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“State Administration” vs. Self-Government in the Slovak and Czech Republics

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Abstract

In the transition experience, the Czech and Slovak Republics have made some effort to achieve fiscal decentralization. From independence to EU accession, the devolution of power designed to strengthen the autonomy of local governments according to the principles of subsidiarity have also included a reform of public administration. The nature of reform efforts and their implications for fiscal decentralization are analyzed. The failure to achieve a robust autonomy for subnational governments is due to the ongoing adherence to the notion of “state administration” as opposed to self-government in both republics.

Key Words:

Fiscal decentralization, State administration, self-government (*samospravy*), reform of public administration, public sector transition, EU accession.

“State Administration” vs. Self-Government in the Slovak and Czech Republics

Introduction

Under central planning in Czechoslovakia, local governments were largely just symbolic and did not enjoy self-determination. All decisions impacting local governance were taken centrally by the party; they were implemented locally by central agents commissioned to perform “state administration” (*státní správa*). This was strict hierarchical management with complete central government control over local decisions. Central planning in Czechoslovakia collapsed two decades after the Prague Spring of 1968. The hopes of that spring were brought to an end by the Warsaw Pact invasion of Prague, but in 1989 the central planning regime did finally disappear. That enabled a *renaissance* of local self-government (*samospráva*) in Czechoslovakia.

Following the “Velvet Revolution” of December, 1989, the Czechs and Slovaks continued their uneasy partnership in the endeavour to achieve an economic and political transformation of Czechoslovak society. In that period very early in the transition, both peoples demonstrated unequivocal demands for local autonomy by reconstructing many independent towns and villages. Under central planning, decisions regarding the delivery of local public services were made exclusively by the central government. Although district and local governments had remained in place, they could not function independently; local officials did no more than administer, facilitate and promote the policies of the central government. The institutions of intergovernmental finance were designed to prevent the exercise of any form of local autonomy. Funding for police, public utilities, fire protection, and education – not to mention subsidies provided for housing, food, and medical care – were provided by the centre and financed by indirect enterprise taxes.

The “velvet divorce” of 1993, completed by Slovak politicians without resort to the citizenry (no plebescite or vote of any kind was held), established the two contemporary republics. It also provided an interesting case for comparative studies. Two essentially identical political and economic systems suddenly emerged; by watching their gradual institutional and historical divergence over time, we can see the impact of cultural differences between the two countries as well as the impact of the policy and strategy divergencies that gradually develop. We will observe throughout that changes have been forthcoming since the velvet divorce, but they always began with marginal alterations creating only gradual impact. Only after fifteen years of such change are substantial differences becoming apparent. And it is surprising how many things remain unchanged even after the passage of a decade and a half.

After the 1989 revolution, local governments were again charged with the independent delivery of public services. Since extreme centralisation had been oppressive to both the Czechs and Slovaks, the initial decentralisation initiatives were bold ones. Many municipalities that had earlier been forced into amalgamation were dismantled. As of 1990 it was permitted to form new local governments, which soon numbered 2,781 in Slovakia and 6,234 in the Czech Republic. Initially, neither country established an intermediate level of government between the centre and the municipalities, but both did so later, as we shall see.

Because so many of these municipalities are very small and lacking in human and other resources, the Czech and Slovak central governments have felt that authority cannot be devolved, that prerogatives and resources cannot be vouchsafed to local government personnel. The towns and villages have no capacity to generate sufficient revenues for their needs; “own revenues” include those derived from a property tax, a small and rather trivial assortment of local fees and taxes, and from the sales of state-owned properties that were transferred to local governments after 1989. These represent only a very small fraction of local budget receipts; most of the local government revenues come through grants or shared taxes from the central government.

If all such transfers were unconditional, one could speak appropriately of municipal autonomy. In actual fact, their financial situation leaves municipalities little independence, since when the transfers are made, there are usually strings attached. Moreover, the municipalities have many mandated tasks to perform and funds transferred are hardly enough to cover the bases. Without independent financial resources, there is in fact little financial independence in the twin republics.

The financial situation is hardly the sole determinant of municipal dependence. The very structures of governance from the beginning of the transition era have reflected the institutions of the previous regime with the continuation to the present of the tradition of “state administration.” This social arrangement says to the municipalities precisely how they will be responsible for “governing themselves.” A more or less arbitrarily limited set of activities are declared to be the substance of local governance. The remainder of the many activities that the independent municipal governments of many countries undertake to perform are declared by constitutional law to be activities and public services for which the central government alone is responsible. True, the central government may choose to delegate some of those tasks to the municipality and might even provide compensation for the performance. But all decision-making prerogatives for that function remain vested in the central government.

Mayors, therefore, are not responsible for all municipal functions. They are responsible only for those functions that the constitution and the central government tell them they must perform. All of those other functions performed by mayors in many democratic countries belong to agents of the central government housed in an office down the street from the Czech or Slovak mayor and managed by someone who receives their instructions and directives from Prague or Bratislava.

Before these two former partners became members of the European Union in 2004, they were persuaded that they needed to implement “reforms of public administration.” That could have drastically changed the complexion of state administration and it did affect intergovernmental relations, since it introduced a new level of government, the region (*kraj*). But the old system was durable enough so that state administration continued.

