

Upgrading of Managerial Capacities of Local Government in Post Socialist Countries to Procure Good and Effective Public Services for Citizens

Abstract

This paper will analyze upgrading of local government managerial capacities to procure good quality of public services for citizens, in post socialist countries in Europe, as an important aspect of public administration reform.

In these countries one can observe process of decentralization, upgrading rule of law, some institutional, organizational and managerial changes in system (both, central and local level of government) and permanent education and upgrade democratic and entrepreneurial capacities of local government with focusing on citizens` needs in procurement of public services.

Methods used in paper are analysis of researches and studies, comparative analysis for post-socialist countries in all important fields, often with comparison with developed European countries, learning from case studies and experiences.

Results: analysis of achieved results in public administration reforms in last 30 years, general challenges, problems, causes and possible solutions.

Key words: local government, post-socialist countries, transition, decentralization, democracy, managerial capacities, public services

Introduction

The main effects of public administration and management reforms can be seen in local community where the most of public services are procured for citizens. Main indicators of these reforms are democratic changes, modernization of public management, strengthening of citizens` participation in decision making and in creation of strategies, developmental documents, budget, policies, and projects as well as citizens` satisfaction with scope and quality of services.

1. Reforms

In almost all European post-socialist countries the transition started with process of decentralization and democratization. Democratization included multiparty system and political competition through free elections on all levels of government.

Decentralization opened possibility for local government to procure good scope of competences and fiscal and financial autonomy (original taxes, right on collecting local taxes, establishment of local tax offices). In a number of post socialist countries multitier local government system was established: besides municipality and city, one can observe inclusion of county, and sometimes region as well. Between state and these local government units, instead of previously mostly hierarchical type of relationship, through transitional period *partner relationship* has been predominantly established, with implementation of subsidiary principle in division of competencies. This aspect changes the way how the whole system functions.

One can observe that local government system in these countries varies in all important aspects: in a model type (weak mayor, strong mayor model or city manager model), scope of competencies, level of financial and fiscal autonomy, transformation of public administration and, in scope of using New Public Management instruments (NPM).

Although there are some similar general trends, one can't treat these countries as a single, uniform group. (Swianiewicz P, 2014:5)

2. Size of local government units

The size of local government units was one of the basic topics in reform process because it opens the dilemma would units be small and close to citizens (*democratic principle*) or bigger, with possibility to procure good scope of public services for citizens (*economy of scope*). Each country found its own organizational form which suits best its system. A number of countries established small unites (Czech Republic, Slovakia, Hungary, Romania, Estonia, and Croatia - all less than 8 000 inhabitants) following tradition of France, Italy, and Germany. Some other decided to have greater ones (Albania, Lithuania, Serbia, Bulgaria, Montenegro, N. Macedonia, Bosnia and Herzegovina- all over 20 000 inhabitants) as a tradition of UK and Scandinavian countries. The first group of countries solved the challenge of economy of scale mostly by engaging county or region in procuring more complex services or through cooperation of municipalities. The second group of countries solved the challenge of "lack of democracy" by creating sub-municipal unit and using instruments of direct democracy (citizens` participation) in decision making processes. Regardless of the chosen model, generally speaking, in most of post-socialist countries these two principles, have to be better developed. The quality of direct democracy, participation of citizens in decision making processes, in creation of strategies, public policies, debates on public budgets and documents like spatial plan, evaluation of quality of services etc., still need to be more ambitiously developed and strengthened in most of analyzed countries.

The following table shows number, average size of municipalities and the existing number of tiers.

Table 1. Number and size of municipalities and existence of tiers (municipality, county, and region)

	Country	Number of municipalities	Average size of municipalities	County	Region
1.	Albania	61 municipalities	52 500	-	12 oark
2.	Lithuania	60 municipalities	48 875	-	-
3.	Serbia	175 municipalities	40 805	-	2 pokrajina
4.	Bulgaria	265 municipalities	27 260	-	-
5.	Montenegro	23 municipalities	26 087	-	-
6.	North Macedonia	82 municipalities	24 000	-	-
7.	Bosnia and Herzegovina	143 municipalities	23 077	11 (10 cantons and district Brčko)	2 federal states: Republica Srpska, Federation of BiH
8.	Latvia	119 municipalities	16 760	-	-
9.	Poland	2 478 municipalities	15 500	380 povjat	16 województwo
10.	Slovenia	212 municipalities	9 730	-	-
11.	Croatia	555 municipalities	7 625	21 županija	-
12.	Estonia	213 municipalities	6 165	-	-

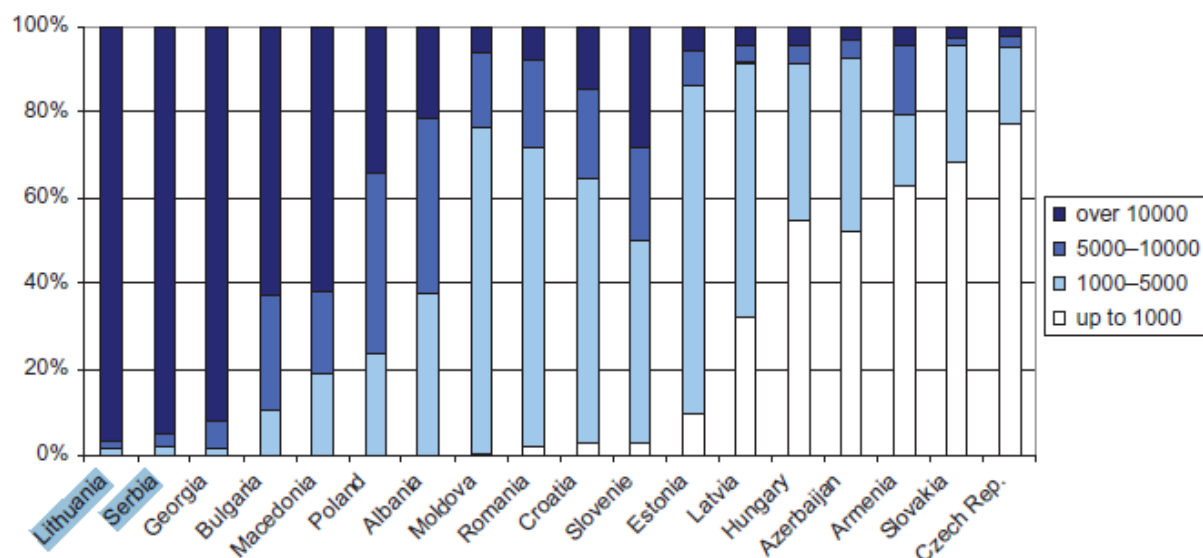
13.	Romania	3 181 municipalities	6 260	42 judete	-
14.	Hungary	2 478 municipalities	3 100	19 megyék	-
15.	Slovakia	2 927 municipalities	1 850	8 samospravne kraje	-
16.	Czech republic	6 258 municipalities	1 640	-	14 kraje

Source: Author, by data from OECD: <https://www.oecd.org/regional/regional-policy/profile-country>

It turns out that fragmentation is one of the important obstacles in effective procurement of public services. Local governments in such systems hardly cooperate in order to upgrade capacities for procuring adequate scope and quality of services.

