

METROPOLITAN CEE

Big Cities, Capitals and City-Regions in Central and Eastern Europe

Edited by

Gábor Soós and Markku Temmes

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

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2010

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Published by
NISPAcee Press
Polianky 5
841 01 Bratislava 42
Slovak Republic
tel/fax: 421 2 6428 5557
e-mail: nispa@nispa.org
<http://www.nispa.org>

Printed in Slovakia

ISBN 978-80-89013-51-7

Printed with the financial support:

- LGI/OSI (The Local Government and Public Service Reform Initiative, Open Society Institute), Budapest, Hungary
- The Association of Finnish Local and Regional Authorities, Helsinki, Finland

 Local and Regional
Government Finland

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Metropolitan CEE City Regions as Development Engines in Transition

Markku Temmes

1. Focus of the book

Metropolitan areas or city-regions have increasing importance as engines of development everywhere in the globalising world. In CEE (central and eastern Europe) countries this role is especially relevant because of the fast change of societies. In fact, the CEE area is wider than traditional Europe because of the large size of the former Soviet Union, which included areas in Central Asia, Caucasus and even the Far East. Development in the CEE area also has an impact on those former communist countries which are outside traditional Europe. The differences between the city regions in the CEE area are interesting from the dominant capitals of the Baltic countries, and in many Central European countries, to the mono-towns in the Ural area.

This focus has turned out to be important and interesting in the CEE environment. City-regions have increasing importance as engines in the development of the global economy. The transition countries face real challenges in joining the global economy with the new basis of a market economy, in place of the previous communist command economy. There are many interesting examples of models and development tools with which CEE countries are supporting their metropolitans to catalyse national economic development. However, at the same time, we find serious problems in the general conditions concerning the structural positions of city administration in CEE.

The city-regions also represent the marvellous historical heritage of European urban culture. The CEE area and Central Asia are full of interesting city-regions with a long history of urbanisation. In the Middle Ages, many cities had a wide autonomy and cities were the most developed parts of feudal societies before strong national states. Often, these cities had their own internal administration and privileges which guaranteed their political and economic independence.

The splendid development of the Renaissance, created in the Italian city states not only a high level of trade, economy and arts, but also internal politics and administration. The city administration of Italian Renaissance cities is, even today, a symbol of autonomous city administration.

In Northern Europe the most famous example of historical city culture is the Hanseatic League, which consisted of many autonomous city states such as Lubeck, Tallinn and Wisby around the coast of the Baltic Sea. The Hanseatic League had effective commercial networking and also a common foreign policy and co-operation in many fields of administration.

The Hanseatic League and Italian Renaissance cities are also examples of problems and tensions between city administrations and political leaders who tried to create principalities consisting of both cities and rural areas. After the gradual development of so-called national states in the 14th and 15th centuries, the autonomous city administrations lost their special positions. The Peace of Westfalen in 1648 was the final breakthrough of dominance of the national states.

This long lasting tension between the developed historical cities and the Princes who tried to subordinate the city administrations into paying taxes to them and obey their command, can not only describe and symbolise the fate of cities in historical societies, but perhaps also in modern society. Historically, the developed city administrations represented economic and cultural progress and the Princes represented power and wars. In modern society, the metropolitan areas still have a special role as a spearhead of urban development, which, in many ways can, be the highest level of economic and cultural progress.

1.1 From centralisation to decentralisation

Several presentations in this book tackle the challenges and threats of urbanisation and national models, but it is also a question of general decentralisation development. City administrations are the most demanded target of decentralisation. In fact, the problems of the city administrations are often due to difficulties in using general national decentralisation models in a highly urban environment. The general models of local government seldom fit city communities, which can be 100 times larger than a similar local community in the country.

With this situation, it seems reasonable to look for more specific, more autonomous administrative models to the metropolitan cities. The metaphorical picture of a Middle Age city state with its own autonomous administration and own economy is perhaps not so fictional a target to reorganise metropolitan cities in the CEE as well. At least we already have the kind of splendid historical tradition which, perhaps, could be revived in a new situation in which the former communist countries reorganise their societies to follow the principles of a market economy, liberal democracy and a legal state.

It is not only a question of the size of the metropolitan cities. In most of the countries, the most remarkable metropolitan city also has a role as the capital city or it is in the centre of a large region. The capital city role is a role which connects these cities to the core development of the entire country. The capital city is the centre of politics, administration and international networking. In most cases, it is also the most important centre of economy and culture. This special position gives these cities the possibilities to develop and this development is crucial to the whole country. If the capital is successful, the whole country is also successful. This simple causality seems difficult to be politically understood. In many countries, the capital city is fighting to be understood as a special case, which must receive support from government and have an administrative position which gives the capital city the opportunities to develop.

The main idea of decentralisation is the transfer of power from the central to the lower layers or to the subordinate units. In public administration, decentralisation normally means transferring powers (especially the decision-making power) from central administration to agency, regional or local levels. Deconcentration and deregulation are phenomena which, in many cases, have been connected to decentralisation but are more internal a question of reorganising the state machinery. In modernising developed public administrations, decentralisation seems to be one of the key issues. The aim of decentralisation is to increase the impact of the grass root level actors in decision-making and democratising public policies and activities.

The strongest recent development doctrine in implementing public administration modernisation has been, since the 1980s, the so-called New Public Management (NPM) doctrine. This doctrine was initiated in Anglo-Saxon developed countries such as the U.K., the USA, New Zealand, Australia etc. In European welfare states, the implementation of NPM doctrine has, however, clear European features. Pollitt and Bouckaert describe this European model as the Neo-Weberian-State model (NWS model) in which the NPM-type Neo-elements are connected into Weberian elements, which have the traditionally directed administrative culture of European welfare states (Pollitt and Bouckaert 2004, 99–101).

In a transition environment, decentralisation is also a key issue, but its pre-conditions are different when compared with developed Western European societies. In the communist system, governance of society and the administration which supported centralised governance were principally extremely centralised. The real power centre was the communist party and the governance model was constructed to keep power in its hands.

In post-communist development, decentralisation of the powers of the centre of the state has many aspects. Mainly, it is a question of democratisation of society by increasing self-government. It is also a question of increasing the effectiveness and flexibility of decision-making. The gap between the centralised communist model and the decentralised model of liberal democracy is crucial. It transfers from

the system of a one-power centre into a system of multidimensional, decentralised and balanced power centres, typical of liberal democracy.

Because of the immense and difficult challenges in creating a modern self-governance, the reform policies and schedules in implementing administrative reforms have concentrated on the main structures of the administrative machinery and functions of central administration. The real reforms of local self-government were, at the beginning of the reform wave in many transition countries, incremental and without real mission.

There are a few reasons for the reform order and schedules in transition development. First, effective administrative reform policy needs its headquarters and common development architecture. So-called lead agencies (see chapter 2) are working at the central level, at least at the beginning of the reform waves. Second, there has been a need for coordination in the planning and implementing heavy reforms in transition administrations, including coordination in directing international aid with many donor organisations. Third, the shadow of the communist model of governance was strongest at the regional and local levels because of the huge and time consuming task of moving into more decentralised structures and an administrative culture.

Modernisation policy and especially NPM doctrine has also changed the role of decentralisation in the transition countries. NPM creates an effective decentralisation which clearly means a more independent position to the agencies and regional and local units. Public activities can be moved to public enterprises or to state-owned and private companies. Public services can be marketising or contracting out etc.

There are, however, threats of a lack of common goals or too weak co-ordination when using NPM-type reforms in a transition environment. A balance between decentralisation and centralisation is a key factor in transition development. The experiences from developed liberal democratic countries are useful in that kind of development, but the preconditions to successful reforms are quite different in CEE countries because of still-developing legal and regulation systems.

1.2 Post NPM administrative reform policy – the end of active and centralised administrative reform policies?

Administrative reform policy is a national level policy area in which the architecture and main directions of administrative reforms are planned. In most of the countries, there have been at least some special units which have concentrated on planning and implementing administrative reform policies. These so-called lead agencies are specialised in maintaining and reforming organisation structures, steering systems and common personnel policies and in-service training in the administrative machinery (Corkery et al. 1998). These kinds of units can be located in the ministries or can be working alongside a ministry as training centres of in-service training for

civil servants. In Finland, we have had this kind of lead agency-type unit since 1944 when a small bureau of the Chancellor of Administration was founded; since 1971, there has been a specialised in-service training unit for state civil servants (Temmes, Sootla and Larjavaara 2000).

Everyone who has been involved in administrative reform policies knows how much tension and variations there can be in these activities. Political changes certainly impact changes and new needs in administrative reform policies. In the long-term these large variations in the workload and role and activity of the lead agencies describe the successfulness and failures of the reform policy. This indicator is also applicable to the organisational autonomy of the central, regional and local administration units. The balance between centralisation and decentralisation is perhaps the main indicator which not only has a role in directing the targets of the administrative reform policy but also in defining the position and the possibilities of the lead agency activities.

In Finland we have codified material of the planning of the architecture of the administrative reform policy. Prior to creating a specialised lead agency organisation, these plans were made in specialised ad hoc committees. As described above, a lead agency had already started up at the end of the war in 1944 in Finland, but until the 1980s, the main channel to plan administrative reform architecture and action plans was a committee institute in which there were multidimensional possibilities to prepare reforms. Since the 1980s, the committee preparations have been replaced by internal working groups of the ministries, one person's reviews and the projects in which the consulting firms and external experts have also been involved. This is a good example of a post-NPM-type administrative culture.

In post-NPM governance there seems to be more and more decentralisation of reform activities, which could mean the end of the active centralised administrative reform policies and special roles of the lead agencies. Does this development really mean the end of the world for the comprehensive administrative reform policies and for the lead agencies? In particular, we must ask this question at the municipality level where the administrative reform institutes have traditionally been weaker and more decentralised. The main co-ordinating role in the Finnish case has belonged to the National Association of Municipalities, but only in an indirect and catalysing role.

We must go further. What do these kinds of development trends in the city administrations, especially in the big metropolitan cities of the CEE countries, mean? One answer could be a more autonomous role for city administration. The large cities can take responsibility for their internal administrative development. These cities have the capacities and resources to do that. In many metropolitan cities of Western Europe we can see examples of this kind of development. However, in a transition situation it is difficult to see the political possibilities of these kinds of changes in the national administrative structures. On the contrary, in transition

countries it has meant firstly a phase of centralisation and decentralisation attempts have been rare and often ineffective.

1.3 Long waves – the case of Finland

This preliminary picture of administrative development mechanisms can, however, be too simple although we believe strongly in the possibility of active administrative reform policy and not so much in path dependency theories. When we take into consideration the impacts of international modelling, organisational causalities of decentralisation and organisation trajectories and form a comprehensive picture of all these elements, the picture is more multi-dimensional. A long-term analysis will perhaps give more comprehensive results.

In this multidimensional analysis, the idea of long cycles or development waves is borrowed from national economy studies. The most famous pioneer in that research field was a Russian researcher, N. D. Kondratieff, who introduced the concept of long cycles of economy (50 to 60 years) in his analysis of the economic history of England, Germany and the United States (Kondratieff 1935). In the Soviet Union, his theory was declared false and reactionary and he was imprisoned in Siberia, where he died at the end of the 1930s. In Finland, the idea of long cycles was introduced by the economist, Pekka Korpinen (Korpinen 1981), who also used it in analysing Italian art history (Korpinen 1999). Perhaps the comparison between long waves in art history and administrative reform policies is obviously not practical but, however, worth considering in steering development in the former communist countries (Temmes 2007).

The case of the Finnish administrative reform policy from 1945 to today can be used to seek evidence of the long-term elements impacting reform policies. We can separate external and internal impact elements. The most important external elements come from changes in the international position of the country. Also, the direct or indirect international modelling has an external impact in national administrative reform policies. The international models work like technological inventions which move quickly from country to country. The internal impacting elements come from welfare state development, together with growth in the public sector, its productivity development, politicisation development in the administrative machinery and from the changes in balance between centralisation and decentralisation. The administrative cultural elements can also internally form administrative reform policies. For instance, the tension between administrative legalism and managerialism can direct administrative reform policies. The politicisation of the civil service can also be an interesting element of long wave transfers in an administrative reform culture.

One of the key terms behind administrative cultural questions is the neutrality of the administrative machinery and the civil service with common social and educational backgrounds and common in-service training. The neutrality is con-

nected to the conventional model of neutral bureaucracy in a Weberian spirit (De Vries 1996). On the other hand, Pollitt and Bouckaert's Neo-Weberian-State (NWS) model tries to connect the Weberian elements of a neutral bureaucracy and public service ethos into NPM-type reform policy (Pollitt and Bouckaert 2004, 99–101 and Pollitt et al. 1997). On that basis, we can characterise Finland as a welfare-state which balances the basic elements of the neutral state with the reform ideas of the NPM doctrine.

In the long-term approach we must consider, at the same time, political, economic and administrative development in society. In the economist long-cycle concept we can identify 50–60 years variation periods of prosperity and depression. We can hardly find clear periods in administrative reform policy, although the administrative reforms probably have connections to economic development. In business administration, the development curves of the size development of businesses mainly follow variations between decentralisation and centralisation when the business is growing from small to the next larger level (Greiner 1981). In state administration, there are also tendencies to grow into a form of bureaucracy self-interest but we cannot speak for systematic variations of centralisation and decentralisation in specific organisation units. In principle, the main target of the public organisation units is not to grow but to meet the needs of the public interest and citizens. However, variations between decentralisation and centralisation probably explain the situation better than other indicators at the macro level development logic of the administrative machinery.

The hypothesis of balance seeking between decentralisation and centralisation can be the key issue in analysing the material of the case of Finland. Together with this hypothesis there are other impacts that can be followed; for instance, the role of foreign modelling and technological administrative inventions which can be analysed in their wide scope. The development period examined can be from 1945 to today (the development period of the Nordic welfare state in Finland) but also some historical developments can be briefly tackled to guarantee the basic information concerning the sources of the Finnish administrative reform policies and administrative culture.

In the long range analysis, we can find, for instance, very active periods of state and administrative building, transition periods (right after independence and after the wars) and periods during which the administrative reform policy concentrated on increasing control and correcting functions of the administrative machinery (in the economic depressions and to decrease the problems of bureaucracy). The NPM reform policy in the 1990s seems to not fit so well to this kind of long-term analysis because of the double role of these kinds of reforms. In fact, the NPM reforms have had a role in developing new organisation models and steering systems in the administrative machinery, which had had many impacts on welfare state services. On the other hand, these reforms also impacted correcting and adapting methods in

the de-bureaucracy activities and in decreasing expenditures. The latest experiences show some kind of change in the long wave in the form of neo-centralisation for increasing national level coordination needs.

1.4 Decentralisation as along wave in a transition environment

Decentralisation of the administrative machinery can be a major mission in transition countries. It is obvious that in many cases, proper decentralisation development will last several decades. In fact, it is understandable that the first phase of reform activities is centralised. In the second phase it is obvious that there is more room for decentralisation. Decentralisation development needs, however, strong institutionalisation of decentralised elements in society such as effective self-government structures, a stronger civic society and mutual co-operation with self-government units, for example in the form of a national association of municipalities. Also in political culture, there is the need for decentralisation development.

All these elements of decentralisation development will last for decades and there will be many variations among transition countries. Obviously, we will have an opportunity to follow a quite interesting decentralisation development in the whole area of the CEE countries. Without a doubt, the decentralisation wave will be a big issue in this area during for the next few decades.

1.5 Conclusions

We can summarise our findings concerning decentralisation needs and challenges in the CEE:

- One of great challenges in the CEE countries in the near future will be decentralisation development. In fact, a long wave of decentralisation will obviously dominate administrative reform policies in these countries for a long time to come.
- In CEE countries, decentralisation development will have a relevant role in increasing democracy at the grass root level of liberal democracy.
- In CEE countries, the power structures and steering systems are seeking a well-functioning balance between centralised coordination and decentralised self governance.
- NPM-type reforms will also, in CEE countries, be a useful “shortcut” into more decentralised societies but this doctrine includes elements which are difficult to control and could create unexpected impacts.
- Urban development and especially metropolitan development are interesting sub-issues in general decentralisation elements in unifying Europe.
- Lead agency development is an important part of administrative reform policies in CEE countries and also at the regional and local levels.

What does all this mean if we focus on the development challenges of the city administration in CEE? It would be easy to say that all local units are equal targets in decentralisation development. In many aspects they are, but there are historical reasons and reasons which for the future development need to be studied more precisely regarding city administration challenges.

The Middle Age traditions are not the only interesting historical heritage of CEE cities. Many of were marvellous cosmopolitan centres of Europe in the good old days of the 18th and 19th centuries. Cities such as Budapest, Prague, Bratislava, Saint Petersburg, Moscow, Bucharest, Sofia, Vilnius, Riga and Tallinn are good examples of modern economic and cultural progress in the 19th century. These cities and many other were real engines for their countries and they were also, in very concrete ways, international and cosmopolitan.

The Communistic regime was effective to raise borders and close international doors. At least the direction of international co-operation changed from west to east. This kind of isolation was destructive to the cosmopolitan role of many metropolitan cities in CEE. In the New Europe there are no more obstacles to revitalise the natural cosmopolitan and active role of metropolitan cities in the CEE area.

What does all this mean in administrative development in the city administration of CEE? In general, it means that the governments of the CEE countries face not only reform needs of their central and regional and local administrations, but also as a fourth reform target group, the reform needs of the metropolitan cities. One special reform need is to create a capital city administration model which can guarantee the capital city reasonable possibilities to develop as an engine of economic and cultural development and as a crossing of international networking for the whole country.

In fact, city administrations require two kinds of reform policies. First, the city administration must have a reasonable structural position in the general structure of public administration in the country. In many countries this has meant continuing the debate of the constitutional position of the capitals or agreements between the governments and the metropolitan cities. Second, the city administration must create their own internal development policies to fulfil the democratic, economic and cultural needs of the inhabitants.

This is a difficult challenge to transition theories and practices. When the whole country is moving towards new systems and solutions, these kinds of specific problems can easily be forgotten. In this book we try to open for debate the problems and possibilities of city administrations in CEE countries. There are no easy answers to the questions we have but it is already an achievement to realise that in planning general administrative development, it is important to stop and think about how to bring back the urban glory of the European city administration.

We have concentrated in WG 1 (Local government) on three sub-themes to cover city-region development issues. First, there were presentations concerning the problems of development. It was clear that development problems in city-regions are global but there are also some “transition specific” problems. Differences between the city-regions of various CEE countries are also interesting issues. There was a wide scale of different kinds of city-regions but they also have common problems. The city-regions really can be engines of development for the whole country but, in many cases, the first phase was the collapse of the former economic structure, for instance the collapse of “the forced industries”. The problems with legislation and regulations, especially in city-planning and construction activities, are common in the CEE countries.

The second sub-theme among the presentations concerned the problems of governance. There really are remarkable problems with the unclear position of the capital cities or other city-regions in the national administrative systems. There were also problems with the suburbs and fragmentation of metropolitan areas which can be a threat for sustainable development in the whole of society.

The third sub-theme was decentralisation problems. The dominance of the capitals and other big cities in the national economy and political life can also create problems which can cause over-centralisation in the economy and in the whole of society. It can also cause some threats for the healthy development of local self-governance. One big issue which is becoming more important in CEE countries is redistribution problems between city-regions and rural areas.

Every country tries to catalyse national development and, in that role, governments are supporting their under-developed areas. The problems of city-regions can easily be forgotten. Governance and administrative problems are common among the city-regions in CEE countries. In every CEE country there has been a debate on how to solve the problems connected to the position of the capitals and other metropolitan areas in the national administrative systems. On the other hand, there are also examples of constitutional solutions for special capitals or agreements between the capitals and the national governments.

The problems of nearby suburbs and fragmentation of metropolitan areas are also a common development problem in many CEE countries. The problems of the collapse of “forced industries”, typical of the soviet system, have meant a reconsideration of the whole economic and industrial structures of these countries which means serious adaptation problems in the economy of the city-regions.

The unbalanced decentralisation between the city-regions and other parts of the country can really be a threat to the sustainable development of the country. The over-centralised economy around one metropolitan area can cause many problems. On the other hand, redistribution problems between city-regions and rural areas can also impact political and economic tensions.

Generally speaking, the metropolitan cities of the CEE countries are, in many respects, at the core of European civilisation. They have a marvellous historical heritage of European urban culture with many differences and similarities. Many of these cities have been representative of some of Europe's highest levels of cosmopolitan heritage, which during soviet times were in danger but no longer are.

This book tries to raise the debate on many interesting issues and questions around city-administrations of CEE countries. We also try to focus on the transition view which means questions and answers on the development of post-communist societies.

2. The Articles

2.1 Decentralisation

Sulev Mäeltsemees: *The Capital City in the Local Self-Government System in Central and Eastern European and Caucasus Countries (a comparative summary)*

This article is an important comparative description of capital city problems in the CEE. It also includes some comparative information of similarities and differences between Western and Eastern European city administrations.

Kauko Aronen: *Comparing Finnish and European urban policy*

Aronen provides a definition of urban policy, and applies it to a comparison between a broadly conceived European urban policy and the urban policy implemented in Finland. He concludes that Finland did not pay enough attention to urban problems. The Finnish policymakers can learn from some of the positive elements of European urban policy (e.g. the emphasis on the treatment of social exclusion), but their approach should be more preventive than corrective.

Nino Gerkeuli: *Country Report on Urban Policy in Georgia*

Tbilisi is one of the most interesting historical cities in the CEE. This article describes the development activities of this city with success and failure stories typical to city development in transition. Problems of city planning and regulation of construction activities are certainly also common to other city administrations in the CEE.

Sasa Drezgic: *Decentralisation of the Croatian Roads Sector. Should Cities Take Over the Roads?*

This article describes, in an interesting way, how the division of responsibilities is under reconsideration in transition development. Road administration is an important technical sector which must be organised effectively and which has crucial

impacts on the development of both national and local economies. How these problems are solved in Croatia is an interesting example to other CEE countries.

2.2 Governance

Marta Lackowska and Paweł Swianiewicz: *Metropolitan Governance Discourse*

This article describes the basic framework of metropolitan governance using Polish information and examples.

Uros Pinteric: *Governance in Slovenian cities between party politics and the new wave of management*

This article describes the political aspects of the city administration. The typical problems of political stability are certainly common in many CEE countries.

Laurens De Graaf et al.: *Democratic Capacity “Under Construction”: The Case of Participatory Democracy in Eindhoven, Kosice, Ljubljana and Bucharest*

This comparative article gives us the possibility to consider the development of democratic capacity in four countries. Three of the cities are from CEE and one from the Netherlands, which presents the opportunity to compare democratic development in old and new Europe.

2.3 Development

Rod Erakovich: *International Capacity Building: A Partnership Of Community*

This article gives basic information on city development with its challenges and problems. Partnership building is described as an opportunity to create development programmes in city administration.

Dominika Wojtowicz: *Metropolis and big cities as “Regions’ Locomotives”. Analysis of Regional Development Strategies in Poland*

This article tackles the basic tools of metropolitan development using Polish examples. These examples and considerations are, however, typical to many metropolitan cities in the CEE.

Irina Turgel: *Russian Large Industrial Cities: Modernisation of the Economy*

This article brings us a message from Siberia, regarding large industrial cities with their special economic and administrative arrangements. The article relates how these “mono-cities” are still managing. This interesting analysis also shows the wide scope of different kinds of city administrations that we have in CEE.

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Decentralisation

The Capital City in the Local Self-Government System in Central and Eastern European and Caucasus Countries

Sulev Mäeltsemees¹

Abstract

Capital cities have a special role in their national local self-government system. On the one hand, each capital city has a certain symbolic meaning to their state; the whole state is assessed based on its capital city. On the other hand, the capital city generally differs from the rest of the local governments of the state:

- It is usually the largest local government of the state in terms of population;
- The GDP of the capital city and the metropolitan area is considerably higher than the state's average and, therefore, the capital city is one of the principal innovation and economic centres of the country.

Capital cities must be enabled legally and financially to fulfil long-term global requirements that should be taken into account in the national urban policy and in the distribution of national tax revenue. It is necessary to study the position of the capital city in other countries, especially in the transformation countries.

An analysis of the role of the capital city in the local self-government organisation of a country must consider the following four aspects:

1. The capital city in the human habitation system.
2. The capital city and the national legal environment.
3. Management models of the capital city.
4. The economic environment in the capital city; the capital city and the economic environment of the hinterland and the country.

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The author is of the opinion that there are practically no interdisciplinary analyses addressing legal, economic, demographic and management problems of capital cities. The current article is confessedly one of the first attempts to analyse and compare the problems of capital cities in the central and eastern European and Caucasus countries region. The central and eastern European and Caucasus countries region, for the purpose of the present article, is the area covering 23 countries (without Kosovo)². Therefore, in the case of Russia, only the European part of the country has been taken into consideration.

Keywords

Capital city, local self-government, region, habitation system, metropolitan area, urban sprawl, legal status of capital city, relationship with central government, regional co-operation, management of the capital city, city council, city district, economic environment, municipal revenue and expenditure, local budget per capita, competitiveness of capital cities, urban policy.

Introduction

Comparative analyses of local self-government systems in various countries have so far almost exclusively been made country by country. There have been considerably fewer comparative studies of specific issues such as electing the mayor or concerning local taxes etc. This is quite understandable since, in the first case, it is possible to employ a specialist on local self-government of each particular country, whereas in the latter case the researcher has to know the local self-government organisation of several countries. The advantage is that, in general, the country by country comparative studies are based on more or less similar methodology or structure where the analysis is made according to the given structure. Among other things, the Council of Europe has regularly published overviews of local self-government in different countries. The Group of Independent Experts on the European Charter of Local Self-Government by the Congress of Local and Regional Authorities of Europe of the Council of Europe (CLRAE) has, for years, made reports where specific issues are analysed such as the position of the representative body in local self-government, the legal and economic framework of municipal property etc; this is, however, still done country by country. Studies of local self-government in the European Union Member States, although mostly country by country, have also been carried out in the European Union, especially since the setting up of the Committee of the Regions in 1994 under the Maastricht Treaty (Die regionale 1999). The Open Society Institute in Budapest has pub-

² In February 2008, the *Assembly of Kosovo* declared Kosovo's independence as the *Republic of Kosovo*.

lished several books on local self-government in transformation countries over the last decade (Kandeva 2001).

Very good studies of local self-government organisation of various countries have been published by DEXIA (Local Finance 1997, 2000, 2002, 2003, 2004). Besides general overviews, there have also been academic publications that focus on comparison of local self-government issues in different countries (Gemeinden und Kreise 1999).

The author is of the opinion that there are practically no interdisciplinary analyses addressing legal, economic, and demographic and management problems of capital cities. The current article is confessedly one of the first attempts to analyse and compare the problems of capital cities in the central and eastern European and Caucasus countries region. Capital cities have a special role in their national local self-government system. On the one hand, each capital city has a certain symbolic meaning to their state; the whole state is assessed based on its capital city. On the other hand, the capital city generally differs from the rest of the local governments of the state:

- It is usually the largest local government of the state in terms of population whereby the capital city in the analysed 23 country region is, without exception, the largest cities in the country.
- The GDP of the capital city and the metropolitan area is considerably higher than the state's average and, therefore, the capital city is one of the principal innovation and economic centres of the country. One of the transformation countries' distinctions, compared to western countries, is the exceptionally large (over 50 %) relative importance to countries' economies compared to the location of the population.

The legal status of the European Council member states capital cities was compiled in 2005–2007 by the Group of Independent Experts on the European Charter of Local Self-Government by the CLRAE. Using the analysis of the countries, a unified report (Szente 2007) was compiled by Professor Zoltan Szente (Senior Research Fellow of the Hungarian Institute of Public Administration). Unfortunately that report does not reflect the position of capital cities in the system of state human settlements and economic environment. Few studies of the capital cities of the European Union Member States were conducted before the enlargement of the Union in 2004 (EU capital 2003).

An analysis of the position of the capital city in the local self-government organisation of a country must consider the following four aspects:

1. The capital city in the system of human settlements;
2. The capital city and the national legal environment, including the capital city's relationship with the central government and regional co-operation.

3. Management models of the capital city, including decentralisation.
4. The economic environment in the capital city; the capital city and the economic environment of the region and the country.

The Position of the Capital City in the National Human Settlement Organisation

The central and eastern European and Caucasus countries region, for the purpose of the present article, is an area covering 23 countries. Therefore, in the case of Russia, only the European part of the country has been taken into consideration. Moscow is not a local government unit but a unit of the state governance with the status of a federal city. In an analogical way this has, so far, been the governance model in Baki and Yerevan. They have only a one-tier local self-government system – in the city districts. Yerevan was recognised as a municipality by an amendment to the Constitution in November 2005. According to Article 108, “*Yerevan is a community. The peculiarities of local self-government and formation of local self-government bodies in the City of Yerevan shall be defined by the law.*” The most probable date of local self-government bodies’ (city council etc) formation in Yerevan will be 2008.

The total Region is 6.7 million km² (60 % of the territory of Europe) and their combined population is 315 million people (40 % of the total population of Europe). 31 million people live in the capital cities of the region and that is 10 per cent of the population of the region (Table 1).

From the point of view of economy and public administration, the significance of the capital city in the human habitation system of the state has at least a three-fold influence. The larger the concentration of population in the capital city,

- 1) The larger is the territory of its hinterland and the stronger its economic influence in the state;
- 2) The more the city is influenced by urban sprawl;
- 3) The more acute the need is for special regulation (special status) of the capital city in the state’s public administration (local self-government) system.

The relative importance of the population of the capital city among the total population varies from 4–5 per cent (e.g. in Poland, Ukraine) to 30 per cent (e.g. in Armenia, Estonia, Latvia) (Table 2).

Table 1

Capital population in the central and eastern European and Caucasus Countries

Capital City	Population of Capitals (in thousands and year)	Total population country (in thousands, 2007)	Capital population of total population (%)
1. Baki	1,132.8 (2006)	8,120.3	14.0
2. Beograd	1,120.1 (2002)	10,150.3 ³	11.0
3. Bratislava	417.7 (2005)	5,447.5	7.7
4. Bucureşti	1,921.8 (2002)	22,276.1	8.6
5. Budapest	1,697.3 (2005)	9,956.1	17.0
6. Chişinău	593.8 (2006)	4,320.5	13.7
7. Kiev	2,660.4 (2005)	46,299.9	5.7
8. Ljubljana	246.8 (2006)	2,009.2	12.3
9. Minsk	1,765.8 (2005)	9,724.7	18.2
10. Moscow	10,126.4 (2006)	111,616.0*	9.1
11. Prague	1,188.1 (2007)	10,228.7	11.6
12. Podgorica	136.4 (2003)	684.7	19.9
13. Riga	727.6 (2006)	2,259.8	32.2
14. Sarajevo	380.0 (2005)	4,552.2	8.3
15. Skopje	466.8 (2002)	2,055.9	22.7
16. Sofija	1,126.4 (2007)	7,322.9	15.4
17. Zagreb	783.5 (2005)	4,493.3	17.4
18. Tallinn	401.2 (2007)	1,315.9	30.5
19. Tbilisi	1,095.0 (2006)	4,646.0	23.6
20. Tiranë	343.1 (2001)	3,600.5	9.5
21. Vilnius	542.8 (2007)	3,575.4	15.1
22. Warszawa	1,700.5 (2006)	38,518.2	4.4
23. Yerevan	1,103.8 (2006)	2,971.7	37.1
TOTAL	31,678.1	316,145.8	10.0

* Population of Eastern Russia

Source: www.citypopulation.de

3 With Kosovo (2,153.1 thousand inhabitants, incl. 197.0 thousand inhabitants in Capital Prishtinë in 2009).

Table 2
Capital population of total population (%)

Up to 10.0	Bratislava, București, Kiev, Moscow, Sarajevo, Tiranë, Warszawa
10.1–20.0	Baki, Beograd, Budapest, Chișinău, Ljubljana, Minsk, Prague, Podgorica, Sofija, Zagreb, Tirana, Vilnius
20.1–30.0	Skopje, Tbilisi
30.1–40.0	Tallinn, Riga, Yerevan

In welfare states, people move to smaller settlements near cities where the living environment is better, while they generally continue working in the city and using its social and technical infrastructure. In recent years, such a trend has become evident in transformation countries. As an exception, the population has been growing in Kiev, Minsk, Moscow, Skopje and Tiranë (Table 3).