This paper addresses questions as to why and how the institution of state administration was constructed and why it has been so durable in countries that have for a decade and a half given lip service to self-government (*samospráva*). The paper is also concerned with the question of the impact that such institutional arrangements have on the functioning of subnational governments. The reasons why state administration lived on after the disappearance of communism will also be considered and the reader will observe that state administration seems to be the natural offspring of that system. One section of the paper will review the constitutional basis of the system of state administration. The changes in intergovernmental relations introduced from the beginning of the transitional era will be reviewed and traced on through to the present. It will be demonstrated that there was a constant, if not terribly effective, pursuit of fiscal decentralization in that process. Somewhat more effective were the introduction of institutional reforms designed to rationalize and modernize public administration, as shall be shown. Finally, we shall look to the future and draw some conclusions about intergovernmental fiscal relations in the Czech and Slovak Republics.

The Many Small Municipalities of the Twin Republics

For the first ten years of the transition, the governmental and administrative systems of both the Czech and Slovak Republics, including the fiscal organization, were composed of only two tiers, the central and municipal governments. The number of independent municipalities in both republics has increased significantly since 1989. Many towns and villages that had been forced into larger, more convenient administrative units during the communist period were

permitted to reclaim their independence after 1989 and they did so with an enthusiasm reflective of a strong demand for local autonomy. Table 1 shows the breakdown of municipality size in the Czech Republic by 1994, which is long enough

Table 1 about here

after the Velvet Revolution to show the effects of the reorganization of cities and towns desired by the populace upon regaining independence. One cannot help but notice here that 3,760 Czech municipalities (60.3% of the total) consist of less than 5,000 inhabitants. Only 66 municipalities (1.1% of the total of 6,230) are cities of 20,000 or more inhabitants.

Slovakia has similar numbers of municipalities for a population roughly half as large as that of the Czech Republic. Table 2 indicates the number of municipalities in the Slovak Republic per city size for each decade from 1950 to 2000. In that latter decade, 41.5% of Slovakia's municipalities had 499 or fewer inhabitants. Of the country's 2,883 municipalities, only 2.5% had 10,000 or more inhabitants. One must keep in mind that the number of municipalities per million inhabitants is substantially larger in these two republics than anywhere else in the region. Hungary has about half as many municipalities for their population size, but Hungary too has a substantially greater number of cities and towns than other countries in the region.

Table 2 about here

A rather fierce demand for local independence has historical roots in both these republics as documented by Lacina and Vajdova (2000). In the mid-nineteenth century the Czechs were striving to achieve a more modern concept of local governance. At an 1848 congress in Kroměříž an anti-feudal, democratic strata of the population advocated municipal self-determination. This included demands for the free election of representatives, the right to organize municipal police and to inform the citizenry of municipal economic activities. As subjects at that time of the Habsburg Empire, there was no chance that all of these demands would receive a positive response. The Constitution of the Empire, however, did proclaim some important rights for municipalities. The independent municipality was recognized as the basic unit of a free state, even though democratic approaches were not to be implemented in the 1850s.

From 1918 to 1938 the newly independent Czechoslovak Republic seized the opportunity to strengthen local governance as a part of establishing democratic principles of public administration. Three tiers of local government – municipalities, districts and regions – were introduced with representatives chosen by free election. The constitution and laws of the republic secured their independence from state administration.

The Nazi occupation of the Republic and their creation of the "Free Slovak State" in 1939 interrupted the normal democratic development of local governance until 1945. After 1948 and the arrival of communism, the local government system in the Czechoslovak Republic was replaced by the highly centralized economic planning system of Marxism-Leninism. Municipal rights and prerogatives were severely restricted, especially regarding financial issues. As has been observed above, a new democratic system of local government began to be rebuilt after the Velvet Revolution and the number of municipalities, already large, began again to increase.

Managing Small Municipalities in the Czech Republic

The problem with the large number of small municipalities is that it is very difficult to provide competent administration for them. Resource and personnel limitations were the common stumbling blocks in the effort to transform the municipalities into functioning, independent units of administration.

The World Bank (2003) insists that excessively small communities cannot fully benefit from a regime of fiscal autonomy, since their tax bases are not sufficiently large; they lack technical and administrative capacity because they are unable to retain qualified staff; they cannot exploit economies of scale in the delivery of public services, since there is no possibility of privatizing or outsourcing the underdeveloped local services available. It should occur to us that one possible answer to excessive municipal fragmentation might lie in the notion of specialization and division of labor growing out of alliances of small communities. Regrettably, as the World Bank correctly observed, municipal cooperation in service delivery has to this point remained very limited.

The Czech and Slovak Republics have unswervingly retained the logic of the essential dependence of municipal governance. It is simply assumed that the Czech and Slovak peoples desire fiercely to *have* municipal independence rather than to *exercise* genuine local autonomy. The central government seems to infer that as long as the citizenry may live in a town or village with its own name and identity, it will not be upset if the central government must basically take over a large share of the management issues. The lack of resources and capacity, according to the conventional wisdom, implies the necessity of state administration for the towns and villages of the Republic. It is important to note, however, that the center has also not hesitated to intervene in larger municipalities that are lacking in neither manpower nor resources.

But the World Bank paper cited above indicates some of the options that may mitigate municipal fragmentation. The first is considered the most expedient, but it is what both republics

abhor — forced amalgamations of local governments. Experiences in the 1960s and 1970s with such were generally viewed as unrepresentative and arbitrary. The second option is voluntary amalgamation, which might avoid social tensions and reflect local preferences. But this could prove to be a costly approach requiring costly financial incentives to encourage towns and villages to join associations or special districts to deliver public services with greater scale economies.

