the beneficiaries, both citizens and (potential) politicians and administrators, and it needed some 20 – 25 years to work at all (200), which is an important lesson for all municipal reforms that argue the inability and/or unwillingness of the locals to commit themselves and participate. As Duchhardt points out, this was not surprising; why should such new freedom, granted from above, have been taken up right away? (200 – 201) And a top-down mandate it surely was; it did not emerge from citizens' demands. (196) As he underlines, however, eventually the strategy did fully work – the option of commitment preceded actual commitment. (202) *“Erst die Steinsche Ordnung hatte so etwas wie Bürgersinn und Gemeingeist geweckt, hatte das Gefühl geschärft, für den eigenen überschaubaren Lebensraum selbst Verantwortung zu tragen, hatte die Keime einer modernen Bürgergesellschaft gelegt.”* (202) Attempts at taking back Municipal Autonomy by the Prussian state in 1830 – 1831 therefore occurred too late to succeed, although it was reduced in 1853 (202), and although local autonomy was abolished in Germany, indicatively enough, under National Socialist and Communist rule.

But if Municipal Autonomy is so successful and important for the “good life” of the citizens, why is it still in constant danger today, always under threat? One of the reasons is surely that the circumstances of our times strengthen the cities at the expense of the nation-state: During times of Globalization, Europeanization, multiculturalism, and migration, the municipality becomes the citizens' genuine home. There are plenty already who identify with a city but not, or less, with the country – a majority of younger inhabitants do so in cities from London to Calgary to Frankfurt am Main, where Stein lived for many years with his family. This is well in line with the idea that countries, that nation-states are constructed, while cities are ‘real’.

And of course, precisely this is a problem from the nation-state perspective. Especially if the state exists for the nation and the nation is more important than the citizens and their well-being – not a rarity in CEE –, the autonomous municipality may appear as an obstacle, a problem, and nothing else. This is all the more urgent if the state, along Carl Schmittian lines, is seen as under constant threat or attack, so that the political is always existential.

However, a key insight of Stein's was that the autonomous municipality, far from endangering it, strengthens the nation-state – the literally demo-cratic nation-state, of course, not the authoritarian one (this actually was the problem with Stein's

reform from the perspective of the 'reactionary' aristocratic Prussia and its King, Frederick William III, one of the more regrettable occupants of the Prussian throne and one of the main obstacles to his reform plans). (198 – 199, 202 – 203) For Stein, municipal autonomy ended precisely where it endangered the nation-state and even its management. (198) He was not one to argue, as was the German-Baltic nobleman Georg von Brevern, that cities were more original and more immediate than the state, and that wherever there is no Municipal Autonomy, it is not because the state has not granted it, but because the state has taken it away. (*Das Verhältnis der Staatsverwaltungsbeamten im Staate*, 1834) Stein's perspective, however, is less a problem than an answer, also from today's perspective, in a practical sense, because power is, after all, still located with the nation-state today, if perhaps shifting to multi- and perhaps even supra-national organizations (which, one may add, as soon as they receive such powers, tend to acquire nation-state characteristics themselves).

Yet, the conflict between municipality and state is a logical and systemic one, even in genuine democracies, and there are legitimate rights on both sides. The state as such has a tendency towards unity, the municipality towards autonomy. This tension cannot be resolved; it needs to be borne. Indeed, in the end it is better for the state, even a very traditional nation-state, to have autonomous municipalities, but the self-logic of the central administration, especially if its officials lack a genuinely larger perspective, goes against the communities. Additionally, it means asking a lot from senior civil servants and politicians in the central government to demand the devolution of powers to the municipalities if the local representatives are neither motivated nor particularly competent. Still, Stein's considerations can be an antidote towards such fears. In the long run, as Lord Keynes pointed out, we are all dead, but some longer range of planning and development is surely necessary, and in such a long run, devolution to local government is usually (but not always) the better alternative.

Municipal Autonomy, very much in Stein's sense, is as important a concept, for state, society, and citizen, as it ever was. All the more is it good to recall the genuine facts and ideas of Karl Freiherr vom Stein's reforms, to ask again why we have Municipal Autonomy and why it is so important, and the 2008 anniversary gives one a convenient prod to do so. And when doing so, Duchhardt's book is, in the end, a good resource, because in order to understand the reforms, a look at the person who conceived and implemented them, based on an in-depth biography, is useful indeed. This book succeeds, in spite of its shortcomings, in creating a context for the foundations of Municipal Autonomy on a biographical, political, and even, if less so, theoretical level that is very helpful for everyone professionally, or generally, interested in the subject matter.





# The Study of Public Management in Europe and the US. A Comparative Analysis of National Distinctiveness.<sup>1</sup>

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*György Jenei*<sup>2</sup>

Over the past decade the significance of this topic has been heightened considerably in Europe and worldwide. Because of the growing importance social scientists across Europe have turned their attention to the study of public management.