The following graph shows the distribution of municipalities by size (relationship between small, medium and big municipalities – level of fragmentation) and differences between countries are substantial.

Graph1. Distribution of municipal governments in post-socialist countries according to their population size



Source: Swianiewicz P., 2010: 135.

Countries like Lithuania, Serbia and Georgia mostly have big municipalities (over 10 000 inhabitants) while the share of medium-sized and small municipalities is very modest. Bulgaria and Macedonia also have 60% of the greatest municipalities, while Poland has almost 36%. In Poland and Albania 40% of municipalities have population between 5000 and 10 000. Bigger municipalities enable procurement of good scope and quality of services.

On the other side is a group of countries with great share of small municipalities (even under 1000 inhabitants) with modest share of big municipalities (Czech Republic, Slovakia, and Hungary). Latvia, Estonia, Slovenia, Croatia and Romania have more than half municipalities with 1000 to 5000 inhabitants.

3. Status and Competences

In almost all countries Constitution guarantees citizens the right on local government, right to have their own model of government, and certain level of autonomy.

In transition, one can notice that various sectoral laws transferred competencies from state to local governments: communal services (water and sewage system, procurement of electric energy, gas, waste collection and disposal, local roads and traffic infrastructure, green spaces, etc.), primary and secondary education, social care, primary health care, culture, information, sport, recreation and local economic development as very important and also challenging competence.

All countries had great challenges to implementing *subsidiary principle*. This process demands certain level of decentralization and upgraded local governments` managerial capacities for providing services (economy of scale). (Đorđević S, 2017)

4. Model of government and changes in electoral model

In transition, choice of ***model of local government*** turned out to be very important as instrument of modernization and upgrading local government managerial capacities. European post-socialist countries accepted most frequently one of three models: *model of assembly* (so called weak mayor model – classical European model) and two entrepreneurial models, both American by origin, *directly elected mayor*, accepted mostly after 1980ties in Western European countries as well and city manager model, which strengthen professionalism in local governance. Acceptance of entrepreneurial models showed inclination of reformers in these transitional countries to upgrade managerial capacities of their local governments for developing good quality of strategies, good policies, projects and for procuring better quality of services tailored by citizens` needs.

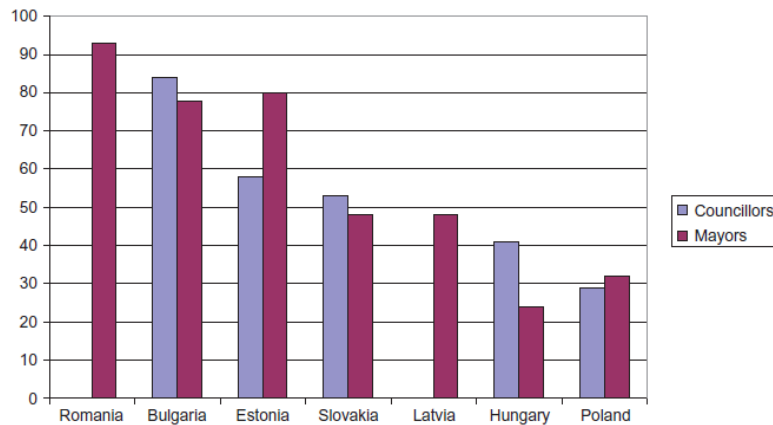
Strong mayor model included *direct election of mayor* as novelty to *local electoral model* in these countries. It enabled the upgrade of quality of leadership and changing relationship between representative and executive local government bodies (mayor, executive council, CEO and city manager). Multiparty system open space for greater competition of different parties` or civic groups` programs in local community as well, with intention to procure better choices for citizens.

Local electoral system represents a very important and challenging reform task. Mostly models are: for small unites, *majoritarian election model*, for greater ones, *proportional election model* and sometimes, *mixed election model*. But in transitional times, winning political party or coalition often tries to establish their own power in almost all local governments. Party center demands from local party leaders to follow blindly structure of established coalition from central level, often in spite of local ambience and specific needs. The other autocratic element in electoral system is a bad practice that each candidate on electoral list should give to party signed and sealed demission, which can be used when leader needs it. It is good indicator of lack of democratic principles in political party system. Having, additionally in mind that political parties often develop corruptive practice, it is obvious that without reform of political parties, democracy is permanently undercut, both on state level, or in local community.

Some researches, conducted in order to identify the level of dependence of local public officials from political parties, show that political parties should be democratized. Graph 6 presents percentage of local politicians not affiliated with national political parties,

in Romania, Bulgaria, Estonia, Slovakia, Latvia, Hungary and Poland. (Swianiewicz P., Mielczarek A., 2005: 64)

Graph 2. Percentage of local politicians not affiliated with national political parties (2001–2002)



Source: Swianiewicz P., Mielczarek A., 2005: 64¹

In Romania, Bulgaria and Estonia the independence of politicians from parties was great, while in other countries it is smaller, in accordance with European tradition. Education for democracy should be more ambitiously implemented on political parties, with regulation which demands serious monitoring and punishment of corruptive practice.

In some countries the reform decreased the number of assembly members in order to upgrade their personal accountability, like for example in Slovakia. (Batorova M, 2012: 101, 102)² Regarding type of elections, in some countries local assembly is elected according to proportional, in some to majoritarian system, but in some of them are, both systems simultaneously applied: majoritarian in smaller units, and proportional in larger ones (for example, Hungary, Poland, Slovenia). (Swianiewicz P., 2014: 298)

The greatest number of transitional countries opted for strong mayor model, fewer obtained weak mayor model and some accepted city manager model. Therefore: Strong Mayor model, in which mayor is directly elected by citizens, has been developed in: Hungary, Poland, Estonia, Lithuania, Slovakia, Romania, Bulgaria, Slovenia, Croatia, Macedonia, Albania, Bosnia and Herzegovina, Moldova, and Ukraine. Weak mayor model with strong assembly and mayor elected by assembly, as an old European model, exists in Czech Republic, Latvia, Serbia and Montenegro.³ City manager model exists in Latvia, Serbia, Montenegro and Romania, mostly as optional. City manager is included to strengthen management (project, HRM, financial, budget, IT and communication with citizens) and professionalism.