A third option would be an asymmetric assignment of resources and responsibilities to local governments. Most of the responsibilities currently assigned to small communities would be transferred to “designated” or “statutory” towns on the one hand, or to the new self-governing regions on the other.

In the Czech Republic, this challenge seems to have evoked a dual response. On the one hand, we have seen the administrative reorganization of state administration by reassigning tasks from the old districts to “towns with expanded functions” on the one hand and to the newly created regions on the other. Over the past few years Czech authorities have undertaken an administrative reorganization and reform involving the establishment of eleven new regional administrative units, the *Kraje*. The new regions have assumed some of the administrative functions of the centre and some of those of the municipalities, but the latter are not vertically subordinated to the regions and they still report directly to the centre. The regions have not received a mandate to assist small municipalities lacking the resources to manage their administrative functions independently. But there has been a tendency for the smaller municipalities to begin to look for alliances with neighbouring towns or villages to specialize and divide the labour of social, educational and other public service functions.

Managing the Small Municipalities of the Republic of Slovakia

Nemec, Berčík and Kukliš (2000) observe that the many small municipalities of the Slovak Republic represent a very nonintegrated structure resulting from historical developments after 1989. At that time, the political situation did not permit measures that would have provided the incentives to induce mergers of many small municipalities to produce a more integrated structure. The total number of municipalities actually increased through the 1990s due to the division of municipalities.

Nižňanský (2006), the Slovak Republic’s spokesman for fiscal decentralization, discussed his now-replaced government’s intent to continue to pursue power devolution, but in describing the role of self-governing bodies in public administration failed to indicate any

substantial movement away from state administration. The regulation of public responsibilities by “self-governing bodies” occurs only within the framework of their territory and competence and local sovereignty is only conceivable “in compliance with the constitution and the law.” Because the state is the legislator, it seems logical to Nižňanský that the state will endeavor through the law to provide limitations on self-government. It is necessary, therefore, to ensure the status of self-governing bodies through the institutional, financial and constitutional provisions.

Institutions must assure choice through elections and the regulation of all relevant issues within the legal framework. Financial provisions must ensure municipal and regional participation in revenues from state taxes. This is in contrast to the thought that local governments would benefit most from being able to generate their own revenues to assure more independent action. Finally, because of European Union influence, the Slovaks are now planning more actively to address and adjust horizontal and vertical income imbalances across municipalities and regions.

If Slovakia’s many small municipalities are self-governing, Nižňanský emphasised, it is because of the establishment of regional self-governing bodies in Slovakia. He is convinced, however, that the establishment of the new regions to assist in the provision of municipal services is not all that is necessary for local self-government. If a small local government is not able to provide public services on its own, they could be provided by a diversity of “voluntary partnerships, common councils, companies, and agencies operating on the basis of contractual agreements.” Sometimes it will be possible for larger municipalities to provide contractual services to smaller municipalities in their proximity.

The Durability of State Administration

Czech Republic. Before accession to the European Union, beginning at about the turn of the millenium, the Czech and Slovak Republics responded positively to the need for a reform of public administration. The most apparent change required for the Czech Republic was the establishment of “regional territorial units.” The Slovaks were willing to push beyond that need and do some other things (Bryson and Cornia, 2006) in need of no further discussion at this point. With those reforms basically completed to the satisfaction of the EU (accession was granted and then achieved in May, 2004), there is no substantial pressure to carry those reforms further at the present time. State administration as a governing principle was not overthrown at that point, so the EU seems to have accepted the traditional wisdom that the smallness of

municipality size requires both regional governments to help perform state administration and the central government's continued role in what local sovereignty would do for itself.

Just prior to the accession, in March of 2004 the Czech government issued resolution No.237, "the progress and main directions of the reform and modernization of central state administration comprising the solution of the management and organisational support" (Vidláková, 2006). The vision for the reform was the achievement of "a flexible and better functioning of central state administration" rather than an enhancement of local governance capacity. An important emphasis was on good governance with professional and impartial civil servants. This was largely, in Vidláková's view, to target a reduction in corruption in the Czech Republic before EU accession.

The five "main directions" of the reform cited by Vidláková were:

1) rationalization of central state administration processes; 2) improvement of central state administration management; 3) quality improvement of central state administration; 4) implementation and improvement of civil service in central administrative authorities; and 5) rationalization of central state administration financing.

A discussion about the implications of fiscal decentralization and the limitations of state administration continues in some quarters, but without prospect of further steps toward the establishment of local sovereignty and the elimination of central government's ongoing management of whatever share of municipal affairs have been written into the constitution and laws.

In the Slovak Republic.

The objectives and design of the Slovak reform of public administration was introduced by an official paper of the Government Office (2000). Interestingly, that document listed areas of governance that would remain under local state administration after the reform. It was announced that the central government was to continue to provide for local police, criminal investigation, military administration, the state veterinary office, the state hygienist office, the environmental office, the cadastral office, the land and forest office, the social office and the tax office. This is a most imposing list of subnational activities for which Slovak municipalities and regions continue to have neither responsibility nor managerial prerogatives. So state administration retained its lock on the Slovak policy mentality, even in a reform that did begin to make some important additions to the activities reflecting local autonomy.

But the level and the organization of state administration were affected by the reform of public administration. An indication of the resources committed by the central government to state administration is given by the relevant figures on employment. Before the reform, state administration employed 287,817 or 84.7% of total government employment. Only 52,100 were employed in self-government at the local level, which was only 15.3% of total government employment after the reform was implemented. The number employed in local self-government increased from c. 15% to 63%.