This has generated a range of research networks dedicated to this topic. The book is intended to contribute to the creation of a genuinely pan-European body of research and theory that explores and analyses the study of public management from a manifestly European perspective.

The book – published in a series of “Routledge studies in public management” – is a comparative view on scientific study of public management. It provides new and fresh insights into a topical debate.

This volume has hardly any predecessors. Not simply because of its comparative view. A lot of books and articles have been published in the recent years on public management reforms, after the “hey day” of the new public management paradigm in the last decade. The main conclusion of these comparative approaches that the public management reforms of various countries did not tend to converge to one, worldwide universal “new public management” pattern, but they essentially differ from each other based on the historical heritage and the political-administrative context of a particular country.

Prominent scholars have inducted major research projects on this topic among them especially important contribution was provided to these flow of international literature the book written by Christopher Pollitt and Geert Bouckaert .

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1 Edited by Walter Kickert. Routledge Studies in Public Management. Routledge 2008. London and New York. ISBN 10: 0-415-44386-5 (hbk) ISBN 10: 0-203-93617-5 (ebk) I-XIV + 271 pp.

2 Professor and Chair of Department of Public Policy and Management, Faculty of Economic Sciences, Corvinus University of Budapest, Budapest, Hungary.

The recent book has of unique importance, because the traditional comparative view was extended to the area of the scientific study of public management in different countries as it is stated in the introduction of the book by the editor, Walter Kickert: "In this book, that comparative line of thought is pursued one step further. The historical-institutional context of a particular state and administration affects not only the practice of public management reforms, but also the scientific study of public management in that country. Unlike the natural sciences, where the nationality of a researcher is irrelevant for his or her study, in the sciences of administration the nationality of the researcher does matter."(p.2.)

The book contains 10 different country reports with a special focus on Western Europe. The enlargement of the European Union is followed only cautiously. Only one chapter analyses the current situation of a new member country from Central and Eastern Europe (Chapter 10), and a closing chapter was written on the United States (Chapter 11).

The authors from various countries describe specificities of each country, however in the structure of their chapters they followed the same format. The main components of this common format were as follows:

- "a brief historical account of the state and its administration;
- a survey of recent developments and reforms in state and administration;
- a state of the art of the study of politics and administration in both education and research;
- an overview of the specificities of the study of public management in the national context"(p. 3 – 4).

The selection criteria is a special value of the book. First of all a historical typology provides the basis for a selection differentiating from each other the three basic types of states: the Napoleonic, the Rechtsstaat, and the Anglo-Saxon type. France, Germany and Britain, the three characteristic exemplary countries with an illustrative function are included in the volume. Countries belonging to a mixed form of Anglo-Saxon and Germanic types of state such as Norway, the Netherlands, and Switzerland form the second group in the book. According to the introduction they have three characteristic features as common: "they all have a consensus type of democracy; they all have a neo-corporatist type of state; and they have socio-political cleavages and fragmented political and social subcultures"(p.4.).

The third type of the European states the so-called South-European type is represented by the description and analysis of the country reports of Italy and Spain. Last but not least the new member states of the European Union are illustrated with the example of Hungary.

The book basically contains 10 different country reports. Each of them draws a bunch of conclusions with international importance. In the country report of France for instance the deep historical, cultural and institutional roots of public manage-

ment study is emphasized. In the chapter on Germany it is pointed out that the scientific focus of the study of public management is rather narrow and tendencies are not strong enough to conceptualize public management as an interdisciplinary subject. The contribution from Great Britain expects four trends in the foreseeable future:

- “ a continued dichotomy between PA and PM, setting a focus on the policy process and policy networks against one on managerial action and skills;
- both will continue to have a core concern with public management reform and with partnerships and governance, though perhaps from different perspectives;
- a growing emphasis on the study of three PSM issues – the ‘metrics’ of audit and performance management, e-government/governance, and the evolution of the plural state;
- the development of new subject areas, such as risk management, knowledge transfer and innovation and citizen engagement”(p.94).

In Norway the development of public management research is very much related to a few entrepreneurs and the tightly coupled network of researchers. The basic dilemma in Norway is “how public administration can have enough autonomy to function effectively, but not so much freedom that it will be uncontrollable” (p 118).

In the Netherlands the study of public management is strongly internationalized and only slight deviations can be observed from mainstream developments of public management education and research dominated by the Anglo-American world.

Switzerland has an institutional development of public management research and education after the Second World War and the last big wave in the study of public management was triggered by the New Public Management approach.

In Italy postgraduate education has of great importance in the study of public management with a special focus on performance measurement, planning, budgeting and control, and accounting.

In Spain public management research and education has development quantitatively and qualitatively in the last decades following the mainstream development patterns.