Through these three models of government, different arrangements in the relationship between assembly as representative body and executive bodies (strengthened by directly

¹Note: To avoid the impact of various territorial organizations of countries, the ‘size-standardized means’ are presented in the figure (for details of the methodology).

²This reform was also inspired by American practice.

³Serbia and Montenegro in 2002 included model of directly elected mayor and optional city manager model. After one election cycle (2004-2008) at the end of 2007 the old model (weak mayor) was returned, because political parties wanted to control “their” mayors.

elected mayor and professional manager) were established. Individual executive bodies upgraded the scope of competencies and personal responsibility.

In Latvia city manager as institute was introduced inspired by positive practice of Scandinavian countries, manager is predominantly CEO in charge for human resource management. Manager`s competence in project, budget and financial management are less developed.

On the other side in Romania, Serbia and Montenegro, this institute is predominantly assigned as economic developer in charge of project management. Pretty often, in these countries (Serbia and Montenegro for sure) traditional CEO (chief executive officer – named načelnik), who is obligatory lawyer by profession, manages administration in old fashioned way. All attempts to strengthen CEO`s managerial skills or to enable other professions to occupy this position (political scientist, economist etc., like it is in other developed European countries) were decisively rejected. (Đorđević S, 2014:13,14)

Managers are included in system without adequate legal regulation, necessary for normal functioning and procuring good results. One cannot find developed regulation regarding their education (in political sciences), process of employment, professional advancement, licensing, conditions for their loss of license and job, and especially their protection in case of failure caused by manager`s protection of legality, public interest and good (in case of manager`s action against local officials` misuses etc.). The lack of these legal contents decreased the level of professionalism and capacities of this institute to be an important instrument in battle against local corruption and misuses.

Managers are mostly economists, political scientist, lawyers etc., but faculties do not procure special program for them. Additionally their work and results are pretty rarely monitored, analyzed and evaluated. Additionally managers are, contrary to reformers intentions to strengthen professionalism mostly, elected through political canals. Therefore their professional life highly depends on political will. In such a way professional independence is not procured and protected by system. They rarely, have trainings and additional educations, contrary to very developed practice of their permanent education in USA, Canada, Scandinavian countries or New Zealand, for example.⁴

5. Financial autonomy

Financial autonomy is of a vital importance for process of decentralization and for upgrading managerial capacities of local government. All analyzed countries used to have great challenges in this field. Reforms introduced original local government taxes, right to impose and levy taxes (often with legal limitation). The right to collect local taxes and fees led to establishment of local tax office. Additional, important instrument is *legally defined percent of budget given for local governments*, as well as *precisely defined formula for distribution* if this means to local governments (number of population, etc.) This aspect is very important because it removes voluntarism in distribution of finance and upgrade security of local governments by getting adequate and predictable financial means from state. That highly increases financial independence of local governments. Most of countries also have *equalization fund* for poor and undeveloped municipalities with precisely defined percent of budget given for this fund and precisely legally defined formula for distribution of these

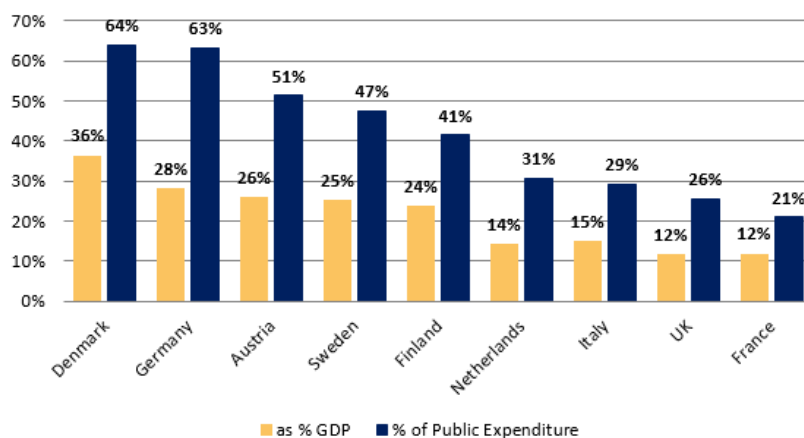
⁴ International City/ County Management Association (ICMA) has important role in upgrading and widening network of city managers worldwide and upgrading their knowledge and skills for solving challenging problems from everyday life. But countries from this region with this new institute miss to use effectively this great resource.

means. Support for poor municipalities was easily accepted in these countries, because it is in accordance with tradition of equity and solidarity from socialist times.

In literature, numerous quantitative indicators are used to present level of financial and fiscal autonomy of local governments. They also can help in qualitative analysis of local government capacities to procure adequate scope and good quality of services for inhabitants. One indicator is *Local government's expenditure as % of GDP* and the other is *Local government's expenditure as a share of total public expenditure*. Both indicators show the importance of local government in public procurement of services in their states, both *in scope* (percent of GDP) and *in relationship between central and local expenditures*. Therefore, these indicators can be seen as indicators for level of decentralization and strength of local democracy.

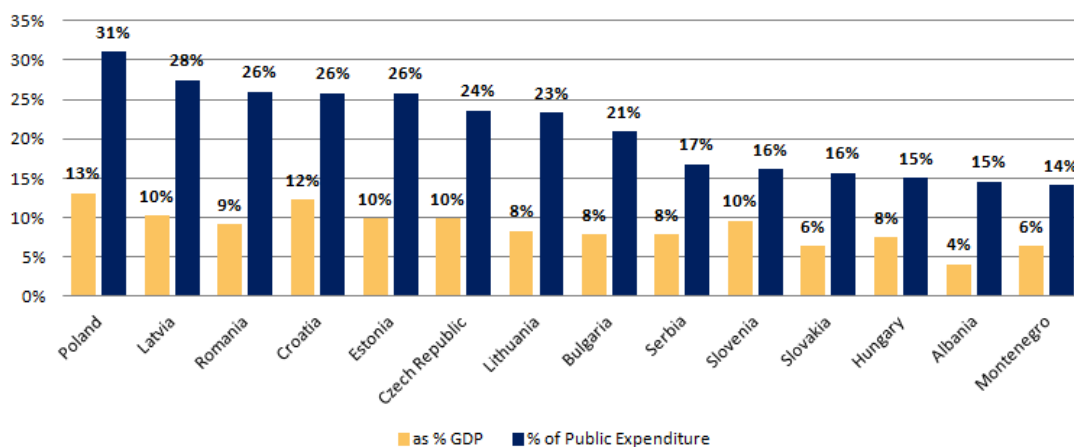
The following graphs (3 and 4) present these two indicators for developed European countries and for post/socialist European countries.