The Slovak reforms were further reaching. Local governments received the right from the beginning of 2005 to set their own “tax rates” (a term applied not only to the real estate tax but also to the limited number of user fees and local taxes already extant). They were also allowed to introduce new “taxes.” The municipalities received full discretion to adjust those old system rates and apply exemptions according to their own preferences.

These are certainly genuine measures of fiscal decentralisation, but it may be even more significant that municipalities were granted policy control over the property tax. The applicable legislation pertaining to real estate taxation (Parliament, 2004) came into effect in January 2005. It transferred responsibility for the establishment of binding regulations on taxation rates for buildings, land, apartments and non-residential premises to local self-government bodies. Those rates are to be set according to the specific local conditions prevailing in the municipality. Of particular interest is the fact that the use of centrally established coefficients on the use and area of the land and structures taxed has been eliminated.

A perspective of the current relationships of self-government to state administration is provided in Figure 1. One observes here that the system of state administration, although reorganized and somewhat more limited in scope, is alive and well in the Slovak Republic. The reform of public administration eliminated the District Offices for state administration, transferring those activities from the district offices to designated cities and regional governments. State administration in the Slovak Republic was thereby „modernized and reformed,“ but clearly this was done with the intent to render state administration sufficiently serviceable to be retained indefinitely.

Figure 1 about here

Power, Governance and Intergovernmental Relationships

The Czech Republic

The democratic constitution of Czechoslovakia and the critical legislation addressing the subject of power in today’s Republic, were drafted by members of the central government. These

foundation documents came into being in the light of liberated hopes but in the shadow of the previous, highly centralized regime. In Chapter one of the Czech Constitution (1992), under „Fundamental Provisions,“ Article 2 declares that „the people are the source of all power in the State; they exercise it through bodies of legislative, executive and judiciary power.“ According to paragraph 3 of Article 2, “state power shall serve all citizens and may be applied only in cases, within limits and by methods defined by law.”

In Article 8, “self-government of territorial self-governing units” is guaranteed. Article 99 declares that the Czech Republic “shall be divided into communities, which shall be fundamental self-governing territorial divisions, and regions, which shall be superior self-governing territorial divisions.” Article 100 guarantees “citizens inhabiting a particular area,... have the right of self-government.” Article 101 promises that a “community shall be independently administered by a community assembly,” that a “superior self-governing territorial division shall be independently administered by an assembly of representatives,” that self-governing, subnational units “are public-law corporations which may have their own property and which operate according to their own budget,” and that “the State may intervene in the activities of self-governing territorial divisions only if such intervention is required by protection of the law and only in a manner defined by law.”

Observation of what subnational governments may do does not necessarily reveal the very important substance of what they may not do. The “independent administration” spoken of in these passages pertains only to those particular functions allowed by the constitution and laws.

Article 104 gives some indication of the powers “delegated to” lower territorial “self-governing” bodies. Paragraph (2) indicates that “a community assembly shall decide on matters of community self-government save in cases where these matters are entrusted to the assembly of a superior self-governing territorial division.” The constitution neatly avoids the transfer of many local functions normally regarded as a part of local governance to the municipalities and regions. But local assemblies, according to paragraph (3) may issue binding ordinances only “within the scope of their jurisdiction.”

Article 105 limits the exercise of state administration “to territorial self-government bodies only when so provided by law.” Local government may perform local functions only when the constitutional law and other legislation permit. In fact, the power that resides in the people resides in them only through their central government, not their local representatives.

Before admission to the European Union, the Czech and Slovak Republics were encouraged to modify the high degree of centralization built into their traditions through reforms

of public administration. The EU's Phare program (1998), designed to assist pre-accession countries to prepare for membership, reminded the Czechs that in addition to traditional services provided by public administration (municipal, health care, school, transport services etc.), some "classical" administration activities are also included in advanced countries. These include such things as issuing licences, documents, permits, certificates, providing information, and so on. Phare intoned that a number of such activities are no longer viewed as the exclusive domain of the State. "Our new experience shows that many operational tasks, professional decision-making, execution of supervision, testing etc. can be decentralized and transferred to self-government or to private entities."

After the reform had been implemented, Ježek, Marková, and Váňa (2004) would write that the state delegates its power and public administration functions differently to different municipalities. All of the 6,258 municipalities (extant in 2004) execute self-government with the same basic scope of operations the state delegates to them. To more than 380 municipalities the state extends additional delegated authority. The greatest scope of delegated authority is to 205 of these 380, which perform state administration for the central government while also governing themselves within the sphere granted by the constitution and legislation.

In fairness, it should be noted that critical comments regarding the local autonomy enjoyed by municipal governments in the Czech and Slovak Republic should be understood from a comparative perspective. When one compares these two governments to those of other transition countries, especially a number of those once a part of the Soviet Union, they must be praised for the admirable degree of independence they have provided for local governments. But because these countries have entered with enthusiasm into formal associations with the most advanced countries, their achievements are compared here with the best of governmental practice. That comparison is obviously going to be less favorable for the Czechs and Slovaks.