Table 3
Dynamic of population in some capital cities

	Population (in thousands)	
	1990	2005–2007
Bratislava	441	417.7
Budapest	2,017	1,697.3
Kiev	2,595	2,660.4
Ljubljana	276	246.8
Minsk	1,634	1,765.8
Moscow	8,769	10,126.4
Riga	910	727.6
Skopje	448	466.8
Tallinn	479	401.2
Tiranë	238	343.1
Vilnius	577	542.8
Warszawa	1,651	1,700.5

Source: www.citypopulation.de

From the point of view of the analysis of the economic potential of a city, it is, undoubtedly, reasonable to view the city as an agglomeration formed as a result of urban sprawl rather than a city within its historical administrative borders.

Certain other criteria are significant from the point of view of human settlement concentration. Researchers on human settlements employ the Zipf rule that says the second largest city, in terms of population, is two times smaller than the largest one. This applies almost completely in several countries, such as Bosnia

and Herzegovina, Montenegro, Poland, Russia, Slovakia, Slovenia and Ukraine. In Lithuania, the index is even less than two. In Armenia, Georgia, Hungary, Macedonia, Romania and Serbia the second largest municipality is 5–10 times smaller than the capital city and the second largest municipality is 5–10 times smaller than the capital city (Table 4).

Table 4
Population in the capital and in the second largest city

Population in the Capital		Population in the second largest city	
	(in thousands)		(in thousands)
Baki	1,132.8	Ganca	306
Beograd	1,120.1	Novi Sad	191
Bratislava	417.7	Košice	223
Bucureşti	1.921.8	Iaşi	322
Budapest	1,697.3	Debrecen	204
Chişinău	593.8	Tiraspol	158
Kiev	2,660.4	Charkiv	1,465
Ljubljana	246.8	Maribor	91
Minsk	1,765.8	Homel	481
Moscow	10,126.4	St Petersburg	4,661
Prague	1,188.1	Brno	367
Podgorica	136.4	Nikšić	58
Riga	727.6	Daugavpils	110
Sarajevo	380.0	Banja Luka	165
Skopje	466.8	Kumanovo	78
Sofija	1,126.4	Plovdiv	347
Zagreb	783.5	Split	189
Tallinn	401.2	Tartu	100.2
Tbilisi	1,095.0	Kutaisi	190
Tiranë	343.1	Durrës	100
Vilnius	542.8	Kaunas	358
Warszawa	1,700.5	Łódź	764
Yerevan	1,103.8	Gyumri	148

Source: www.citypopulation.de

In Estonia and Latvia, the capital city is not the only town of disproportionate importance in terms of population compared to neighbouring countries. 13 per cent of the population of Estonia and 16 per cent of the population of Latvia (Statistical 2005, 38) live in medium-sized cities, while 34 per cent of the Finnish popula-

tion and 50 per cent of the Swedish population live in medium-sized cities (Table 5). This could indicate certain tendencies in Estonian and Latvian human settlement development. Figuratively speaking – in an economic sense, there is often no middle class in transformation societies and this is also reflected in places of residence. But there is, probably, a close causal connection between the two characteristics.

Table 5

Population (%) in cities of different size in Estonia, Finland, Latvia and Sweden

Population (in thousands)	15–20	20–25	25–50	50–100	100–250	above 250
Estonia	3.7	1.5	6.7	5.0	7.6	29.5
Finland	0,4	6,4	14,7	13,2	4,4	10,7
Latvia	1.7	0	7.0	9.0	4.8	31.7
Sweden	0,9	5,2	20,7	24,0	12,8	16,8

Source: www.citypopulation.de

2. The Position of the Capital City in the Legal System

Four groups of capital cities can be distinguished, depending on whether and how national legislation regulates the issue of the capital city (Mäeltsemees 2005, 24–25):

1. The constitution establishes the capital city.
2. There is a special law on the capital city⁴.
3. The status of the capital city is provided in a separate chapter, section or sections of the law on local self-government.
4. The capital city is treated in the law on local self-government like any other local government.

The Constitution establishes the capital in almost all 23 countries of the analysed region. No particular reference to the capital city is in the national constitution except in Estonia. The Latvian constitution does not mention the capital city either, but according to Article 15 “*the Saeima (parliament) shall assemble in Riga*”. The national constitution designates the capital of the country in Albania Article 14 (6); Armenia Article 13; Azerbaijan Article 22; Belarus Article 20 (1); Bosnia and Herzegovina Article 5; Bulgaria Article 169; Croatia Article 13; Czech Republic

4 In two (Russia and Ukraine) out of regions 23 countries the laws have also been adopted about some other cities. St. Petersburg have has a special law, adopted by City Parliament (*Законодательное Собрание Санкт-Петербурга*), regulate its status. According to the Constitution of Ukraine (Article 133) *The Cities of Kyiv and Sevastopol have special status that is determined by the laws of Ukraine.*

Article 13; Georgia Article 10; Hungary Article 74; Lithuania Article 17; Macedonia Article 6; Moldova Article 14; Montenegro Article 5; Poland Article 29; Romania Article 14; Russian Federation Article 70 (2); Serbia Article 9; Slovakia Article 10 (1); Slovenia Article 10 and Ukraine Article 20.

In two countries (Lithuania and Montenegro), the historical aspect of the capital city is accentuated. According to the Lithuanian Constitution (Article 17) “*The capital of the Republic of Lithuania shall be the city of Vilnius, the long-standing historical capital of Lithuania*”. Montenegro’s constitution on the other hand distinguishes between the administrative and the historical capital city. In Article 5 “*Capital and Old Royal Capital. The capital of Montenegro shall be Podgorica, The Old Royal Capital of Montenegro shall be Cetinje.*” In four countries (Belarus, Croatia, the Russian Federation and Slovak Republic) the constitution enacts that the status of the capital city shall be regulated by law. According to the Constitution of the Republic of Bulgaria (Article 135) “*the territorial division and the prerogatives of the Capital and the other major cities shall be established by law.*”

Capital city laws have been adopted in half of the regions’ countries (Central and Eastern European and Caucasus countries):

Albania

Law No. 7605, dt.02/15/1992 “On the Sub-division of Territory in Municipalities and Communes and for the Organisation and Functioning of the Municipality of Tirana”

Croatia

The Law on the City of Zagreb (“Narodne novine” No. 62/2001)

Czech Republic

Act on the Capital City of Prague (131/2000)

Georgia

The Law on the Capital of Tbilisi

Macedonia

In the Law on Local Self-Government from 2002, Article 4, the city of Skopje is defined as a particular unit of local self-government in which the common needs and interests of the citizens are exercised and they are determined by the character of Skopje as the Capital of the Republic of Macedonia. The same article states that the provisions of the Law on Local Self-Government, as *lexis generalis*, also address the city of Skopje unless with the Law on the City of Skopje, as *lex specialis*, it is defined otherwise. (Davkova 2006)

Moldova

Law on the Statute of the Municipality of Chisinau – No. 431-XIII of 19 April 95

Poland

Act on the Local Self-Government of Warszawa (1994)

Russia(1994)

The Law of City Moscow (*Закон города Москвы*), passed by the Moscow Duma on 28 June 1995

Slovakia

Law of Bratislava (No. 377/1990)

Slovenia

The Law on the Capital of the Republic of Slovenia (adopted in 2003)

Ukraine

The Law “On the Capital of Ukraine the Hero-City of Kyiv” (passed by Parliament on 15 January 1999). Additionally, Kyiv is mentioned in a number of other laws.

Depending on whether the status of the capital city has been regulated in the legislation, and if yes then how, the countries fall into three groups:

1. The essential principles of the functioning of the capital city are regulated by the Constitution. No separate part about the capital city exists in the constitutions of the analysed countries (unlike, for example, in Austria constitution where there is a separate part about the capital city).
2. The status of the capital city has been regulated by a chapter or specific sections of a framework law on local self-government (Budapest, Tirana). The majority of the countries analysed have two-level self-government and the capital city has special status under a two-level local self-government system where it has the responsibilities of both the first level and the second level, and is supervised directly by the central government. Skopje is an exception – it is the only town with special status subject to supervision by the central government under an otherwise one-level local self-government system. Yet again, the number of the population of Skopje (467,000 inhabitants) is much higher than that of other local authorities – e.g. the second largest town, Kumanovo, has 78,000 inhabitants. In today’s Europe, Albania is the only or one of the few countries categorising its local authorities – there are four categories of local authorities in Albania (Hoxha 2001, 49). Incidentally, the 1938 Towns Act of Estonia divided towns into four categories depending on the number of population.

3. The capital city is subject to the same legislation as the rest of the country's local authorities. Most countries belong to this group. Estonia can also be considered to belong to this group, although, in the interest of truth, it must be noted that Estonian legislation contains a special regulation concerning the capital city – the Local Government Council Election Act stipulates that elections in Tallinn take place by city districts and half of the mandates in the council are distributed equally among the districts, irrespective of the difference in the size of their population, which can be up to ten times (Mäeltsemees and Olle 2006).

It must be said, in support of specific regulation of the status of the capital city in a country with the capital city significantly bigger than other municipalities (that is also the case in Estonia), that it could be an advantage to many other municipalities, especially the smaller ones. Figuratively speaking, a unified local self-government organisation forces the system into a position equivalent to the Procrustean bed. Since 1994, Tallinn has actively sought recognition of its position in the form of specific legal regulation.

The Law on the Capital of Slovenia was adopted quite late, namely, 12 years after Ljubljana became the capital city of the sovereign state of Slovenia. The main reason for that delay was that there has been no clear idea of what the special legal status of the capital city should be. In fact, the Law did not bring in any important regulation since it only obliges both partners (State and the Capital) to co-operate in the most important fields, which are important for both sides. Though the present legal regulation of the capital status is not sufficient, there is no clear idea of how to change it. Nevertheless, through time, the co-operation between the State and the Capital has become much better than it was at the beginning (Grad 2006).

3. Management Models of Capital Cities

The results of comparative studies are very interesting and attest to diversities. It is appropriate to acknowledge here the people who drew up the European Charter of Local Self-Government for their ability to put such universal principles into words.

An easily comparable indicator is the size and term of office of the city council (Table 6). The Estonian Constitution was adopted in 1992 and it was not amended until 2003 when the term of office of municipal councils was prolonged from three years to four years. Armenia (Article 107), Estonia (Article 156), Belarus (Article 118) and Bulgaria (Article 138) are some of the few countries in Europe where the term of municipal councils is established in the Constitution.

The statutes of the City Council of Minsk, ratified in 2001, are unconventional (*Устав города Минска*). According to Article 3 “*The city government organs system constitutes the Minsk City Executive Committee and district administrations. The*

city's local government organs system constitutes the Minsk City Council of Deputies and organs of territorial self-government.”

Table 6
Members in City Council and the Election Period⁵

	Members in City Council	Election period
Beograd	90	4
Bratislava	80	4
București	55	4
Budapest	66	4
Chișinău	51	4
Kiev	120	5
Ljubljana	45	4
Minsk	55	4
Prague	70	4
Podgorica	55	5
Riga	60	4
Sarajevo	28	4
Skopje	45	4
Sofija	61	4
Zagreb	51	4
Tallinn	63	4
Tbilisi	37	4
Tiranë	55	3
Vilnius	51	3
Warszawa	60	4

In some capitals, the city representatives' organ is called the City Assembly and the organ in the tasks of city government is unconventionally the City Council (Beograd, Prague, and Zagreb) or more understandably, the mayor's office (Budapest)⁶.

- 5 As marked before, in Moscow local self-government units are the *rajons*. In Moscow Duma there are 35 deputies According to the Constitution of Armenia (Article 107, amendment in 2005): *“The community shall exercise its right of self-government through the bodies of local self-government – the Council of Aldermen and the Head of Community, who shall be elected for a four-year term of office in conformity with the procedure defined by law.”*
- 6 For example in Hungary, the separation of powers approach is not applied to the local and regional governments,. In strict terms, there is no separate executive organ. The decisions of the local legislative body are implemented by its office. This office is managed by the mayor (in the metropolitan self-government, the chief mayor), but is led directly by the chief administrator. The Budapest General Assembly is assisted by the Mayor's Office. The Mayor's Office is responsible for the preparation and implementation of decisions taken by the General Assembly.

In Tbilisi, the self-government is implemented by an elected representative body (*sakrebulo*), which is staffed on the basis of the mixed election system: 12 out of the 37 members of the *sakrebulo* are elected by proportional ballot (lists of party candidates), while the remaining 25 are by majority (first-past-the-post) election. As a result of amendments to the legislation in 2005, the *sakrebulo* elects the mayor of the capital, i.e. the head of the executive structure of – the government of Tbilisi (Losaberidze 2006).

From time to time, the size of municipal councils has been an issue – generally it has been said they could be smaller. In order to compare the size of municipal councils, it is reasonable to calculate the number of citizens per elected member (Table 7).

Table 7
Population per member of City Council

Population (in thousands) per member of City Council		Population (in thousands) per member of City Council	
Beograd	12.4	Riga	12.1
Bratislava	5.2	Sarajevo	13.6
București	34.9	Skopje	10.4
Budapest	25.7	Sofija	18.5
Chișinău	11.6	Zagreb	15.3
Kiev	22,2	Tallinn	6.4
Ljubljana	5.5	Tbilisi	29.6
Minsk	32.1	Tiranë	6.2
Prague	16.9	Vilnius	10.6
Podgorica	2.5	Warszawa	28.4

Election of the mayor and the mayor's position in the city organisation differs. Again, countries can be divided into groups:

1. The mayor is elected directly by the people (Beograd⁷, București, Chișinău, Kiev, Ljubljana, Skopje, Tiranë) and she/he is a Chair of the City Council (Kiev)
2. The mayor is elected by the municipal council; he/she is a member and Chair of the City Council (Tbilisi).
3. The mayor is elected by the City Council but he/she cannot be a member of the council (Tallinn).

7 For example pursuant to the legislation of Serbia, the Mayor of Beograd is elected along with members of the City Assembly at the direct secret ballot for a period of four years. The Mayor may not be a councillor of the City Assembly.

Models of management decentralisation of capital cities are very interesting and diverse. In Ukraine, the constitution designates even the forming of city districts. According to Article 140 of the Constitution of Ukraine: “*Issues related to the organisation of management of city districts shall be the competence of city councils.*”

Mostly, city districts are units with relatively limited self-governmental rights and frequently (in Riga, Skopje, and Vilnius etc), they are simply units serving administrative tasks without having any political council (Table 8).

Exceptional in the analysed capitals is Moscow, which has been divided into 10 management units (*okrugs*) and 123 districts. of which districts are the bearers of local governing. There are 10–12-member direct primary councils in the city districts. In 2003, the city districts of Moscow were constituted in the Association of Moscow Municipal Units (*Ассоциация муниципальных образований города Москвы*).

Table 8
City Districts in the Capital Cities

Capital city	Population of Capitals (in thousands)	City districts	Average population in City district (in thousands)
Beograd	1,120	17 (with 19–75 members)	66
Bratislava	418	17 (with 9–40 members)	25
București (<i>primaria sector</i>)	1,922	6	154
Budapest	1,697	23	74
Chişinău (<i>preturas</i>)	594	5 (only admin function)	119
Kiev	2,660	10	266
Ljubljana	247	17	15
Minsk	1,766	9 (only admin function)	196
Prague (<i>městské části</i>)	1,188	57	21
Riga	728	6 (only admin function)	121
Sarajevo	380	4	95
Skopje	467	10 (only admin function)	47
Sofija	1,126	24	47
Zagreb (<i>gradski četvrti</i>)	784	17 (with 11–19 members)	46
Tallinn (<i>linnaosa</i>)	401	8	50
Tbilisi	1,095	6 (only admin function)	183
Vilnius (<i>seniunas</i>)	543	21 (only admin function)	26
Warszawa	1,701	18	95
Yerevan	1,104	12	92

Relatively unique management models also exist in the other capitals. For example, in Bratislava, local government is divided into a two-tier system: the Bratislava city and 17 city districts. Local government in both tiers consists of city representation and a mayor (called a *primator*) and 17 district representations and mayors. Both self-governmental representations are elected. The city district is the legal city as a whole (Bucek 2006).

Recently the city districts of Tbilisi were made legally and economically independent. In the 1990s, the capital Tbilisi was divided into 11 administrative districts and their heads were directly appointed by the president. At the same time, each district has an elective representative council (*sakrebulo*) and own budget. Powers of the districts were significantly restricted in 2002, and in 2005 they were abolished.

The model of Prague's decentralised management system is interesting. According to the Law, the local government of the capital city Prague has two tiers. On the one hand, these tiers are not identical in the sphere of municipal self-government, and on the other hand, in the sphere of devolved public (state) administration. In the sphere of municipal self-government, the city has been divided into 57 self-governing Municipal Districts (*městské části*) with elected bodies. In the sphere of public administration, the 57 municipal districts have been grouped into 22 administrative districts (*správní obvody*) since 2001. Metropolitan Districts shall have their own budgets (Pomanac 2006).

In Azerbaijan (Aslanov 2006), the capital city has only a one-tier local self-government system in the territory of 11 towns (administrative districts). The analogical model is in Yerevan, where as local self-government exists only at district level, the local executives are heads of 12 district municipalities. Their responsibilities are approximately the same as other municipalities in Armenia (Tumanyan 2006).

Budapest has a dual self-government system, having 23 district self-governments and the "central authority" of the capital. This means that in addition to the Budapest Municipality, the local government of Budapest, each of the 23 districts has its own government, the so-called district self-governments, with elected mayors and a body of representatives. The General Assembly of Budapest and the district bodies of representatives are equal in terms of their basic rights, with no hierarchical relationship between them. Both the Municipality of Budapest and the district self-governments have their own financial revenues and both are entitled to receive central grants in proportion to their tasks and functions (Szente 2006).

Kyiv is divided into 10 districts. Organisation of the work and the scope of the responsibilities, in accordance with the Constitution, are determined by the city council. Each district in the city has its own council; responsibilities between the city itself and the districts are divided in accordance with the principle of subsidiarity; the city council in its budget every year defines the share of the budget revenues to be transferred to the districts. The districts do not have any own responsibilities

or own budget revenues fixed in the national legislation, so all the functions of the district authorities may, actually, be treated as delegated (Proshko 2006).

In Zagreb, the members of the City Borough Council are elected by the citizens of its territory on the basis of their general voting right of direct election (Lauc 2006).

An important issue is political power and the political body in a city district. Almost in every city with decentralised management, the citizens elect or the city council sets up a district council. In the latter case, the composition of the district council reflects the political composition of the city council. The essential question, without a doubt, is the question of whether setting up a district council will increase the interest of the people of the district in solving the problems of their area. For example, in Tallinn, city district councils are established by the City Council, based on the results of the municipal elections, and the candidates receiving personally the most votes in the district are appointed to the district council, provided their party exceeded the election threshold of five per cent.

There are at least three different ways to elect the city district leader (district mayor):

1. The district mayor is elected directly by the people.
2. The district leader is elected by the district council.
3. The district leader is appointed by the city government (the executive body).

The essential question is – to whom is the district leader accountable? The size of the district council also varies. In certain cities, all district councils have an equal number of members. Most cities, however, take into consideration the number of the population of the district when establishing the size of the district council. There are also two possible ways. One, the number of district council members has been prescribed (Bratislava 9–40 members), or two, the number of district council members is established prior to municipal elections, depending on the population of each district. In Tallinn, the number of district council members is calculated as follows: twice the number of City Council members elected from the district, which depends on the number of population of the district, plus one.

There is an important question – does decentralisation cancel efficiency? There are a number of myths about public administration and its reforms, and one of the myths is that the result of decentralisation is not efficiency (Randma and Anus 2000, 139).

A significant indicator of decentralisation, including fiscal decentralisation, is the proportion of city district budgets in the city budget, and to what extent within the district budget limits they can take political decisions. Making comparative calculations in this field is extremely complicated and requires a separate study.

Economy of the Capital City and its Position in the Economic Environment of the Country

As a matter of fact, there are two large problem areas. One area concerns the economic activities of municipalities themselves, i.e. budgeting, providing public services etc. In case of providing certain services in areas such as public transport, waste management etc that requires regional co-operation and the parties may not be interested in voluntary co-operation, appropriate legislation has to be passed to ensure the provision of undisrupted services. Another area concerns the position of the capital city in the economic environment of the region and the country as a whole.

For example two-thirds of the country's GDP is generated in Tbilisi (Losabridze 2006), the GDP of Prague is more than double that of the Czech Republic as a whole (Pomanac 2006) and 56 per cent of the total GDP of Latvia is produced in Riga (Vanags and Vilka 2006). Almost 93 per cent of all Azerbaijan state budget income provides the capital Baki. Chisinau Municipality collects almost 37 per cent of all local fees and taxes raised in the country, and produces almost 60 per cent of the GDP (Munteanu 2006). Although almost 30 per cent of the population of Estonia lives in Tallinn, the capital city gives almost a half of the country's GDP and, what is even more radical, 75 per cent of foreign investments have been made in Tallinn and the county surrounding the capital city (Harju County). The role of the capital city, usually a metropolis, as an economic engine of the region and the whole country is significant. A comparative study of this aspect is quite complicated. Generally, the data is available up to NUTS III level but, for example, in Estonia, Tallinn together with the surrounding Harju County, belongs to the NUTS III level etc.

It would be necessary to compare city budgets and especially budgets per capita. Unfortunately, it is a rather hopeless attempt based on the data available on the homepages of the capital cities, although the results of the attempt are shown in Table 9.

The homepages of the cities contain data on different years but – and this is even more important – it is generally difficult to establish whether budgets contain revenue generated from their own revenue base or include also allocations from the state; loans have a significant impact on the budget etc. It is not easy to make a comparison of the structure of revenue and expenditure.

The position of the capital city in the state human habitation, economy and public administration should also shape the urban policy of the corresponding country. Apparently, it is not necessary to accentuate that this arises from the special status of capital cities. Nevertheless, one can add that at the 47th Annual Conference of the Union of Capitals of the European Union (UCEU) held in Tallinn in the autumn of 2007, a Declaration was adopted in which the 21 capital city leaders who participated confirmed that: “*European Capital Cities are not merely seats of*

Table 9
Data on budgets of some capital cities

Capital city	Year	Data on budgets (million in national currency)	Data on budgets (million EUR)	Data on budgets per capita (EUR)
București	2007	3,850 leu	1,041	542
Budapest	2007	497,200 forint	1,954	1,152
Chișinău	2007	1,093 leu	67	112
Minsk	2007	3,330,210 ruble	979	554
Riga	2007	422 latt	600	824
Sofija	2006	618 leev	316	281
Zagreb	2007	6.026 kuna	829	1,057
Tallinn	2007	6,625 kroon	423	1,056
Tbilisi	2007	570 lari	250	228
Tiranë	2004	6,794 leks	55	160
Vilnius	2006	821 litt	238	439
Warszawa	2008	9,740 zlott	2,811	1,653

government, but are the cultural and economic centres of Europe, vessels of cultural identity, and places to live and work for tens of millions of some of the most productive and creative European citizens.” Alas, specifically in the transformation countries, urban policy is at the beginning of the elaboration stage. The foregoing has found proof among other things in the 2004 Resolution of the European Parliament “On the urban dimension in the context of enlargement” it draws attention “to the great disparities in terms of urban policy between the 25 Member States, particularly as a result of the enlargement to include 10 new Member States, which often have no clear and comprehensive urban policy at national or regional level.” (European 2004). Undoubtedly, the aforementioned applies to all transformation countries. The analysis of the capital cities, especially that carried out by public administration scientists, should significantly widen and deepen.

Conclusion

The central and eastern European and Caucasus countries region, for the purpose of the present article, is the area covering 23 countries. The total Region is 6.7 million km² (60 % of the territory of Europe and Caucasus) and their combined population is 315 million people (40 % of the total population of Europe and Caucasus). 31 million people live in the capital cities of the region and that is 10 % of the population of the region.

Four groups of capital cities have been distinguished, depending on whether and how national legislation regulates the issue of the capital city:

1. The constitution establishes the capital city.
2. There is a special law on the capital city.
3. The status of the capital city is provided in a separate chapter, section or sections of the law on local self-government.
4. The capital city is treated in the law on local self-government like any other local government.

The problems of management of the capital city have been divided into three groups:

1. Relations with the central government.
2. Relations on the horizontal level and regional co-operation.
3. Internal relations of the city, including decentralisation.

Election of the mayor and the mayor's position in the city organisation differs. The countries have been divided into three groups: a) the mayor is elected directly by the people; b) the mayor is elected by the City Council and he/she is a Chair of the City Council or c) he/she cannot be a member of the City Council.

Mostly, city districts are units with relatively limited self-governmental rights and frequently they are simply units serving administrative tasks with no political council.

From the point of view of economy, two large groups of problems are analysed:

1. The role of the capital city in the economy of the country.
2. Economic activities of the capital city as a local government itself (municipal revenue and expenditure, delivery of public services etc.).

The capital cities are generally the economic centres of their countries and regions having a leading role in innovation. The economic policies of those countries should take this into account. The lack of an objective assessment of the role the capital city in the economic area, is also caused by the fact that, so far, urban policy, which has become one of the most significant aspects of regional policy in the European Union, has not been studied. It is of little consolation that in the 2004 adopted resolution of the European Parliament on the urban dimension, it is pointed out that no new member states of the European Union have a clear and comprehensive urban policy at national or regional level.

The comparative analysis of the capital cities can be used for regulating the legal status and management models of capital cities and for formulating the urban policy in the central and eastern European and Caucasus countries.

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Comparing Finnish and European Urban Policy

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In this article, the Finnish practice of urban policy is compared to that of other European countries. Some interesting dissimilarities are observed. These dissimilarities can be informative for countries that are now formulating or should be formulating urban policies of their own.

1. Some definitions of urban policy

Urban policy, in a broad sense, is understood to involve all public authority measures which aim to influence the process of urbanisation. Public authorities use urban policy to curb, target or stimulate the process of urbanisation (van den Berg et al. 1982). Urbanisation is attributed to various urbanisation economies, in other words, advantages gained from an urban location. Therefore, at a more specific level, urban policy can be defined as the creation, development and reinforcement of these urbanisation economies. Because there are also so-called urbanisation diseconomies – adverse impacts of urbanisation – such as congestion, pollution, and, as some argue, social problems, urban policy also involves addressing and preventing specific problems associated with large cities (Prud'homme 1994). Thus, urban policy involves managing and making use of the externalities, both positive and negative, associated with urban location and urbanisation. As Prud'homme (1994, 732) summarises, externalities are “of the essence of cities...cities can be analysed as bundles of externalities.”

A distinction can be made between what is known as implicit and explicit urban policy. The former refers to influence that is not directly expressed, or not always consciously exerted and the latter to explicit efforts to guide urban development by formulating distinct objectives (Urbanisation and the Functions of Cities in the European Community 1992). Studies have shown that a need for explicit national urban policy arises when it becomes evident that former implicit, and often uncoordinated, influencing of urban development results in a lower

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standard of welfare (such as economic growth) than could be achieved by a better coordinated policy (van den Berg et al. 1982, 119). Often, at this stage, there is also a shift towards policy that is more favourable to urbanisation and to requests for more resources to address problems associated with cities. This happens because there is clearly a link between the growth of larger cities and economic growth (Prud'homme 1994, 734).

In comparison with Europe, the process of urbanisation in Finland has taken place relatively late, beginning in the 1960s and increasing at a more rapid pace in times of economic upswing. Therefore, the need for more consistent urban policy that would, perhaps, be more favourable to cities, arose as late as 1995, the year which is considered to be the start of urban policy programming in Finland (Ministry of the Environment 1995). The need for more explicit and coordinated urban policy, which would be more favourable to urban development and provide specific resources for dealing with urban problems, was recognised by many European countries more than a decade earlier. The report by van den Berg (1982) is an example of this.

There are dissimilarities in urban policy between Finland and the rest of Europe, not only as regards its history, but also the areas of focus.

2. Justification and focus of urban policy measures in Finland and Europe

In those European countries where the process of urbanisation has taken place earlier than in Finland and where urbanisation has advanced more rapidly, the focus of urban policy has been on addressing problems encountered in cities and on improving the living conditions of residents. Great Britain, France and the Netherlands are examples of such countries. Sweden has pursued metropolitan policy that has similar objectives as the European mainstream urban policy described above.

However, the Nordic countries have, as well as aiming to improve the living conditions of citizens, begun to put more emphasis on the pioneering, growth-enhancing role of cities. In these countries, urban policy is reflected in the way that regional policy has shifted towards exploiting the growth of city centres. It should be noted that the role of cities as drivers of growth is seen as a means of reaching a regional balance and regional policy objectives. These are the conclusions that Kanerva Kuokkanen draws in her study "Chains of reasoning and practical measures used in urban policies of five Western European countries", published by the Association of Finnish Local and Regional Authorities (Acta Publications No. 172, 2005, only available in Finnish).

In Finland, urban social problems are not so pressing, owing to the country's universal welfare system. Therefore, it is important and welcome that the role of cities as drivers of growth is also recognised and considered at national policy level.

Yet, this perspective entails a risk that the scope of urban policy will be reduced and fails to take a holistic approach to the development of cities, such as responding to their social, environmental and transport-related challenges. There has been an ongoing process at the national level in Finland to formulate a national policy package on large urban areas. Finnish urban policy has not paid sufficient attention to the special role of the largest urban areas. The reason for this is that urban policy has focused on regional balance and it has been pursued as part of regional development policy.

So what areas are emphasised in the urban policy pursued by the European Union? According to the principles of the European Union, the national and EU urban policy should complement one another. This complementary role means that both urban policy levels pursue similar objectives. There may be differences of emphasis between the two levels, so that the EU may stress issues that it considers particularly challenging, such as social cohesion in a European background, while the national policy is concerned with issues such as addressing problems related to urban planning that arise from the local government structure in large urban areas. However, it is important to agree on the general principles before urban policy measures at the two levels can be integrated. There are good prospects for this, also from the Finnish perspective, because the European Union's urban policy has placed increasingly more emphasis on the role of cities as generators of economic growth. It seems probable that the objectives of the Lisbon Strategy cannot be implemented at a concrete level before the role of cities is given recognition.

The importance of large urban areas for the success, welfare and the economy of the entire country will increase, because they generate new innovations, information and competence. The Finnish large urban areas compete in the world market to attract businesses and other operations. To ensure their success on the international playing field, their special role must also be considered in regional development measures.

Large urban areas occupy a key position with regard to developing a national economy, reaching national growth and employment aims, and generating and disseminating new expertise and knowledge. Over half of the Finnish population live in nine large urban areas where close to 60 per cent of all jobs in Finland are situated. These areas produce over 60 per cent of Finland's GDP, and close to 70 per cent of the people with a higher education live there. The Helsinki region has a special role as it produces one-third of Finland's GDP; a number of key private and public sector operations that serve the entire country are also based there.

Urban areas also have an important role in regional development. Cities are active in economic development; they have their own efficient tools that can be used to formulate a national globalisation strategy and achieve the Lisbon Strategy objectives. These tools include technology and university centres, the city's economic

development policy and international strategies, investment of resources into the infrastructure, the environment and services that support innovation.

Cities pursue economic development policy that focuses on providing a better environment for industry and trade, and developing innovation and business environments (milieu, support services and transport, to name but a few) extensively.

Activities of this kind complement central government funding for technology and the support and funding instruments for business development. Both are needed. Therefore, it is particularly striking that the investments of cities in the improvement of innovation and business environments often go unnoticed in the national reinvention and competition strategies, which only acknowledge businesses, universities, research institutes and other providers of information, as actors, but not cities that provide an environment for their operations. So, it is a great opportunity for large cities that their own and national development tools will be coordinated, so as to help achieve national objectives. However, this must be based on a partnership between equals.

Looking at it another way, the Finnish national urban policy is clearly adopting the priorities of European urban policy, covering measures used to promote the social inclusion and physical integrity of urban areas. Matters related to social inclusion will thus also be included in the Finnish urban policy agendas, and the Finnish and European Union's urban policies are becoming more alike.

The Finnish cities can well agree with the views of the Euro-cities and the Committee of the Regions on the elaboration of the EU's urban policy, stated in the two documents "Euro-cities' Statement to the Spring Council 2006" and "Opinion by the Committee of the Regions, Cohesion Policy and Cities: The Urban Contribution to Growth and Jobs in the Regions" (April 2006). The former emphasises partnership between cities and national governments in delivering the goals of the growth and jobs agenda. Euro-cities point out that by having failed to build a partnership with their own large cities, the national governments have already missed valuable opportunities for reaching their goals. Euro-cities also emphasise integrated urban policy to be implemented through the partnership. It would include social inclusion and environmental sustainability as important elements of European competitiveness (the so-called European Social Model). The EU Committee of the Regions agrees, to a large extent, and makes the point that the EU must maintain its current integrated approach towards urban policy. The way that the Committee of the Regions prioritises functional urban areas is interesting, and certainly welcome to Finnish cities. The European Union should include incentives in its urban policy tools to encourage co-operation between operational urban areas. In practice, however, this is not always easy because of the fragmented local government structure.