Graph 3. Local Government Expenditure as % of GDP and % of Total Public Expenditure in Developed EU Countries (2016)



Source: Author, by OECD data for 2016, <http://www.oecd.org/>

Graph 4. Local Government Expenditure as % of GDP and % of Total Public Expenditure in Post- socialist Countries in Europe (2016)

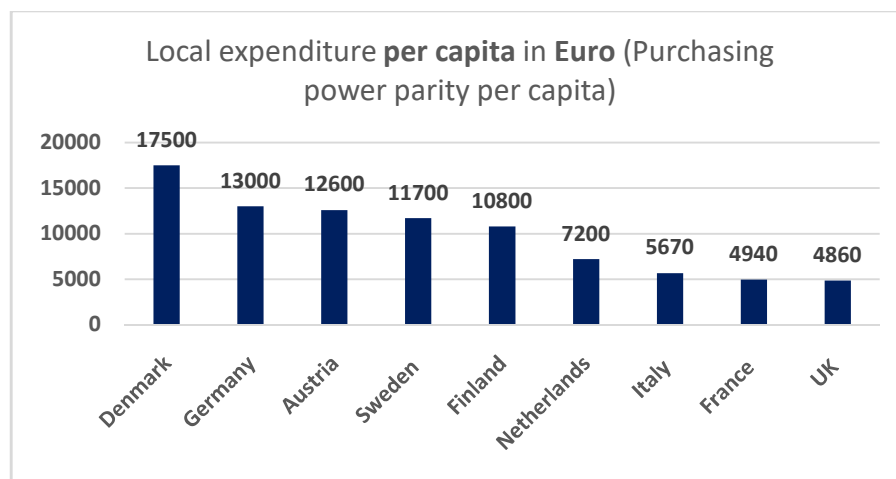


Source: Author, by OECD data for 2016, <http://www.oecd.org/>

Comparing developed countries, one can see that Scandinavian countries, Germany and Austria spend on local level more than 25% of GDP (Denmark even 36% of GDP) and spend on local level more than 30% of all public expenditures (in Denmark and Germany 64 or 63 respectively, in Austria, Sweden and Finland 51%, 47% and 41% respectively). Italy, UK and France have share of GDP and share of public expenditure which is in accordance with group of best positioned post-socialist European countries. Poland, as a leader, has almost the same share as Netherlands, Croatia as UK, and Bulgaria as France.

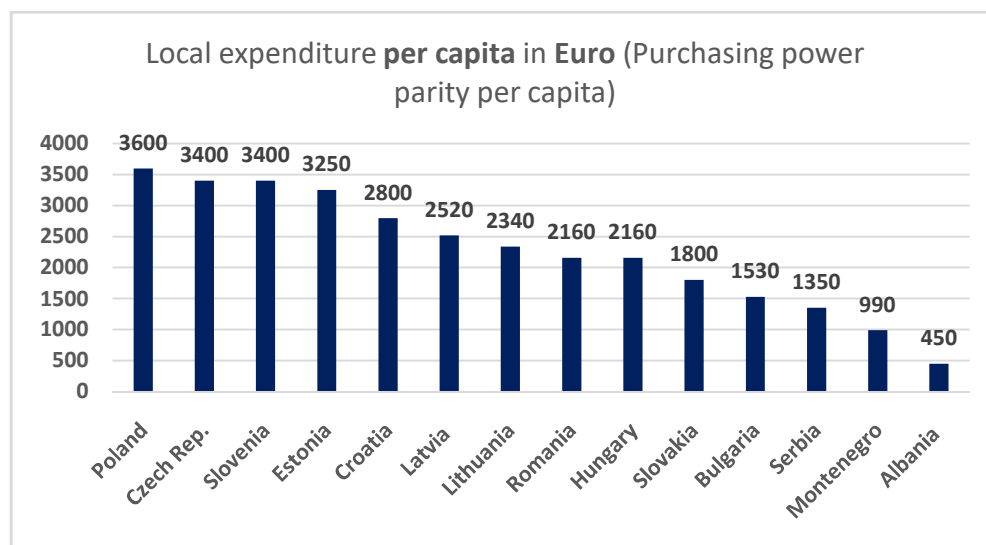
These data are useful, but comparison with percentage is not representative, having in mind the existing high gap between nominal values of GDPs in developed and post-socialist countries. Therefore it is more useful to calculate *local government expenditure as % of GDP, calculated as purchasing power parity* and presented in *real value per capita* for each country. In this way, it is possible to get better picture of the *real value of local financial means* used for local services (scope and quality of services for citizens).

Graph 5. Developed European countries



Source: Author calculated and presented, based by World Bank data, 2019.
<http://data.worldbank.org/data-catalog/world-development-indicators>

Graph6. Ex-socialist countries



Source: Author calculated and presented, based on data by World Bank data, 2019.
<http://data.worldbank.org/data-catalog/world-development-indicators>

From graph 5, with developed European countries, one can notice that difference between countries are in rate 1: 3. Citizens of Denmark enjoy more than 3 times greater local government support than citizens in France, UK and Italy. Citizens in Germany and Austria are supported with double higher financial means than citizens in Netherland.

The gap between post-socialist European countries is even greater, which can be seen on the Graph 6. Poland, Slovenia, Czech Republic and Estonia have over 3 000 Euro local expenditure per capita, Croatia, Latvia, Lithuania, Hungary and Romania have over 2 000 Euro local expenditure per capita, then Slovakia, Bulgaria, and Serbia have over 1 000 Euro local expenditure per capita and finally Montenegro and Albania have under 1 000 Euro local expenditure per capita. Citizens in Poland as best supported, are almost 8 times better supported compared to citizens in Albania, 4 times better than citizens in Montenegro and double better then citizens in Slovakia.