Kameníčková (2003) admits that local self-government is still relatively weak in the Czech Republic for reasons other than the degree to which authority is delegated or retained by the central government. Local autonomy and authority are a financial issue as well. Kameníčková emphasizes the lack of local taxes in the Czech Republic and that constitutional authority adopted a tax-sharing principle rather than empowering subnational governments to generate any substantial portion of their own funds. As a result, local governments have no possibility of influencing their own tax revenues, the most important source of local receipts. She indicates that local governments do have some limited influence on the yield of real estate tax and local fees, the parameters of which are designed by the state. But they can merely choose

within those bounds the state indicates. The significance of these revenues in the total budget is, Kameníčková concedes, “somewhat negligible.”

It is claimed that Czech municipalities enjoy substantial spending autonomy, but little revenue-generating autonomy. Realistically, however, if municipalities are unable to raise their own revenues and funds transferred from the center are not sufficient to meet an assortment of pressing needs, including infrastructure needs, the municipality is in a difficult position. Nor is the difficulty greatly ameliorated when transfers have few strings attached. The municipality is forced to fund what is most desperately needed and the opportunity cost of the decision to spend on that item will foreclose other highly desirable alternatives. If infrastructure needs have been growing for forty years, there will be compelling need to spend on the most pressing infrastructure issues. To make the claim that infrastructure spending is an indication of local autonomy is to assume that infrastructure spending is chosen freely among possible alternative projects.¹

As the backlog of needs declines, of course, and as transfers become more generous, the choices are less difficult. The less the scarcity, the greater the autonomy. The perception of autonomy on the part of municipal officials in the Czech Republic is not such as to support the claim that the abundance of transfers has ever eliminated the need for hard choices by the subnational governments.²

Oliviera and Martinez-Vazquez (2003) indicate that in the 2000 reforms of intergovernmental fiscal relations, the distribution of shared taxes was essentially shifted from a derivation principle to a *per-capita* distribution. Doing this has not yet met the remaining challenges of “overcoming municipal fragmentation, strengthening municipal borrowing, and promoting transparency, autonomy, and accountability,... transferring fiscal powers to the self-governing subnational units, equalizing fiscal opportunities, and restoring incentives for local taxes.” These experts assess the situation optimistically, noting that reform is a process rather than an event and that it will take time to reach the point the Czech government wishes to reach.

¹ The example of a small municipality that was told it must repair the roof of its elementary school or have the school closed is an apt one. (I owe this illustration to Lucie Sedmíhřadska, related in May, 2007.) This kind of expenditure would not be an optional one. Ignoring the sacrifice and lost opportunities associated with the painstakingly collected revenues enabling such expenditures certainly does not clarify the requirements of local fiscal autonomy.

² A survey of Czech local officials, taken with the assistance of SMO in Prague and ZMOS in Bratislava by the current author and Gary C. Cornia, and analyzed in a forthcoming paper, demonstrates clearly that strings are attached to a good number of transfers and that local officials do not feel that intergovernmental fiscal relations provide the sense of considerable local fiscal independence.

A problem that must be overcome is that “reforms made line ministries responsible for defining the functions to be transferred to the new regions, but it is unclear whether the central authorities are prepared to relinquish fiscal decisionmaking powers to lower-level authorities. In addition, it is unclear whether the central government and Parliament are committed to transferring significant revenue and spending autonomy to regional and local authorities.” With regard to the provision of opportunities for the local governments to function with greater independence in fiscal matters, Oliviera and Martinez-Vazques (2003) assert that “there appears to be wide consensus on the need for and possibility of restoring incentives to mobilize local revenues— without undermining the central government budget. One way is through property taxes, by better defining and expanding their base and by providing regional and local authorities with limited discretion to establish property tax rates. A second possibility is to introduce a regional or local individual income tax, with a proportional rate that piggybacks on the national (progressive) individual income tax.” This conclusion follows clearly from the nature of the problem analyzed. Genuine fiscal autonomy cannot be achieved by municipalities fully dependent on the central government for their funds. In the view of the present author, there is also no guarantee of “partial autonomy” for the Czech case based on dependence regarding revenues and independence regarding budget expenditures.

The Slovak Republic

The situation in Slovakia before the reform was aptly described by the government’s specialist on fiscal decentralization, Viktor Nižňanský (2000). It was that the central government directly and indirectly (through the district and regional offices of state administration) provided roughly 90 percent of all public services. Funding decisions about them were made at the central level; district and regional offices had no notable decisionmaking power or even influence on the amounts or destinations of centrally-provided funding. Moreover, regional self-governing bodies were not yet operational, and local self-governing bodies remained tightly constrained in their policy and budget decisions on major public services such as education, social care, health care, services, culture, and transportation.

Slovak authorities on local government Nemec, Nemec, Berčík and Kukliš (2000) point to Law No. 221/1996 on the territorial and administrative organization of the Republic as establishing the legal framework for the exercise of local self-government. The municipality is alleged to be the basis of independent and representative local self-government. The law also calls for the creation of counties, of eight regions and of seventy-nine districts, all authorized for

state administration. Municipalities and military counties may also do so as prescribed by law.

The authority and capacity of the regional and district offices were expanded significantly over time. State administrative tasks were carried out in thirty-two areas of activity by the end of 1998. They managed budgetary and semi-budgetary matters in about 7,500 organizations and facilities in education, 370 in social care, 95 in health care and 39 in cultural affairs. These offices employed in excess of 135,000 employees, and the administration and manpower requirements of regional and district offices employed another 20,000.

The state administrative functions exercised by regional and district offices include: state defense; general internal administration; trade licenses and consumer protection; civil protection; environmental management; fire protection; finances, prices and management of state property; regional development; agriculture, forestry and hunting; state veterinary care; public transportation and road management; public and concession procurement; health care; education; social affairs; culture; regulation; and international operation (Csanda, 2000, p. 307).