3. Assessment of Finnish and European urban policy, and conclusions

To sum up, urbanisation in Finland has taken place only very recently, and therefore, there is not yet a common understanding of whether the urbanisation process is welcome or not. As a consequence, the Finnish urban policy has focused on economic development and innovation policies, which promote the role of cities as drivers of growth. Even this line of thought has been restricted in Finland by the fact that urban policy in this sense has been used, first and foremost, to pursue regional policy, with the goal to spread the growth related to urbanisation and innovation fairly throughout the country. However, it is important to note that these economic development and innovation policy measures are segments where cities actively use their own initiative. We can ask whether this policy has provided any significant additional value. This approach has made it possible for Finland to avoid targeting any greater new resources to urban policy, or coordinating other policy segments from the perspective of urban policy. This approach can be seen as a tactic of some sort.

Finnish urban policy is not holistic; it has not so far explicitly entailed any significant understanding of environmental integrity, public transport or social segregation and its adverse effects on urban areas. Finland has not recognised the positive influence of its largest cities and has failed to elaborate methods of partnership used in countries such as France – for instance, agreements between cities and the state. Prior to 2005, not much attention was paid to problems related to the management of urban areas. The problems result from fragmented local government structure in urban areas and cause environmental and social problems, fragmentation and problems with transport. This has happened because this fragmentation is, to some extent, an advantage to the same rural interest groups that also benefit from the traditional regional policy which aims to slow down urbanisation.

The positive aspect of the European urban policy is that it has put on the agenda problems related to social inclusion, transport and other issues associated with large cities. In this sense, European urban policy has been more coherent and has contributed more to positive urban development than Finnish policy. In particular, arrangements for partnership between urban areas and the state have proceeded more rapidly than in Finland.

That being said, urban policy in Europe, where problems are more complex, is not so much preventive as corrective in nature. To give an example, it is difficult to deal with the impact of segregation once problems have arisen. Europeans could thus learn from the Nordic welfare urban policy that strives to prevent the known problems associated with social segregation.

The fight against social exclusion should focus heavily on preventive action. The effectiveness of preventive work in the service system can be increased by investing in target regions more resources than on average. To give an example,

the entire region has benefited from the additional support allocated to suburban schools. To prevent exclusion, it is important to create structures that promote participation and communal awareness. Social and regional segregation is negative in nature if residents in certain areas feel that they do not have equal opportunities for self-development and participation in the society and working life.

Therefore, preventive urban policy should aim to adopt specific measures – positive action – within cities and urban areas to prevent problems resulting from segregation. This positive action may be targeted at the special challenges faced by schools and social services of the most problematic areas, at employment measures and improving the living environment.

It is possible to make a synthesis of important observations and the positive aspects of different experiences, which will lead to better urban policy. There is a need for a more holistic urban policy that would integrate the positive aspects of the different experiences described above. It is quite natural that the urban policy pursued by the EU should promote co-operation between European cities.

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National Urban Policy in Georgia

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“A person who once experienced the western way of life envisages the Georgian urban landscape as a territory consumed with inconsideration and as a chaotic, distorted and aggressive environment...”

Prof. V. Vardosanidze, President of the Association of Urbanists of Georgia

Introduction

Georgia's location on the crossroads of Europe and Asia promoted the early development of the settlement system and a high quality urban culture, persistently proved by historians. Its strategic location has been the reason for its frequent appearance on the international scene and plays a significant role today attracting international interest and support. Despite the severe economic breakdown that Georgia experienced after the collapse of the Soviet Union, during the last few years, with the help of international organisations, a series of reforms were implemented with stabilising and positive results for the economy. Georgia is considered an important actor for a number of international projects, such as TRACECA, BTC, etc. Last year, the World Bank named Georgia “the number one economic reformer” ranking it 11 out of 37 in the previous year in its “Ease of Doing Business Index 2009”. The main goals of the present government for the years 2008–2012 are: Wellbeing of the population – Georgia without poverty; Ensuring national security and complete territorial and civil reintegration. But why is the citation stated at the beginning of this paper still true?

Bearing in mind the scholarly debates on sustainable development worldwide and the spatial development strategy in Europe, together with Georgia's proclaimed aspiration to come closer to European standards and values, we have decided to reveal the developments in the field of spatial planning in Georgia and examine the degree to which urban development policy exists in the country.

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It has been almost two decades since Georgia gained “all the benefits” of independence from the strict hierarchical planning system of the Soviet Union. Most of public entities and services were privatised and under the “good traditions” of New Public Management, the “market will solve the problem” will became a common principle in most fields.

What has been changed in the field of urban planning? Is the country’s settlement system developing sustainably and efficiently? At present, strategic development plans of particular settlements in Georgia are introduced occasionally in accordance with funding from different international organisations and are ineffective. Despite critical articles regarding particular planning decisions or on-going construction activities periodically appearing in the press, no public or professional debates are taking place. For a country with territorial problems and without a clearly formulated strategy for spatial and urban development, it is extremely important to reveal the direction in which a particular field is developing.

In order to answer the above mentioned question, the author of this paper decided to make a diagnosis of the existing situation and reveal the direction in which a particular field will most likely be developed, by examining the dynamics in the fields closely related to the process of urban development: migratory trends, dynamics in the sphere of governance, changes in legislation and institutional provision of the field, etc.

General information on the country

Georgia is a country with a territory of about 70 000 square kilometres in Caucasus and with a 310-km long coastline on the Black Sea, bordering with Russia, Azerbaijan, Armenia and Turkey. The country is largely mountainous. Two rivers, the Mtkvari (Kura) and the Rioni, along with a great number of smaller ones, flow in opposite directions through its territory. The climate is quite diverse – from humid sub-tropical to continental. The diversity of the landscape makes the land attractive for human settlements. The first settlements which were considered as “urban” date back to the 7th Century B.C. The traditional drivers of the country’s economy are agriculture and tourism.

The first Georgian State was founded around 1000 years B. C. Tbilisi, the Capital of Georgia since the 5th century, is situated in the intermountain depression, on both sides of the Mtkvari River, and covers an area of 366 square kilometres. It is a large administrative, educational and cultural centre. Previously, it was also a large industrial centre.

Other large cities in Georgia are: Kutaisi, Rustavi, Batumi, Sokhumi, Gori, Poti, Zugdidi and Telavi.

The Process of Urbanisation

The process of Urbanisation, as it was in other countries, began in the mid-19th century, together with the process of industrialisation. It happened gradually, mostly at the expense of internal migration, then by natural increases, characterised by rural to urban trends, and generally in accordance with Reinstain's Laws.

At the bridge between the 19th and 20th centuries, due to the development of local industry in lowland areas from rural (mostly highland) areas, people moved down to the nearby cities and towns, especially to the newly-created industrial centres. Later, with the development of the transportation networks, this process became more intensive and a second significant outflow of younger members of households to larger cities was recorded. In the 40s, fast development of the resorts' network stimulated the urban development process. Later, education and administration became the most significant drivers in determining urban life-style. Since the 70s, Georgia has been considered Urban, as 55.8 per cent of its population lived in urban areas.

During the soviet period, the settlement system had more or less a balanced character. All regions had clearly defined roles in the country's economy. Only the poor highland area, Racha, was perceived to be a problematic region suffering from an ageing population and a de-population relating to the continuous migration to more prosperous lowland industrial centres.

The census in 2002 revealed dramatic on-going changes in Georgia's settlement system. Most cities, especially mono-functional cities, have suffered from a sharp de-population, mainly because of emigration abroad due to the difficult economic situation. Internal conflicts, widespread stagnation and a high rate of unemployment in the post-Soviet period, together with the hopes inspired by the Rose Revolution in 2004 and aspirations declared by the new President, and an increased interest towards activities in the Capital contributed to the new wave of migrants towards the Tbilisi metropolitan area. Tbilisi, which was a "tadpole" even in soviet times, has, since then, experienced growth.

Socio-Economic Conditions

After the Rose Revolution in 2004, Georgia recorded substantial progress in economic growth. GDP per capita, which was the lowest among CIS countries in 1999 despite the consequences of internal conflicts, recorded stable growth (average annual growth is 7.8%). Liberal reforms from 2004 to 2008 laid a stable foundation for a resilient economy. During this period, GDP has increased by 45 per cent with a strong 12.4 per cent in 2008. Despite the Russian aggression in August 2008 and the Global financial crisis, the forecast for the real GDP growth is still positive (2.5%). Improvement in the business and investment climate, mainly by

decreasing taxes and strongly developing banking services, also resulted in the positive development of other related spheres. For example, the construction sector in 2005 grew by 22 per cent.

Governmental policies on rapid privatisation, improvement of the business and investment climate, promotion of SMEs and free trade, development of the banking system and services, and construction activities, increased economic activities and job opportunities in urban areas, especially the capital – Tbilisi.

Focus on Georgia's transit capacity on the international market caused a rapid development of the Capital and transitional infrastructure. The major part of FDI (28.2%) goes towards the development of the transportation and communication sectors (19.0% goes to the energy sector and 15% to real estate). Traffic flows, construction, the banking system, new commercial and business facilities and the service sector, along the improved central roads, have increased dramatically.

On the other hand, international organisations continuously report on the severe living conditions of the population. According to the Department of Statistics at the Ministry of Economic Development, the unemployment rate is still quite high (13.8% by ILO strict criterion, 16.5% by soft criterion) and a significant part of the population lives below the official subsistence level – 40.8 per cent. According to the State Department of Statistics, by 2008, an estimated 16.5 per cent of Georgia's and 29.8 per cent of Tbilisi's population, capable of working, is unemployed, while 20.3 per cent of the remainder is self-employed.

Migration Trends

Georgia is a multi-ethnic state, composed of 68.8 per cent Georgians, 9 per cent Armenians, 7.4 per cent Russians, 5.1 per cent Azerbaijanis, 3.2 per cent Ossetians, 1.9 per cent Greeks, 1.7 per cent Abkhazians and 2.9 per cent others, according to the last 2002 Census. The population of Georgia has significantly decreased during the last decade and, according to the 2008 estimation, is about 4, 631 million.

Georgia, as with other post-Soviet countries, has been seriously affected by population migration, especially emigration. The census in 2002 revealed a significant decrease – the population of Georgia, between censuses, decreased from 5,400,8 to 4,571,1 mainly due to emigration abroad. The population of most cities, especially those which are mono-functional, has decreased by two. During this period, the population of Tbilisi and Zugdidi, which are close to the border of Abkhazia, has slightly increased at the expense of refugees during and after the war in Abkhazia.

It should be mentioned that no studies on internal migration are conducted in the country. The only available statistics are found on the so-called Internally Displaced Persons list and refugees spread around Georgia – a considerable part of the

population, the total number of which accounts for about 250,000–270,000 persons, who have been displaced as a result of internal conflicts in Abkhazia in 1993 and South Ossetia in 2008. The vast majority of them (72%) live in urban areas (88 680 in Tbilisi and 144 500 in Samegrelo-Imereti) with extremely poor living conditions. The vast majority of IDP's are peasants who find adaptation to the urban way of life difficult. About 25,000 IDP's have settled in 15 new cottage settlements ("mushroom villages"), built within two months, especially for IDP's from the recent war with Russia in August 2008. This rapid settlement caused rumours that they are not expected to return home in the foreseeable future.

As a result, at present, more than about 1/4 of residents in the country live in the capital. Based on interviews and private observation, the vast majority of settlements in Georgia (both urban and rural), except those within the Tbilisi metropolitan area, suffer either from de-population or ageing population.

Dynamics: A review of the above mentioned information gives a basis for the conclusion that despite improvements in macro-economic figures, Georgia faces a problem of unregulated internal migratory waves, caused by internal conflicts on the one hand, and driven by a hard economic situation on the other. These waves pushed a significant part of the population to the capital and this drastically changed the social stratum of its population and overall balance in the settlement system.

Urban Development

The problems inherited from the soviet period, as well as those accumulated later, have become increasingly acute in the face of new realities. Since the collapse of the soviet regime, the governing rules of urban planning have drastically changed. The administrative regulatory mechanisms were no longer of use. Legal acts regulating urban environment during the last decade were issued periodically, but most of them failed, due to the economic crisis, the scarcity of financial resources, the absence of an appropriate legislative framework and a weak political will. The post-Soviet period of turbulence has drastically changed the state of affairs in the field of urban development.

The Role of Local Governance

The current system of territorial administrative arrangements in Georgia is based on an unjustified territorial administrative division from soviet times. The Constitution does not define the country's administrative-territorial arrangement. According to Article 2, the administrative-territorial arrangement of the country must be laid down by a special statute, on the basis of the principle of divided competencies, after Georgian jurisdiction is fully restored in the entire territory of Georgia. The Organic law on Local Self-Government, adopted in 2005, and the law on the Capital

of Georgia – Tbilisi, regulate the organisation and competencies of local self-government bodies and their relationship with the central government's structures.

Despite its significant history (the first attempt to establish local self-governance was carried out in 1991), it is difficult to declare that efficient local governance exists in the country. The lack of financial and technical resources, unskilled personnel, absence of strategic vision in the problem-solving process in local government units, as well as frequent changes in legislation which cause contradictions, are recorded as major barriers in the decentralisation process.

Since the Rose Revolution, there has been a tendency towards centralisation of power in Georgia. Three sub-national levels of governance existed in Georgia until 2006: Nine regions (though they were not stipulated in the legislation) and two autonomous republics (Adjara and Abkhazia), 65 districts and six cities, which are not under the district administration, and 1004 municipalities (villages, communities, towns). The capital, Tbilisi, has functions of both a municipality and a region. Executives of the regions are appointed by the President (Trustees of the President of Georgia) and as practice shows, they are quite powerful, thus this level is not regulated by legislation. Heads of executive branches of districts and cities are appointed by the President from elected council members. The lowest level, which was purely elective, has been abolished as a result of amendments to the legislation in 2007. The number of regional and district-level structures has been reduced by about half, by simply merging them. At present, the only level of local self-government with significantly diminished rights of elected Council is a district.

In reality, declared decentralisation is quite often confused with the principle of deconcentration. Often, the simple replacement of state organisations, or parts of them to the regions, is declared as an act of decentralisation. Centralisation of decision-making power, as well as financial resources, is explained by experts as the main objective to enable the central government to maintain political control over local self-governments and prevent the consolidation of opposition forces. Less attention is paid to the efficiency of governance and service delivery to society.

According to the Organic Law of Georgia on Local Government and Self-Governance, adopted in 2005, the competence of the local Self-governance Units includes: control and development of overall strategies, preparation of development plans, and the provision of an infrastructure for settlements under the jurisdiction of the local body, in compliance with national laws. But local Governments fail to cover all expenses related to maintaining and renewing property and there is no tradition of planning or attraction of finances at the level of local governance.

State of affairs in other fields related to urban development

The process of **privatisation** which gradually began in the early 90s had many omissions which resulted in negative consequences. Property has been transferred

directly from the state into private ownership without considering the property rights of local governments. This omission was revealed later, after the earthquake in Tbilisi, when an urgent need for municipal housing emerged. The process of privatisation was started without any consideration of the new principles of urban development and importance of proper zoning and cadastral maps. Because of that, most of the territories around the urban areas, considered in the soviet period as being reserved territories for further development of settlements, were privatised. The problem of irreversibility is especially acute regarding the historical parts of cities, where the process of massive privatisation frequently entailed illegal constructions, resulting in the distortion and degradation of unique and highly valuable urban environment. The urban land privatised six years later, apart from agricultural, until today, in the sphere of legislation is considered as non-agricultural **land**, when, even in soviet times, there were six categories of land.

The **land market** is developing more actively in urban areas. The establishment of a primary land market is coming to an end and a secondary market is in progress. A working group at the former Tbilisi Land Management Department, on the basis of a successfully completed project carried out with GTZ technical assistance, had elaborated a Tbilisi Land Price Map. But this document served only as a basis for an initial market price of the land plots. No zoning regulations provide definitive legal guidance for particular areas of the city. Unfortunately, the commonly accepted principle that urban land problems would be settled by the market economy causes problems that will be very acute in the near future.

Among other problems inherited from the soviet time is the crucial condition of **housing**. For example, after the earthquake 1,119 dwelling houses were amortised in Tbilisi, 461 of them were in need of emergency repairs and the process of privatisation left citizens helpless against deterioration. No agency took responsibility for the renovation of privatised dwellings. The existing system of communal infrastructure is also in a desperate state. No large-scale renovation of communal infrastructures has been performed since 1991!

Most of the local private building companies, calling themselves real estate “developers” with the goal of obtaining benefits quickly. Consequently, the quality of new constructions is extremely doubtful. In addition, the agency responsible for the revision of newly constructed buildings, known as being a highly corrupted organisation, has been abolished by the new government and no other entity has been created in its place. New construction activities often caused the damage of old buildings nearby. The scale of these new constructions, as well as the quality of materials and the safety norms of constructions are often not regulated and building and sanitary norms are violated. In addition, new construction companies take no responsibility for the reconstruction of communal infrastructures on adjacent territory.

Illegal construction has been a widespread practice in urban areas, especially at the end of the 90s. The former Ministry of Urbanisation and Construction and the Municipality of Tbilisi issued rules for land-use and building regulations for the City of Tbilisi in an attempt to restrict scandalous constructions which took place in the Capital. The new government, which came into power after the Rose Revolution, had successfully fought corruption in the field and advanced construction activities. Certain companies even changed their profile and switched to construction as it seemed to be a most profitable business.

At present, the government strongly favours real estate development by selling government-owned properties and deregulating the construction sector. For example, the time needed to receive a construction permit has been reduced to 20 days for the smallest projects, and 60 days for the largest constructions. However, large scale construction projects blatantly lack an urban problem-solving approach.

At the same time, a secondary **real estate market** is developing. The number of private agencies specialising in selling and leasing is increasing. Appraising real estate has been established as a profession and banks have begun providing long-term loans.

Increasing demand for commercial and residential properties, as well as tourist facilities, exists mainly in Tbilisi, Adjara and Sighnaghi, which have recently been redeveloped for touristic purposes. The large-scale construction projects that took place in the central parts of four historical Cities – Batumi, Kutaisi, Mtskheta and Signagi – were financed last year from the President's and Governmental Special Fund and implemented in an ad hoc manner by newly created small-scale planning units at local governments. The attitude, scale, and quality differ from city to city. No plans were exposed for public debate, which in a number of cases, caused waves of opposition from the general public, professionals, and NGOs.

Dynamics: Weakened local government, with no experience or planning capacities, plays a miserable role in urban development, while the major players – the State and the Private sector – lack interest and liability for meeting local needs. Increased construction activities, led by the private sector, and which have mostly taken place in prestigious districts of the Capital and a few other cities favourable for tourism, are not conditioned by urban planning needs and are not followed by any quality inspection, monitoring or professional evaluation.

Structural Arrangement and Legislation in the Sphere of Spatial Planning

During the Soviet time, the planning system had an extremely centralised and hierarchical structure, operating on three levels. The structure of Legal-normative acts was applied to the whole Soviet Union. The entire system was financed from the state budget. Spatial planning documentation at these levels was as follows:

- Macro-territorial level (entire Soviet Union) – *General Scheme of the USSR Settlement* for the whole country and *Regional Settlement Schemes* for all the Union republics were elaborated.
- Mezzo-territorial level – *Regional Planning Schemes* and *Regional Planning Projects* were elaborated and implemented.
- Micro-territorial (local) level (for settlements of different ranges and size) *Master/General Plans* of Settlements, dwelling districts and city centres; *Detailed Planning Projects*, neighbourhood development projects, etc. were elaborated.

All the above mentioned plans were linked to each other in a strictly hierarchical order and implemented according to the five-ten-twelve years' Social-Economic Development Plans of the USSR.

Organisation of planning activities on different levels of governance in Georgia was as follows:

At the state level, the Sub-committee on Urbanistics (Urban Development) functioned within the Committee of local (Self)-Government at the Parliament of Georgia, while the Ministry of Urbanisation and Construction carried out the executive governance in the sphere of the urbanisation process management. Through its divisional units, it was responsible for the country's territorial organisation, sustainable and safe development of settlements, engineering and transport infrastructure, land use on urban territories, cadastre, city-planning and architecture, capital construction, construction industry, housing and communal services. The legal support to the Ministry of Urbanisation and Construction was provided by a number of Parliamentary committees and sub-committees: 1. Urban land was under the competency of the Agrarian Issues Committee of the Parliament of Georgia, which directs problematic land funding including urban land; 2. Settlement issues, as well as issues of measures against natural disasters, to the Mountain Regions and Settlement Committee that involved the sub-committees of the Social-economic Development of Mountain Regions; of Inner Migration Processes, Settlement and Adaptation; and of Ecological Sustainability and of Natural Disaster Issues of the Highlands; 3. Territorial State Arrangement of the Country and City-Planning was under the competency of the Committee of Regional Politics and Self-government; 4. Construction and communal services – Sector of economics with a number of sub-committees, including the sub-committee of Construction and Municipal services, which established the Scientific-Consultative Council of Architecture and City-Planning; 5. Issues of urban heritage were under the sub-committee of Cultural Heritage at the Committee of Education, Science, Culture and sports.

The elaboration of the strategy for the spatial development of the country was expected to be performed by the Ministry of Urbanisation of Construction. But soon after the Rose Revolution it was incorporated into the Ministry of Economics and then simply abolished.

The Ministry of Regional Development and Infrastructure was created recently but its activities' planning is not foreseen as yet.

A number of Scientific-research and Planning Institutes were responsible for carrying out research and planning documentations: one was responsible for planning for the Capital; the second, for other cities and towns in Georgia; the third for rural areas and the fourth for major industrial areas. Beyond these, there was a net of small-scale sectoral or divisional planning studios. The Department of Monument Preservation of Georgia, situated in Tbilisi under the patronage of the Ministry of Culture, together with its scientific work, conducted work on the preservation, restoration and rehabilitation of the archaeological, architectural and city planning heritage throughout Georgia according to the list of monuments of differing importance. After the collapse of the Soviet Union, private firms were organised within the above mentioned scientific-research institutions, most of them working for emerging private developers. At present, these institutes no longer exist and there is no level at which scientific research is conducted.

At the local level, during the soviet period, local governments, with the exception of the Capital, were responsible for reviewing and adopting the Perspective Development General (Master) Plans of the Settlements, developed by the local Chief Architect of the City or Region, in accordance with hierarchically above plans. They also had to develop and present to the Ministry, the local social-economic development plans, and provide services via divisional units operating within the area of their administrative governance.

There was a different situation in the Capital, Tbilisi. At one point there were 21 city-services (departments, committees, units) at the Tbilisi Municipality, including the housing issues committee, commission for inspection of illegal constructions and department of communal services, etc. The Council of Tbilisi City-Planning operated as well. The Mayor appointed the Chief Architect, the person responsible for all decisions regarding spatial development of the city. Tbilisi Architecture and Perspective Development Department, with nine divisional units, was responsible for all architectural, city-planning and construction issues in Tbilisi. The Council of Architects and Urban Planners consisted of employees and invited experts who had weekly meetings which were open for public attendance.

After gaining independence in 1991, the system of spatial planning and urban development in Georgia was practically destroyed. No system or even a vision/framework was introduced in its place. The principle "the market will solve the problem" became a major principle, mostly in the spheres related to spatial development.

Although the Constitution of Georgia (1995) de jure established terms of legitimacy of the legislative and normative acts of the Soviet period, while new rules were developed and adopted within a two-year period (II part of Article 106), this was strengthened with the Decree of the Minister of Urbanisation and Construc-

tion of Georgia on 5 February 2002 on the Prolongation of the Terms of Validity of Construction Norms and Rules and also other Normative Acts on the Territory of Georgia. In accordance with this Decree, normative acts of the Soviet period were subject to abolition only after enactment of new appropriate normative acts. But this never happens. The General (Master) Plans have been prolonged in the areas where their legitimacy had expired and socio-economic plans were ignored. The only law Concerning Spatial Organisation and City Construction Basis, adopted in 2005, is no longer in use.

Dynamics in institutional arrangements show that the strictly hierarchical centralised system of planning has been spoiled; no other system, strategy or even approach has been considered in its place. The only law relating to planning activities, in order to be effective, needs proper institutional and further legal provision.

Case of the Capital

Tbilisi, the Capital of Georgia since 502 A.D., with about 1.5 million inhabitants ($\frac{1}{4}$ of the entire Georgian population) stretches along the Mtkvari River. It is governed by the special Law on the Capital Tbilisi, according to which self-governance is represented by the City-Council, the executive branch of which is headed by a Mayor appointed by the President. There are five administrative districts in the city, based on the territorial division of soviet times which did not match historically. The balance of the territory is as follows: Residential – 26.2 per cent, non-residential – 73.8 per cent, agricultural – 16.1 per cent. Tbilisi has been distinguished by its unique urban culture for centuries.

During the past two decades, the city has undergone tremendous changes brought about by a painful and turbulent process of cleavage from the USSR, civil wars and massive political strikes. In addition, a strong earthquake in 2002 damaged over 10,000 buildings, a fifth of which was impossible to save or restore and among them, 66 registered architectural monuments.

The City government states that there are about 30 construction companies operating in Tbilisi. The crisis unleashed by military hostilities over South Ossetia together with the worldwide economic crisis, have slowed down construction activities. However, international interest in construction activities still remains. Arab businessmen plan to invest \$200 million in the construction of elite residential complexes close to Tbilisi centre; Israeli investors plan to spend \$100 million on the construction of a dozen luxury town houses; the Government continuously refers with pride to the \$100 million Radisson Hotel and projects under construction – a \$200 million Park Hyatt project, due for completion in 2009; the Marriott is already operating in Tbilisi, Kempinsky and Intercontinental chains have also announced their plans for hotels. Six major business centres are projected to open in 2010. The real estate sector has experienced unprecedented growth in recent years, with prop-

erty prices increasing dramatically in Tbilisi. The average price of commercial real estate in central Tbilisi has risen from \$ 250 per sq m. to around \$ 3,000 per sq.m over the past five years.

At the same time, few regulatory mechanisms exist for managing building activity, although city government representatives argue that they are, in fact, controlling the process. A growing number of buildings, which do not comply with the existing master plan, date back to 1975, expired in 2000 and were prolonged by Presidential decree until January 2004 but have never been replaced by a new one. The introduction of a temporary regulating document – zoning map – did not help. Urban sprawl and chaos create many planning problems.

The construction of hotels, casinos, restaurants, offices, even large shopping malls in the centre, surprisingly are not accompanied by the planning of inevitably important parking lots and are not followed by the reconstruction of the infrastructure, and there is a lack of a city-planning problem-solving approach.

An increased number of imported second-hand private cars, along with the law on quality and toxic petrol are just two of the city's worries. Most of the territories intended for Transport system development are privatised. The most expensive and important for the city's development and healthy environment of public property such as embankments, pavements, sidewalks and green areas are subjects of marketing. Private cars, mainly parking on sidewalks, stairs going up or down to the shops, dirty tunnels, etc. are making streets unfriendly to pedestrians.

Among the positive innovations which should be mentioned are the introduction of new public transportation routes and a system of payment for transportation using plastic cards. In order to resolve the traffic problem, the Mayor's office developed a plan that was presented to the City council in April 2009. According to this plan, an attractive and relatively empty lot of 200 hectares of land in the middle of city, stretching along 5 kms and currently used by two tracks of railway dividing the city into two parts, will be used for future construction projects. Thus, the adequate development of an urban transportation system is possible only on the basis of proper land use planning.

As for the housing sector, large-scale ongoing construction activities are mainly focused on the new rich areas and are happening predominantly in the central, prestigious, often historical districts. Disordered constructions in the Central zone of the Capital are even preventing Tbilisi to be included in the UNESCO World Heritage list.

The urban poor have increased. The rapid inflow of young, active and entrepreneurial people from regions, together with a significant amount of IDPs to the Capital, caused problems: the social adaptation of immigrants became a serious problem. The rates of economic development and immigration were inadequate.

An overwhelming number of immigrants with established rural habits brought these habits to the Capital, which was unprepared for such a large immigration.

Studies revealed that a prevailing majority (46.3%) of the population of Tbilisi believes that Tbilisi became more provincial/rural during the last decade, and predict its ruralisation for the next few years (45.7%). In addition, 26.0 per cent expect no changes in this regard and only 17.4 per cent believe that Tbilisi will be more urban. The urban space, which is a most important unique culture of Tbilisi, continues to deteriorate further, and the fear that its quality of space will be lost forever, remains realistic.

Despite the fact that Georgia has joined international acts in the sphere of environment protection, environmentalists continuously report on the critical situation in Tbilisi. For example, the Caucasus Environmental NGO Network (CENN) regularly informs citizens about the worsening situation in Tbilisi. According to their information, 5 sq.m of greenery per citizen in Tbilisi is 10 times less than the internationally accepted minimal requirement for a healthy environment.

There is a huge amount of investment and the territory of the city is not prepared to receive this investment. It faces a new reality – the major part of its territory is already sold, with no plans for regulation and there is a crucial need for a spatial order.

Conclusion

Proceeding from the above mentioned information, it may be stated that there is a lack of an urban-planning approach in Georgia. Some problems in the field of development of human settlements in Georgia are common for countries in transition: the emergence of the urban poor, the dominance of private interest in the construction sector and lack of attention to the quality of living and environmental conditions. Dynamics in the fields related to urban development show that a planning policy does not exist because of the lack of attention to the field, the inappropriateness of existing legislation and a broken down institutional system.

The main conclusion is that the core element of the problem and major impediment for the balanced development of Georgia's urban areas is the mismatching of priorities: Central government envisages the territory of Georgia mostly as a transition country, focusing on transitional capacity by encouraging investments in the Capital and transportation routes, while local governments lack the capacity to develop sustainable local development plans. For Georgia, as for other post-Soviet countries, it is increasingly important to develop a comprehensive strategy for sustainable development and management of the above mentioned processes.

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Decentralisation of the Croatian Roads Sector: Should Cities Take Over the Roads?

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Abstract

The paper deals with decentralisation of the roads sector in the Republic of Croatia, which is one of the priority issues for the representatives of the Croatian local public sector. The urge for a more decentralised system comes both from the desire to expand the role of local government in this sector and numerous problems that characterise the present roads system in Croatia. This paper shows that there are significant inefficiencies in the roads sector that have to be resolved, regardless of the decentralisation process. In terms of decentralisation, there are possible efficiency gains. However, decentralisation should not go beyond the extent of the large cities. High fragmentation in the roads sector management would jeopardise economies of scale and would lead to an increase in provision costs. The paper proposes additional financial resources for the new functions of large cities. Finally, it is determined that administrative constraints do not impose a significant obstacle for further decentralisation.

1. Introduction

Roads sector management in Croatia is highly centralised. Even though roads within the cities and municipalities comprise most of the roads network in Croatia, local governments are not responsible for the significant share of roads on their territory. On the other side, they do not even have sufficient financial resources for the construction and maintenance of unclassified roads.

Until now, decentralisation of the public roads sector in Croatia has gone through several stages. The first stage began at the end of 1996, when the Law on Public Roads was adopted, which provided an opportunity for regional government

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to be in charge of county and local roads through County Road Authorities. The second stage of decentralisation is related to the Constitutional Amendments from 2000, when local government was given its place in the Constitution, whilst another important stage of decentralisation was marked by the Amendments to the Law on Public Roads from 2001, when Croatian Roads Administration was transformed into two companies – Croatian Roads Ltd. and Croatian Motorways Ltd. The last stage of decentralisation was in 2005, when the Amendments to the Law on Local and Regional Government defined the concept of “large cities” and provided an opportunity for them to maintain roads in their jurisdiction. Large cities, as units of local government, are defined as economic, financial, cultural, health-care, transport and research centres of development in a broader setting, with a population of over 35,000. However, in spite of the Law Amendments, local administration is still responsible only for the management of unclassified roads.

Regarding the further step of the decentralisation process in the roads sector, two general principles should be respected. The first one is the subsidiarity principle. In the case of the roads sector, it can be defined in increased efficiency under presumptions that local governments have more information on the needs of their voters for the building and maintenance of roads. Therefore, better and more efficient decisions are made. The second principle is the “benefit” principle that denotes the notion that it is fair that taxpayers who bear the burden of financing the roads enjoy more benefits in the form of increased quantity and quality of roads.