Compared to western European countries, there is an essential difference in Hungary and, more generally, in the CEE countries. Namely, in the early 1990’s these had just established the legal and organisational framework of a Rechtsstaat, and shortly after this they also had the challenge of introducing managerial systems and techniques in the public sector. Essentially the development of the rule of law and of the New Public Management have become a parallel process; moreover, this duality and the dilemmas involved clearly correspond to those detected in the realm

of scientific ideas with regard to the legalist vs multidisciplinary/managerial approach to public administration.

The message of the US chapter that “public management has become a global profession” and American academicians “has made significant contributions to the emergence of public management as an international academic field through export of its theories and methods” (p.255).

The main conclusion of the comparative analysis is the necessity of cooperation among the various countries

During the last decade in the framework of cooperation, European countries have been evolving and teaching new public management programs at universities and at other institution of higher education. This cooperation has taken many forms:

- Developing new public management programmes at universities connected to various public management reform models.
- Making available and accessible worldwide public management literature, ranging from research methods to highly theoretical to highly applied approaches.
- Creating curricula and teaching materials to provide the content of programmes based on various European and American models in public management.
- Fostering cooperative research programmes, including joint conference papers, articles, edited volumes, and research grants.
- Organising and sponsoring international internship programmes.

Recently and in the foreseeable future – this lesson also can be drawn from this book – a strategic cooperation is needed among various countries. One reason is that they have shared objectives in the modernisation of public management education and training. In the recent period of cooperation new challenges will arise and new directions will needed. It means that

- More emphasis will be needed on institutionalising successful programmes.
- More emphasis should be placed on making new partnerships more equal.
- Co-operation programmes must be tailored to particular needs and contexts – one size definitely does not fit all.
- Cultural differences must be recognised and dealt with at all stages of programme development.
- Successful co-operation must be well-prepared, incremental in terms of flexibility with a time schedule and realistic.
- Successful co-operation must differentiate between personal goals of participants and organisational goals.

To answer these challenges a hierarchy of cooperative relationships has to be developed among institutions of higher education. This hierarchy of cooperation has five stages:

- **Exchange of Contacts and Information:** Cooperation often begins with meetings, contacts, and the mutual exchange of information. This can be useful since partners may not be well informed about the needs and interests of each other.
- **Systematic Exchange of Knowledge and Experience:** As partners get to know each other better, the relationship can expand to meaningful dialogues, visits, initial exchanges, and the exploration of scholarly cooperation.
- **Joint Action:** The third stage cooperative relationship is marked by the beginning of identifiable projects and activities. The product can be a library, a teaching program, internships, formalizing exchange relationship, and developing research activities.
- **Mutual Cooperation:** As the cooperation becomes more extensive and regular, a truly mutually cooperative relationship can exist. It is characterized by coordinated activities and programs based on agreed upon strategies meeting the needs and interests of both partners.
- **Institutionalized Partnerships:** Finally, the highest level of cooperation are institutionalized partnerships where the relationships are on-going and continuing, not dependent on particular individuals at either end. Perhaps the most important characteristic of these relationships is that they are self-sustaining.

The lesson of the papers in the book can be outlined as follows: as cooperation becomes more extensive, serves mutual interests, and becomes more systematic, relationships can begin to move up in the hierarchy. We should note that co-operation can be effective at any level and need not necessarily become institutionalized. In the long run, however, institutionalizing programmes created through cooperation is most likely to serve the needs, of public management education.

The book is a fine collection of 11 chapters based on joint work integrated by the editor.

This book questions prevailing thoughts and proposes new way of thinking and crafts insights on which the views and approaches of different scholars can be judged.

The book looks at the study of public management from different perspectives.

The authors of the book provide an intelligent and engaging review of issues and problems that have captured the interests of academicians and practitioners as well.

Did I learn anything new from the book? Most definitely: Can I recommend the book? Yes, because the book presents a most comprehensive analysis of the entire problematic.

The reader of a book has always personal preference. My statement is that the book is extremely valuable for academicians and practitioners who are interested in public management reforms and public management education.

The chapters of the book are intellectually stimulating to read. The authors pull together different literatures, views and approaches in very effective ways and they give such a comprehensive treatment of the topic that readers require in this field of education and research.

This substantial book is a valuable contribution to the literature of comparative approaches to the scientific studies of public management.

The basic lines of the papers are clear-cut but as they are scholarly studies with a wide range of references and theories it is rather demanding to understand their messages. But the analyses, the statements and the conclusions of the papers provide reliable reference for scholars and instrumental guidelines for practitioners all over Europe, and perhaps not only for the continent, but for all countries belonging to the Euro-Atlantic culture and especially to the countries being in a modernisation process of public management systems and of public management education in Central and Eastern Europe.