On the basis of the European Charter of Local Self-Government, Csanda sets forth some of the main problems and negative experiences in local self-government in the Slovak Republic from the perspective of the municipalities. He indicates first of all problems of subsidiarity, the concern that the state performs many functions that could better be performed for local citizens by local government. He further lists the right to the administration of matters concerning the municipality's territory, as well as those concerning all the inhabitants of Slovak cities and townships. He is concerned about the independent administration of matters and issues addressed by Article 67 of the Constitution of the Slovak Republic. That document states that "in matters concerning territorial self-government, the municipality makes its independent decisions; responsibilities and constraints may be imposed on it only through an act of law." Csanda explicates the basic problem as follows (p. 387):

the creators of the legislation on municipalities did not take into account historical domestic and foreign experience and custom in defining the competencies of municipal bodies. Self-governing bodies in the Slovak Republic thus far have not been vested with the rights and abilities to manage a substantial portion of the public administration in their territories—as if our legislature looks upon the self-governing bodies that are closely connected to the local community and its everyday problems with a certain mistrust.

As was mentioned in the Czech case, an important part of local government autonomy is fiscal autonomy. From the perspective of Nižňanský (2000), financial adjustment ought to

provide municipalities and cities with the necessary resources to enable them to perform their functions, but state assistance is usually fraught with a serious problem. It must not interfere with the diversity of financial powers that accrue to autonomous municipalities. “If a financial adjustment, for example, were to cover differences 100 percent, territorial self-governments would lose interest in using their own taxation authority and would instead rely totally on adjustment mechanisms (pp. 6,7).”

Elections in 2006 revealed that the Slovak citizenry had much less respect for Slovakia’s decentralizing government than outside agencies and observers had. They voted it out, selecting a new coalition that left the continuity of policy somewhat open to question. The central government, for which Nižňanský was the plenipotentiary on matters of fiscal decentralization, considered state power from a very unusual perspective for this part of the world. Its view was that the role of the state in public administration should be defined in terms of what it should *not* undertake to perform.

The state’s recommendation for reform of public administration in Slovakia has been to pursue fiscal decentralization while anticipating a marked decrease in the role for state institutions in public affairs and a transfer of most public service responsibilities to regional self-governing bodies. It was not as confident about transferring such responsibilities to the municipal level. The state’s role in public administration should not go beyond supporting, controlling, and organizing tasks with respect to external independence (foreign policy, national defense and civil protection); maintaining law and order (e.g., selected areas of security, education, trade, water supply, medical and hygienic supervision); protecting freedom and civil rights; social legislation; and national economic policy. These tasks should be performed by the central government and regional offices. All remaining tasks should be the responsibility of local and regional self-governing bodies. This ideal, especially given the altered political situation in the country, appears somewhat utopian at this point.

The Impact of Reform and Development on State Administration

As time passes, attitudes of voters and policymakers gradually change toward even basic institutions of governance. Moreover, as dissatisfaction becomes focussed and reforms are undertaken, even basic institutions can change, although the process is seldom a rapid one. As we have seen in previous sections, the dynamics of governance, the exigencies of preparation for accession to the European Union, the experience with governance, and other factors have had an impact on basic institutions in both the Czech and Slovak Republics. This section is designed to

pull together the essence of how reforms and the passage of time have come to change the basic institutional arrangements of state administration. Much of what needs to be said in that regard has already been discussed above, so the need here is simply to summarize and elaborate on a few points.

Outsiders have tended to call to the attention of the Czechs and Slovaks that, although the new fiscal system established after the Velvet Revolution was designed to be more like western systems in general, the heritage institutions of central planning still affected its final complexion rather strongly. The anticipated solution to residual centralization was the adoption of reforms of public administration. These reforms added a regional level of governance in both countries and went further than that in Slovakia. The Czechs, more concerned with the management of national deficits and debt, did not pause to reconsider the fine points of intergovernmental finance that the Slovaks found important. As we saw, the Slovak Republic empowered municipalities to set their own, local tax rates and user fees and to introduce new taxes and fees. Incidentally, it appears that actions proposed in the Czech Republic in April of 1007 could lead to some innovations similar to those of Slovakia, including a 15% flat tax for the income tax. But at the time of writing, that development is still in the process of political review.

In Slovakia, Municipalities were also granted greater discretion over their use of the property tax. New regulations transferred responsibility for the establishment of tax rates for buildings, land, apartments and non-residential premises to local self-government bodies. These changes were often overlooked by the media, which were intrigued with Slovakia's adoption of the 19% single tax rate for the VAT as well as for the corporate and personal income tax.

But in both cases, the attempt has been to rationalize and modernize state administration rather than to move toward its elimination. Reforms have attempted to establish more clear lines of authority and improve hierarchical relationships at the various levels of state administration (Lacina and Vajdova, 2000). Reforms have attempted to improve the relationships between the state-appointed, centrally managed organizations delivering state administration services on the one hand and on the other hand the elected local officers performing "self-government" tasks, some of which need to be coordinated and correlated with centrally managed activities. Whether this is seen as organizational tinkering or rationalizing human resources institutions, it is not to be understood as pursuing a path of eliminating central management of local affairs.

Langšádlová (2003) has provided information and data (found in Table 3) that give the reader a good sense of the cost effects of shifting tasks of state administration from district offices to selected municipalities.