Decentralisation of the roads sector in Croatia has been one of the priority issues for the representatives of the local sector. The reason for such interest is not just to increase the role of local governments in the provision of local goods and services, but in numerous other issues that feature the roads sector in Croatia, as well. Management of the roads sector is inefficient and demands improvements in the system of financing, a more balanced construction and maintenance of roads, the fight against corruption and instalment of the appropriate management information system.

One of the most sensitive issues regarding urban roads is in the lack of coordination between the management of classified and unclassified roads in cities, which then leads to serious problems in spatial planning and traffic management, resulting in unbalanced maintenance. Local representatives strongly argue in favour of decentralisation because citizens always blame the local government in case of inadequate maintenance of these roads, even though this functional task is not their responsibility. Therefore, representatives of large and middle-sized cities recommend that classified roads on their territories should be transferred under the ownership and management of local authorities. Financial sources for these functional tasks could come from a share in motor vehicles registration fees and fuel tax.

The goal of this research is to determine a mechanism of fiscal and administrative decentralisation in the roads sector in Croatia. After the introduction, the-

oretical rationales for the road sector's decentralisation are shortly elaborated. In the third part of the paper, features of the Croatian road sector are presented. The fourth part of the paper provides some answers on fiscal and administrative aspects of potential reform. The conclusion offers some recommendations.

2. Rationale for the roads sector decentralisation

Theory and practice of roads sector management led to the creation of various models of roads sector administrative decentralisation. These are, for example, a deconcentrated model; delegated model; devolved model; top-down principal agency; bottom-up principle agency, devolved and delegated, joint services committee and road fund (Robinson 2006, 272). However, regardless of the particular model used, the efficiency effects of various decentralisation models are usually analysed in the light of the following criteria (Robinson 2006, 271, Malmberg 1998):

- ability to reflect local priorities in policy formulation and decision-making;
- achievement of market discipline (competition) through their management and procurement arrangements;
- scale of operations in terms of having sufficient critical mass for operations to be effective and efficient;
- simplicity of administration in terms of decision-making chains and other linkages.

Furthermore, Talvitie (1997) states that there is a need for periodic restructuring of road administration due to the improvements in technology, information use, associated gains in efficiency, and the public's desire for participation in decisions determining the quality, manner of service delivery, and prices of services received. These complex interrelations lead to a higher level of decentralisation of the roads sector and pressures for greater autonomy for its management. In addition, according to Talvitie, decentralisation in programming the outputs can increase efficiency by 10 to 15 per cent and optimal timing and scheduling of works reduce the total road transportation costs by 5 to 30 per cent.

Humplick and Moini-Araghi (1996) empirically estimate how decentralisation affects the efficiency of road provision from the perspective of the road user and local goods provider. According to them, 100 per cent decentralisation of the maintenance function produces the highest efficiency gains, as quality roads are provided at lower unit costs. However, that effect is neutralised if central government exerts regulation on uniform maintenance standards. In addition, there is little justification for central government to be involved in road maintenance because central government standardisation removes the incentive to reduce costs. Central government should regulate safety and have a stake in the financing of road ad-

ministration and functions of planning, policy setting, and regulation of safety and other network externalities with no more than 10 per cent of total costs.

In terms of construction, the results are ambiguous. It is advised to ensure that contracting procedures are efficient before suggesting the decentralised provision of roads. In terms of theory, it is easier for local governments to incorporate local preferences. In addition, local governments have more information and are more efficient in determining where to make investments, procurement procedures and monitoring the quality of construction and maintenance. However, central governments have the advantage of economies of scale and, therefore, possibility to be cost efficient.

Humplick and Estache (1995) provided an analysis of the impact of decentralisation on roads with a focus on maintenance. Their results indicate that the decentralisation of road maintenance leads to an improvement in the general condition of roads, more paved roads and a reduction in maintenance backlogs. They also find, however, that decentralisation leads to higher unit costs and expenditure on maintenance. Moreover, it leads to greater differences in quality across regions.

Even though it seems that the scale of decentralisation benefits in practice varies, empirical evidence shows that provision of urban roads is mainly at the local government level. Shah (2004, 16) shows that in the sample size of 29 transition economies, urban roads are, in 7 cases, purely a central government function, in 5, shared responsibility between central and local government and in 17 cases, purely a local function.

There are also new and important changes that have to be considered when analysing the roads sector issues. Ingram and Liu (1999) analyse national and urban motor vehicle ownership and find interesting dynamics. According to them, both national and urban motor vehicle ownership increase at about the same rate as income. They also find that income is a major determinant of the length of roads at the national level. Because national paved road networks are expanding at about the same rate as national motor vehicle fleets, congestion on them is unlikely to be worsening. However, at the urban level, road length is growing much more slowly than income and much more slowly than the number of motor vehicles. Urban congestion is therefore rising with income over time, and the increase in urban congestion is stimulating decentralised urban growth. Breaking the link between income growth, rising congestion, and decentralisation at the urban level will be very difficult. That process is related to the imposition of very high tax rates due to the fact that increasing the supply of roads in urban areas is very costly, and increasing the supply of transit alternatives is costly and has little effect on congestion in the few cases where it has been studied.

3. Road sector system in Croatia

3.1 Roads classification and management

Legal entities that have a responsibility regarding the administration, construction, maintenance and management of roads are as follows (road system is presented by figure 1):

- Croatian Roads Ltd. (CR) – for the management of a network of state roads and a coordinating role with regard to county and local roads and for preparing documentation for motorways until obtaining location permits;
- Croatian Motorways Ltd. (CM) – for the management of a network of motorways and other toll charge structures;
- Concessionaires – for the construction and management of motorways and structures:
 - Rijeka-Zagreb Motorway Inc. (ARZ);
 - Zagreb-Macelj Motorway Ltd. (AZM);
 - BINA ISTRRA d.d. (BI).
- County Road Authorities (CRA) for the management of a network of county and local roads;
- Local government units, cities and municipalities (LGU) for the management, maintenance and construction of unclassified roads in their areas.

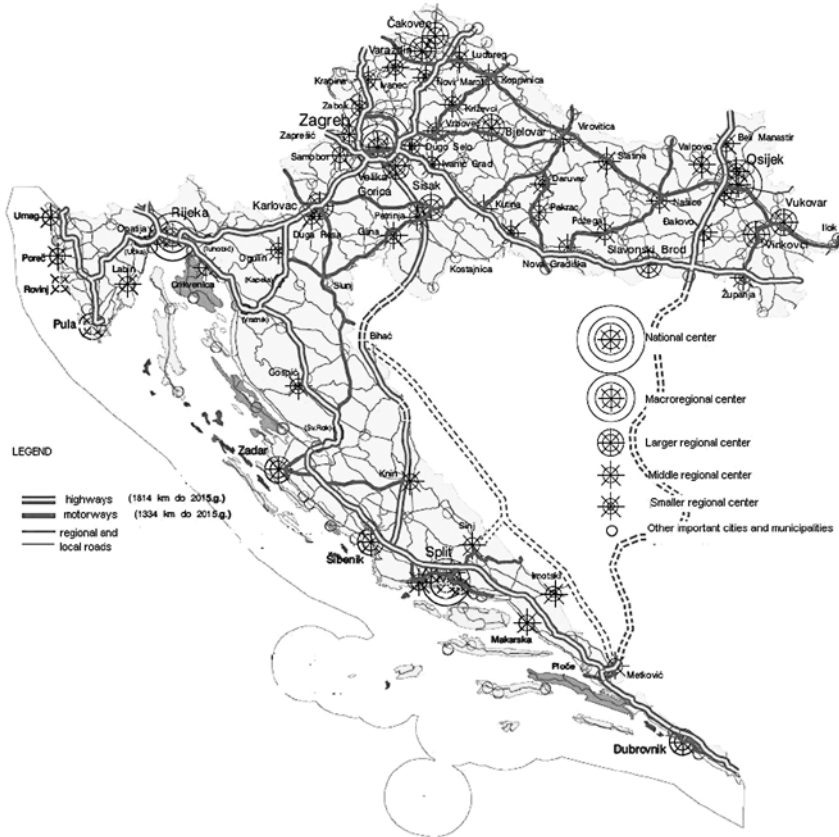
Croatian Motorways began operating on 11 April 2001 as one of the two legal successors of the Croatian Road Authority. The company is 100 per cent state-owned, which controls company operations through its representatives in the assembly and supervisory board. The situation is similar with the Croatian Roads company. It too was founded by the Croatian Government as one of the successors of the Croatian Road Authority, and it is 100 per cent state-owned. The Government, as the founder of the company, exercises control through the supervisory board and assembly.

County Road Authorities began operating on 1 January 1998, and was regulated by the Government Regulation on the launch of operations of County Road Authorities and equity companies in the Law on Public Roads. A County Road Authority is a legal person founded by the county and is managed by a director, who is appointed and dismissed by the county assembly at the proposal of the Governing Board of the County Road Authority.

Regarding the responsibility for the construction and maintenance of unclassified roads, the manner of performing communal activities, including those related

to traffic, is defined by the Law on Communal Activities². They can be performed by the following: a stock company established by the unit of local government, a public institution established by the unit of local government, a own department established by the unit of local government, a legal or physical person, based on a contract on concession, or a legal or physical person, based on a contract on transferring communal activities.

Figure 1
Highways, motorways, regional and local roads in Croatia



Source: Ministry of Environmental Protection, Physical Planning and Construction

2 Cities employ different solutions regarding the department in charge of administering roads on its territory. For instance, the City of Rijeka, has a separate Department of City Administration for the Communal System. The organisational units within the Department include: Sector for Planning, Development and Construction, Sector for Housing, Sector for Business Premises, Sector for Joint Communal Activities, and Sector for Communal Green Areas. Maintenance of unclassified roads has been transferred by the City to the “Rijeka-promet” stock company, which is 100 per cent owned by the City, while the Department for Communal System is in charge of construction.

3.2 System of financing in the roads sector

The system of financing of public roads in Croatia is primarily related to the key technical and economic characteristics of the total road network, which can be divided into the main network and commercial roads. In that sense we can differentiate between:

- motorways, financed through road fees obtained from charges on fuel, tolls paid when using roads directly, and through long-term loans;
- state roads, financed mainly through road fees obtained from charges on fuel;
- county and local roads, mostly financed from the road fee charged when registering motor vehicles;
- unclassified roads, under the authority of units of local government (cities and municipalities). Their financing is defined by the Law on Communal Economy³.

Table 1 shows the key sources of financing of agencies responsible for the public roads system management. It can be noted that the largest share in the sources of financing comes from the fuel fees for financing the construction and maintenance of public roads and annual fees for registering motor vehicles. This information points to the conclusion that only the two mentioned sources can be taken into consideration as additional sources of financing of decentralisation of part of the public roads sector.

Table 1
Sources of financing particular subjects of the Croatian roads sector in 2006
(in thousands of HRK)

No.	SOURCES OF FINANCING	CR	CM	CRA
1.	Fuel fee charged to finance public road construction and maintenance	1,536,000	1,536,000	
2.	Annual fee charged when registering motor vehicles			1,127,471
3.	Toll charged for utilisation of motorways and paying facilities		1,010,000	
4.	Fee on vehicles registered outside Croatia	30,000		
5.	Fee on extraordinary transport	15,950	213	
6.	Fee on excessive utilisation of public roads	895		
7.	Fee on utilisation of road land plots and performing accompanying hospitality services	9,000	24,665	
8.	Other sources	8,105	2,187	318,053 ⁴

Sources: Reports by Croatian Roads, and County Road Authority in Primorsko-Goranska County

³ Law on Communal Economy (NN 26/2003).

⁴ Other fees: HRK 78.053.000; Croatian Roads co-financing: HRK 240.000.000.

Apart from the listed main financial sources, Croatian Roads (HC), County Road Authorities (CRA), and Croatian Motorways (HAC) generate revenues from other sources as well. However, their volume does not generally exceed 5 per cent of the main sources. Furthermore, it should be stated that the development policy of Croatian Roads and County Road Authorities allows the utilisation of long-term loans as financial sources in order to accelerate the effectuation of targeted strategic objectives. However, when compared with the sources listed in Table 1, the worth of credit indebtedness amounts to a level much lower than the one regarding the motorways. While the main public roads network is financed from fuel and registration fees, commercial roads are financed from tolls, fuel fee and long-term loans. Although it is the worldwide practice to finance motorways primarily through long-term loans (which are paid off from tolls), Croatia has allocated a portion gained from road fees obtained from charges on fuel with the aim of more rapid construction and completion of its motorway network.

County Road Authorities are authorised to manage county and local roads, their construction and maintenance. Construction and maintenance programmes are defined in the annual plan of each county administration and further harmonised with Croatian Roads. Croatian Roads consolidates the entire public roads management and also allocates a certain portion of its revenue in order to co-finance the local and county roads construction and maintenance programme. The ministry in line (Ministry of Sea, Tourism, Transport and Development) grants its approval to annual plans drafted by the County Road Authorities.

Registration fees constitute the most significant item in the financial input of County Road Authorities, the authority of which includes administering, construction and maintenance of county and local roads. Each county administration defines in its Annual Plan, a programme of construction and maintenance of roads, based on the previous coordination with Croatian Roads, since Croatian Roads coordinate the administering of public roads in general, and earmarks a part of its income for co-financing programmes of construction and maintenance of county and local roads.

One of the problems in the system of financing emerges from these earmarked transfers from Croatian Roads to the County Road Authorities. By comparing the data on registration fees and Croatian Roads' co-financing in particular counties Drezgic et al. (2007) find a significant lack of proportion regarding the redistribution of these revenues. In spite of the fact that a larger number of registered vehicles in a particular area cause higher consumption of fuel in that area, and bearing in mind that Croatian Roads' co-financing comes from the price of fuel, the question arises as to why the counties with more registered vehicles do not receive more funds from Croatian Roads.

An additional problem, one of the biggest in the public roads system, is related to the financing of the construction and maintenance of unclassified roads. It was

already stated that financing of these activities is regulated by the Law on Communal Activities. The problem arising regarding the communal fee and communal utility contribution is that a whole range of activities is financed from the mentioned sources: supply of drinking water, wastewater treatment, gas supply, thermal energy supply, public passenger transport, street cleaning, communal waste disposal, maintenance of public spaces, maintenance of unclassified roads, market places, maintenance of cemeteries and crematoria and performing funeral work, chimney sweeping, public lighting.

Maintenance⁵ of unclassified roads is primarily financed from a communal fee. The communal fee is a local government budget revenue, and is paid by owners or users of the following: housing, business premises, garages, construction land utilised for performing a business activity, and undeveloped construction land. The amount of the communal fee is determined by the representative body of a local government unit and is based on the location or zone where the property is located, and type of property.

Construction of unclassified roads is financed from a communal utility contribution, local government budget, concession fee, and other sources as defined by specific law. The communal utility contribution is paid by the owner or investor of a plot where a building is constructed. It is calculated in relation to the volume, in m³ (cubic meter) of the building constructed on the plot, and the decision on the amount is made by the representative body of a local government unit.

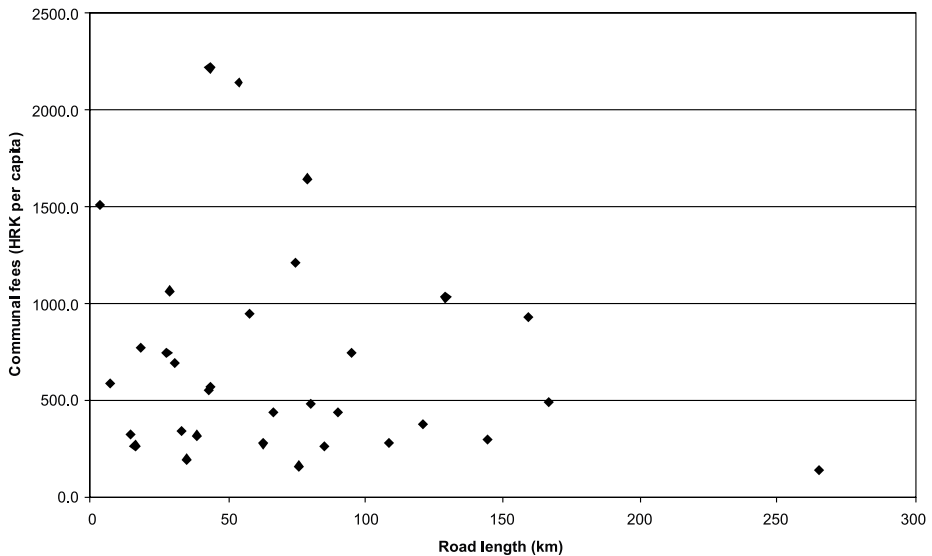
In addition to the fact that spending for the maintenance and construction of unclassified roads comes from the same pool of funds as other activities at the local government level, an additional problem comes from the fact that revenues from the communal fee and communal utility contribution significantly vary in particular local government units. This can be observed by Figure 2, which presents a comparison between revenues from communal fees per capita and the length of the classified road network in large cities. Unfortunately, there is no data on the length of unclassified roads. However, if we assume that the length of unclassified roads is proportional to the length of classified roads, we can conclude that there are significant differences in the financial burden caused by activities of maintenance and construction among large cities.

One of the general problems related to the functioning of the roads sector in Croatia is in the existence of corruption. Even though the notion on the level of corruption relies heavily on the perception of corruption generated mainly through the media (especially in the case of activities of Croatian Roads Ltd. and Croatian Motorways Ltd.), there is no firm evidence confirming this. One of the rare excep-

5 Maintenance of unclassified roads is understood as maintenance of areas used for traffic on any grounds and which are accessible to a large number of users, but are not classified roads as defined by specific regulations, as well as utilising land alongside unclassified roads.

tions is in the problem of collecting fees for public roads utilisation. Drezgic et al. (2006) warn on that issue.

Figure 2
 Comparison of revenues from communal fees per capita and road length in large cities



Source: Croatian Ministry of Finance, Ministry of Internal Affairs

Collection of the annual fee for public road utilisation paid upon registration of motor and trailer vehicles is regulated by the Law on Public Roads. The method of collection, the procedure for payment of funds to accounts of county road authorities, keeping records and the authority to carry out control over the procedure of collection is prescribed by the Minister of Finance. The Minister of Sea, Transport and Communications passed a Rulebook on the amount of annual fee regarding public roads utilisation, which is paid when registering motor and trailer vehicles (NN 103/01, 141/02). Article 7 of the Rulebook stipulates that an annual fee can be charged by stations for technical inspection of vehicles with which county road authorities conclude a contract on annual fee collection.

County Road Authorities conclude contracts with the Centre for Vehicles Croatia, Zagreb, and other stations. For the services they provide, stations for technical inspection of vehicles keep 2 per cent of the amount of fee charged (cost of collection, processing and reporting) and pay the reduced amount to the deposit account no later than within 6 days of the day of collection. Stations for technical inspection of vehicles also have to submit written reports on collected fees to the relevant county road authority. Under the agreement with county road authorities,

the Centre for Vehicles Croatia also has the obligation to submit data on all processed cases concerning fees (collected at stations for technical inspection and outside of them).

However, the problem that arises in the collection of fees for public road utilisation is in the fact that public legal authorities entitled to collect revenue from the above fee do not collect the respective amount directly. For this reason, it can take some time from the moment when the fee is collected at stations for technical inspection of vehicles until it is deposited in the relevant road agency account. Records of daily cash transactions must also be maintained at the place where these receipts are generated, i.e. at the stations for technical inspection, and they should be available to the Tax Authority at any time in the procedure of tax inspection. The above mechanism of collection is not appropriate and casts doubt upon the regularity of payment to giro accounts⁶ – i.e. the time period should be six days from payment. Such a collection mechanism is not appropriate because public funds are outside of the direct control of the public sector.

An additional problem that cannot be neglected is in the fact that purchases made by County Road Authorities, unlike Croatian Roads Ltd. and Croatian Motorways Ltd., as government agencies are burdened by the Value added tax (VAT). According to reports of Croatian Roads, a transformation of county road authorities into stock companies is planned. However, the privatisation process should be supported, not only for the purpose of financial savings (VAT), but also for the purposes of economical management, where financial savings would occur by transferring functions to cities. Before making a final decision regarding this, it is necessary to question this transformation by making a comparative analysis of the work of the county road authorities that would detect all advantages and disadvantages of the way of working so far and of switching to the new system⁷.

One of the important problems related to local and county roads is that spending on these roads decreased substantially both in absolute and relative terms from the year 2001. The analysis of the quality of county and local roads carried out under the Government's Programme showed that half of the roads are in a relatively poor state. The Croatian Government's Programme brings planned expenses for different levels of the public road system. It can be observed (based on the data in Table 2) that the majority of the costs of construction and maintenance belong to motorways and state roads. The question arises whether such unbalanced financ-

6 According to data of the County Road Authority of Primorsko-Goranska County, there is considerable imbalance between the daily collection of fees at Stations for Technical Inspection and expected collection according to the number of vehicles and respective tariffs (Report by CRA).

7 For example, the systems of management and financing of roads in the U.S. are not privatised because the private sector has too great a risk in entering certain activities within that system. Moreover, once the system is privatised, it is very difficult to re-establish the authority of the public sector (information provided by ODOT (Ohio Department of Transportation) representatives).

ing is justified, particularly when the length of particular types of roads is taken into consideration. It can be observed that in the period from 2001 to 2008, the focus was on construction and spending on state roads and motorways. Surprisingly, maintenance spending on county and local roads decreased significantly in the period from 2005 to 2008.

Table 2
Expenses for Public Roads in Croatia

Type of road	2001–2004				2005–2008			
	Construction		Maintenance		Construction		Maintenance	
	mil. HRK	%	mil. HRK	%	mil. HRK	%	mil. HRK	%
State roads	2,908	15.4	3,076	35.5	4,600	27.5	4,460	45.6
Motorways	15,339	81.3	1,589	18.4	11,229	67.1	2,786	28.5
County and local roads	619	3.3	3,990	46.1	918	5.5	2,532	25.9
Total	18,866	100.0	8,655	100.0	16,747	100.0	9,778	100.0

Source: Croatian Government: Public Roads Construction and Maintenance Programme for the 2005 to 2008 Period, NN 3/2005

An additional problem for County Road Authorities is in the continual increase in construction costs that were not accompanied by a corresponding increase in revenue. The increase in the number of vehicles cannot ensure such revenue from annual fees for roads to compensate for the increase in maintenance and construction costs. The provision of the necessary funds for construction, reconstruction and maintenance of roads requires burdening road users with direct fees, proportionally to the benefits the road provides to them, i.e. proportionally to the damage they cause to roads. For these reasons, representatives of the County Road Authorities argue that the amount of fees for the utilisation of roads should follow the appropriate increase in maintenance and construction costs (Drezgić et al. 2006).

4. Decentralisation of the roads sector

4.1 Financial aspects of road sector decentralisation

According to international standards, there are two major factors that have to be taken in account when analysing the costs for maintaining roads and thus should determine the distribution of funds in the sector of public roads that are going to be delegated to large cities and county seats: the surface area of public roads and the vehicle usage of the roads.

The surface area is measured in square metres of the road surface area. Expenditures for maintenance are directly related to the total surface area of these roads. However, such data are often unavailable, and a different measure of surface area can be used – measures of lane-kilometres (expressed in kilometres of lanes). When this data is unavailable, then the simple length of roads (measured in centre-line kilometres) is used. It should be noted that this third method significantly undercounts the road surface in built-up urbanised areas.

The criteria for vehicle usage of the roads are related to the fact that roads with heavy use are much more costly to maintain than roads with less traffic. A number of measures of vehicle use can be used but all are variants of the concept of “vehicles per day”. Most common are annual average daily traffic or annual average of week-day daily traffic. These measures report the total number of vehicles travelling in both directions for a 24-hour period (or in a single direction for one-way roads).

If this data is unavailable, then a proxy measure has to be developed. Two measures are often used, number of vehicles registered and population. Both indirectly signify the usage of roads.

In addition, roads in large cities are exposed to damages that do not occur in non-residential areas, i.e. inter-city roads. These damages could be caused by infrastructure works that are indirectly connected with roads – sewer, telecommunications, gas and other constructions. The best proxy for these damages could be the number of inhabitants.

Regarding the usage of roads and damage imposed by traffic, it has to be stated that heavy vehicles (trucks and buses) damage roads around 10,000 times more than personal automobiles. However, internalisation of this damage in the form of a cost-benefit principle is still unsolved worldwide (fees imposed on registration of these vehicles would be too high). Many countries count the percentage of heavy trucks in the vehicle mix and use this data as part of the formula to allocate revenue (see Heggie and Viskers 1998). However, this data is unavailable in Croatia. There is only the possibility that fees from heavy vehicles go to a special fund from which total revenues could be dispersed on the basis of road length under the responsibility of each CRA.

The formula for distributing funds has to employ variables in respect of major factors that are stated before. In addition, these variables have to be available. A review of data that is consistently available in Croatia includes 1) centre line kilometres of road length, 2) vehicle registration, and 3) population. Thus, for the purposes of redistribution of revenues across the roads sector, Drezgic (2007) uses the following variables:

- **Share of centre-line road kilometres** (total length of county and local roads in the jurisdiction of the city divided by the total length of county and local roads

in the county, plus total length of state roads in the jurisdiction of the city divided by the total length of state roads in the country);

As previously stated, this variable is a proxy for maintenance of roads. However, this variable should not be the only criteria for distribution. This is due to the fact that some jurisdictions have long road networks but not much traffic and inhabitants (for example, Ličko-Senjska County). It is not economically efficient to undertake large investments on roads that do not have heavy traffic. In addition, more developed jurisdictions usually have more developed road networks. Taking the road length as the only criterion could impact the divergence of the quantity of roads within jurisdictions. Finally, this criterion does not account for traffic frequency.

- **Share of population** (total population in the city divided by the population in the county; also, total population in the city divided by the population in the country);

The share of population is a proxy for usage of roads. It is similar to a share of vehicle registration. However, there is an important difference. The number of personal automobiles per inhabitant is not the same across the jurisdictions. Furthermore, as was already mentioned, the population can serve as a criterion to approximate damages caused by construction work that damage roads directly or indirectly – and demand additional maintenance costs.

- **Share of vehicle registration** (total number of vehicles registered in the city jurisdiction divided by the total number of vehicles registered in the county; also, total number of vehicles registered in the city jurisdiction divided by the total number of vehicles registered in the country).

This criterion is indirectly related to the frequency of traffic in certain jurisdictions. It is the most appropriate indicator of congestion and related damage to roads. However, it is important to remember that many vehicles that are registered in Zagreb and other larger cities, especially by companies, operate on roads of other jurisdictions. Therefore it is useful to utilise the registration data in conjunction with population criteria in order to better connect costs for maintaining the roads and benefits from their usage.

Table 3 shows available data that can be exploited for the redistribution of revenues for the maintenance of state, county and local roads within the territory of large cities.

Table 3
Available data necessary for the redistribution of revenues

	Number of inhabitants	Number of vehicles registered	Length of County roads – u km	Length of local roads – u km	Length of state roads – u km
Bjelovar	41,869	19,479	46.87	74.34	44.25
Čakovec	30,455	14,570	7.365	8.691	20
Dubrovnik	43,770	20,985	7.4	0	8
Gospić	12,980	5,578	93.22	171.9	69.88
Karlovac	59,395	25,020	83.5	82.8	–
Koprivnica	30,994	15,143	31.09	27.135	28
Krapina	12,950	5,999	28.8	4.2	12.3
Osijek	114,616	43,243	20.15	59.905	70
Pazin	9,227	5,586	26.661	58.098	18
Požega	28,201	11,037	26.83	35.96	18.27
Pula	58,594	35,542	20.676	7.758	30
Rijeka	144,043	70,322	67	27.6	39
Samobor	36,206	17,667	–	–	37
Sisak	52,236	20,316	100.6	28.8	25
Slavonski Brod	64,612	23,707	34.8	0	13.4
Split	188,694	89,169	15.68	14.6	11.11
Šibenik	51,553	24,091	45.95	62.45	97.5
Varaždin	49,075	24,636	30.43	36.25	22.56
Velika Gorica	63,517	27,713	–	–	41
Vinkovci	35,912	12,271	6.42	7.8	37.5
Virovitica	22,618	9,337	14.77	23.8	26.2
Vukovar	26,234	10,890	11.63	25.6	17.8
Zadar	72,718	33,695	16	27.1	27
Zagreb	779,145	361,520	–	–	66.5
Cities	2,029,614	927,516	760	254	780.27
Croatia	4,437,460	1,900,670	10,611	10,375	6,823

Source: Croatian Central Bureau of Statistics, Ministry of Internal Affairs, CRA

Drezgić (2007) uses such data and on the basis of criteria of road length, share of population and registration share of large cities, shows the financial effects of redistribution on large cities, CRA budgets and budget of Croatian Roads. According to that analysis, based on the criteria mentioned, 32 large cities would receive 25 per cent of the revenues from the Fuel fee charged to finance public road construction and maintenance. County Road Authorities would lose less than 20 per cent of their

revenues on average. However, in case of reforms they do not have the responsibility for large cities which substantially reduces their costs.

There is also the possibility of including some form of fiscal capacity – as a measure of capability of certain jurisdictions to finance roads under their responsibility. This is related to Figure 1 where it can be seen that jurisdictions diverge highly in their capabilities to finance their functions. By inclusion of that measure, much more equal redistribution would be accomplished and more pressure on cost efficiency exerted.

4.2 Administrative aspects of roads sector decentralisation

One of the most important arguments of the representatives of large cities in favour of the need to decentralise the public roads system in Croatia is related to the claim that the County Road Authorities cannot ensure a balance in meeting the need for public roads in their territory. The principle of subsidiarity should be respected in the public road sector in Croatia, as well. Local units are certainly best acquainted with the needs of their citizens with regard to public roads. Therefore, the assignment of functions within the activity of public road maintenance and construction, accompanied by the appropriate funds, represents a significant step towards utilising the benefits of decentralised provision of public goods and services.

Public opinion should not be ignored either, i.e. the fact that almost a negligible number of residents in a city or municipality knows who is responsible for what type of road, i.e. which road in their area is an unclassified, local, county or state road. All this creates significant problems for local representatives, who are often targets of justified criticism by their citizens over a specific road, and in most cases they cannot address the problem because these roads are not under their jurisdiction.

Amendments to the Law on Local and Regional Government (NN129/05) have created a legal basis for further advancement in the process of decentralisation, and at the same time defined new forms of organisation of the public roads system. Competences for management and financing of public roads have been expanded for municipalities and cities, which, according to the new regulations, perform tasks that refer to traffic in their area. However, in spite of the fact that there are regulative provisions that enable decentralisation of the roads sector, the reform is not yet pursued.

It has to be noted that Croatia is one of the most centralised countries in Europe. At the same time, the local government level in the country is extremely fragmented. There are 129 cities and many of those are not able to perform demanding functions, not just in the roads sector, but in terms of other local functions as well. For this reason, it would be counter-productive to decentralise responsibilities for the roads sector beyond the extent of the large cities.

Regarding the administrative obstacles for a more decentralised provision in terms of large cities, there are no significant problems. All of the large cities have communal departments that deal with road issues and these departments would easily manage additional administrative and technical demands. Due to the increase of economies of scale there are possible benefits in terms of cost reduction that would come from the new funds for maintenance of the additional roads.

Nevertheless, one of the main challenges in the process of transferring the management and financing of road traffic to the local government level is the lack of a department for traffic. At the moment, management of traffic in most cities is considered a secondary element of one of the city departments. Therefore, there is a need to form departments for traffic, which would prepare traffic strategies for individual units of local government in the foreseeable future. Depending on the size of a city, it is necessary to re-allocate existing financial resources more adequately in order to cover the need to set up Traffic Departments, which will operate independently or as part of the communal system department (as is the case now in most cities). In terms of staffing, these departments should be interdisciplinary, i.e. they should employ traffic engineers, civil engineers and economists in order to deal with the organisation and management from different standpoints (Drezgić et al. 2006).

There is a need for further improvement in the technical capabilities of the current agencies in the roads sector. Considering the current technical and technological state of equipment, County Road Authorities lack quality data about the condition of the road network they manage, which of course leads to the inability to make optimum decisions on investments in construction, maintenance and reconstruction of the road network. An up-to-date and comprehensive database is necessary for making optimal decisions. In order to enable efficient planning, construction and maintenance of roads, it is necessary to modernise the technical management of the roads sector – in particular, use the advantages of the GIS⁸ systems implemented in the developed countries. The entire public roads sector should be connected through an information management system.