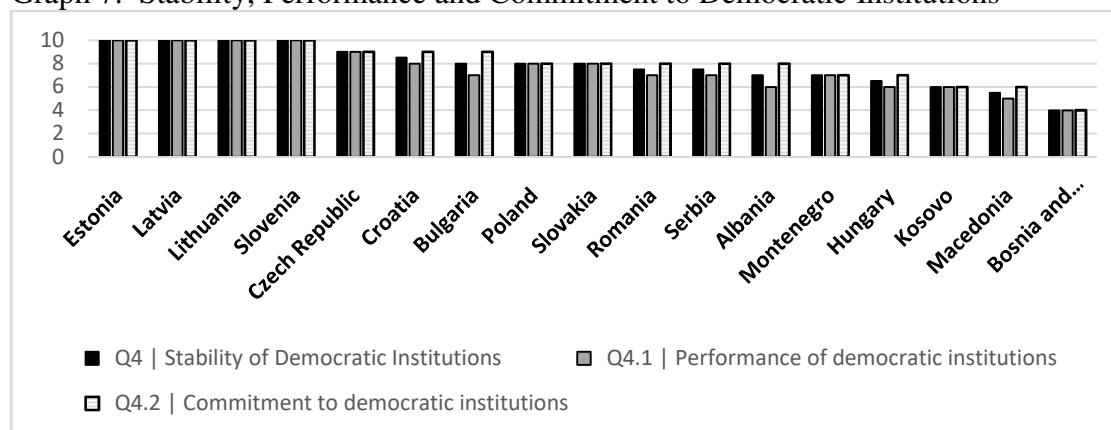
The gap between developed and post-socialist European countries is evident. Poland as the richest post-socialist country has a quarter less financial support than the worst ranked developed countries –France and UK. In comparison to Germany this ratio is 3 times less and with Denmark more than 4 times less financial means per capita. These ratios would even more increase if the values from other post-socialist countries are taken in calculations. If we compare local government support per capita in Denmark, citizens in Albania get 35 times less support, citizens in Montenegro 17,5 times less support, Bulgaria 11 times less and citizens in Croatia 6 times less support. If we compare Croatia with their Austrian neighbors the ratio is 1:4.

These data given for post-socialist countries can be partially increased having in mind that decentralization is still not developed enough and some services are given by state (centralized part of competencies). All this suggest that post socialist countries still, have to develop their local governments` financial capacities and to strengthen local economic development.

6. Quality of local democracy

The following graphs show the quality of democracy in post- socialist countries, directly connected with capacities of local governments to procure adequate and good quality of services to citizens. Graph 7 shows stability, performance and commitment to democratic institutions.

Graph 7. Stability, Performance and Commitment to Democratic Institutions

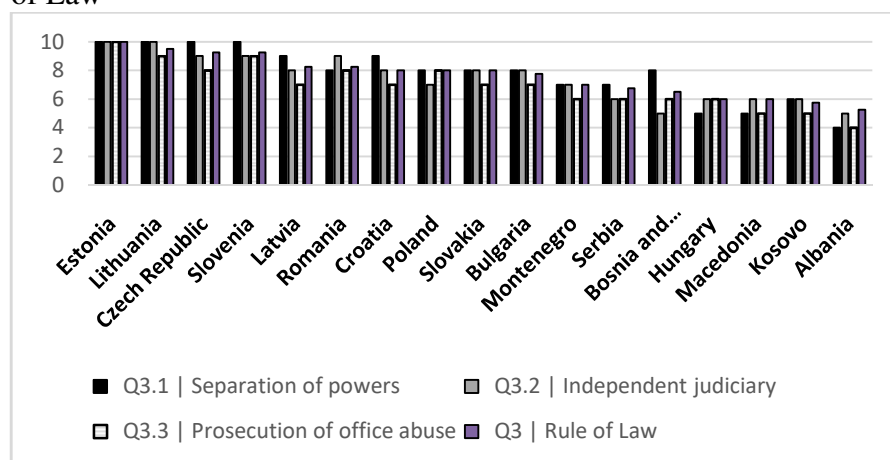


Source: Author prepared with by BTI data, for 2018.

This graph, made based on BTI data, shows situation in: stability, performance and commitment to democratic institutions. The best scores 10 for all three aspects have Estonia, Latvia, Lithuania and Slovenia. The score 9 in commitment have Czech Republic, Croatia and Bulgaria. Score 8 have: Poland, Slovakia in all three aspects, then Romania and Serbia. Montenegro and Hungary have scored 7, Albania between 7 and 6, N. Macedonia between 6 and 5 and Bosnia and Herzegovina 4 for all three aspects.

Additionally indicators for the quality of democracy are: separation of powers (frequent problem of dominance of executive branch), rule of law (this principle is hardly achieved in all these countries), independent judiciary (indicator for availability of justice for citizens) and prosecution of office abuse (this instrument can decrease corruption).

Graph 8. Separation of Powers, Independent Justiciary, Prosecution of Office Abuse and Rule of Law



Source: Author by BTI data, for 2018.

Estonia has the best scores (10) for all analyzed aspects, Lithuania has 10 for separation of power and between 9,5 and 9 for other indicators. Czech Republic, Slovenia, Latvia and Romania have all scores between 10 and 9. Croatia, Poland, Slovakia and Bulgaria have scores between 8 and 7. Montenegro and Serbia between 7 and 6. Bosnia and Herzegovina have very good score 8 for separation of power, but other indicators vary between 6,5 and 5. Hungary, Macedonia and Kosovo have all scored between 6 and 5 and Albania scores between 5 and 4.

It is possible to conclude that separation of power is almost achieved although there are problems with strong executive branch and dependent representative body and judiciary. Rule of law is not so well developed and easy to achieve. Independence of Justiciary is problematic and prosecution of office abuse has scored the lowest values.

7. Reform of public administration, management and public services

Upgrading local government administrative and managerial capacities was a huge challenge for whole society because of necessity to accept new values, new model of behavior and to learn intensively new skills, technics, to modernize and strengthen professionalism. This process is not finished yet.

- a. Including of merit system in employment, remuneration and professional development (career building, vertical and horizontal mobility, permanent education

and training of public servants) are in general implemented in all countries with more or less good results;

- b. Development of strategic planning and management, mission and result driven government, are huge challenges for these countries. Mostly, these aspects are developed by some projects but it is hard to remain as sustainable practice.
- c. Upgrading principles of team work as well as permanent benchmarking and evaluation of achieved results, have also only partially good results.
- d. Modernization of management also upgrades quality of financial, budget, and project management, including different instruments like affirmation of competition, public procurement, privatization, development of monitoring and evaluation (*result and performance driven government*). In these processes local governments in post-socialist countries had possibility to increase transparency in work and upgrade public accountability of local political representatives and leaders. The results achieved in this field are modest.

Further, the development of *free market economy* in these countries stimulates affirmation of efficiency and productivity (economy, rationality and effectiveness) as vitally important for procurement of local public services. In that sense one can notice in most countries, to certain degree, the presence of *privatization* in provision of local public services, both by including private providers of services or by development of public private partnerships in providing of more complex public services.

In new established system in which local government has to guarantee the final quality of public services to citizens, regardless who is provider (public or private enterprise or organization), it is of a huge importance that local government ***is well prepared to perform this challenging task***. Otherwise, this system can lead (and in practice often leads) to misuses, corruption and poor quality of services for citizens. Local governments in these countries are rich with both, ***good and bad practices and experiences***.

The authors in this reform field made various classifications trying to “catch” main joint characteristics for all countries, however their reform paths are specific. All authors agree that reform of public administration and management is highly challenging job for ex-socialist countries.