At the beginning of 2003, 205 municipalities assumed the performance of delegated functions of state administration when the district offices were eliminated. They were empowered by new laws of public administration reform to do so; other tasks formerly assigned to district offices were transferred to the new regional governments. Municipalities with delegated functions received transfers in the amount of 4.337 billion CZK to perform 12,984 functions.

It is fascinating to see the European Union modernize its policies, especially in the form of the relatively new Lisbon Program. Some expect the Lisbon approach to economic development, which moves away from the traditional programs of regional subsidies to a less costly promotion of information technologies and telecommunications as the high-tech vehicle to progress within the community as a whole. The Czech Ministry of Finance (2005) has expressed that country's determination to pursue that path toward development. The Lisbon program is seen by the Czech government as „a means of changing the European economy with the effort to catch up with the most developed world economies. More likely it is an attempt to fulfil the European vision of future, based on modernisation of EU economy while maintaining the particularities of its social model.“

Table 3 about here

Yet this same modern European Union seems to have accepted as “reform” a mere paring down of state administration and a shifting in the organization charts of where this central work is performed. The Czech and Slovak central governments' fairly complete management of local governance remained even after the reform of public administration. The standard defense of state administration in the Czech Republic has been that it is the unavoidable solution to the problem of the many small municipalities. The Slovak Republic is less complacent about the problem of local governance and is seeking other solutions, as we have seen. When the Slovaks discuss the fundamentals of the question, the most obvious solutions are all listed. Some, not being perceived as being politically realistic or credible are not discussed at length. We return to this issue in the conclusions below, but note here that the EU appears satisfied with this rationalization of these centralist institutional arrangements.

Conclusions

As a part of its reform of public administration, the Czech parliament passed an Act on the Establishment of Municipalities on April 12, 2000. Paragraph 19, section 1 of that act

provided for the merger of two adjacent municipalities, which action must first be “discussed” with the District Authority. Section 3 allowed a municipality to join a neighbouring one.

Paragraphs 46 and 50 described possibilities for legal cooperation between Czech municipalities. Such cooperation may proceed on the basis of a contract to perform a particular task, or a voluntary association of municipalities may be formed for such purposes, or, finally, a legal entity may be formed by two or more municipalities to pursue joint interests. Paragraph 50 spells out the kinds of activities an association of municipalities may pursue, *e.g.*, education, social care, health, culture, fire protection, public order, environmental protection, tourism and care for animals. Cooperation is legal and by implication desirable where the many small municipalities of limited resources wish to ensure “the cleanliness of the municipality, management of vegetation and lighting in public places, collection, removal and safe treatment, use or disposal of domestic refuse, water supply and sewage disposal and treatment, installation, expansion and improvement of main networks and public passenger transport systems to provide transport services.” A number of other such activities are listed in the sections of this paragraph.

In the Czech Republic, this challenge seems to recommend the administrative union of small groups of villages. But the work of establishing municipal alliances is just beginning, and it is apparent that this is the method by which greater local autonomy could be achieved. There has been a tendency for the smaller municipalities to begin to look for alliances with neighbouring towns or villages to specialize and divide the labour of social, educational and other public service functions. It should be emphasized that the alliance of small units provides for a larger base of resources with which to pursue an enhanced delivery of public services. But it is also very important that it provides for specialization and division of labour in local public service functions. Of the various public services that could be provided by an alliance of small municipalities, a given mayor could spend a more substantial amount of time gaining skills and information in the provision of a single service that is of interest to his town as well as to the other towns in the alliance. One practical and fascinating example of this kind of development is that of the town in southern Bohemia, Hluboká nad Vltavou, which is a part of an alliance of seven or eight neighbouring villages. The mayor of Hluboká serves in that same capacity for the other allied villages as well.

It was suggested some time ago (Bryson and Cornia, 2001) that assuring the competent administration of small units, given their obvious resource and personnel limitations, would require either the administrative union of small groups of villages, the establishment of an intermediate level of administration to assist the villages in interacting with the center, or both.

The recommendation to establish territorial regions to assist the municipalities with their administrative challenges has already been adopted, as has been explained. The municipalities were not vertically subordinated to the regions by the reforms that created the latter, and the municipalities still report directly to the center. Nor have the regions received a mandate to assist small municipalities lacking the resources to manage their administrative functions independently.

Perhaps this lack of an assisting link between regions and the many small municipalities was deliberate in the reform effort, so that the continued paucity of resources in the small towns will continue to be justification for the traditional centralism favoured in Prague. However, given the practical and sensible nature of the Czech people, it seems apparent that as the municipalities develop local capacity the center will support greater local autonomy.

If the municipalities are to achieve a situation permitting greater local autonomy, it appears they will have to do it on their own. The centre does not wish to force amalgamations, which would be distasteful to the Czechs in general. But the centre could provide great assistance for that outcome by providing the appropriate incentives. Through many financial techniques, transfers, tax sharing and grants could simply be more generous for those municipalities that demonstrate their willingness to enhance their capacity to provide public services by becoming part of an alliance of municipalities.

Most of what has been concluded for the Czech Republic applies as well to the Slovak Republic. Of numerous Slovak references to unions of small municipalities, it is sufficient to cite Nižňanský (2000, p. 4). This astute observer insists that if it is not efficient for a small municipality to provide public services on its own, such services can be delivered via diverse forms of voluntary partnerships, common councils, companies, and agencies operating on the basis of contractual agreements with municipalities. In some cases, larger municipalities can provide services through contractual agreements with smaller municipalities in the same proximity. As in the Czech case, Slovak municipalities will move toward alliances as is helpful. Appropriate incentive structures for intergovernmental fiscal policies could provide encouragement to do so.