At the moment, local administration is responsible only for management of unclassified roads. Discrepancies between the systems of classified and unclassified roads in cities lead to serious problems in spatial planning, management of traffic and cause unbalanced maintenance. So, it can happen that some roads which run through a city are state roads in one section and county or local roads in another. One of the first steps in addressing the problem of management and financing of traffic on roads should certainly be the preparation of the Strategy of Classification of Public Roads in Croatia. Such a strategy has never been prepared, and construction of new roads has led to a change in circulation, while at the same time re-categorisation of roads has not taken place.

8 Geographical Information System.

5. Conclusion

The paper indicates that roads sector management reform in Croatia is necessary. There are numerous problems within the sector that cause lower quality and quantity of roads' provision, primarily at the county and local government levels. From the year 2001, substantial investments raised the quality and quantity of national roads and motorways, but local government roads were largely neglected. From that standpoint, in terms of decentralisation, there are efficiency gains from directing the funds towards the local government levels.

Nevertheless, the high fragmentation of local governments and their weak administrative, technical and organisational capacities warn that decentralisation should not go beyond the extent of the large cities. Such attempts could cause an increase in provision costs and a decrease in quality. On the other side, administrative constraints do not impose a significant obstacle for further decentralisation when large cities are considered. Necessary formation of traffic departments are one of the main challenges. However, in the case of large cities, this issue is of a formal nature. Traffic departments have to be organised from the communal departments that already have significant experience regarding urban road issues.

Finally, it can be concluded that there are both financial and administrative possibilities to proceed with the decentralisation of the roads sector in Croatia. Such reform should entail a broader scope in order to eliminate the existing general problems of the functioning of the roads sector management. Based on the theoretical and empirical evidence, the benefits of such decentralisation should be significant. However, as always with decentralisation, the devil is in the details.

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Governance

Metropolitan Discourse in Poland and Germany: So Near Yet so Far?

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Abstract

Metropolitan governance is a new, though vivid, issue in the Polish public debate. The considerations on the best organisational scheme for the biggest cities and their surroundings, dating back to the early 90s, have not yet resulted in institutional reform, keeping open the possibility to use the experience of other countries. Among those, Germany, with its long tradition of metropolitan debate and its numerous administrative solutions occupies an important position. In the article we compare the two national discourses referring them to the features of a more general world-wide metropolitan debate. The analysis shows that Polish discourse only partially borrows from the German debate, and reveals many more features of the old regionalism than the German one. Not only international competitiveness and economic development, but also the question of democratic legitimacy finds more recognition in German debate than in the Polish one. In both countries though, a gap between the academic discourse and goals verbally declared by politicians (which are close to the new regionalism) and actually implemented policies (which are often of a “down-to-earth” character focused on delivery of individual services) is clearly visible.

1. Introduction

In Poland, the debate on the appropriate steering structure for metropolitan areas is relatively new. The first voices to raise the question of metropolitan reform date back to the 1990s (e.g. proposal for Gdansk Metropolis reform by Mażewski 1997, reforms of the status of Warsaw – see Lackowska 2009), but the enlivenment – or

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rather, development – of the discussion has taken place only since circa 2003. In fact, taking into account that the self-governments in Poland were formed after 1989 (followed by regional reform carried out in 1999), the metropolitan actors themselves are very young³. Moreover, currently there is no specific form of regulation related to governing metropolitan areas in Poland. There is also no official definition of metropolitan areas, although the Law on Spatial Planning obliges regional government to prepare special plans for metropolitan areas. The only example of specific legal regulation for big cities is the Law on Warsaw Local Government (which has undergone a couple of very significant changes during the past 15 years), but it is dealing with the organisation of government within central city limits only, not touching the relationship with surrounding suburb areas, and therefore will not be discussed in this paper. As a result, Polish metropolitan discussions and practices have very little tradition to lean on. The first organisation which brought the issue of metropolitan governance to the public debate was the Union of Polish Metropolises (*Unia Metropolii Polskich* – referred to later as UMP, established in 1990). Although the Union's members are only 12 core cities of the largest Polish agglomerations, the organisation has tried to identify and recognise wider “metropolitan areas”, whose boundaries have been defined in a very controversial way (covering a very wide area and including municipalities with very weak ties with the central city)⁴. The debate was triggered to a large extent by accession to the EU and the perspectives for access to European financial assistance (Swianiewicz and Lackowska 2007). Another factor was the elaboration of the new version of the national planning documents (KPZK – *The Concept of Spatial Management of the Country*), which would distinguish the metropolitan areas, as well as pass a law on the planning obligation for those areas. But, until 2007, these debates were relatively weak and were not concluded in the official governmental proposal of the new legislation⁵. Metropolitan-wide problems were dealt with either through annexation of suburb villages by growing central cities, or through a – usually ineffective – voluntary co-operation of municipal and county level governments (Lackowska 2008). The situation changed in early 2008 when government announced the draft law on “Development of Cities and Metropolitan Areas”.

On the contrary, the German metropolitan debate has a much longer tradition. Already between 1912 and 1937 a reform wave overwhelmed the biggest cities. In Berlin and Hamburg the reforms took the direction of city boundaries' adjustment, whilst in the Ruhr Region, a co-operative structure of local governments (*Siedlungsverband Ruhrkohlebezirk*) was established (see Freund 2003, 130). Metropolitan co-

3 Interesting contribution here are the words of the former mayor of Wrocław: “in the early 1990s the small rural suburban municipalities were neither equal partners for the core cities, nor were they eager to cooperate – they would rather enjoy their freshly gained autonomy”.

4 For the discussion of metropolitan boundaries in Poland see Swianiewicz, Klimska 2005.

5 For an extensive discussion of the debate on metropolitan government in Poland before 2006 see Swianiewicz, Lackowska 2007.

operation (above all in the field of spatial planning, but also in the form of other single-purpose municipal associations) and the search for the best institutional solution, flourished throughout the 20th century and resulted in the establishment of very different institutional settings in German metropolises (the last restructuring wave took place after 2000). Also, the metropolitan discourse itself has a much longer tradition than in Poland. The focus of the debate seems to be automatically put to the city regions, resulting in multiple publications on metropolitan issues (such as Ludwig et al. 2008; Esser and Schamp 2001, Fürst 2005; Blatter 2006; Heinz 2007); elaboration on the politics of the core cities are harder to find. Obviously, the attitude towards the city regions has progressed over time. Up until the end of the 1980s, the biggest cities were treated more as the parts of national regional development policy than as self-decisive international actors. It was only in the 90s that the growing importance of international competitiveness and the place marketing (both related to the intensification of European integration and globalisation) that a substantial change in attitude was triggered. City regions, as the engines of growth, sources of innovation and progress have come to be seen as a separate (in the sense of policy-making) actors, who strive for their international position (Brenner and Heeg 1998; Blotevogel and Schmitt 2006). Their development, based on endogenous resources, has become their own task and the obligation is not of a national level, but of direct lawgiving authorities, i.e. federal states. This attitude has found confirmation in the establishment of the *Initiativekreis Europäische Metropolregionen* – organisation gathering German metropolitan areas.

In the slowly developing Polish discourse on metropolitan governance, the traditions of German metropolitan organisation have been an important point of reference. German metropolitan solutions, especially those of the cities of Stuttgart and Hannover, have often been quoted in the debates, as positive examples or even models to be followed⁶. But interestingly enough, the Polish discourse was not a simple replication of arguments presented in Germany. Only some dimensions of the German metropolitan debate and reform implementation have been incorporated into the Polish expert and public discourse, whilst some other areas remained underestimated or simply ignored as being irrelevant.

This triggers a question on the differences observed between the two national discourses. The article investigates them with reference to the general international debate on metropolitan governance. The main points are briefly presented in section 2 and then referred to in the comparative empirical research. Such a framework allows for the extension of the research aims. Not only the differences between the Polish and German debate are found, but also the features of the national debates are confronted with the general lines of international discussion. German long-

6 This approach has been fostered, first of all by UMP (e.g. Jędraszko 1994), but it has also been present in others experts' articles and policy recommendations (e.g. Kaczmarek, Mikuła 2007). It is worth mentioning that Stuttgart is also seen as a model example in Germany itself (Benz 2003).

lasting metropolitan debates have always been strongly present in the international debate and therefore the two are expected to remain highly similar. However, it is interesting to look at to what extent the Polish debate adopts international trends. Are there any Polish specific features of the debate or is it reflecting those from earlier discussions in Western Europe or the US?

The following sections of this paper present the most significant of the identified differences according to the main features of the international debate outlined in section 2 and speculate on the factors determining them. In the concluding remarks, we draw attention to the need for studies explaining the reasons for the detected differences both between the countries and with regard to international trends. As a starting point for that, we present some speculations on the possible determinants for national variations of the international academic debate.

2. Main lines of the international metropolitan debate

Since the 1990s, the international (mainly American and Western European) discourse on metropolitan governance has been strongly dominated by the **new regionalism** paradigm. The main feature, making it distinct from previous debates, is the focus on **economic premises** (see e.g. Kübler 2003, Kantor 2006). In contrast with the old regionalism, new metropolitan arrangements have not been focused on welfare service delivery or the socio-spatial differentiation of the metropolitan region (see Brenner 2002, 7), but have turned into entrepreneurial agencies oriented, above all, towards promoting economic development within their jurisdictions (Brenner 2004, 473). In the realm of globalisation, metropolitan areas are forced to compete for various resources on the international scene. Attracting investors and young talented employees poses a challenge both for local authorities and for the business sector already operating in a region (Kantor 2006). One of the points strengthening such an attitude has been the EU declaration considering metropolitan areas as growth engines, stimulating the innovative development of much more space. The EU debate puts emphasis on a restructuring of city regions which would assure their high competitive capacities (Brenner and Heeg 1998). The main focus is to minimise the discrepancy between the economic and political boundaries (ibid., 661). Nonetheless, the failures of metropolitan reform and constraints of voluntary co-operation have resulted in governance which puts less emphasis on structural frames. Competitiveness and equity can be achieved by means of informal co-operative networks, possibly (but not inevitably), accompanied by governmental structures. In their efforts to reach metropolitan-wide equity (issue inherited from the old regionalism), new regionalists foster **fiscal equalisation** schemes covering the core and its suburban parts (Savitch and Vogel 2009, 113).

Openness of the governing network **for non-public actors** underlines the economic undertone of a governance approach. On the one hand, the engagement

of big business assures more resources available for the metropolis, but on the other hand, it raises questions on **democratic legitimacy**. Next to the pessimistic scenario (Kübler and Schwab 2007), the argumentation on the drawbacks of economic driven policies is being developed. Some academics wonder whether the project-oriented governance style, dominated by economic perspective, is best for the region as a social concept (Lefèvre 1998). Short-term projects initiated by economic actors may not necessarily correspond to the wide public interest. The logic of jurisdictions (whose constituting element is territory) remains very different to the economic driven logic of the space of flows. A public-oriented policy (service delivery, local democracy functioning, development of the whole unit, not of a certain company) is an element that should not be eliminated from the governance networks. After all, these networks still involve public affairs!

Recently, next to the “governance” concept, the rescaling (or “re-territorialisation”) has gained popularity, offering new analytical and theoretical frames for metropolitan governance (Brenner 1998). In the new approach, even more attention is being put on the **international competitiveness** of city regions, which have become crucial nodes in the global structures, and, as such, involve even more levels of interactions. Escaping the logic of single jurisdiction is accompanied by the broader phenomenon of rescaling national politics – more and more influence is being gained by the regional and local levels. Faced with the new challenges, metropolitan politics have to undergo restructuring of their managerial frameworks. However, the approach is criticised for not providing sufficient normative guidance on how these regional structures should be arranged (Savitch and Vogel 2009).

Considering these basic elements of the present metropolitan discourse, we organise the presentation of the empirical research in accordance with the four groups of arguments. Features of national debate are analysed, considering the basic theme mentioned with regard to the metropolitan arrangements (managerialism versus entrepreneurialism), actors participating in the metropolitan governance and approach to the democratic legitimacy problem.

3. Metropolitan government institutions in Poland and Germany

It is not the aim of this paper to present a comprehensive set of information on the institutional setting of governing metropolitan areas in both countries. Such information may be found in earlier publications⁷. Here, we limit ourselves to remembering very basic facts, which are necessary to follow further argument.

⁷ For English language literature on Poland see, for example, Swianiewicz and Lackowska 2007, for Germany see, for example, Ludwig et al. 2008, Blotevogel and Schmitt 2006, Blatter 2006, Fürst 2005, Salet et al. 2003. If not otherwise specified, the source of information in this section is in the references quoted in this footnote.

In Germany metropolitan areas stay within the competence of the respective federal authorities, which results in a significant variation of the forms of metropolitan arrangements, as well as of their legal frameworks. As was already mentioned, the (very different) reforms of the institutional setting were carried out throughout the 20th century, writing long German metropolitan history. The first reform wave in the 1920s and 30s resulted in the creation of the consolidated Great Berlin in 1920 (*GroßBerlin*) and Great Hamburg in 1937 (*GroßHamburg*, established by the fascist regime). Since 1936, the planning communities were being established as top-down forms of metropolitan cohesion. In parallel, since the 1920s, the single-purpose associations in the urban areas flourished (Blatter 2005), creating a very solid basis for the tradition of German metropolitan co-operation. After World War II, the new federal division of Germany triggered the debate on adjusting the federal boundaries, so as to establish federal states bigger and stronger in economic and financial terms (Brenner and Heeg 1998). One of the elements in the debate was the reshaping of the administrative configuration around the biggest cities (*ibid.*), in order to minimise the cases of metropolitan areas being split into 2–3 federal states. The main argumentative line was equalisation of the socio-economic disparities between the core and the suburbs. This had to do with the rapid development of the urban areas after World War II, which forced reforms to adjust their structures to the new reality. Only then, between the 50s and 70s, were the problems related to every-day infrastructure solved. As Blatter (2002, 131) describes, at first, associations responsible for water management were established and in the 70s, public transport and waste treatment were effectively dealt with. However, it must be stressed though that the main tool for reaching metropolitan-wide coordination and co-operation was, at that time, the planning associations (*ibid.*, 132). At the end of the 70s and beginning of the 80s, due to the reconfiguration of the political configuration both of the federal and local levels, the metropolitan structures were left much lower on the agenda, resulting in some steps backwards in the already developed institutional setting⁸. The enlivenment of the metropolitan debate took place in the 90s and was connected to the regional policy of the EU. The metropolitan regions have never been directly a subject of structural funds, but the main focus of the EU-debate has been shifted towards international competitiveness and territorial marketing. These tasks have no longer been seen as national competences, rather as the challenges facing the federal and metropolitan levels (Brenner and Heeg 1998; Blotvogel and Schmitt 2006). Metropolitan areas have begun to be considered as engines of growth. The governance premises marked their influence by creating various metropolitan structures in the urban regions.

An example of a traditional, hierarchical metropolitan reform is the case of Hannover. In 2001 the purpose association *Zweckverband Großraum Hannover*, gathering the city of Hannover and the surrounding county, was abolished, as well

8 E.g. the competences of the Frankfurt *Umlandverband* were cut down; similarly the tasks of the *Verband Großraum Hannover* were limited.

as the county itself, and the Region of Hannover was established. The new organisation has wide competences in spatial planning, waste water treatment, fostering economic development, public transport, social assistance, waste management, environmental protection management, coordination of hospitals and vocational schools (see *Gesetz über die Region* 2001). An important element is the assurance of democratic legitimacy: president and regional assembly (*Regionversammlung*) are directly elected.

“Softer”, but also fairly formal, is the organisation of the Stuttgart region, where in 1994 the Association Region Stuttgart (*Verband Region Stuttgart*) was created. Here, the establishment of the association was not accompanied by the abolition of the existing jurisdictions (the association comprises five counties and the city of Stuttgart) but nonetheless, it has relatively wide competences (spatial planning, water management, public transport, supporting economic development) and a directly elected organ (regional assembly – *Regionversammlung*).

Direct democratic legitimacy is not an inseparable element of the German metropolitan arrangements. Most of them, in fact, lack one – usually metropolitan gatherings are composed of representatives of the member-jurisdictions. This is, for instance, the case of the Ruhr Region, where the Regional Association Ruhr (*Regionalverband Ruhr*) operates. Its present legal shape was acknowledged by federal law in 2004, but the preceding organisation dates back to the 1920s. Consequently, the Regional Association Ruhr is considered the oldest (and biggest) German municipal association (Petzinger et al. 2008, 143). The association organises its works by means of joint projects in various policy fields (e.g. planning, economic development, sport and culture).

An example of a softer, voluntary structure is that of Frankfurt. At the end of 2000, the federal authorities introduced a law, which acknowledges voluntary co-operation as the best solution to reach cohesion in the polycentric region. In most of the policies, the law does not provide fixed patterns for the adequate forms of co-operation. The only domain with firm regulations is planning, for which the Planning Association was established. Another organisation created by the law is the Regional Council (*Rat der Region*). It is supposed to coordinate and stimulate co-operation within the region, but in practice, it fails to do so due to its advisory character (no compelling capacities) and rare, gossip-like meetings (Bördlein 2000, 543). Under this legal framework, the plenitude of various (often overlapping and competing with each other) initiatives have flourished. An important group among those are the business actors of the region. All in all, the regional status quo is being criticised for a lack of direct legitimacy and a general ineffectiveness in solving common regional problems (Freund 2003, Bördlein 2000, Langhagen-Rohrbach 2004, FR 2004b, FR 2008, FAZ 2009).

Especially challenging and interesting are the arrangements exceeding federal boundaries. In the Rhine-Necker Region in 2005, after long difficult negotiations,

three federal states agreed upon the legal framework for metropolitan agreement. The treaty established a new Association, Rhine-Neckar, responsible for spatial planning and replacing the former planning association, Rhine-Neckar, as well as the respective planning authorities in the two federal states (Zimmermann 2008). In parallel, private sector initiatives are in operation, creating a regional network of public-private dialogue (Mandel 2008). The arrangement, achieved in the polycentric region and despite the negative attitude of the federal authorities, is widely considered a success.

All of the above mentioned metropolitan arrangements (regardless of the degree of their formalisation) are acknowledged by the respective federal laws. Nonetheless, talking about them in terms of a clear top-down process would be deceiving. In most cases, the introduction of the metropolitan organisation was preceded by other types of co-operation and accompanied by strong support from regional actors (i.e. authorities of the counties, core city, and business sector). It should also be underlined that in each of those cases, the structures created in 1994–2005 were not established *ex nihilo*, but as a further step in the long evolution process of various forms of co-operation.

One of the elements of the last peak in the metropolitan debate and practice was the establishment in 2001 of the *Initiativekreis Europäische Metropolregionen* (referred to later as IKM), which can also be seen as a type of centralisation, or rather a gathering of German metropolises. The initiative was launched under the supervision of the Standing Conference of Federal and State Ministers Responsible for Spatial Planning (*Ministerkonferenz für Raumordnung*, MKRO, translation after Hoyler et al. 2006, 125). All 11 members of the IKM are defined by the MKRO as metropolitan areas in Germany. The definition and delimitation did not proceed smoothly. Differences in the political and administrative construct of the metropolises and the fact that formal arrangements are usually incompatible with the existing functional interconnections, made the task very difficult (Heinz 2007, 95). In the end, the delimitation is being left to the decision of the respective metropolises. Another vague point of the initiative gathering German metropolitan regions is that the regions themselves have not been legally defined in a coherent way. Again, it is up to the regional constellation to set a spokesperson for a metropolis, as well as to decide which of the metropolitan institutions is to be an official member of the IKM. In those cases where the metropolitan association leans on the traditional administrative reform, the membership is clear; in other cases it is usually the planning association (e.g. in Frankfurt *Plannungsverband*). This lack of precise rules for the IKM membership is a disputable element of the initiative (see e.g. Blotevogel and Schmitt 2006).

The prestige aspect of the IKM membership is strongly present (see e.g. Blotevogel and Schmitt 2006, 60) – metropolitan regions in Germany compete for admission to the IKM group and it seems they consider mere membership a sign of

success (e.g. Rhine-Neckar – Zimmermann 2008, Munich – Schulz 2008). This aspect plays the role of an additional stimulus for strengthening metropolitan co-operation (e.g. the case of the development of the Nurnberg's metropolitan structures, the creation of which the will to become a member of the IKM was an important mobilising factor; Standecker 2008).

As was mentioned in the introduction, **Poland** does not have institutions of metropolitan government. Two waves of institutional reforms of local government (the first introducing municipal governments in 1990 and the second creating two upper tiers of elected government at the county and regional tier in 1998) did not look at the issue of metropolitan areas. Moreover, the county structure introduced in 1998 is sometimes counter-productive from this perspective, since it divides metropolitan areas amongst various counties, and often separates the core city (having a status of a separate county government) from its suburb area. So the county tier, which in general might be appropriate to tackle metropolitan issues, in the case of Poland complicates, rather than solves, the problems. Besides, functions allocated to county level have little to do with those in which the demand for metropolitan coordination is the most urgent.

The lack of institutional coordination mechanisms has resulted in poor metropolitan-wide development policies and also in conflicts on service delivery, such as public transportation or free-riding in education (many pupils from suburban areas attending schools and kindergartens in central cities, and being subsidised from the central city budget).

For a long time the practical solution was either the growth of central cities, annexing parts of suburb municipalities, or bottom-up co-operation of local governments. The former solution has been very popular, within the last 20 years, 7 out of 12 cities – members of the Union of Polish Metropolises – have increased their territory. However, in some cases it was related to conflicts with suburban communities not willing to give up their autonomy.

The latter solution resulted in at least three attempts. The first one is the Committee of Strategic Plan of the Wrocław Agglomeration, established in 1999. Wrocław has often been cited as a model of Polish “best practice” by local politicians from other agglomerations. (Lackowska 2009). However, the existence of the Committee has not prevented serious conflicts between the core city and suburb municipalities (the most pronounced concerned the strategy to modernise the network of transit roads through the agglomeration); moreover the initiative ceased its activities around 2006⁹. The second example is the Metropolitan Council of the Gdańsk

9 It is sometimes claimed that the Committee has been replaced by the Agency for Development of the Wrocław Agglomeration (ARAW), created in 2006. ARAW however, apart from being popularised by some press releases, has neither a metropolitan-wide catchment area, nor deals with complex tasks. Being a single-purpose organisation gathering a few municipalities only, it can hardly be treated as a metropolitan government unit.

Bay, established in 2003 as an initiative of the Gdańsk city mayor and the leader of the Pomorze regional government. The Council meets regularly, but progress in managing metropolitan issues is sometimes disappointing, including difficulties in implementing a single development promotion policy (the two biggest cities of the region – Gdansk and Gdynia – often compete, rather than co-operate, with each other in economic development). The third case is the Association Warsaw Metropolis, established by suburb municipalities in 2002. The best illustration of its weakness is shown by the fact that until 2006, the Association was ignored by the central city of Warsaw, and even after joining it three years ago, the Warsaw activity in the Association is symbolic rather than real. Other attempts of bottom-up co-operation have either resulted in negligible effects, or have focused on individual services (such as public transport in the Silesian agglomeration) rather than on multi-functional metropolitan coordination.

The first proposals of institutional regulations for metropolitan areas in Poland were prepared by the Union of Polish Metropolises. Finally, in spring 2008, the government announced its own proposal, which met with opposition from regional governments and vigorous popular discussion. However, the discussion has focused on symbolic and prestige issues rather than on the essence of the demand for metropolitan coordination. So far, a year after announcement of the plan, little progress has been made in terms of the legislative process and it is still unclear if, when and in what shape the law would be implemented. We will refer to these law proposals in the next sections, to illustrate the discourse of the developing metropolitan debate in Poland.

4. How much of the “New Regionalism”?

Having briefly presented the general metropolitan context in both countries, we chose three aspects of the international debate (see section 2) related to new regionalism which are to be investigated in two national discourses: the aims of metropolitan politics (comprising also the equalisation question), openness of metropolitan networks and democratic legitimacy issues.

4.1 Metropolitan Government or Metropolitan Governance: service delivery or a wide role in promoting the development of MAs?

Ludwig et al. (2008), justifying their interest in metropolitan areas and their governing structures, state clearly that this is due to the fact that metropolitan areas are gaining in importance as engines of development and innovation in Europe and worldwide, where next to the competitiveness of the states, the competition among the city regions strengthens (15). The utterance corresponds to the new premises offered by the rescaling concept and shows the main argumentative lines of the German discussion. At present, metropolitan arrangements are considered the tools to

be used for achieving better results in the international race. Metropolitan undertakings aim at improving the image of a region outside, making it more attractive both for potential employees and for companies. Analysis of the aims of establishing metropolitan institutions presented in the mentioned volume of Ludwig et al. (2008) has proved that the strengthening of the international position and fostering competitiveness and innovative development are on the top of the agenda of every single metropolis out of the 11 members of the IKM included in the book.

Making the region visible on the national and wider scene was one of the main reasons for establishing metropolitan structures in regions occupying lower positions in the international rankings such as Hannover, Stuttgart and Rhine-Neckar. Actually, in the reform reorganising the Rhine-Neckar Region (2006) two main argumentative lines can be distinguished. First, the aim was to reorganise the spatial planning, so that it becomes coherent across the boundaries of the respective three federal states. This draws attention to the fact that spatial planning has, in Germany, traditionally been the first incentive and aim of metropolitan co-operation (see e.g. Hoyler et al. 2006, Freund 2003). But, next to this old regionalism-driven stimulus, the reform was also meant to improve the economic performance and competitiveness of the metropolis. In the case of Frankfurt, the situation is different. Its general strong position deprives the city region of an incentive to strengthen co-operation. In 2001, the Hessian authorities decided to give legal support for voluntary means, which blocked the creation of a metropolitan-wide organisation. Nonetheless, the competitiveness question remains high on the agenda – the status quo is criticised due to the fragmentation that diminishes the international potential of the region (Bördlein 2000, Langhagen-Rochbach 2004, FR 2004a, FR 2008).

Looking at the assumption presented by Ludwig et al. (2008), one might think that the special position of metropolitan areas being the engines of growth is widely accepted. The role of the metropolitan areas in Germany as “the engines for societal, economic, social and cultural development” (BBR 2005, 188) which require special attention was already stressed by the MKRO in 1995. This attitude appears a success when compared with the situation in Poland (see below). A closer look at the German debate though, reveals some scratches on the ideal statement on the importance of metropolises for general development. Policy which supports the pools of development is also accused here of helping the strongest and neglecting the weakest ones. The blockade of the metropolitan reform in Frankfurt by the federal government of Hesse is widely seen as having exactly these roots. The part of the federal parliament connected to the less-developed northern part of Hesse does not want the strengthening of the (anyway strongest) part of the Land (Blatter 2005, 145). Nonetheless, considering the general attitude, the recent German debate definitely leans on international competitiveness – as we show below – more than the Polish one.

The answer to the question in the title of this section is perhaps the most difficult to summarise briefly in the case of the Polish discourse and “metropolitan practice”. The emphasis of the importance of metropolises and metropolitan policies for economic competitiveness was present in the academic writing of Kukliński for a long time (2000, 2004), followed by others (e.g. Jałowiecki 2000, Dziemianowicz and Jałowiecki 2004) and in policy documents developed by the Union of Polish Metropolises (although in these writings “metropolis” was usually treated as a synonym of “core city”, while the remainder of the metropolitan area was disregarded). The situation is less clear as regards the political discourse. On the one hand, on the level of verbal declarations, the necessity to develop metropolitan co-operation in areas going beyond local government mandated services (for example in the promotion of local economic growth, strategic planning) is clearly seen. Most of the existing metro-wide initiatives refer to such goals in their phraseology. The best known case of co-operation in the Wrocław agglomeration began with joint discussions of the strategic plan, and the next initiative in this area (Agency for the Development of Wrocław Agglomeration – ARAW) has focused on joint investment opportunities’ promotion (Lackowska 2009). But the main promotion campaign of the city of Wrocław was focused entirely on the promotion of the core city, with little reference to the wider metropolitan area and with no co-operation with municipalities of the suburb zone of the city region.

Economic growth has also been on the political agenda of the Metropolitan Council of Gdańsk Bay (Swianiewicz and Lackowska 2007) as well as other minor initiatives. However, on the other hand, in most cases (especially outside of the two “best” examples of Wrocław and Gdańsk) these initiatives rarely went far beyond a verbally formulated wish, were poorly (or not at all) implemented, and did not attract much time or the attention of the top politicians from metropolitan areas.

If any concrete joint projects were really implemented in Polish metropolises, and were high on local political agendas, they concerned first of all mandatory services, such as metropolitan public transport (so-called “integrated metropolitan/agglomeration ticket” for several municipalities in the city region being the best example). This is not to say that such “service-oriented projects” were frequent or well-developed, but if anything concrete happened, it might be easier to find in the service-domain rather than in the policy field of the “general development” of an area.

While in Germany the “growth engine” role of metropolitan regions is commonly acknowledged, it raises more controversies in Poland. Although at least one of the “academic schools” of regional development suggests the “engine” role for the largest agglomerations, the practice is less clear. The proposal of the special Regional Operating Programme in the 2007–2013 EU structural funds perspective was rejected, and the special ROP for the least-developed regions of Eastern Poland was created instead. Allocation of structural funds amongst metropolitan centres and peripheral parts of the regions was among the most controversial and conflictual

areas in the Integrated Regional Operating Programme 2004–2006 (Swianiewicz et al. 2008). Finally, the new draft of the law on “metropolitan areas” is often criticised on the grounds of enlarging disparities between “metropolitan and rural Poland”.

The easiest explanation for these differences between Polish and German discourses is that German metropolises have already solved the most urgent problems connected to managerialism (see Harvey 1989). Services such as public transport, the road system, water supply, sewage and waste management or general systems of spatial planning in the metropolitan scale are no longer perceived as problems preventing urban regions from functioning smoothly. Of course, some issues are still disputable (e.g. higher schools or current planning affairs causing tensions), and some local politicians say that there is always room for improvement, nevertheless, in comparison to Polish metropolitan problems those complaints are of a much smaller weight. Moreover, the focus of the German debate has undoubtedly shifted towards entrepreneurship (with attention paid especially to competitiveness and economic development). For Poland, the “agglomeration ticket” organising the basic functions of the metropolitan public transport is the most typical example of a ‘hot’ metropolitan issue”. New regionalism appears only at a general level of the debate, and even there, is quite rarely encountered. This demonstrates the gap between the realities in which the two national discourses are based. For Germany, one of the few reminiscences of the old regionalism is definitely the question of fiscal equalisation schemes for metropolises; a question which finds no serious consideration in Poland. But also in this case, the German discourse with its recognition of the unfair sharing of the financial burden within the city-regions appears much more mature than the Polish one.

Let the illustration of the resonance be the result of the survey carried out in Polish and German local authorities within metropolitan areas¹⁰. In Poland, among the most problematic fields requiring metropolitan coordination and co-operation were public transport, spatial planning and joint regional development strategy. Joint marketing and offers for investors were mentioned, which indicated the traditional tasks of local authorities (connected to the old regionalism) as the most problematic issues. The results looked very different in the German study. The policy areas indicated by Polish local politicians as problematic, according to German respondents, were either functioning well within the local jurisdictions, or were subject to successful metropolitan co-operation. Infrastructure problems, solved by the old regionalism-driven reforms of the 1960–70s, are no longer crucial metropolitan topics. The focus has clearly shifted from redistributive and equalisation policies to fostering economic development and territorial marketing (Brenner and Heeg 1998, 671).

Still, it should be stressed that in both countries there is a dissonance between the official debate and practical talks. In the first one, new regionalism with its economic premises and cosmopolitan way of living are underlined, whereas in the lat-

¹⁰ Survey carried out in 2007 in Poland and in 2008/2009 in Germany.

ter, more down-to-earth problems appear. However, the “absolute” location of the gap differs in both cases. In Germany, both elements shift more towards entrepreneurship, whilst in Poland they both are much more related to everyday problems.

Not only history and traditions of co-operation cause the difference between the aims of metropolitan co-operation in the two countries. It is also due to the mentioned differences in the structure of the metropolis and in the welfare pattern. German core cities, carrying a heavier and heavier burden from the central services have recently recognised the need to consider their surroundings as essential partners. One of the points in the debate that pays attention to the interdependency within the German city regions is the question of fiscal equalisation. As was stated, such equalisation (stemming from the old regionalism) goes along the lines of a governance approach (Savitch and Vogel 2009). In practice, it often hinders metropolitan reform and triggers much emotion, but the mere fact of raising the problem in the debate is already a sign of the consciousness on the common regional interest. Fostered by the core cities, claiming to carry an uneven burden from the central services (e.g. Frankfurt), it is an important, though troublesome element, of the recent proposals of metropolitan reforms. A special financial equalisation scheme raises a lot of controversy due to the fact that in Germany the equalisation already exists on the federal level. Suburban municipalities oppose the idea of introducing an additional mechanism, claiming that some central functions located in the core city already receive assistance from the federal budget. Moreover, the question on bearing influence on the co-financed services raises doubts and problems. Although the idea in general meets protests from the suburban municipalities, there are also voices uttering indignation due to the “cannibalism” behaviour of the *Umland* zone (König 2005, 32). It is important to stress that the core city is not the only jurisdiction suffering from its core position. Urban sprawl extends from the core zone beyond the central city boundaries, and so further central municipalities become interested in the equalisation scheme as potential netto-receivers (e.g. Offenbach – municipality neighbouring Frankfurt).