Most of post-socialist countries did not have classical Weberian administration with politically neutral public servants, servants who are driven in work by professional standards, public good and public interests. Developed merit system (implemented on employment, professional development through vertical and horizontal movement in carrier, and remuneration), which used to be already accepted as standard in administration of developed European countries, is still challenging task for most of post-socialist countries.

That is a reason why most of the reforms would belong to less ambitious types of reforms: *incremental and legalistic* (with slow and consequential upgrading the quality of administration and public sector) and *mixed type* (in which besides classical reform contents, reformers decide to use more or less NPM instruments, technics and arrangements). Finally, the most ambitious type of reform, so called *radical type of reform*, means that classical reform of administration and additionally implementation of most NPM instruments were made simultaneously. Estonia would be the only representative of this type. (Bouckaert G., Nakrošis V., Nemeč J., 2011:17)

Having in mind that all developed countries also have their own model of public administration reform with various intensity of implementation of NPM instruments, it is quite understandable that similar diversity of models is visible in post-socialist countries as well. In analyzing post-socialism time one, cultural aspect is of a huge importance; since accepting capitalism, most post-socialist countries have entered in wild accumulation of

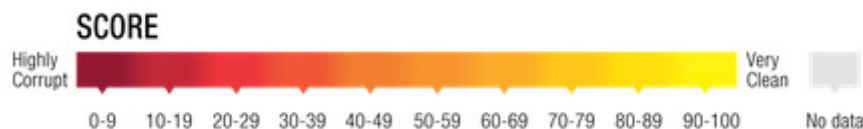
capital, which stimulates *greed* as acceptable value, which further stimulates corruption. (Nemec J, 2010: 42) This process was additionally supported and enhanced by poor quality of democratic institutions and rule of law in these states.

The following table presents corruption index for countries around the world including European countries (western, developed as well as post-socialist countries).

Table 2. Risk of corruption in countries

Country	Corruption index	Country	Corruption index
Denmark	88 (1)	Spain, Latvia	58 (41)
New Zealand	87 (2)	South Korea	57 (17)
Finland, Sweden, Switzerland	85 (3)	Italy	52 (53)
Norway	84 (7)	Slovakia	50 (57)
Netherlands	82 (8)	Croatia	48 (60)
Canada	81 (9)	Romania	47 (51)
Germany, UK	80 (11)	Hungary	46 (64)
Australia	77 (13)	Greece, Montenegro	45 (67)
Ireland, Iceland, Austria	76 (14)	Belarus	44 (70)
Belgian	75 (17)	Serbia, China	39 (87)
Estonia, Japan	73 (18)	Bosnia and Herzegovina	38 (89)
France	72 (21)	N. Macedonia, Kosovo	37 (93)
USA	71 (22)	Albania	36 (99)
Uruguay, United Arab Emirates	70 (23)	Moldavia	33 (117)
Portugal	64 (30)	Ukraine	32 (120)
Slovenia, Poland	60 (36)	Russia	28 (138)
Czech Republic, Lithuania	59 (38)		

Source: Author, table data done by results of Transparency International Report for 2018.



Western European countries mostly belong to group over 70 index points meaning that in their legal system corruption is prohibited and in practice well controlled and punished. Leaders are Scandinavian countries, Switzerland, Netherlands and Germany (over 80 index points). Mediterranean countries have lower scores (higher corruption) which is a part of their culture and more relaxing approach to this kind of problem (Greece 45, Italy 52, Spain 58, but Portugal 64.) Portugal is an example which shows that in spite of tradition, good leadership can change the ambience, upgrade rule of law and decrease corruption.

Post-socialist countries start with excellent Estonia belonging, with 73 index points, to good practice of western European countries. Then follow Slovenia, Poland with 60 index points, Czech Republic and Lithuania with 59 index points together with another Baltic state Latvia with 58 index points.

The scores of other countries are lower: Slovakia 50, Croatia, 48, Romania 47, Hungary 46, Montenegro 45, Serbia 39, Bosnia and Herzegovina 38, North Macedonia 37 and Albania 36.

These scores indicate that corruption is a great challenge for these societies and factor which directly limits democratic and managerial capacities, diminishing and often destroying results of PA reform.

7a. Quality of reforms in states and quality of services

Incremental and predominantly legalistic *reforms* were implemented in Czech Republic and Poland.

Czech Republic planned complex changes in 1999 but in implementation they were mostly focusing on legalistic reforms and on upgrade of classical administrative capacities. Lately, some of NPM instruments are slowly implemented.⁵ (Nemec J., de Vries S. M. Eds, 2012:18) This country have very good scores regarding level of corruption (59), quality of democratic institutions (devotion to them, stability and performance, as well as for separation of power, rule of law and independent judiciary and prosecution of office abuse). This country retains weak mayor model for local governments, showing their conservative approach to reforms. Additionally, small sized local government units, however, didn't have capacities to procure good scope of public services and even their 14 regions (kraje) can't help in procuring adequate specter of public services, demanding intervention of state. With local expenditure of 3400 Euro per capita, this country can procure good quality of services to citizens.

Poland made great efforts to decentralize society and has developed three tiered local government system (municipalities, county - powiat and region- województwo) which is of a crucial importance having in mind that this country has big population (40 million inhabitants). Poland implemented check and balance in system, developed rule of law and stable political institutions. Additionally, this country has good corruption index (60), it shows certain level of preparedness for prosecution of office abuse (8) but did not procure judiciary independence (7).

Poland has directly elected mayor as entrepreneurial model. This country was also pretty devoted in reorganizing public sector but predominantly with legalistic reforms. In time, however, this country and its local governments mostly through projects, implemented some NPM standards, instruments and measures (reducing a number of administration as well as some developmental instruments for upgrading capacities for local economic development). Local expenditure of 3600 Euro per capita is good example of dedication to procure good scope and quality of services.

Majority of counties belongs to *mixed type of reform*.

Lithuania used to have ad-hoc and sectoral approach to reforms trying simultaneously to modernize central and local administration and to implement some of NPM instruments in certain sectors. Data from BTI show that this country is highly devoted to democratic institutions, procuring its stability and high quality of performance, and had very good results in reform of HRM. Its corruption index is very good (59). Some evaluators stress that public administration reform in this country was driven by accession to the EU (similar to other post socialist countries) but intensive NPM activities started after the accession, which is pretty atypical. (Nemec J., de Vries S. M. Eds, 2012: 18)

⁵ With new liberal government Czech Republic proposed new NPM course in public sector reform, but had no real power to implement them.

Lithuania included entrepreneurial, strong mayor model of local government in order to strengthen executive body and stimulate local development. Big sized municipalities with about 49 000 inhabitants, and local expenditure of 2 340 Euro per capita are good indicators that this country has enough capacities to procure adequate scope of services to citizens. This fact means that municipalities predominantly use NPM instruments in stimulation of local economic development.