## **Information for Contributors**

The *NISPAcee Journal of Public Administration and Policy* is dominantly devoted to public administration and public policy issues in Central and Eastern Europe. Theoretical and empirical papers with some focus on the region are the main target for the Journal, however specific cases might be considered.

### ***Papers***

Decisions about the publication of a manuscript are based on the recommendation of the editor-in-chief and an additional review process conducted by two appropriate specialists from a relevant field.

Submissions should not have been published previously and should not be under consideration for publication elsewhere. Papers presented at a professional conference qualify for consideration. The submission of manuscripts that have undergone substantial revision after having been presented at a professional meeting is encouraged.

### ***Standard Structure of a Paper***

#### ***Title***

The title should be a brief phrase adequately describing the content of the paper.

#### ***Abstract***

An abstract is a summary of the information in a document. The abstract should not exceed 250 words. It should be designed to clearly define the contents of the paper. The abstract should: (i) state the principal objectives and scope of the research; (ii) describe the methodology employed; (iii) summarise results and findings; and (iv) state the principal conclusions. References to literature, bibliographic information, figures or tables should not be included in the abstract.

#### ***Introduction***

The introduction should supply sufficient background information on the topic and also provide the rationale for the present study. Suggested guidelines are as follows: (i) the introduction should first clearly present the nature and scope of the problem that was researched; (ii) it should provide an overview of the pertinent literature used; (iii) it should state the research methodology employed and, if necessary, the reasons for using a particular method.

#### ***Core text***

This section depends on the character of the paper. In the case of empirical studies it should contain an overall description of the topic and present data gathered during the research project. The manuscript should utilise representative data rather than repetitive information. Data that will be referenced several times in the text should be provided in tables or graphs. All data, repetitive or otherwise, should be meaningful. Results must be clearly and simply stated as the section comprises innovative research findings for an international community of academics and practitioners.

### ***Discussion/conclusions***

This section presents the researcher's findings and suggestions, if applicable. It should not restate information present in the core section, but may (depending on the type of the paper): (i) point out any exceptions or lack of correlation; (ii) define unresolved issues; (iii) show how the results and interpretations agree (or contrast) with previously published work; (iv) discuss the theoretical implications of the work, and any possible practical applications; and (v) summarise the evidence for each conclusion. The primary purpose of the discussion section is to show the relationships among facts that have been observed during the course of research. The discussion section should end with a short summary or conclusion regarding the significance of the work.

### ***Acknowledgements***

Assistance received from any individual who contributed significantly to the work or to the interpretation of the work and/or outside financial assistance, such as grants, contracts, or fellowships, must be acknowledged.

### ***References***

As standard only significant, published and in-text used references should be listed (except for specific cases). Authors should verify all references against the original publication prior to submitting the manuscript.

Stylistically, authors should utilise the in-text parenthetical reference system with complete references alphabetised at the end of the text.

### ***Information about authors***

Each author should include a short bio – information about her/his position, academic qualification, institution, field of expertise/research etc. An e-mail address for possible requests from readers should also be included. Maximum 500 characters.

### ***Submission procedure***

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Contact:

Mr. Juraj Sklenar, the managing editor, e-mail: [sklenar@nispa.sk](mailto:sklenar@nispa.sk)

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NISPAcee Secretariat  
Polianky 5  
841 01 Bratislava 42  
Slovak Republic  
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## ***Navigation: Example of the Standard Components of an Empirical Policy Analysis Paper***

### ***Presentation of the Issue***

What is the problem that requires action?

### ***Scope of the Problem***

What is the history and current context of the issue? How did it become an issue?

Who is affected and how severely?

### ***Consultations***

What are the views or positions of groups who will be significantly affected? What are the concerns of other ministries/agencies who will be affected?

### ***Options for Consideration***

What three or four distinct options should be considered? What are their implications? What are their advantages and disadvantages?

### ***Additional Issues:***

Consistency with the government's priorities; the effectiveness of available options in addressing the issue; the economic cost-benefit; the effects on taxpayers; the impact on the private sector; environmental impacts; the fiscal impact on the government; the disproportionate impact on various groups or regions; the complexity and timing of implementation; public perception; and constraints raised by legal, trade, or jurisdictional issues.

### ***Recommendation (s)***

What is the proposed course of action? Why was it chosen over other possibilities?

### ***Implementation Issues***

What are the financial impacts of the proposed course of action? What are the implications for government operations? Will the proposal require regulatory or legislative changes? What is the proposed means of evaluation?

### ***Communications Analysis***

What is the current public environment? What are the key issues of contention, and how can they be addressed? What is the position of key stakeholders, both inside and outside the government, on the proposal, and what communication vehicles should be used for each? How does the proposal relate to government reform priorities? What is the objective of communication on this issue? What is the key message?







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