In Poland, in the absence of metropolitan government institutions, it is not surprising that there is no specific provision for horizontal equalisation within metropolitan areas. So, the only equalisation is through “regular” grant mechanisms, which are identical for all local governments in the country. It should be remembered that the “regular” equalisation mechanism in Poland is based first of all on comparisons of per capita revenue potential, but it does not take into account the variation of spending needs (in this case: special spending needs which appear in metropolitan areas; see Swianiewicz 2006).

Also, the new draft law (mentioned in section 1) does not address the issue of horizontal inequalities within Polish metropolitan areas, although it mentions that individual areas might decide to include equalisation policies in their scope of policymaking (if they so wish). But, the draft law assumes that metropolises will

deal mostly with development functions, leaving social services in the hands of individual local governments, so the new regulation would not have any impact on equity in accessing those services.

In practice, central cities often subsidise services delivered to consumers from suburb municipalities. Education is perhaps the most spectacular (though not the only) example of this phenomenon. Usually, a considerable proportion of pupils in pre-school, primary and (especially) secondary education commute from their suburb residential areas to central cities. Education is financed by special subventions received from central government¹¹, but typically the total cost per student is higher than the subvention (Levitas and Herczyński 2002). A good illustration is provided in Table 1, which shows that the city of Warsaw spends, from its own resources, almost 34 million PLN (about 8.5 million euro) per annum to subsidise “free riding” students from suburban municipalities. Similar examples may be found in other metropolitan areas.

Table 1

Spending on “free ride students” in Warsaw schools financed by city government (PLN, 2007)

	Number of students	Students from suburb municipalities	% of “free riders”	Total current spending	Spending per student	Subvention per student	Spending on free-ride students
Kindergartens	36939	724	2.0%	334921352	9201	0	6661806
Primary schools	66052	1412	2.1%	424960935	6434	3573	4039355
Lower high schools	38216	923	2.4%	265758866	6954	3716	2988790
Secondary schools	61560	7826	12.7%	3999462701	6489	3954	19838910
Total(*)			5.2%				33987153

Source: own calculations based on data provided by the Warsaw government, Education Department.

(*) figures in the table do not add up to the total, since some minor categories of spending have been omitted.

It is very interesting that the financing of “free riders” (also possible to identify in the case of other locally delivered services) does not result in loud protests from central cities’ governments and, in general, attracts little attention from local politicians. Perhaps the explanation lies in the fact that the fiscal capacity of the central

11 Except for pre-school education which is solely financed from local own source revenues.

cities is usually much higher than that of most of the suburb municipalities. Subsidising the “relatively poor” by the “affluent” meets with little protest.

At the same time, one may observe a gradual shift of the balance of affluence towards the suburb municipalities. The central city/suburbs’ ratio of per capita budget revenues decreased in the period 2001–2007 in 15 out of 20 metropolitan regions (Swianiewicz 2009). This relates to both the migration flows to the suburbs and to the new commercial shopping centres located outside the central city limits, which bring considerable tax revenues to the suburb municipalities. However, the change is rather slow and has not grown into a political problem (yet?). Summing up, so far, horizontal fiscal inequalities are not present (or at least not salient) in Polish political discourse on metropolitan areas.

4.2 Metropolitan Government or Metropolitan Governance? The role of non-governmental actors

It is the popular belief that the business sector is amongst the dominant actors in metropolitan governance in Western Europe, including Germany (see Freund 2003; Langhagen-Rohrbach 2004; Hoyler et al. 2006). Having stated in the previous section that in Germany the economic performance is higher on the metropolitan agenda than in Poland, we can expect the business sector to be more involved in the German metro-politics. Indeed, with regard to 11 German metropolises, the strong influence of private actors in metropolitan governance is mentioned in relation to most of them (Ludwig et al. 2008).

The Chamber of Commerce and the BASF company¹², located in Ludwigshafen, played an important initiating and stimulating role in establishing the Metropolitan Region Rhine-Neckar (Mandel 2008, Zimmerman GIF). The under-performance of the legally established public institutions in Frankfurt/Rhine-Main, mobilised the business sector into taking matters into their own hands. The dominance of private actors on the metropolitan scene is supposed to stem from the fact that they are not bound by local interests as are politicians. Consequently, it is more natural for them to look on the region as a functional entity. As a result, business not only supports public initiatives, but also creates its own. Regional interviewees unanimously name the head of the Frankfurt Airport Company and the President of the Deutsche Bank as metropolitan leaders and influential people. The first thoughts go to the direction of the leaders within the business sector and only then does the opinion emerge, that actually the Mayor of Frankfurt should take up a leading role.

This can be explained by two factors. First, it seems that the local authorities do not deal with fostering regional economic development well enough on their own. One illustration comes from the utterance of the representative of the Frank-

¹² Let the illustration of the engagement of the company be the fact that BASF spent 22 million euro for the campaign “With us the regions wins” (Mandel 2008, 136).

furt Airport Company who stated that they had to act (i.e. launch metropolitan co-operation in the form of so-called “Economic Initiative”) because they had difficulty attracting a well-qualified labour force into the region. Therefore, the economic sector intervenes, acting as a mobilising force, fostering common undertakings for the sake of the improvement of the regional image and competitive advantage. The opinion of the interviewees from the Frankfurt region is meaningful in this respect: they state that business actors tend to acknowledge the common interest of the region more easily than local governments which are strongly bound by the local perspective and their particular competing interests. Second, the interests of the business sector and its gains from the collective action are more obvious and direct than those for governmental actors. The struggle for a positive, attractive image of the region is a positive sum game, which makes co-operation easier to attain.

As documented by the study of the Wrocław region (Lackowska 2009), non-governmental actors are hardly present on the Polish metropolitan political scene. There may be several explanatory factors for this:

- Poland belongs to those EU countries with the lowest level of social capital. Herbst (2008) refers to it, using the phrase “the land of mistrust”. Also, the development of civil society institutions is relatively weak (Grabowska and Szawiel 2001). This builds a practical barrier for the implementation of solutions based on voluntary, horizontal partnerships.
- The weakness of the potential “regime partners” from the private sector. Moreover, as identified in some empirical studies (Swianiewicz, Mielczarek and Klimska 2006), partnerships with business actors are often met with the distrust of public opinion, so they are politically risky for local governments. So, even when there are strong business (potential) partners – either international investors or domestic companies – they might often be involved in lobbying for policies which would be favourable to them, but they are less likely to build stable partnership relationships with public institutions.
- The traditional administrative culture in local city halls remains an obstacle. Even if, at the political leadership level, the post-communist transformation has brought to power many innovative leaders, the culture of middle-level management and street-level bureaucrats is changing much more slowly. As Campbell and Coulson (2006) indicate, the key difference between Eastern and Western Europe in the governance agenda is:

CEE countries have had to introduce the Rule of Law (in the Weberian sense) and the New Public Management in parallel, whereas in the West the one preceded the other by many decades, so that in the East the tension between legalism and managerialism may threaten to fragment the local authority as an institution (544).

The same tension applies to the relationship between the still fresh concept of the Rule of Law and fuzzier governance through the loose and changing allies with non-public actors.

Moreover, the need for such a broader network of co-operation, although mentioned sometimes in verbal policy declarations, in practice does not seem to be very desired by politicians or city managers and is rarely present in political discourse. In some cases where partnership building leans on external incentives (such as the case of some of EU funded programmes), the result happens to be superficial and the created partnerships are neither functioning effectively nor self-sustainable in a longer perspective, when the external incentive is over (Swianiewicz at al. 2008).

5. Democratic accountability in metropolitan governance

In Germany, the need for direct legitimacy of metropolitan arrangements is picked up as a central issue by many academics. The lack of it (e.g. in the case of various Regional Conferences and other metropolitan gatherings) is strongly criticised in literature (Langhagen-Rochbach and Fischer 2005; Falger 2001, Heinz 2007), but nonetheless, it is not treated as vital by the local authorities! Their common sense opinion says that people are not aware of what they actually elect. This is by and large due to the multiplicity of the tiers in Germany, which is another subject of the critics (see e.g. Wahl 1998), but it also relates to a broader question, namely: on what level do the citizens want to exercise their civic control and participation? It is far from obvious that the answer is “on a metropolitan level”. Moreover, some academics pay attention to the fact that the mere democratic legitimacy of an organisation does not pose an automatic guarantee, either for its public recognition and acceptance, or for its power and influence in a region (Falger 2001). As an illustration, the UVF can be cited (planning association in the Frankfurt region, operating in the 1975–2000 period) which, despite having direct democratic legitimacy, failed to become popular among (and supported by) the citizens. Another example is the region of Hannover with the directly-elected parliament and President. Habitants of the region claim that people’s awareness of the metropolitan reform carried out in 2001 is minimal. As a good summary, utterance may serve the words of the interviewees from the Frankfurt region: *people live regionally, but the regional reflection (and so the regional identity) is not there.*

Polish local government discourse is increasingly technocratic. Local governments are seen first of all as service delivery units, while their democratic function is in the shadow of economic efficiency. Even the debate on the direct election of mayors (introduced in 2002) ultimately focused more on expected managerial consequences than on democracy per se. This trend is even more visible in the discussions on metropolitan areas. The main attention – both in academic writing and in political/expert discourse – is placed at economic development, promotion,

coordination of infrastructural services and not at the democratic performance of government institutions. The very first draft prepared by the Union of Polish Metropolises ignored the issue of direct elections altogether. Initially, it was the idea of the metro government clearly, led by the central city. The proposal assumed that although the metro area would have upper-tier government, clearly separate from municipal governments, the mayor of the central city would automatically play the role of leader and head of the executive for the whole metropolitan area. In such a construction, the democratic accountability of the metropolitan institution towards the suburban citizens would clearly be undermined, but this issue has not attracted significant attention in the UMP discourse (it seemed to be clearly subordinated to managerial efficiency).

Later drafts elaborated by the UMP, as well as the 2008 government's proposal, provide some space for democratic representation mechanisms, but these are still treated as relatively marginal issues. The 2005 UMP draft assumed the direct election of both the metropolitan council and the head of the metropolitan executive. Following NPM phraseology, the metropolitan council would be very small (below 20 members). The UMP has been ambiguous about the head of the metropolitan executive. Sometimes it suggested that this role should be automatically played by the mayor of the central city, and sometimes that he/she should be separately elected, which might result in a conflict between two strong authors: a metropolitan marshal (as the UMP suggested calling this position) and a mayor of the central city.

Democratic accountability also attracts very limited interest in the recent governmental proposal. According to the draft, there would be no direct elections, but metropolitan areas would be governed by:

- A Metropolitan Council (*Zgromadzenie Zespołu Metropolitalnego*) – gathering representatives from all local governments involved;
- The Board (*Kolegium Wykonawcze*) – consisting of the mayors of the largest cities (“city of county status”) and one representative from each of the counties located on the territory of the metropolitan region. The mayor of the central city would be “by definition” a Chair of the metropolitan Board.

Decisions in the Metropolitan Council would be made by the majority of local governments representing the majority of the population of the metropolitan area. Democratic legitimacy is clearly not ignored, but it simply is treated as a marginal side-issue, and the question of the automatic Chair role of the mayor of the central city is not considered to be a potential problem.

6. Conclusions

The main aim of the article was to detect the elements of the international academic debate in German and Polish metropolitan discourse in a comparative study. In the

summary we briefly conclude the differences between the two national debates and, on this basis, detect their main features with regard to the general trends.

The paper demonstrates that although Polish metropolitan debate frequently refers to German examples, there are significant differences between the two national discourses. The most important differences may be summarised in the following points:

- First of all, there is a difference in institutional arrangements (federal state versus unitary state), which obviously structures the discourse. In Germany, there is a long history of institutional reforms (and in general – of metropolitan co-operation) of the metropolitan local government, and adopted solutions differ from one land to another. In Poland, nationwide institutional reform is still under debate and a uniform solution for all metropolitan areas is more probable.
- The scope of the “metropolitan agenda” in Germany is much closer to the new regionalism’s economic premises (strong focus on economic competitiveness and position in the global network), whilst in Poland, similar topics are present in verbal declarations, but the focus of the actual projects is more on service delivery issues. This differentiation between debate and praxis is also visible in Germany, even though it is less pronounced: as was mentioned, some problems relating to managerialism have remained unsolved and are subjects of the praxis and praxis-related discussions, whereas the general metropolitan debate is totally overwhelmed by the new regionalism premises.
- Polish debate is also pushed further away from new regionalism by the fact that it focuses almost exclusively on formal institutions of local governments within metropolitan areas. Non-public actors are hardly present in metropolitan policy-making and policy implementation, and their presence is not demanded by the debating experts or politicians. In Germany, non-governmental actors are not only present, but they often dominate the metropolitan initiatives, taking over leading roles from governmental institutions (see the example of Frankfurt).
- Fiscal equalisation within metropolitan areas is a live (although controversial) topic of discussion in Germany. In Poland, this issue is almost non-existent in spite of a significant free-ride effect in the consumption of urban services in central cities.
- Direct democratic legitimacy is an element lacking, both in Polish and in almost all German metropolitan areas. However, it is perceived as a potential problem by many German experts, whilst in Poland, the issue is marginal in the public debate.
- In both countries European integration and access to EU funds played an important role in the debate on metropolitan arrangements, yet the details of this influence remain different.

As we see, despite some similarities, the differences are very clear and meaningful. Some of them may be explained by a different institutional history, a different level of general development (still unsolved infrastructure problems in Poland) and by the different advancement of building metropolitan institutions. Another explanation may be found in the administrative culture – difficulties in introducing a governance agenda in Poland parallel to introducing the Rule of Law, described by Campbell and Coulson (2006) as a tension between managerialism and legalism – as well as in different patterns of social capital (low trust and weakness of social and business partners hampering network governance with the involvement of non-governmental actors in Poland).

The differences mentioned allow the statement that the German metropolitan discourse more strongly resembles international trends than the Polish one. The Polish debate still reveals some national-specific features (linked to the old regionalism), in spite of the fact, that due to the time shift on this debate (its recent beginning) it could have taken much more after the German one.

The selectiveness of the adaptations from the German (and worldwide) debate may be seen within the framework of knowledge filtering mechanisms (Nullmeier 1993). Polish politicians and experts have been learning from German experiences, but this knowledge has been filtered through their schemes of interpretation – they have been adapting only those elements of the discourse which fitted their paradigm of metropolitan policies. Metropolitan governance and its problems can then be seen as a general challenge, faced by the national and sub-national actors, with consideration of specific local and national conditions. As a result, the international debate gains different national variations.

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Governance in Slovenian Cities Between Party Politics and New Wave of Management

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Abstract

Since independence in 1991, in Slovenia, there has been a constant ongoing development of local level governance that is mostly connected to party politics and election results. However, different cities in Slovenia are facing interesting changes in party power relations, which have changed the development process from minimal consensus and incremental changes to managerial leadership. In many cases, the new way of managing cities is linked to various accusations of power usurpation and abuse. Some of these accusations can be understood as a fear of political parties changing local government order from political to managerial, whilst somewhere in the middle, there is the truth. Change from a political to a managerial approach in governing Slovenian cities (or city municipalities) did bring better development to these places, but also strongly jeopardised the legal predictability in the sense of changing procedures and interests with enough free space for the personal interests of those in power.

In this paper we will present some of these examples and try to compare their development to similar cities (municipalities) which kept the old political way of governing. The main question that will be addressed is, how effective is the new way of governing compared to the classical way, and is it only a change in the sense of allowing practical implementation of a new public management approach or is it a new way of local governance which should be discussed as special phenomena and compared to similar cases in other countries, if they exist.

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Development of local self-government in Slovenia after 1991

In 1991, with the new constitution of an independent Republic of Slovenia, the local government system in Slovenia returned to the classic role of the municipality as the foundation for local self-governance, where people manage public matters of local importance (Vlaj 2006, 41). The Slovenian constitution defines local government as an important part of the Slovenian political system. Article 9 of the Slovenian constitution (2001) argues “in Slovenia there is an assured local self-government”. Chapter 5 (articles 138–145) of the Slovenian Constitution on self-governance defines that people can fulfil their right to self-governance in the municipalities and other local communities. According to the constitution, a municipality is a self-governing local community consisting of a place linked to the common needs and interests of the population in a defined area. According to the second paragraph of the 139th article of the Slovenian constitution, a municipality can be created by law, based on referenda carried out among local citizens. After defining the basic competences and financing of municipalities (which are defined by different laws) there is also an important article on broader self-governing structures comprising more municipalities joined together in order to provide services of broader importance, but which are not national. This is an important element that enables the creation of regions. Regions in Slovenia are one of the most important issues since independence.

If we want to quantify the development of Slovenian municipalities we can see the need to decentralise local government into the smallest parts possible. Slovenia carried out four local government reforms which brought about an increase in the number of municipalities of more than 333.3 per cent from 63 prior to 1994 to 210 in 2006. From the initial situation in 1993, only 13 municipalities remained unchanged, while on the other hand, the original municipality of Ptuj over a period of 15 years was divided into 16 mostly rural municipalities with insufficient financial and human resources for its successful further development. These two examples can be seen as an indicator of the lack of serious financial development and analysis prior to establishing new municipalities. In order to additionally support the argument for the political nature of local development in Slovenia, we will describe the case of the Koper municipality (its area remained unchanged from the initial situation in 1993). In every cycle of establishing new municipalities (1994, 1998, 2002, 2006), there were many attempts to divide Koper into smaller municipalities and some of those attempts were initiated by the National Assembly. The citizens of Koper refused to accept any notion of referenda. When we realise that Koper is a coastal municipality with a sea-port and that it is one of the municipalities that have a budget surplus and sufficient revenues to cover all its own expenses, with no additional state support, it is a clear indicator that there is limited logic in creating small and state-dependent municipalities (Pinterič, Benda and Belak 2008).

Party politics and local self-government in Slovenia

Party politics at the local level in Slovenia

The local party arena is composed of local bodies of political parties and different local “political” parties and civil political movements, which are only active at the local level. They are usually narrowly oriented to address issues of local importance. For argument’s sake, in this article, we will introduce the differences between politics and party politics in such a way that politics represents a broader spectrum of interests and political superiority, while party politics is connected to the same phenomenon but only in relation to the major national parties, who are usually also represented in Parliament. Party politics has a narrow goal and broad environment whilst other types of politics, emerging at the local level, usually have broader goals and a narrower orientation. This means that political parties (those which are national but also act at the local level) have more or less one goal and that goal is victory at the next national elections. Local branches of such parties are strongly influenced by the national/central body of the party. On the other hand, local parties (with better politically-active movements and associations) have broader goals, centred on the interests of the general development of the municipality, but act in a narrower environment. Due to this difference, party politics, as we define them, mostly serve the interests of political parties at all levels, whilst other types of politically-organised interests at the local level can be more development-oriented, because they are much less burdened with the general picture at the national level.

Municipalities have made a significant development from an ad hoc manner of running local affairs to a more sophisticated way of dealing with development problems. If the first set of municipalities in 1994 was mainly concerned with establishing democratic practices of political activities, one may argue that in the 1998 local elections and later on, a specific pattern of local political culture emerged and is still developing. The number of municipalities steadily grew from 63 prior to 1994, to 144 after 1994. In 1998, the number of municipalities grew to 192 and later, in 2002, increased to 193. The increasing number of municipalities caused a serious reorganisation of local governance, especially with the corresponding growing financial and human resources’ needs. In this sense, it is possible to connect inflation in the municipalities (which are, in general, not financially and human resource self-sufficient) with two different development strategies of the new municipalities. First is the interest of those searching for political opportunities to establish themselves as part of the (at least local) political elite. The second reason for inflation in the municipalities is the cash flow within the individual municipalities where most of the money was invested in the development of a municipal centre, whilst the municipal periphery was systematically forgotten in the investment plans. In those cases, the only logical solution was to split from the centre and establish a new municipality with independent financial resources from taxes and state grant support.

Despite the initial effects regarding the first and second types of establishing new municipalities, the difference is evident when one observes the long-term development success. In the case of municipalities established on the basis of the second “Cause”, decades later they are redistributing a large share of budgetary money to investments, compared to material and work expenses and are more successful in attracting additional state and European money for investments. The municipality produces positive statistics in every kind of development (infrastructure, services, social environment, etc.). On the other hand, municipalities established on the basis of private interests are, in general, spending the highest percentage of money for work and material expenses, while investments are low. It is difficult to say if this pattern is significant for a municipality established in 2002, let alone for the 17 established in 2006. However, according to the 2006 local election, we can see a new phenomenon in Slovenian municipalities and local politics.

The 2006 local election

As mentioned above, in 2006, the new wave introduced 17 new municipalities, making a total of 210 Slovenian municipalities in all. Despite the fact that we are talking about relatively young municipalities, we can see that the 2006 local election also brought about important changes in the local political arena, which will probably strongly influence the further development of Slovenian municipalities. Burdened with changes in the national political arena and the opportunity offered by the first general election, many of the previous managers decided to enter into politics at the local levels as well as other independent candidates. But, the surprising thing was that with a change in the trend of the electorate, with the uncertainty at national level, they elected a much higher proportion of independent candidates (or those who were not explicitly supported by any of the major national political parties). In 2006, local elections took place in Slovenia according to the regular four-year interval. Voters had to elect municipal council members and mayors. The latter are elected on the majority principle. If, in the first round, there is no candidate with 50 per cent support, there is a second round with the first two candidates from the first round. Candidates for mayor can be supported by one or more political parties, by civil initiative, by citizens’ initiative or by individual citizens (internet 1).

In the first round 138 out of 210 mayors were elected, whilst the other 72 were elected in the second round. In the first round there were 114 candidates who were not supported by political parties but by citizens’ initiative, civil associations or by individuals. Among the 138 elected mayors in the first round there were 48 mayors, nominated by other sources than the political parties. In the second round of elections, there were 38 non-partisan candidates and 22 were elected mayors. The overall situation in 2006 Slovenia saw 70 mayors who were not officially connected to any political party (despite some of them being unofficially strongly connected to one political party or another). Those 70 “non-partisan” mayors represent one-third of all Slovenian mayors. In other words, this means that there is a strong trend

towards de-politicisation of Slovenian local politics. However, this trend of de-politicisation in Slovenian local politics was also evident in the case of the previous election where about 25 per cent of Slovenian mayors were elected as non-partisan candidates (internet 1).

New local management

De-politicisation of local politics brought about a new way of running municipalities with a stronger impact of “managerialism” compared to the previous political interest struggle. But when speak about on-going de-politicisation and the introduction of managerialism in local administration, we have to be careful and define precisely what we understand about both terms. De-politicisation, in this sense, is an absence of strong connections between local decision-makers and classical party politics. Nevertheless, de-politicisation does not mean that all problems (if any) are understood as technical problems. They are still a source of disputes that can be motivated by personal views and interests which are supplementing party interests. On the other hand, managerialism does not mean that decision-makers, especially mayors, are systematically making decisions contrary to the basic principles of public administration. They are more flexible in understanding legislation from the “by the law” to “within the law” principle and they are in favour of as much effectiveness (not necessarily efficiency) as possible, within the legal framework which is a step from the classical bureaucratic administration to the model that is close to new public management (see Lane 1995).

There is a well-known story connected to the Ljubljana municipality (capital) that should be observed as a model case of change which is certainly important for other municipalities.

Zoran Janković was appointed manager (the state had a massive stock share in this company) of Mercator Systems in the late 1990s, which made international “imperia” from a small weak system of local grocery stores. After 2004 and a change in the ruling coalition at national level, he resigned, despite there being no business reason. In late 2005, he announced he was entering politics and would run in the local election of 2006. He established a political group – the “List of Zoran Janković” – and began by defining the crucial problems of the Ljubljana municipality and its inhabitants. The list of “22 things to be changed or carried out” became his political programme when he began his campaign for the mayor’s position. His personally created manager’s position during the era of Mercator was unbeatable. People (in Slovenia in general) loved him; they knew that he employed thousands of employees or students. His economic success was combined with his constant smile and personal touch with all his employees (also shop clerks). On the day of the local election in 2006 he was the absolute winner, gaining 62.99 per cent of votes, beating 15 other candidates. The list of Zoran Janković won 41.37 per cent of votes and 23

out of the 45 seats in the municipal council (Pinterič 2008). He had the mandate of absolute ruler. He kept his first promise and blocked his mayor's salary for a year (with his other resources it was easy to do this) and decided to be paid on the basis of his success in the first year of his mandate, measured with the support of citizens for his activities. His popularity grew because Ljubljana began to regain its capital nature which had practically been abandoned in previous mandates due to political disputes and inactivity. Janković restructured the municipal administration, finances and life in the city. His list of 22 things to be done is becoming more and more fulfilled and even expensive and unrealistic projects such as the new football stadium (which is a certainly necessary, but expensive, investment) are becoming a reality (the stadium began construction in the second year of Janković's mandate, after a mandate or two of thinking about what to do). He is breaking all the rules and going against public administration procedures. Strongly supported by his list in the municipal council, his managerial ability enabled him to also change the system in the Šrot in Celje municipality and Popović in Koper municipality. Ljubljana's position as the central city was in danger (for some time prior to the 2006 election there was talk that some of the central institutions might move out of Ljubljana). If other municipalities with a weak political arena and strong managerial leaders follow his example, we can expect a change in local governance principles that will bring about the potential to influence the national level of public administration and state institutions, or they will ignore even more the state level and organise their development independently from state development strategies (Pinterič 2008).

Is new local management legal?

No, it is not. New local management is politically illegal. Party politics will argue that it is all about power. Strange, but are not all "real" politics about power? They will say that it is too risky because there is a strong possibility of corruption. The answer to this is similar to the answer concerning power. Corruption is possible and also probable in party politics. The real problem of the new local management approach is the fact that it changes the position of power from the legislative branch to the executive. For what reason? The people elected mayors who had broad knowledge, business orientation, a good understanding of organisation and with the ability for self-criticism. And that is legal and legitimate. Such a mayor will lead the local administration, appoint advisors whom he/she trusts and improve the performance of the municipal administration from a bureaucratic model to one closer to the idea of new public management and with emphasis on effectiveness and quality, rather than absolute legalism and process orientation.

However, is it legal? In Slovenia and in most of the western democracies, it is. It is perfectly legal to be effective and to provide quality of work as long as it is within the legal framework. In Slovenia, there are at least two important documents providing legal legitimacy. The Slovenian constitution allows municipalities to run their local affairs in the way that is most appropriate to them (within the legal frame-

work). Secondly, there is the Act on public-private partnership (PPP) which allows the private and public sectors to co-operate as long as they both have the same interest and as long as they are spending money in a rational way and providing goods and services in the public interest. The main problem is that the PPP Act does not strictly define all the possible ways that public authorities can co-operate with the private sector. This usually leads to a lack of possibilities for co-operation regarding the private interpretation of PPP as public financing of private projects and the public sector interpretation of PPP as private investments in public goods, while leaving private interests aside. On the other hand, there are some cases where there is strong interest for co-operation regarding public financing of private projects which would be used for improving the quality of public life or for public authorities' support for private investments into public facilities that would be co-used for fulfilling both the public and the private interest. A typical case is the Ljubljana football stadium that is built on public real-estate, with private investment and which will have both a public part (sports facilities) and a private part (shopping centre). In this situation, the political opposition of the city council of Ljubljana put forward its opposition and warned that there was the possibility of a business connection between the mayor and the private investor which could result in leaking public finances and not providing optimal management of municipal real-estate. The other side of the story is that the city municipality of Ljubljana needs a new football stadium and there had been intense discussions on this since the mid-nineties. Some international matches were under question or played on other, smaller stadiums in Slovenia due to the inappropriate facilities in Ljubljana. However, there was no way to arrange the building of a new facility, even after the PPP Act. Until the 2006 election, when the previously mentioned candidate took position as mayor and with the support of the completely subordinated municipal council (majority of City councillors are from his list) decided to begin procedures to prepare the necessary area and look for a private investor. Prior to this, similar cases were seen in the City municipality of Koper and CM of Celje,

What are the possibilities for the abuse of PPP?

The possibilities of abuse of public-private partnership are, in general, rather high. The procedure is much less transparent than in the case of public tenders. The economic value of different elements can be underestimated or overestimated for the purpose of making additional profit for one or more participants. Procedures' revisions are practically impossible due to the fact that there is practically no financial out-flow from the public authority to the private sector. Access is given to any private investor who has the necessary resources and who accepts the rules of investment. The competition level is low, due to the reverse logic of co-operation. It means, that instead of demand being served by supply, the supply decides if the demand will be served. The possibilities of corruption are lower than in the case of public tenders, due to the fact that there is no bidding for money but there is bidding for investing

in public infrastructures, with no direct effects for the involved private partner. The main possibility for corrupt activities are connected to the possibility that the public partner might be prepared to accept an investor under conditions that are not understood in a good management manner, which can be connected to financial provisions for individual civil servants or political representatives.

New local management – more than new public management?

We can understand new local management deviating from new public management at the local level. Due to the fact that I did not see the term “new local management” in any of the various articles and books concerning public sector management, I am taking the liberty of developing it in the sense of taking it from the Slovenian practice and combining it with the well-known theory and practice descriptions by Lane (1995, 2000), Osborne and Gaebler (1993) and many other well-known academics in this field. Slovenia is trying to follow the principles of new public management at different levels of governance by introducing effectiveness, efficiency, user-friendliness, goal-oriented activities and innovation, etc. On the other hand, Slovenia is still bureaucratic administrative-wise – “Rechtsstaat” – following the process regulation due to a fear of the illegality of activities. At the local level there is a lack of any real freedom of competence, which is strongly captured by state regulations and strategies, but simultaneously, there is wide scope for unprofessional behaviour which suits the following citation from Osborne and Gaebler (1993): “The majority of legislators and public executives have no idea which of the programmes they fund are successful and which are failing. When they cut budgets, they have no idea whether they are cutting muscle or fat”. In this manner, we can argue that the Slovenian local authorities in general have no appropriate knowledge of public financing or sustainable development of a knowledge-based society (this might also be the case at national level as well). We can support this statement by the systematically wrong information about the budget deficit/surplus that was reported by directors of local administration in Slovenian municipalities. They reported a net financing value which is the opposite of the value of surplus/deficit in local budgets.

If we have to organise the indicators and effects of new local management we can say that there is a mayor with a strong personal or indirect connection to the private sector; there is a relatively a-political local party arena; different attempts at innovative co-operation with the private sector are present and that there is better communication between the municipal leadership (especially the mayor) and local inhabitants. On the effects side of this method we can expect higher (above national average) levels of overall development, higher levels of additional funding (EU, private funding) and a higher popularity rating of the mayor (measured by questionnaire or by re-election).

Table1

Classical vs. new local management – indicators and effects

	Classical (bureaucratic) local management	New (entrepreneur) local management
Indicators	Mayor is strongly connected to partisan politics.	Mayor is strongly connected to the economic sector.
	The party arena is significant and ideologically burdened and unable to conclude compromise for development – decision-blocking is normal.	The party arena is moderate in political interests and is able to compromise development – decision-blocking is rare.
	Mayor and councillors are avoiding citizens' initiatives.	Mayor and city councillors are supportive and search for citizens' initiative.
	Local legislation follows procedural logic with no interest in the effects; acceptance of regulations is a question of political power relations.	Effects of local regulations are the reason for accepting/refusing them.
	Mayor is strongly subordinated to the municipal council, and can be blocked in any decision.	Mayor is independent from municipal council and will be in a checks and balances relation to the municipal council.
	Co-operation with the local economy is weak and limited due to the private-public dichotomy.	Co-operation with local and broader economy is strongly present and overcome by public-private partnership.
Effects	Average development performance of municipality.	Municipality has a higher level of development performance compared to the national average.
	Almost no ability to attract EU funding via projects.	Effective in attracting EU funding for development projects.
	No ability/interest to attract private investment.	Systematic public-private investment partnerships.
	Mayor is irrelevant or unpopular.	Mayor is strongly popular and often re-elected many times.
	Crisis situation is hardly manageable and negative effects can be seen for longer period of time.	Crisis situation is easily manageable and overcome with low negative effects.
	Municipality is often blocked by political relations in the municipal council.	Municipal councillors are able to show enough flexibility in their positions to achieve compromise.