Latvia belongs to so called “modernizers” accepting, from the very beginning of the reform process, both aspects: classical administrative changes and NPM instruments. Data from BTI show that this country is highly devoted to democratic institutions, procuring stability and high quality of performance. This country included city manager as CEO, following good Scandinavian experiences, keeping at the same time, weak mayor model for local government, just as its developed neighbors. Medium sized local government units with 16 760 inhabitants and local expenditure of 2 520 Euro per capita indicate that its municipalities have enough capacities for procuring adequate scope and potentially good quality of services.

Hungary started at the beginning of 1990ties with incremental and legalistic reforms and after 2006 transferred to radical type reform, including a number of NPM instruments. Hungary included strong mayor model for local government in order to upgrade managerial capacities and to procure good services to citizens. They implemented substantial reform of human resource management, and pretty radical decrease of civil servants on central and local level.⁶ Hungary has small sized municipalities, with only 3100 inhabitants, and therefore it has faced problem of defragmentation. Local expenditure of 2 160 Euro per capita is a good base for procuring public services. In last 5 years government returned to centralization, decreased quality of institutions and performance standards in various policy fields as well as upgrade of corruption (46). (Nemec J., de Vries S. M. Eds, 2012:18)⁷

Slovakia implemented reform of public administration in three waves: at the beginning (before 2003) it started with incremental and legalistic approach, second period was focused on NPM reforms (decentralization and performance financing and budgeting) and in third wave after 2006, they strengthened position of the state (centralization). Slovakia included entrepreneurial, strong mayor model, but it kept small municipalities with average size of 1850 inhabitants. Defragmentation, which causes problems in procuring services can be partially cured with 8 counties (samospravne kraje), but more frequently state took this function. Local expenditure of 1 800 Euro per capita in this country is modest sum for procuring services (half of Poland).

Romania has continuously, after the revolution in 1989, been devoted to reform of public administration. Besides classical administrative and legislative changes, they accepted modernization of management as important aspect of the reform (strategic planning and management, networking, contracting, benchmarking, etc.). (Nemec J, de Vries S. M., Eds 2012: 18) Romania included directly elected mayor and city manager model both as entrepreneurial, with ambition to procure good quality of services to citizens, upgrading managerial capacities of local leadership and public servants. Municipalities with 6 260 inhabitants are small-sized but 42 counties (judete) can help in procurement of services. This country with 20 million of inhabitants could include certain number of regions to upgrade

⁶ This decrease was significant cutting from 30% to 50% of civil servants on central and local level. Ibid, pg.18.

⁷ BTI index: <https://www.bti-project.org/en/reports/country-reports/>

local government network. With local expenditure of 2 160 Euro per capita Romania is somewhere in the middle of the scale (good).

Slovenia started with incremental and legalistic reforms (the tradition as a part of Austro Hungarian state, made this kind of reforms easy for achieve), but, its leadership on state and local level quickly show understanding of the importance of entrepreneurial aspects and contents of NPM reform. Having in mind specific type of regime in ex-Yugoslavia (self-government and half-market economy) this openness for reform was natural. In that sense this country accepted strong mayor model for municipalities in order to strengthen mayor`s power and capacities in various management fields: project, HRM, finance and budget etc. However Slovenia created small sized municipalities (9700) in order to stimulate citizens` participation, but this aspect made certain problem in providing adequate scope of public services. Slovenia did not include counties or regions⁸ but as a relatively small country (2 million inhabitants) the state alone can be the second efficient tier in procuring good scope and quality of services. BTI index shows that this country has very good results in quality of democratic institutions (devotion to them, stability and performance, as well as for separation of power, rule of law, independent judiciary and prosecution of office abuse) and it among the leaders of post-socialist countries. With local expenditure of 3 400 Euro per capita Slovenia is approaching to standard of western European developed countries.

Croatia, after the war in 1990ties, started with incremental and legalistic reforms but similar to Slovenia, quickly accepted some of NPM instruments in process of modernization. Further, tradition of living in Austro Hungarian state made administrative changes quicker and more efficient. In that sense this country accepted strong mayor model in order to strengthen mayor`s power and capacities in various management fields: project, HRM, finance and budget etc. However Croatia created small sized municipalities (7 600) in order to stimulate citizens` participation, but this aspect made certain problem in providing adequate scope of public services (defragmentation). In that sense, *21 county (županija)* can be level which helps when municipality have not enough capacities. In practice however, counties are not efficient enough because of poor tradition in this field and their distance from citizens. Local expenditure of 2 800 Euro per capita represent a solid base for procuring good quality of services.

Serbia as a representative of ex-Yugoslavian country, post-socialist and still in process of preparation for admission to EU, can be interesting for this paper. This country started reforms of public administration after 2000 and expressed preparedness for classical PA reform and for including entrepreneurial instruments of NPM reform. The reform, however, was implemented slowly, in spite of legal stipulation of merit system. Political elites were not prepared to get rid of profit from politics and this country has a significant level of corruption (index is 39). In 2002 strong mayor and city manager model were implemented, but after first electoral cycle (2004-2008) weak mayor model was returned. Serbia has big municipalities with 40 000 inhabitants and therefore can procure adequate scope and good quality of services. Serbia has 2 regions (Pokrajina) and 5 statistical regions. Local expenditure of 1350 Euro per capita is not so good indicator. Some local governments were reform leaders, in modernization of management, implementing a number of NPM instruments (strategic planning and management, municipal bonds, project budgeting, privatization in services, digitalization, one stop shop, PPP, etc.) and procuring good results in local economic development. Still, this process is not sustainable for most local governments.

⁸ Slovenia have several plans for regionalization but at the end gave up of them.

Estonia is an outstanding example of most radical and NPM based reform. (Nemec J, de Vries S. M., Eds 2012: 17) After procuring national independence, this country has strengthened its connections with Finland (same ethnic origin, Hungary-Finish language) and Finland, as one of the world leaders in public administration reforms, influenced Estonian leaders too. This country has good results in market reforms (massive privatization), as well as in performance of democratic institutions (great rates in commitment to democratic institutions, their stability, and performance as well as in procured separation of powers, independent judiciary, prosecution of office abuse and rule of law).

This is a unique country also by decision of political leaders to accept professionalism as an important standard and to limit the power of political parties which stimulated success of the reform and leadership position regarding small level of corruption (73 corruption index).

Estonia started with small sized municipalities (6165), trying to implement amalgamation but without good results. It accepted a strong mayor model in order to upgrade managerial capacities of local government. Estonia has significant local expenditure with 3 250 Euro per capita which is a good indicator of adequate scope and good quality of services.