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Table 1
Number of Czech Municipalities by Size Category*

Size of Population	Number of Cities and Towns	%	Number of Inhabitants	%
0-199	1,699	27.2	209,043	2
200-499	2,061	33.1	667,366	6.5
500-999	1,215	19.5	850,216	8.2
1,000-1,999	646	10.4	892,741	8.6
2,000-4,999	345	5.5	1,049,579	10.2
5,000-9,999	135	2.2	934,377	9
10,000-19,999	66	1.1	931,461	9
20,000-49,999	42	0.7	1,216,863	11.8
50,000-99,999	17	0.3	1,168,930	11.3
100,000+	7	0.1	2,413,437	23.4
Total	6,230	100	10,334,013	100

*(1 January 1994). Source: *Malý lexikon* (Obce České republiky, 1994).

Table 2
Municipality Size, Slovak Republic

Municipality Size	Size Categories of Slovak Municipalities in Percentages				
	1950	1961	1980	1991	2000
To 499	44.6	35.8	35.3	41.2	41.5
500 – 999	30.6	31.5	29.2	27.6	27.0
1 000 – 1 999	16.7	20.1	20.8	18.5	18.6
2 000 – 4 999	6.2	9.9	10.3	8.4	8.7
5 000 – 9 999	1.2	1.7	2.0	1.8	1.8
10 000 – 49 999	0.7	0.9	2.0	2.2	2.1
Over 50 000	0.06	0.06	0.3	0.4	0.4
Number of Municipalities	3,344	3,237	2,725	2,825	2,883
Comparative Size	1,029	1,302	1,833	1,875	1,874

Source: Viktor Nižňanský, *Slovenská Republika*, online at

http://www.vlada.gov.sk/decentralizacia/dokumenty/vniznansky_sk.rtf.

Table 3
Municipalities with Expanded Activities: Czech Republic, 2003

City, Town	District Populace	Municipal Populace	2002 Workers	In State Admin	2003 workers	In State Admin	Labor Costs 2003
Kraslice	13,997	7,128	40	18	70	45	179,914
Telč	14,000	6,000	34.5	12	59.5	39.4	240,269
Odry	14,000	8,000	45	23	67	45	427,190
Náměšť nad Oslavou	14,300	5,235	36	12	67	36	182,269
Vítkov	14,445	6,411	59	24	78	42	279,333
Holice	15,500	6,220	51.5	16	51.5	37.5	176,369
Aš	16,800	12,480	81	39.3	103	56.3	389,806
Stříbro	17,038	7,605	35	6	71	57.25	196,479
Dobříš	18,715	7,864	45	33	76	57	395,066
Kaplice	18,859	7,042	33	15	66	47	217,076
Česká Třebová	18,877	16,475	48	19.9	87	53.7	226,700
Milevsko	19,146	9,404	46	20	70	45	215,643
Přeštice	19,937	6,507	24	9	76	74	310,487
Holešov	21,632	12,375	60	23	96	55	204,354
Kralovice	22,000	3,500	18	13	51	41.2	262,269
Ivančice	22,980	9,411	76	38	118	48.75	269,475
Přelouč	24,061	8,974	45	5	84	68.1	183,793
Bystřice nad Perjštejnem	24,259	8,993	34	23	62	43	285,029
Mor, Budějovice	24,459	7,938	36	20	74	58	143,980
Kostelec nad Orlicí	25,000	6,200	66	15	107	46	143,214
Nový Bor	26,000	12,000	90	30	147	67	151,544
Bílovec	26,723	7,524	42	18	75	51	204,387
Žamberk	28,742	6,120	31	12	86	62.9	166,395
Tachov	34,618	12,716	47	24	124	95.1	193,266

Otrokovice	35,292	19,248	91	48	152	106	202,770
Český Krumlov	40,000	14,365	80	48	159	114	192,094
Kopřivnice	42,034	23,778	95	33	145	72	345,020
Litvínov	43,143	27,143	169	40	216	47	390,685
Beroun	49,091	17,470	139.6	71	230	134.5	170,861
Boskovice	49,900	11,400	68		134	90.1	187,533
Vyškov	50,563	22,433	100	40	199	124	213,889
Písek	51,333	29,791	87	42	178	114,8	221,073
Rakovník	52,482	16,536	86.4	47	186	125.3	177,710
Nový Jičín	52,935	26,641	104		216	159	147,487
Uherský Brod	54,243	17,592	108	52	179	115.37	111,179
Třinec	54,806	38,800	129	69	197	137	215,640
Klatovy	55,000	23,000	64	31	158	120.6	197,690
Kyjov	56,400	12,330	65	29	127	90	220,137
Most	77,836	68,447	231	91	355	231.75	229,732
Sokolov	79,757	25,145	86.4	44	210.2	159.7	204,472
Znojmo	89,964	36,258	126	118	307	213	222,075
Prostějov	98,311	47,535	224	107	329	191.8	352,044
Havířov	99,036	84,879	208	116	292	198	198,640
Pardubice	121,421	89,780	419	235	588	388	356,429

Source: Helena Langšádlová (2003). Online at

<http://denik.obce.cz/go/clanek.asp?id=5780899>

Figure 1
Organization of Public Administration:
Republic of Slovakia as of 1.1.2004