Authors' classification.

The methodological approach in Table 1 above is rather basic and should be more precisely defined in the future. However, we can argue that, based on this data, new local management is not necessarily more, but certainly something other than new public management. New public management is mostly connected to the change of administrative practice from bureaucratic to business-oriented (concern-

Table 2
Major revenues/expenses as a percentage of total revenues/expenses for 2005 and 2008

Budgetary item	National total		Celje		Koper		Ljubljana		Mengeš		Novo mesto	
	2005	2008	2005	2008	2005	2008	2005	2008	2005	2008	2005	2008
Personal income tax	40.5%	49.5%	38.3%	35.2%	33%	26.1%	57.2%	41.7%	58%	66.2%	53.3%	56.7%
State budget support transfers	18.8%	7.9%	11.9%	27.1%	2.76%	1.9%	2.88%	0.5%	3.55%	0.8%	10%	3%
Tax revenues	59.3%	57.4%	50.2%	62.3%	35.76%	28%	59.9%	42.2%	61.55%	67%	63.3%	59.7%
Revenues from selling real estate	1.91%	1.14%	2.17%	2.7%	1%	0.4%	1.74%	1.15%	0.26%	0.14%	0.2%	0.17%
Revenues from selling land	5.7%	4.5%	14.7%	6%	20.2%	22.5%	1.5%	7.7%	0.1%	0.3%	7.9%	0.9%
Revenues from EU granted funds	0.65%	4%	0%	0.02%	0%	11.44%	0%	0.3%	0%	0%	0%	0.25%
Non-tax revenues	8.26%	9.64%	16.87%	8.72%	21.2%	34.34%	3.24%	9.15%	0.36%	0.44%	8.1%	1.32%
Balance as expenses / revenues	96.3%	109%	97.7%	115%	81.6%	110%	90.4%	118%	95.5%	115%	97.7%	99%

Salaries for civil servants without social security and healthcare payments	5.7%	5%	5.85%	4%	5.9%	3.9%	5.2%	4.3%	6.2%	6.2%	6.6%	7.6%
Office materials	2.05%	2.1%	0.7%	0.54%	1.3%	1.4%	1.5%	1.4%	2.3%	2.8%	1.5%	2.3%
Major current expenses	7.75%	7.1%	6.55%	4.54%	7.2%	5.3%	6.7%	5.7%	8.5%	9%	8.1%	9.9%
Support transfers to the private sector	0.86%	0.7%	0.17%	0.2%	2.8%	1.4%	0.06%	0.08%	0.4%	0%	1.4%	0.9%
Support transfers to inhabitants	15.5%	14.1%	16.2%	12.3%	18.1%	11.2%	19.2%	15.7%	23.4%	17.7%	4.13%	3.4%
Major support transfers	16.36%	14.8%	16.37%	12.5%	20.9%	12.6%	19.26%	15.78%	23.8%	17.7%	5.53%	4.3%
Direct municipal investments	27.5%	36.4%	36%	54.4%	28.6%	53.7%	11%	19.9%	30.5%	33.8%	35.5%	33.3%
Investment transfers to private sector	5.9%	4.3%	1.7%	0.9%	5.2%	5.7%	8.1%	1.8%	3.5%	1.2%	0.15%	0%
Investments	33.4%	40.7%	37.7%	55.3%	33.8%	59.4%	19.1%	21.7%	34%	35%	35.65%	33.3%

Source: authors' calculation on the basis of the municipal budgets of the respective municipalities/Ministry of Finance. (Internet 2)

ing major values). On the other hand, new local management is mostly connected to the political component of local self-government from party-politics towards development politics (not policy, which is the consequence). It is the change in the political arena from party power towards idea and knowledge power. However, the model in Table 1 is not supplying the answers on responding to the needs of the environment. It is merely trying to set out certain elements that are connected to certain types of municipal governance. On this basis, we can only define performance in the sense of achieving certain goals, on a road that might be straight and clean or narrow and full of obstacles.

The consequences of this redirection of priorities are probably the most apolitically seen in budgetary analysis. For this reason, we will take five municipalities with different characteristics and compare their budgetary performance at two different points in time – before and after the 2006 elections. In 2006, Koper re-elected the same mayor, who was previously a businessman and who did not have much political experience. Celje also re-elected its mayor in 2006 (with strong personal ties to the economy and with an active role in party politics). In 2006, Ljubljana elected a new mayor who was previously a manager and replaced the mayor who was strongly engaged in party politics. In 2006, Mengeš elected a new mayor who was previously running a private business, replacing the mayor who was also engaged in politics at national level. At the same time, a blockade between the left-oriented municipal council and right-oriented mayor was removed (this cleavage was blocking any serious policymaking in Mengeš for about 8 years). In Novo mesto, a new mayor was elected in 2006 as well, but both the new and old mayors were strongly engaged in party politics.

All five municipalities are understood as developed, with a major GDP contribution from the tertiary and quarterly sector. All municipalities except Mengeš are city municipalities, regional centres with more than 20.000 inhabitants and more than 100 civil servants employed (Mengeš has about 7000 inhabitants and 12 employed).

Table 2 requires some technical/methodological explanation. From Table 1 we expect that municipalities claiming to follow the “new local management” will be more development – and market-oriented, reducing the costs of administration (increasing the efficiency, effectiveness and economy of administrative work). They will search for additional funding opportunities and will try to maintain a certain level of quality. Indirectly, we can also assume, on the basis of the previously mentioned political changes at the 2006 local elections in each of municipality, what kind of mayor a certain municipality received. For a more detailed analysis and stronger arguments, an additional survey should be carried out, not only from a budgetary perspective but also from qualitative data gathering from decision-makers.

Concerning the set of values presented in Table 2, we understand them due to following reasons.

- Personal income tax is the single major tax revenue for municipalities in Slovenia
- State budget support is transferred to the municipalities and shows a level of dependence on state revenues (next to tax transfers)
- Both the above mentioned categories are joint in tax revenues and it shows a general picture of how much money a certain municipality picks by major tax and by additional state funding. However, it is necessary to stress that other tax revenues are not included, so the real sum of all tax and budgetary revenues is even higher.
- Selling real estate and municipal land is one of the basic measures to gain additional revenues from a non-tax source.
- EU funds show the success of certain municipalities in gaining project related money that is usually connected to development.
- Non-tax revenues summarise only those revenues presented in the Table; some additional non-tax revenues could be added but they are very limited. In general, the presented 5 types of revenues cover 50–70 per cent of all municipal revenues, compared to the 30–50 per cent that are spread over the additional more than 10 revenue possibilities.
- Budget balance only shows a general picture of municipal finances in a certain municipality.
- Expenses for salaries and office material are those which are very often criticised as being high compared to results. These numbers also depend on the mayor's idea of running a municipality. They can be seen as an indicator of the managerial approach.
- Transfers to the private sector and individuals include support for local economic development and they provide or maintain a certain level of quality of life (financing scholarships, healthcare, unemployment support, etc.)
- Direct municipal investments are connected to development projects going on under municipal control (maintenance projects are not included) and they include everything from pre-project documentation to project implementation.
- Investment transfers are payments to private companies for their project implementation that is in the interest of municipalities. Conditionally we can understand it as an indirect indicator of PPP.
- Both categories of investments indicate the development orientation of the municipality in the sense of expenses for new projects which will support further maintenance and increase life quality as well as attract new business subjects to develop within the municipality and contribute to a new circle of tax revenues.

Of these categories we can re-arrange Table 2 into Table 3 with only the main categories showing on the one hand a more general picture, but on the other hand, generalisation allows us to search for general characteristics.

Explaining Table 3 first brings our attention to the fact that all the municipalities, as well as national data, show increasing budgetary deficits or at least increased spending compared to collecting money (Novo mesto municipality managed to keep 1% surplus in 2008). In general, we can see that municipalities in Slovenia increased their share of non-tax revenues but on the other hand, decreased tax or state budget revenues. Municipalities also made some savings in the field of current expenses and even more so in the field of transfers. On the other hand, there was a significant explosion in the field of investment funding. This can be linked to the increasing number of mayors who are not affiliated to any major political party and who are able to build a strong consensus within the municipal council. However, at this stage, we need more evidence that this is the case, but it would seem that this could support our idea about new local management to a limited extent.

What is more certain is, that in the area of tax originated revenues, there are cases supporting our thesis about gaining the importance of non-tax originating revenues in municipalities (Koper, Ljubljana) as well as cases not supporting our idea (Celje and Mengeš). Novo mesto is additionally confusing by lowering its share of tax revenues (not expected according to our model) and, at the same time, lowering the share of non-tax revenues (expected according to our model). The argument about new local management is much more coherent on the side of expenses. This is due to the fact that all municipalities proclaimed to be managerial-oriented with a lower current expenses share, while Novo mesto as a municipality carrying political connotations increased its share of current expenses (Mengeš is questionable in relevance due to the fact that it is impossible to shrink current expenses because it probably needs additional employment). In the field of supporting local society, all municipalities reduced their share of financing this. However, Novo mesto is a specific case, not due to the reduction, but due to the initial share of transfers that is way below national average, even if the municipality does have serious social problems (at least greater than Koper, Ljubljana or Mengeš). At the same time, we would like to stress once more that Novo mesto increased its share of current expenses and it is also higher than its share of transfers. According to Table 3, there is also clear evidence of a general increase of investment expenses at the national level, as well as in the case of all municipalities with this tradition or changing it towards a more managerial-oriented administrative approach. On the other hand, Novo mesto lowered its share of investment funding.

On the revenues side of municipal budgets there are some characteristics which confirm that the managerial executive branch influences the logic of revenue collection. However, the pattern is way too small to give a better picture. On the other hand, on the expenses side, it is evident that all municipalities are saving on

Table 3
Is there any evidence of new local management?

Budgetary item	National total		Celje		Koper		Ljubljana		Mengeš		Novo mesto	
	2005	2008	2005	2008	2005	2008	2005	2008	2005	2008	2005	2008
Tax revenues	59.3 %	57.4 %	50.2 %	62.3 %	35.76 %	28 %	59.9 %	42.2 %	61.55 %	67 %	63.3 %	59.7 %
Non-tax revenues	8.26 %	9.64 %	16.87 %	8.72 %	21.2 %	34.34 %	3.24 %	9.15 %	0.36 %	0.44 %	8.1 %	1.32 %
Balance as ex-penses / revenues	96.3 %	109 %	97.7 %	115 %	81.6 %	110 %	90.4 %	118 %	95.5 %	115 %	97.7 %	99 %
Major current expenses	7.75 %	7.1 %	6.55 %	4.54 %	7.2 %	5.3 %	6.7 %	5.7 %	8.5 %	9 %	8.1 %	9.9 %
Major support transfers	16.36 %	14.8 %	16.37 %	12.5 %	20.9 %	12.6 %	19.26 %	15.78 %	23.8 %	17.7 %	5.53 %	4.3 %
Investments	33.4 %	40.7 %	37.7 %	55.3 %	33.8 %	59.4 %	19.1 %	21.7 %	34 %	35 %	35.65 %	33.3 %

Source: Authors' calculation on the basis of municipal budgets of the respective municipalities/Ministry of Finance. (Internet 2)

the quality of current life. But there is a clear difference between municipalities following a more entrepreneurial logic vs. municipality ruled by party politics. Party politics burdened the municipality with increased current expenses whilst decreasing transfers for solving contemporary problems, as well as reducing investments that are critical to future development. On the other hand, municipalities with “depoliticised” leadership decreased current expenses and significantly increase investments. (Concerning solving current social and economic problems it seems that there is no difference in trends between both types of municipalities).

Concluding remarks

In Slovenia there is an ongoing shift from political representation towards the more effective, development oriented managerialism at the local level of governance. A growing number of independent candidates and non-partisan lists elected to the mayor's position and to the municipal council are changing pure political-bureaucratic leadership towards being more goal-oriented.

Such development brings about a positive effect in better development opportunities and also for realising them. The power of party politics, based on ideological conflicts, is lower and in this sense, the possibility for agreement on development is easier to achieve. However, there are certain limitations in the so-called “new local management” connected to the managerialism. There is a greater possibility to choose the wrong kind of development due to the lack of political control in municipal councils. Mayors are becoming CEOs, who face constant temptation to manage their companies, not only in the general, but also in their particular interest.

The short empirical test, however insufficient, showed that there are some serious indicators concerning local financial management that can also be connected to the question of the municipality management approach. However, much more systematic testing is needed in the sense of a longer time period covered, as well as on the bigger pattern.

In this sense the concept of new local management should be developed further, not only in the practice of running municipalities but also as a theoretical concept that should also be systematically tested in other states and compared.

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From Doorstep to City Hall and Back: Democratic Local Policymaking in Three European Cities – Bratislava, Bucharest and Ljubljana

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Abstract

This chapter brings forward the topic of European local policymaking, and investigates the presence of minimal democratic institutional guarantees in the legislation on inclusive citizens' partnership with three municipalities: Bratislava, Bucharest and Ljubljana. It contains two parts: one addressing theoretical issues (Part 1): more specifically, Section [A] discusses Robert Dahl's theory on minimal institutional democratic guarantees (1971; 1989; 1998), Section [B] connects the previous findings to the policymaking cycle (Howlett and Ramesh 1995), while section [C] identifies the minimal institutional guarantees for enjoying democratic local policymaking. Part 2 analyses the cases of three European municipalities, as follows: Section [D] makes contains a general description of the cities under investigation, Section [E] continues with the documentary, content analysis of the legal texts relevant to the case of democratic (as in open to inclusive citizens) local policymaking, while Section [F] evaluates the findings and elaborates on the status of democratic local policymaking in the three cities. As is argued, participation in local policymaking is coherently framed in all three cities, yet differences in the degree of integration of inclusive citizenship do occur.

Keywords: *local government, policymaking, democracy, inclusive citizenship.*

1. Democratic local policymaking – an overview

This section of our chapter makes a (hopefully) not that adventurous option for conceptualising local democratic policymaking. If it is true that half of an answer lies behind a good question, the authors expect the paragraphs to provide their

structured version of an answer to the question of “what makes local policy-making democratic?” In doing so, they make use of Robert Dahl’s theory on minimal institutional democratic guarantees (1971; 1989; 1998) (section A), and connect the findings to the policymaking cycle (Howlett and Ramesh 1995) (section B). Their ultimate aim for this exploratory theoretical section would be to identify the minimal institutional guarantees for enjoying democratic local policymaking (section C).

[A]

Although in practice it is often seen as inefficient, corrupt, short-sighted and irresponsible, democracy remains one of the peoples’ virtues¹, being (ideally) capable of: 1) preventing autocrats from governing; 2) guaranteeing the citizens’ essential rights and liberties; 3) assuring a far greater personal freedom than any of its alternatives; 4) assisting citizens in protecting their fundamental interests; 5) offering the maximum guarantee for exercising the freedom of self-determination and choice of preferred laws; 6) allowing a practice of moral responsibilities; 7) encouraging human evolution and 8) maintaining a relatively high degree of political equality, by generating: 9) a favourable peace attitude and 10) prosperity². The aim of this chapter is to provide a comprehensive definition of what a democracy stands for, so as to further elaborate upon it and discuss what is it that local policymaking requires in order to be called democratic. To achieve this, the authors chose to employ Robert Dahl’s minimal institutional guarantees for a democratic system (Dahl 1971; 1998):

1. Elected officials, who constitutionally control governmental policymaking;
2. Free, correct and regulated elections, which should be organised so as to allow citizens’ control over the institutional agenda of policymaking³;
3. Freedom of expression – closely connected to the principle of political equality and that of control over agenda setting (citizens will thus be entitled to express their preferences as regards officials, governments, regimes, socio-economic systems, or predominant ideologies);
4. Alternative sources of information, according to which citizens should have the right to search for alternative and autonomous sources of information;

1 S. Huntington 1991 in Rose et al. 1998, 26.

2 Information is based on the principle of political equality which states that “all citizens are just as competent to participate in decision-making, if they have adequate opportunities to inform themselves on issues through inquiry, discussion and deliberation” (Dahl 1998).

3 Here, the authors make the same distinction as R. Cobb and C. Elder did in 1972 (in Howlett and Ramesh 1995), between “public agenda” and “institutional agenda”. According to the cited source, a public agenda comprises of problems for which the majority of the community members expect public action. The institutional agenda, in return, names the problems, which are already on the list of public action.

5. Associative autonomy, expressed through the recognition and guarantee of the citizens' freedom of association (in the sense of creating and adhering to organisations); and, 6. Inclusive citizenship, which advocates that all individuals with a permanent residence in the country of interest, should be the legitimate subjects of fundamental citizens' rights, regardless of their citizenship.

Democracy is then a modern representative system with officials elected in free, correct and regulated elections, by people endowed with inclusive citizenship who enjoy the freedom of expression and associative autonomy, and benefit from alternative sources of information⁴.

[B]

In 1943, *Public Administration Review* published David Levitan's article "Political Ends and Administrative Means"⁵, where public administration was seen to be more than some governors' tool for governing, but rather, as their partner in assuring a successful government. It was then argued: "a democratic state should rest not only on democratic principles, but also on a democratic administrative practice" (12). This is an important assertion for our argument, but for the time being, we do not take it any further. Instead, we turn the reader's attention to an explanatory parenthesis.

Generally speaking, administrating consists of employing human, material, financial and informational resources available at one particular time, in order to serve a common goal, with maximum results and minimum effort⁶. By replacing the "common goal" with "public interest"⁷, the definition above may also be applied to the case of public administration. More concretely, public administration may be understood as both an ensemble of bodies and one of activities, aimed at achieving and managing and implementing solutions for, and in, the public interest. In a rather organic vision, public administration pays attention to politics and policymaking, concentrates on executive levels, and implements the law (Rosenbloom 1989, 5–6). Using managerial, political and legal theories and processes which prove its

4 The term used by Dahl for such a system is poliarchy [R. Dahl; C. Lindblom (1953) *Politics, Economics and Welfare*, Chicago: University of Chicago Press]. Introducing this concept would have suggested that a large part of the pluralist school became the bone structure of this chapter. As that would have substantially altered our objectives, we decided to use only the reference to democracy as a modern, representative system, which acknowledges all the six institutional guarantees already presented in the body text.

5 In C. Stivers (ed.). 2001. *Democracy, Bureaucracy and the Study of Administration*. Colorado, Oxford: Westview Press, 4–13.

6 To a large extent, the definition cited here, belongs to Oroveanu (1996, 27). The original version however, did not include the reference on "common mission"; the latter being borrowed from H. Simon, D. Smithburg and V. Thompson's 1950 book *Public Administration* (New York: Alfred Knopf), Berkley et al. (1991, 3–4).

7 As described by Lane (2000, 6–9).

interdisciplinary nature, public administration usually regulates and delivers services, and implements legislative, executive and judiciary mandates.

Undoubtedly, all the interpretations offered here to public administration are valuable; however, only a part of them suits our specific research interests. As such, and using mainly the policy doctrine relevant to the case of “administrative functions” (Rosenbloom 1989; Maynard-Moody 1989; Berkley et al. 1991; March and Olsen 1995; Lane 2000; Hansen and Ejersbo 2002; Benz 2005; Alexandru 2007), we consider public administration to be the ensemble of authorities whose activities aim at organising and executing public policies by: 1) receiving citizens’ preferences; 2) introducing those preferences on the institutional agenda; 3) formulating decisions as a reaction to the preferences already received; 4) (sometimes) making decisions; 5) implementing decisions; and 6) evaluating the implementation of the decisions which were made. In the same vein, local public administration is to name the ensemble of authorities whose activities aim at organising and executing public decisions at the state’s local levels.

Table 1
Institutional guarantees for a democratic local government

In a country-sized unit, for inclusive citizens to have the opportunities to:	[t]he following institutional guarantees are necessary:
I. Formulate their preferences	1. Freedom of association
	2. Freedom of expression
	3. Right to elect and be elected
	4. Alternative sources of information
II. Make their preferences public	1. Freedom of association
	2. Freedom of expression
	3. Right to elect and be elected
	4. Free and correct elections
	5. Alternative sources of information
III. Receive an impartially and non-discriminatory answer for their government,	1. Freedom of association
	2. Freedom of expression
	3. Right to elect and be elected
	4. Free and correct elections
	5. Alternative sources of information

The relationship between modern democracy and public administration now becomes visible. Resuming Dahl’s thesis: a system open to its citizens and capable of allowing the latter to formulate, make public, and receive a governmental answer to their preferences, impartially and non-discriminatory, is a democratic system. And

since the public levers, which facilitate this system's receptivity towards its citizens are provided for by the public administration (be it central or local), then what follows is that public administration should function in such a way as to offer citizens the possibility to formulate, make public, and receive an answer to their preferences, impartially and non-discriminatory.

How is this possible? Using Dahl's and Simon's (1947) arguments regarding the structure and function of a democracy in an administrative environment, we assume that:

[C]

As Heclo recalls (1972, 84), in 1963, Ch. Lindblom used the term "policy" to encompass both "conscious decisions and the course that policies take as a result of interrelations among decisions", including certain political processes; while in 1968, A. Etzioni considered that "policy" was a form of more generalised decision-making "in which whole sets of decisions are considered and the contexts for decisions are reviewed."⁸ In 1972, Dye named the very same public policy to be anything that an administrative body decides to do or not to do (2). It is so generous as to consider that buying a black cartridge for the mayor's printing machine is just the same as launching a nuclear missile from the president's office, and Dye's definition had, however, some undisputed strengths, for instance, that it stated that policy was something public administration made or even better, decided to do or not to do. Six years later, the latter interpretation was again altered, this time by Jenkins (1978), whose idea of a policy was that of a set of interdependent decisions made by one (or a group of) political actor(s) whose aim was (were) to select the goals as well as the means to achieve them"⁹.

Without considering this latter definition, the best of those ever written on "public policy", we will use it as a working draft, and define (local) public policy as a set of interdependent decisions, implemented and assessed by (local) public authorities in an attempt to officially respond to the (local) citizens' preferences, after previously: 1) receiving them; 2) introducing them on the institutional agenda; and 3) formulating decisions as a reaction to them.

More static than the concept of policy ebb and flow envisaged by Simmons et al. (1974), this definition, however, serves three major purposes: 1) it underlines the scope of (local) public policies [that of responding (through execution and assessment of the execution to what has been identified as (local) preferences], while

8 Heclo (1972, 85) gives almost the same type of broad definition when he suggests that policies are "courses of action pursued under the authority of governments". In a rather different approach, Simmons et al. (1974, 460), state that "policy" is an indication of intention, a guide to action (rather than a decision which implies immediate consequences) and encompasses values which set social priorities in relations between government and society.

9 The presentation chosen for describing some of the definitions relevant for the case of public policies does not imply any causal relationship between the selected years and the authors.

admitting that 2) the decisional power rests solely in the hands of the (local) public authorities who previously awarded the citizens – holders of preferences with the opportunities to formulate and make public those preferences; and most importantly: 3) it links the democratic theory of Robert Dahl with the general framework of a democratic administrative practice.

As such, and in other words, (local) public policy is a set of decisions, formulated, made, implemented and assessed in a rather specific manner (according to the definition provided above). It follows on that (local) policymaking names the process through which (local) public authorities go to formulate, make, implement and assess the decisions aimed at satisfying, at one particular time, the citizens' preferences. In this respect, the (local) policymaking process suggests it comprises of several stages.

At this point, Howlett and Ramesh's work (1995) becomes useful when evoking H. Lasswell's 1956 model of an ideal policymaking process (19). According to the cited author, policymaking had seven stages:

1. Information – when data necessary for the decisional process were collected, then analysed and disseminated to the participants into decision-making;
2. Promotion – of the alternative courses of actions to those involved in decision-making;
3. Prescription – by the decisional authorities of an intended course of action;
4. Invocation – of the recommended course of action;
5. Application – or implementation by the administrative and judiciary bodies;
6. Closure – for the implementation of a particular public policy;
7. Evaluation – of the outcomes against the initial goals and objectives.

Howlett and Ramesh (1995, 19) critically observed that Lasswell's model dealt with a process that was encapsulated in the public administration's "black box", and contained, at times, logical inconsistencies. However, despite the obvious limitations, they agreed that it (at least) allowed for the policymaking stages to be isolated and more closely investigated.

Actually, it was again Howlett and Ramesh who developed the concept of a policy cycle formed out of five stages, namely (1995, 20–22; 121–129) et seq):

1. *Agenda setting*: consisting of the process of problems' institutionalisation (where institutionalisation is about problems/issues¹⁰ – of economic, political, social or

10 Instead of the concept of "problem", Simmons et al. (1974, 460) prefer the term "policy issue", "identified as such by interested and concerned actors, organisations and publics and focus on desired change, benefit, regulation, inhibition or prohibition".

ideological origin¹¹ – moving from the public agenda towards the institutional agenda, *supra* endnote 4);

2. *Policy formulation*: suggesting the process in which the public administration suggests political options;
3. *Decision-making*: namely, the process of choosing a specific, governmental course of action (or choosing non-action).
4. *Policy implementation*: representing the process through which the public administration implements/executes the adopted policy; and:
5. *Policy assessment*: referring to the process of monitoring the policy outcomes. This process might lead to a re-conceptualisation of problems and the necessary paths to approach them.

If considering the definition of (local) public policy as a set of set of interdependent decisions, implemented and assessed by (local) public authorities in an attempt to officially respond to the (local) citizens' preferences, after previously: 1) receiving them; 2) introducing them on the institutional agenda; and 3) formulating decisions as a reaction to them, as well as the stages of policymaking as formulated by Howlett and Ramesh (1995), the (local) policymaking in this paper could be formed out of the following stages (Table 2):

1. Agenda setting. This particular stage should answer the question: "How does a problem get the attention of a (local) administrative authority?"

Focusing on actors and their involvement in the policymaking process, Cobb et al. (1976) offered a possible answer when making the distinction between: "external initiation" (present when problems are promoted to the institutional agenda by citizens, non-governmental organisations, interest groups, etc.); "mobilisation" (appearing when public authorities transfer problems from the institutional agenda to the public agenda); and "internal initiation" (when actors residing inside the decisional bodies introduce the problem into discussion, thanks to their privileged position or the power invested in them). To these, May (1991) added a fourth category, named "consolidation" (present when the administrative bodies initiate the process of problem-solving on a ground of a pre-existent civic support).

The same question may, however, receive a different answer if taking into account the institutional guarantees necessary for democratic, local agenda setting: a problem may receive the attention of a local administrative authority if the local

11 H. L. Wilensky 1975 (quoted by Howlett and Ramesh 1995, 122–123) noted that the agenda setting is an automatic process, resulted from the industrial and economic pressures known to the administrative bodies. In a very similar context, Bennett (1991) formulates his theory of convergence, according to which the states tend to converge to similar policies once the industrialisation increases. In other view, the agenda setting is established on the basis of a people's history, traditions, attitudes and conceptions, as encapsulated and codified in his political discourse (J. Jenson 1991 and A. Stark 1992 in Howlett and Ramesh 1995, 126).

public administration setting offers citizens the possibility to formulate and make public their preferences. A very important remark here is: we have used many times the formula “citizens’ preferences” – does this mean that we exclude the possibility of citizens to associate with it? The answer could not be other than negative, since, according to Dahl’s formulation of institutional guarantees, in a democratic state, citizens’ are endowed with the freedom of association.

Table 2
Institutional guarantees for democratic local policymaking

Stages in policymaking (Howlett and Ramesh 1995)	Stages for democratic local policymaking
1. Agenda setting	<ul style="list-style-type: none"> • Giving to inclusive citizens the possibility to formulate their preferences; • Receiving the preferences of inclusive citizens on what the problem is and what “the first” problem to be solved should be; • Defining the problem, after balancing the preferences of inclusive citizens, in an impartially and non-discriminatory manner.
2. Policy formulation	<ul style="list-style-type: none"> • Balancing the preferences of inclusive against systems’ resources, strategies, legal constraints, etc.
3. Decision-making	<ul style="list-style-type: none"> • [non-discriminatory and impartially] decision-making
4. Policy implementation	<ul style="list-style-type: none"> • [non-discriminatory and impartially] policy implementation
5. Policy assessment	<ul style="list-style-type: none"> • Giving to inclusive citizens the possibility to formulate their preferences; • Receiving the preferences of inclusive citizens on what the problem is and what “the first” problem to be solved should be; • (Re) Defining the problem, after balancing the preferences of inclusive citizens, in an impartially and non-discriminatory manner.

To resume: what are the institutional guarantees for democratic, local agenda setting? According to our own systematisation¹², local governments should recognise and make use of:

1. The right to manage and regulate, under their own responsibility, the local preferences (*local self-government* definition adapted from article 3.1 of the European Charter of Local Self Government);
2. The right to manage and regulate local preferences, as close as possible to their inclusive citizens (*subsidiarity’s* essence, as adapted from article 4.3 of the European Charter of Local Self Government);

¹² This draws from Iancu (2008).

3. Principles of *openness* (to public scrutiny) and *transparency* (by justifying its own official positions) (according to SIGMA 1998; 1999);
4. *Partnership* and *co-operation*, by accepting the interaction with inclusive citizens' preferences and co-operate with them in defining the problems/policy issues.
5. The obligation of *accountability* towards its inclusive citizens and their manifested preferences.
6. The generic (usually constitutional) principle of *rule of law*, when balancing, the inclusive citizens' preferences, impartially and non-discriminatory.

"How does a problem receive the attention of a (local) administrative authority?" may also imply a "where" placed in the milieu of the local public administration's competences. To be more explicit, a problem, as formulated by the inclusive citizens, can reach the local administration at the time of the "general management of local affairs", "allocation of resources" or, for instance, "delivery of services" (to quote again the text of the European Charter of Local Self Government and its references to local public authorities' competences).

Finally, a problem may receive the attention of a (local) administrative authority, by judging the technical paths offered to inclusive citizens' in order to express their preferences close to the "eyes and ears" of local administration. Examples in this regard may be seen in giving inclusive citizens the possibility to vote in local elections or referendums; participate in public meetings/reunions where local issues are in debate; take part in public hearings; register their formal complaint to an administrative body; sign in for audiences to local authorities; involve themselves in public polls, etc.

2. Policy formulation: Since public problems are not just out there waiting to be dealt with, but normally imply the need for being set up and defined, this stage may very well be summarised by the question: "What kind of action should be chosen?" According to Jones (1984), policies should not be formulated by a single set of actors, yet should comprise actors normally placed inside the public administration system. This implies that policy formulation is about negotiation, co-operation and to some extent, rivalry¹³. For the democratic view on local policymaking, this step remains one dedicated to professionals and thus remains strict in its regulations, yet it clearly nuances the balance of preferences, normal in any democratic system (as

13 In fact, concepts closely related to this stage of the local policymaking are for instance: "interest network", seen as an ensemble of interdependent and loyal members, forged together by intellectual and moral obligations (H. Hecló 1978 in Howlett and Ramesh 1995, 143); "advocacy coalitions", which comprise public and private actors sharing common views and common paths for manipulating public administration's rules, budgets, and personnel to achieve their long-term goals (H. Jenkins-Smith and P. Sabatier 1993 in Howlett and Ramesh 1995, 144); or "administrative community", formed out of people with an administrative background and a common objective (S. Wilks and M. Wright 1987 in Howlett and Ramesh 1995, 146).

described by R. Dahl). The institutional requirements suggested in Table 2 may also allow inclusive citizens (at least to a small extent) to monitor the conditions of the policy formulation.

3. Decision-making: This is a stage where the principles of rule of law and accountability are easily spotted as desirably present. However, if the decision-making style implies a political approach (Rosenbloom 1989), then the feedback arriving from inclusive citizens on the “draft decision” will also become relevant (and hence, the need for openness, participation, non-discrimination, impartiality, etc. will again be in order).

4. Policy implementation: Top-down or bottom-up, policy implementation relates the idea of inclusive citizens’ feedback to that of an administrative performance that is accountable and transparent. As suggested by Maynard-Moody and Herbert (1989), the implementation may sometime comprise steps such as policy formulation and decision making: due to the discretionary power of the administration or, for instance the vague character of some previously enacted rules and regulations, when implementing a public policy, local governments may, to some extent, be forced to re-formulate the policy, so as to suit the reality. In such a case, respecting the law, and providing an open, transparent and accountable delivery of services become essential to the preservation of democracy itself.