8. The main features of reform

In all countries *merit system* was adopted, *professionalism* is strengthened to certain degree, and modernization of management is upgraded. For these countries it was not easy to transfer from *role driven government* to *mission and result driven government*.

For most of them it is a great challenge to develop good data bases and to develop *evidence based policy making* both on central and local level. Partner type of relationship between state and local government is still in the process of development, and implementation of subsidiary principle is still a problem. Even some countries which made great success in reforms, return in some phases to centralization (Estonia, Hungary etc.).

Reform of public enterprises is especially a great challenge, because of corruptive practice of employment of party supporters, friends and cousins.

Inclusion of competition with public procurement is created to procure best services for lower prices. But in practice competition is often distorted and used as a tool for corruption and misuses. Local government often *tailored contracts* (either created as *the lowest price* or as *the best quality offer*) to fit the desired contractor. In this way, all reform instruments which were created to improve quality and availability of services, can be misused and corrupted. A lot of case studies, made on various corruption affairs, in almost all fields of services, are good indicators of this malpractice.

Analyses of public contracts used by local governments show that one can hardly find stimulative instruments like “bonus for speed and efficiency” and “share of procured savings” which is also a good indicator of insufficient care for public good.

Privatization in procuring local public services is developed in almost all countries, but local governments often care and monitor activities of public enterprises and institutions, *neglecting private ones*. From the point of view of local leaders, local government is not in charge to care about the quality of services which private institutions procure (schools, kindergartens, elderly houses, dentists, ambulances, pharmacies, galleries, theatres, sport centers, etc.) *because “they are on the market”*. (Đorđević S., 2017:145)

Strategic planning and management is often only technically accepted. It seems that local governments need decades to accept these instruments as important developmental tools in all their activities. Additionally, inclusion of citizens in process of creation of strategies,

policies (mission driven governance), debates on budgets, on spatial plans and projects (*participative policies*) still have to be developed in most of these countries.

The process of *monitoring and evaluation* of quality of public services procured by public enterprises and institutions are often a great challenge for local governments, because their public servants do not have skills for creation of indicators, for monitoring and evaluation. (*lack of trainings and lack of political support, both on local and state level*)

Inspections as classical monitoring “instruments”, which used to work in bureaucratic manner, often understaffed and burdened with corruptive practice, turned out to change in a number of countries in responsible public services with implementation of *e-packages* “*citizen – inspector*”. This package open possibility for users of services in all policy fields to send information about the quality of services to inspections, upgrading process of control and monitoring.

Local governments in these countries are for 30 years “classrooms” for learning, trainings and education supported by numerous international donors` projects. Local politicians and public servants have been educated about new management values, standards, procedures, instruments, good practice, changing focus in work on beneficiary groups, on citizens and user groups. They were trained to be rational, efficient in policy process, to implement cost benefit analysis, to care for equality and public availability of services to all social groups, to upgrade transparency and responsibility and to oppose to corruption etc. On the base of such great efforts in all countries a number of local leaders learned from good practice of developed countries and made great changes in their cities and municipalities: they modernized and digitalized administration, developed monitoring and evaluation practice, created participative policies and good quality of services in all fields tailored by citizens` needs.

Slow administration was transformed through *one stop shop* in excellent civil service center which opens possibility for each person to see in which phase is his/ her application and when it will be finished. (*transparency, accountability*). *System 48* enables citizens to inform public servants on some problems and local government must solve it and respond about final results and causes in 48 hours.

Good practice can be seen in implementing *performance budgeting* which enables local governments, communities and citizens to make connection between taxes, budget, and services which are procured by these means. Additionally numerous local governments are educated to opt between taking credits from banks or emitting *municipal bonds* when they need money for ambitious capital projects. Local governments learn to understand financial management, use microcredit funds and some of them were supported even to create *revolving funds* in order to upgrade their investment capacities for ambitious projects. They are also pretty skilful in creation of *public private partnership projects (PPP)*. Still, in a number of countries is visible that results of these projects are excellent when they are driven by international donor, which scrupulously develops indicators and follows procedures from the beginning up to the end. Later on, when local governments continue to do it alone, PPP are often new instrument for corruption. (Đorđević S., 2016: 97)

The *question of sustainability*, has been opened regarding all other instruments, because when donors are gone, local government often returns to old way of work, forgetting new values, standards, skills and technics. These new practices demand time, commitment, permanent political support, as well as important role of educational institutions and training centers (Local government Association, professional associations) in procuring academic educational programs, trainings, and professional monitoring and evaluation etc.

Conclusion

Researches of reform processes in post-socialist countries have shown that changes came in waves, in both direction: first with reform contents and then with return to old practice. There are a lot of reasons for it.

In post-socialist countries, *coalition governments* have difficulties to procure agreement of all parties for commitment to long-term reforms activities. Frequent changes of governance and turns in reform directions (caused by different ideologies) caused discontinuity of reforms. Reform requires commitment, time for population to understand the meaning of new values, instruments, procedures, as well as time for public servants to learn new skills, technics and procedures. Political leaders are mostly preoccupied by short term results in order to procure support on following elections, but achieved results in this field are not easily visible or appreciated by public. Additionally, new standards upgrade transparency, responsibility, measurement of results and political leaders often did their best to postpone these changes, on one side because of fear of poor results, and on the other side, because they need publicly invisible space for profitable arrangements for small privileged groups (*lack of sufficient political support for reform*).

Reforms are in public interest, but citizens often do not understand that. Civil society often couldn't make public pressure strong enough for obtaining desired changes. On the other side, politicians have personal reasons to postpone these changes in order to protect their interests and they use various instruments like diminishing importance of these changes, lies, and aggressive attack on advocates of these demands (*lack of knowledge*). (Nemec J., de Vries S. M. Eds, 2012:14, Bouckaert G., 2009: 96).

During reform, almost all countries faced the problem of *institutional resistance*, because change of procedures, behavior and way of work is a great challenge for civil servants and politicians. The upgrade of transparency, monitoring, evaluation with increase of competition creates stressful work environment in which politicians and civil servants fear to be accused for bad results and punished - politicians by losing elections, and civil servants by degradation in position, in wage or even in loss of job. This process can be facilitated only if institutions accept this reform as their own mission.

Finally, all countries could use better local governments for upgrading quality of public administration and management reforms. The best indicators for it are increase of citizens' satisfaction with good quality of services and better inclusion of citizens in decisions making process.

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Data basis:

1. Bertelsmann Transformation Index: <https://www.bti-project.org/en/reports/country-reports/>
2. OECD data, <http://www.oecd.org/>
3. World Bank data, <http://data.worldbank.org/data-catalog/world-development-indicators>