Finally, **5 Policy assessment:** is the stage where government and their inclusive citizens put into balance their expectations with actual results. In this regard, it is often said that “beauty lies in the eyes of the beholder.” This could not be more appropriate to the case of local) policy assessment, since depending on the type of assessment one employs, a particular policy may be seen as a success or a failure. Managerial, legal or political, the assessment step normally places the preferences of inclusive citizens in the spotlight, as the “eyes” contemplating the “beauty” belong, to a great extent, to those who benefit from the policy. A responsible local government should, in theory, leave room for a possible re-formulation of some failed policy, while paying the price for its unsuitable performance. As a final note, given the importance of the policy assessment, it should not normally take place at the end of the policymaking process: methods such as referenda, public polls, public meetings could, in this regard, offer more feedback on the course of policies, than any final report can ever do.

As suggested earlier, democratic policymaking requires, amongst other things (i.e. transparency, openness or accountability) a partnership with inclusive citizens. The latter should be given the possibility to formulate their preferences, make them known to public authorities and receive an official answer to them. Citizenship in this view is no longer a limitation of the democratic relationship between community members and local governments. This fact implies that permanent residents are given the same rights as citizens in formulating and expressing their preferences, and receiving an official answer to them. In reading this chapter, the partnership

between public authorities and their inclusive citizens should be seen according to the Gramberger (2001) approach on public participation. In his view, there are three basic kinds of relationships between public authorities (i.e. local governments) and citizens: information, consultation and active participation. From information to consultation and active participation, the influence citizens can exert on policymaking increases. This influence from citizens is no replacement for applying formal rules and principles of democracy – such as free and fair elections, representative assemblies, accountable executives, a politically neutral public administration, pluralism and respect for human rights. The complementary activities of information, consultation and active participation have always existed in democracies in some form and to some extent (Gramberger 2001, 15–16). In this chapter, Gramberger's approach to public participation is to be taken one step further, as the authors suggest that democratic local policymaking requires the presence of actual tools for information, consultation and active participation of inclusive citizens. To this extent, exploring how the current democratic systems understand the partnership with their inclusive citizens is to be made by means of a documentary and content analysis of the legislative tools in force.

To recap: the aim of our first section was to link local policymaking to the institutional practice of democracy. In doing so, we used Robert Dahl's thesis on what it takes to have a minimal democratic system, and adapt the latter so as to fit the label of “minimum institutional guarantees for democratic local policymaking”. In doing so, we have elaborated on how the partnership between local governments and their inclusive citizens can be achieved and distinguished between five stages of policymaking and three processes through which inclusive citizens may be considered as partners in local policymaking.

What is the main benefit of such an approach? It primarily provides us with a theoretical framework for considering democratic local policymaking possible when inclusive citizens are given the opportunity to formulate their preferences, make them known and receive an answer to them from the relevant local authorities. Second, it eases the eventual national comparisons, by allowing us to scale the inclusive citizens' partnership with local governments against the five-stage policymaking process, while paying attention to tools designed to allow information, consultation and active participation of the latter.

The following section of our chapter delves into such a comparison, by considering the cases of three European cities and their inclusive citizens' partnership with the local governments in policymaking.

2. European democratic local policymaking in three European cities – Bratislava, Bucharest and Ljubljana

In this part of the chapter we look at the partnership between inclusive citizens and their local governments in three of the European Union's Municipalities: Bratislava, the capital of the Slovak Republic, Bucharest, the capital city of Romania, and Ljubljana, the capital city of Slovenia. Our interest is to investigate the presence of tools for information, consultation and active participation in local policymaking of inclusive citizens in the legislation of these three European cities and conclude on their quality of local democracy. Undoubtedly, there are clear limitations of the research method we employ: the authors cannot expect to raise justifiable claims on the practice of local policymaking in the three cities, or to formulate general comments on the status of their countries' local democracies. However, our analysis should provide an interesting comparison of the legal frameworks designed to embrace inclusive citizens into local policymaking in three of the new democracies of Central and Eastern Europe.

In fact, the three cities were chosen based on their countries' geographical region and their democratic age. All the cities form, in the authors' opinion, a cluster defined by the very democratic traditions present there. To be more precise, Romania, the Slovak Republic, and Slovenia share not only a geographical region, that of the Central and Eastern Europe, but also, a common, totalitarian past. Contemporary democracies in these three countries barely passed the adolescence years. It was just twenty years ago that in a rather short time and under unexpected circumstances, the democratic alternative took over the political options of all three countries presently in debate (Rose et al. 1998). The same is applicable to Bulgaria and the Czech Republic, two countries that were excluded here due to language constraints (national legislation was barely translated into internationally spoken languages at the time of this research). On the other hand, Poland and Hungary, also part of the central and eastern European region had a different tempo for their democratic consolidation¹⁴, and were, as such, excluded given their incremental approach to democratic change.

Second, these cities were chosen for their differences in size, model of local governments, ranking of their municipal powers and economic development. Although all of them share a similar status in administrative ranking (they are the capitals of their respective countries), they differ in terms of their local government models. While for instance Bratislava has a hybrid of two-tier local government system, Bucharest is administered within a framework of the classical two-tier model. Important differences can be seen in terms of the cities' powers. Bucharest for example, is considered to be both a city and a region and therefore its govern-

¹⁴ As argued, inter alia, by Grabbe (2003) and the European Commission's Regular Reports on the Progress of Poland and Hungary towards Accession to the European Union (1998–2002).

mental structures dispose of both local and regional governance powers. However, Bratislava does not enjoy the same status, and hence, there are no real differences between it and any other ordinary Slovak city. Ljubljana on the other hand, also enjoys a rather special status: although it does not have any regional powers, it is considered a regional centre and plays important roles in developing and managing services such as education or health. Furthermore, the cities of our choice differ severely in terms of size and number of population: Bratislava is the largest urban area of our sample (with 368 square kilometres), Bucharest is the largest one in number of inhabitants (with roughly two million people), while Ljubljana scores as the smallest city in terms of population, and the second in terms of urban area (with 275 square metres). Additionally, if considering the level of GDP per capita, the differences between the three European cities are even more significant: Bratislava is the most developed, while Bucharest scores as the poorest of our selection¹⁵. The interest in consolidating local democracy, however, seems to unite the three cities; their administrative and political cultures were fostered by totalitarian regimes, and shared the pressures and influence of the European Union's enlargement to the East. Differences do appear: with a rather poor start in this area, as suggested by the European Commission's Report on the Progress towards Accession in early 2000, the Slovak Republic managed to turn the situation and accede to the European Union before Romania (a country severely improving its democratic local policymaking as of 2001).

Meeting and comparing the three different cases was an exploration in itself, one facilitated however, by a similar and very general approach in researching inclusive citizens' rights to freely formulate, express and receive an answer to their preferences in local policymaking. The authors expect their research to provide prime data on the status of democratic local policymaking by investigating the legal framework for inclusive citizenship. As the results will show, the partnership of inclusive citizens with local governments is coherently framed in all three cities, yet differences in the degree of integration of inclusive citizenship do occur.

This section begins with a general description of the cities under investigation (section D) and continues with the documentary and content analysis of the legal texts relevant to the case of democratic (as in open to citizens' preferences) local policymaking (section E). The authors aim to evaluate the status of democratic local policymaking in the three cities and scale it against the five-stage policymaking process and conclude in section F.

[D]

Bratislava is the biggest Slovak community and, under the rule of the Act No. 377/1990 Coll. on the Capital of the Slovak Republic Bratislava as amended, uses

¹⁵ According to the data provided by Eurostat, for 2009, Bratislava reports the highest GDP in our sample, with Ljubljana coming second and Bucharest third.

the so-called two-tier local (self-) government model. One tier is created by the city en bloc and its self-government bodies. The second involves city areas (see below) and their self-government bodies. Bratislava uses it on the grounds of rule, which connects the city with its population (ca. 430 thousand inhabitants). Obviously, besides Bratislava, there is only one other city – i.e. Košice – with such a scale in Slovakia. Bratislava is divided into 17 city areas (also called town districts – sing. in Slovak: *mestská časť*), which is both unusual and inefficient. If we compare those city areas, we find huge heterogeneity. They are very fragmented; the biggest, in terms of population, is Petržalka, which has almost 115 thousand inhabitants, and the smallest, Čunovo, has less than 950 inhabitants. In other words, in the 10 smallest city areas are living approximately 17 per cent of the entire Bratislava population. Furthermore, the structure of the city areas of Bratislava involves both urban areas and rural areas. Last, but not least, the differentiation is linked to the fact that different city areas assume very different functions, i.e. some of them are dedicated for living, some of them create a suitable space for industrial activities, and some of them are associated mainly with business or entertaining activities of both citizens and city visitors.

Under the rule Act No. 369/1990 Coll. on Communal Establishment as amended, the basic bodies of Slovak municipalities are both the communal boards (sing. in Slovak: *obecné zastupiteľstvo*) and the mayors (sing. in Slovak: *starosta*). The communal board (sometimes it is incorrectly called the local council in foreign literature, but local council – sing. in Slovak: *obecná rada* – under the mentioned law is an executive body which is optionally established by the communities and consists of both local deputies and the mayor) is the representative, collective, and highest decision-making body of the community. It consists of the communal deputies who are directly elected for a four-year term by the community inhabitants under equal, universal, and secret suffrage. Their numbers relate to the number of community inhabitants. The city of Bratislava, en bloc, has its own city board and each city area has its own city board (the number of city area deputies depends on the city areas' populations) too. At the city level, Bratislava has a city board that consists of 80 city deputies. It also has, however, a city council. Its chair is the mayor of Bratislava, and it also has 29 other members (incl. all city area mayors). The community inhabitants have several important rights but the most important is the right to participate in local self-government. It means that they first have the right to elect the local political authorities. Second, they have the right to become a candidate and be elected to local political authorities. Third, they have the right to vote on important questions regarding the life and development of the community via local referendum. Fourth, they have the right to participate in public gatherings and also in the communal board's meetings. Finally, they have the right to ask for the local political authorities' help and co-operation, etc. As for the community inhabitants' duties, they have to protect the communal estate and environment, not disturb other community inhabitants, and provide their personal help in case of a crisis disaster.

On the other hand, the community has to provide its inhabitants with some necessary and immediate help if they have a material need. The right to participate in local self-government belongs especially to the community inhabitants but they are not the only persons to have such a right. This right also belongs to other persons who have some real estate in the community or pay some communal tax or fee. It also belongs to persons who have some provisional or long-range residences in the community or who have some honorary community citizenships.

Formally, public administration in Romania means: decentralisation, local self-government and deconcentration of public services (Article 120 of the Romanian Constitution¹⁶). Structurally, it stands for: Government and deconcentrated bodies (at *state* level); 41 County Councils (at *county/județ* level) and 2948 Local Councils (at *town* and *commune* levels)^{17,18}. Getting to the substance of local government and that of **Bucharest**, the power within it is distributed among deliberative bodies (the General Council and the Local Councils of the six administrative sub-units called *sectors*) and executive bodies (the General Mayor and the six sector mayors). Both types of authorities serve the interest of the state (by assuring the existence and functioning of the *état de droit*) and that of the community they represent¹⁹. Both are directly elected and are subject to the “local self-government” principle. According to the current legal framework, sector councils are given the right to set up their own organisation, budget and commercial partnerships and public services (Article 81.2.h, Law no. 215/2001) as well as co-operate and associate with social partners, non-governmental organisations and other local public authorities so as to finance or deliver services or projects of local interest (Article 81.2.p, q). However, the acts of the Municipality (be it of a deliberative or executive nature) are to be seen as compulsory by the sectors (Article 85, Law no. 215/2001). Provisions of the law on transparency of policymaking (Law no. 52/2003) and that of allowing access to public information (Law no. 544/2001) however, give both the sector and the General Councillors the possibility to formally interact with their constituency. This is

16 The Romanian Constitution of 1991 was amended and completed by Law no. 429/2003 on the revision of the Romanian Constitution.

17 According to Romanian regulations, the “town” (*oraș*) can be either a synonym of “city” (an administrative structure not heavily populated or economically developed), or reference to a “municipality” (*municipiu*) (an administrative structure highly populated and rather well-developed, usually, a county capital). For further definitions, please see Government Ordinance no. 53/2002 on the Framework law of territorial-administrative units, as amended in 2003 (especially articles 3–5) and Law no. 215/2001 on local public administration, as republished and further amended in 2007 and 2008 respectively (especially article 20).

18 Data source: National Institute for Statistics, Romania, November 2004.

19 In this regard, Law no. 195/2006 on decentralisation (articles 21 and 24) speaks of local governments’ *exclusive* competencies – given in the areas of urban planning, public illumination, local public transportation, sewerage and water supply; *divided* competencies (with the state level), recognised for safety and public order, social security, prevention and management of local emergency situations, and *delegated* competencies, which appear in the case of allocation of revenues for children and adults with disabilities.

also actually the case for mayors of a municipality and sectors. In addition, the latter leads the local public services, administer the Municipality/sectors' public and private estates and are the main official persons handling the budgetary credits^{20,21}. However, against the possible expectation that, in line with the subsidiarity principle, the sectors' mayors give voice to their community and local referenda are to be organised only by the General Mayor (Article 83.1, Law no. 215/2001).

Bucharest Municipality is not only about public authorities and their competencies. More quantitative than qualitative, Bucharest also means: 1,943,981 inhabitants (a little over 9 per cent of the country's population); almost 1,000,000 active people²². Their interests and the municipal public interest is to be served by 55 General Councillors and one General mayor, representing the political will of the Democrat-Liberal Party – PDL (24 councillors) the Social Democrat Party – PSD (16 councillors), the National Liberal Party – PNL (8 councillors), the New Generation – Christian Democrat Party – PNG-CD (4 councillors) and the Great Romania Party – PRM (3 councillors)²³.

Ljubljana is the capital of the Republic of Slovenia with a central geographical position within the state and approximately 268.000 inhabitants. After the local self-government reform in 1993, Ljubljana became one municipality with the special status of a so-called city municipality²⁴. Ljubljana is led by a mayor and up to four vice-mayors, who represent the executive branch of local government. Next to the daily routine of running the municipality and municipal administration, the mayor's main role is to prepare and submit the budget to the municipal council. Slovenian municipalities have municipal councils. In the case of the city municipalities they are called city councils. The number of councillors varies from 7 up to 45 and is in correlation with the municipal population. Ljubljana has 45 city councillors representing different political parties or civil interest associations (e.g. initiative for clean water). The city council is the legislative body at the city level. They make binding decisions on a variety of important topics, such as the urban development plan or the yearly budget.

Since changes in the national political arena and the first general elections, the previous managers decided to enter politics at the local level, as well as other

20 This latter right of the mayor can be delegated to a public administrator, who acts on a contractual basis (Chapter VI of Law no. 215/2001 as amended).

21 This enumeration as well as the ones that follow (in terms of local prerogatives) is not exclusive. Only relevant competencies on the issue of participatory democracy were selected.

22 According to the 2008 census, as quoted on the official site of Bucharest Municipality: www.pmb.ro (last access: 18 March 2009).

23 The General Mayor (Sorin Oprescu) runs independently and is in office as of November 2008.

24 Due to the fact that Slovenia does not have a regional level of governance (so far), there are two different types of municipalities; ordinary municipalities and city municipalities. City municipalities are usually regional centres with an important role in development, employment, education etc.

independent candidates. But, surprisingly, there was a change in the trend of the electorate. Under the uncertainty at national level, a much higher proportion of independent candidates were elected. The depoliticisation of local politics brought new ways of running a municipality with a stronger impact of “managerialism”, compared to the previous political interest struggle.

There is a famous story connected to the Ljubljana municipality, which should be observed as a model case of change that is certainly important for other municipalities (Pinterič 2008, 58–59). Zoran Jankovič was an appointed manager of the Mercator system in the late 1990s, and made an international “imperium” from a small weak system of local grocery stores. After the change of ruling coalition at the national level in 2004, he was dismissed, although there was no business reason for it. In late 2005, he announced he was to enter politics and run in the local election in 2006. He established a political group “List of Zoran Jankovič” and began with defining the crucial problems of the Ljubljana municipality and its inhabitants. He had a list of “22 things to be changed or carried out”, which became his political programme when he began the campaign for the mayor’s position. He was broadly supported because his Mercator management position was unbeatable. People (in Slovenia in general) loved him; they knew that he would employ thousands of employees and students. His economic success was combined with a constant smile and his personal touch with all employees. On the day of the local election in 2006 he was the absolute winner, gaining 63 per cent of the votes, beating 15 other candidates. The List of Zoran Jankovič won with 41 per cent of votes and 23 out of 45 seats in the municipal council. He achieved the mandate of an absolute ruler. He kept his first promise and blocked his mayor’s salary for a year (with his other resources this was easy to do) and decided to be paid on the basis of his success in the first year of his mandate, measured with the support of citizens for his activities. His popularity was growing because Ljubljana began to regain its capital nature that was almost abandoned in previous mandates due to political disputes and inactivity. Jankovič restructured the municipal administration, finances and life in the city. His list of 22 things to be done is becoming more and more fulfilled and even expensive and unrealistic projects, as well as a new football stadium, are becoming a reality. He is breaking all the public administration procedures and rules. If other municipalities with a weak political arena and a strong managerial leader were to follow his example, we can expect changes in local governance principles that will bring potential to influence even at the national level of public administration and state institutions or they will increasingly ignore the state level and organise development independent from state development strategies (Pinterič 2008, 59–60).

[E]

Bratislava belongs to the Slovak Republic, a sovereign, democratic, and law-governed state (Article 1, Slovak Constitution). The powers of the state derive from the citizens (Article 2). If we compare the position of state bodies and citizens, we can

say that state bodies can act only on the basis of the Constitution, within its limits, and as provided by law; however, everyone (not only citizens) can do what is not forbidden by law and no-one must be forced to do anything that is not laid down by law. From the public participation point of view, the most important constitutional articles are included in the second chapter of the Constitution, and especially in its third part, where the political rights are described (a case similar to the Romanian one). Hence, people are equal in their rights and basic rights and liberties are guaranteed to everyone regardless of sex, race, colour of skin, language, religion, political or other beliefs, national or social origin, affiliation to a national or ethnic group, property, descent, or any other status. No one must be harmed, shown preferential treatment, or be discriminated against on these grounds. Moreover, no one must be restricted in his/her rights because he/she upholds his/her basic rights and liberties (Article 12). It means that participation tools that appear from basic rights or liberties are conferred not only to citizens, but also to all those who are on Slovak territory. Reading further, freedom of thought and conscience, speech and expression are granted, while the state bodies and territorial self-government bodies are told to provide information on their activities. Inclusive citizens have, according to Article 27 of the Constitution, the right (alone or with others) to address requests, proposals, and complaints to state bodies and territorial self-government bodies in matters of public or other common interest. However, no petition must be used to call for the violation of basic rights or liberties, and moreover, any petition must not interfere with the independence of the court. The right to assemble peacefully is guaranteed (Article 28) to everyone. Everyone also has the right to associate freely with others in clubs, societies, or other associations (Article 29). In addition, citizens have the right to establish political parties and political movements and to associate in them too. All such associations (i.e. political parties, political movements, clubs, societies or other associations) are separate from the state. As concerns the employees, they have the right to collective bargaining (Article 36) and everyone has the right to freely associate with others in order to protect his/her economic or social interests. Citizens have the right to participate in the administration of public affairs, either directly or through the free election of their representatives.

Legally speaking, Romania and subsequently, **Bucharest** have a brief, but rather condensed history of (inclusive) citizens' participation. Since 2003, it has acknowledged the obligation of central and local public authorities, elected or appointed, as well as of public institutions using public money, to ensure the transparency of policymaking in their relations to citizens or the latter's legally established associations (Article 1, Law no. 52/2003 on transparency of policymaking). "The obligation of transparency is the obligation of public administration authorities to inform and allow public debate on draft laws, grant access to administrative policymaking and to public memorandum" (article 3.e, Law no. 52/2003). In addition, "any person may ask and receive from the relevant public authority, public information" (article 6.1, Law no. 544/2001). Translating this legal imperative into the theoretical framework

of democracy (as provided by Robert Dahl), we would assume that exercising the freedom of expression would be a consequence of the presence of several institutional facilitators (such as: public debating, online petitioning, and online access to draft decisions of the Bucharest Municipality etc.).

In addition, according to the Romanian Constitution, mayors and local councillors, as public administration authorities, are elected under the rule of universal, equal, secret and free scrutiny for 4 years. Romanian citizens have the right to vote (article 36.1) and be elected (articles 37.1, 2; 120; 121), while their freedom of conscience and opinion is guaranteed (article 29.1, 2). Romanian citizens are equal before the law and public authorities (article 16.1), might express their thoughts, opinions or beliefs with no fear of censorship (article 30.1, 2) and have the rights to petition (article 51), apprise the Ombudsman (articles 58 and 59) and address a public authority if aggrieved in their legitimate right, in order to have the claimed right acknowledged, annul the act and receive reparation of the damage suffered (article 52). In addition, national minorities are recognised and guaranteed the right to preserve, develop and express their ethnic, cultural, linguistic and religious identities (article 6.1). Finally, all meetings, demonstrations, corteges are free and are possible to organise in a peaceful manner (article 39). In Romania, freedom of the press is recognised (article 30.3), and the individual's right to access any information of public interest is not to be restricted (article 31.1). Public authorities are asked to correctly inform citizens on public affairs and issues of personal relevance (article 31.2), the media – be it private or public – is compelled to give correct information (article 31.4), and radio and television public services need to guarantee to important social and political groups the right to antenna (article 31.5). Romanian citizens may freely associate in political parties, employers associations or other associative forms, under the rule of law (article 40). As pluralism is guaranteed, political parties are supposed to contribute to the definition and expression of the citizens' political will (article 8), and the employers' association to defend and promote the professional, economic and social interests of the employers (article 9). Romania is a common and indivisible country of all its citizens, with no discrimination of race, nationality, ethnic religion, language, religion, sex, opinion, political conviction, wealth or social origin (article 4.2). The rights and liberties as enshrined in the Constitution and other laws are guaranteed (article 15.1) and protected outside the Romanian state borders (article 17), and the Romanian citizenship obtained by birth cannot be withdrawn (article 5.2). Finally, the rights to vote and be elected are recognised for all citizens of 18 years of age (celebrated on the day of election), with the exception of mentally disabled persons and people convicted by final court decision to their loss of electoral rights (article 34.1, 2).

To summarise, Romania formally embraces democracy, guaranteeing the indicators Robert Dahl suggested as necessary to a practical democracy. Corroborating these findings with the legal texts applicable to the Bucharest Municipality (as a local government) and local policymaking, the findings show that Bucharest does

have a rather consolidated legislation in terms of (inclusive) citizens' participation (please see Annex 1) Freedom of association, conscience or strike, and the right to address a public authority once a public institution has aggrieved a legitimate interest or caused any damage, are recognised as inclusive citizens. The right to vote, be elected or petition to public authorities however, is solely guaranteed to Romanian citizens.

In Slovenia, and by extension, in **Ljubljana** also, participation of citizens in local policymaking is enacted by different legal acts providing the possibility and responsibility to co-decide. In this sense, article 3 of the Slovenian Constitution provides citizens with the right to self-determination. This should be understood as the right to establish an own nation but, in extended interpretation, can be seen as a possibility for citizens to decide on their own. This idea is further developed in articles 3(a) and 90 of the Constitution by defining the referendum as one of possible and legal practice of citizens to make political decisions. The rights to expression of opinion and free association are provided by the Constitution in articles 39 and 42. On the other hand, Slovenia and its areas are developed as representative democracy with free, fair and regular election, where every citizen of age has the right to vote and be elected to national representative institutions, as well as local ones. The right to petition is provided by article 45 of the Constitution and article 44 provides the right of citizens to become involved in policy-making processes within the legally defined possibilities. All the above mentioned legal possibilities for participation are realised in the case of a referendum on establishing a municipality, where a group of people usually associate, discuss and start petitioning to establish a new municipality, and later on in the process they have to go to a referendum and confirm their will by a simple majority decision. However, after all this, the National Assembly has to confirm the referendum decision and recently, Slovenia faced some cases where the national representative body changed a decision accepted on referendum by establishing a municipality when there was no support to the new municipality and vice versa.

Detailed possibilities of citizens' participation in local policymaking are defined in different laws, especially in those on local self-government and municipalities' referenda. On the other hand, information flow is not a subject of the constitution, but according to the legislation concerning sharing of information, citizens have the right to access all public information, especially that concerning their private status and gathered by the state authorities. For general information, any public institution is obliged to publish the answer to the question that was asked more than three times.

Concerning the fact that there are a significant number of foreign citizens living permanently or temporary in Ljubljana, they have equal rights to participate if they have their permanent address within the municipality. However, there are two limitations. First, they cannot run for function but they can vote (passive electoral

right is not granted to them). Second, the possibility to participate is limited to knowing the Slovenian language. If someone is not able to participate in the Slovenian language he/she will have serious problems (such as paying for translation) addressing decision-making institutions.

The concrete elements of citizens' participation in Ljubljana are defined by the statute of the municipality. The statute of Ljubljana, according to article 22, defines that publicity is assured via the presence of the public at sessions of municipal bodies and by publishing drafts and acts, with the exception of documents marked confidential. Chapter 5 of the Statute of Ljubljana defines and explains the possibilities for citizens' participation in the policymaking processes. Legally, these possibilities are limited to the referendum, civil initiative or assembly of citizens. The assembly of citizens (which is a temporary shift from representative to direct democracy) has the right to discuss different issues and suggest policy solutions. But, they can only assemble with the consent of the mayor, which is not automatically given. The same limitation also applied to the referenda (however, referenda can bring binding decisions). A civil initiative can be carried out spontaneously (it is, in fact, another name for a petition) and according to the statute of Ljubljana, the appropriate institution (usually city council) has to decide on the subject of the initiative.

According to positive shifts towards inclusion of citizens in policymaking processes provided by national legislation, Ljubljana has a long tradition in granting inclusive citizens the right to meet the mayor during certain public hours and discuss their issues of interest. The city council Sessions, however, remain closed to the general public, but the affected institutionalised actors can be present at the discussions concerning their topic. Within the last period, the municipal web page also included a new application for quick inclusion of citizens by asking questions or reporting problems concerning a situation within the municipality. This application provides reporting problems that might slip through administrative procedures, requires a quick response and enables informing citizens about actions taken in each concrete case.

Doing the comparative research provided us with the information in Table 3 (Annex). As suggested by the content analysis of the legal documents in force, policymaking in all cities under investigation meets the institutional requirements for minimal democracy. Surely, differences do exist: i.e. in the degree of openness of local governments' meetings (in Ljubljana not all municipal meetings are, for instance, public, while in Bucharest there are no explicit provisions regarding the involvement of residents in policy assessment); or the interpretation of policy implementation and assessment (for Bucharest, provisions including comments or policy proposals from inclusive citizens are made only in secondary, and very specific regulations. Additionally, there is a clear void of regulation for policy assessment tools). Generally, however, all three cities and their respective countries share a strong commitment to democratic values, and embrace the local self-government

principle, along with openness, transparency, accountability and rule of law. Additionally, their citizens are endowed with all the necessary rights and liberties as to be able to formulate, express and receive an official answer to their preferences during the policymaking process. Be it in the form of: a) accessing free information through web pages or posts at the headquarters of their city hall on the agenda setting or the policy assessment; b) give comments, suggestions or write petitions on policy formulation or assessment; or c) vote, share opinions in public hearings and public opinion pools, the citizens of Bratislava, Bucharest and Ljubljana are formally recognised with the possibility to develop a partnership with their local governments. Still, once more, the limits of the research method employed here prevent us from making any further comments on the actual practice of citizens' partnership with their local governments.

Regarding the issue of inclusive citizenship, the findings of our research make the differences clear between the partnership of residents (people with permanent residence in the three cities under investigation, but no citizenship of the respective country) with local governments and that of citizens with their local governments. In this regard, Table 3 points to the specific, relevant differences. As is shown there, in all three cities, residents have considerably fewer tools available to be real partners in active participation to policymaking; as they do enjoy free access to information and may be consulted in agenda setting via public gatherings or opinion polls but they are not entitled to vote or be elected and cannot express their preferences to certain local deputies. Again, in all three cities, there is an overall lack of consolidation of legal provisions explicitly addressing the case of residents and their rights and duties in local policymaking (when compared to Bucharest, however, Bratislava and Ljubljana seem to have a legal framework which is more friendly to inclusive citizens than in Bucharest). It was not the scope of this chapter to search for the inner reasons for the differences discovered, but surely, it is worth mentioning that the authors are interested in refining their research findings and in a next possible step, look closer at the institutional practice of local governments in addressing the issue of partnership with inclusive citizens.

Conclusions

This chapter discussed the partnership between inclusive citizens and their local governments in three European cities: Bratislava, Bucharest and Ljubljana. The interest of the research was to see to what extent the legal frameworks, currently in force in the city-sample, acknowledge the implication of inclusive citizens in local policymaking. The theories chosen to support our documentary analysis were those of R. Dahl's on what a democratic system is required to have as institutional guarantees; M. Howlett and M. Ramesh's approach to a five-stage policymaking process and M. Gramberger's classification of public participation steps. As the research unfolded, we have pointed out that in all cities of inquiry there is a sound, democratic

legislative framework, compatible with the institutional guarantees formulated in this regard by R. Dahl. Additionally, we have shown that the local policymaking process in Bratislava, Bucharest and Ljubljana is citizen friendly, as it offers the latter the possibility to formulate their preferences, express them in a free and regulated manner and receive an official answer to them. However, the author observed a certain clash between the academic interest in the inclusive citizens' implication in local policymaking, and the legal, national and municipal doctrine dealing with the matter. In all three cities, the topic of inclusive citizenship is far from being strongly formulated, and hence, requires further attention. The European context, in which we voluntarily placed our discussion, is additionally academically intriguing. The debate on the rights and liberties provided to citizens of Member States by European citizenship gives the issue of inclusive citizenship a new light: is it necessary for local policymakers to consider paying more attention to regulating the partnership with their inclusive citizens? The authors' suggestion is yes, and the present chapter offered a possible argument in this regard.

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ANNEX

Table 3
Legal instruments for a democratic local policymaking in three European cities

Stages of the policymaking process	Gramberger's Classification (2001)	BRATISLAVA (Slovak Republic)	BUCHAREST (Romania)	LJUBLJANA (Slovenia)
AGENDA SETTING	Information	<ul style="list-style-type: none"> obligatory publication (official communal panel) of the communal board's programme before its session optional publication (Communal broadcast, telecast, website, newspaper, etc.) of communal board's programme before its meeting obligatory publication of a report (minutes) of communal board's session 	<ul style="list-style-type: none"> obligatory publication of local council meetings before their sessions (media, press or any other form) publication of a report (minutes) of local councils' sessions (at the Bucharest Municipality headquarters or on the web page of the municipality) 	<ul style="list-style-type: none"> obligatory publication of local council meetings before their sessions (media, press or any other form) publication of a report (minutes) of municipal councils' sessions on the web page of the municipality
	Consultation	<ul style="list-style-type: none"> notices presented in the sessions of the communal board (warnings and notices from the side of the deputies of the communal board or mayor) membership of citizens in various committees of the communal board involvement in public opinion research or opinion polls of inclusive citizens 	<ul style="list-style-type: none"> notices presented in the sessions of local councils involvement of inclusive citizens in public opinion research or opinion polls 	<ul style="list-style-type: none"> opinion polls and possibility of inclusive citizens to address a petition to the city council or mayor.
	Active Participation	<ul style="list-style-type: none"> information calls meetings of citizens-voters with their deputies proposals presented in the sessions of the communal board or addressed to the mayor (complaints and other incentives from the side of communal residents) residents' petitions residents' demonstrative activities 	<ul style="list-style-type: none"> information calls meetings of citizens-voters with their councillors proposals/petitions presented in the sessions of the local councils or addressed to the mayor (complaints and other incentives from the side of residents) residents' demonstrative activities 	<ul style="list-style-type: none"> possibility to discuss at the city council meeting demonstrative activities meeting hours for inclusive citizens with mayor.

Stages of the policy-making process		POLICY FORMULATION			
Gramberg's Classification (2001)	Information	<p>BRATISLAVA (Slovak Republic)</p> <ul style="list-style-type: none"> obligatory publication of communal board's programme before its session publication of a report (minutes) of a session of communal board (including presented proposals and counter-proposals) 	<p>BUCHAREST (Romania)</p> <ul style="list-style-type: none"> publication of local council's programme before its session publication of a report (minutes) of a session of the local councils 	<p>LJUBLJANA (Slovenia)</p> <ul style="list-style-type: none"> publication of local council's programme before its session publication of a report (minutes) of a session of the municipal council 	
	Consultation	<ul style="list-style-type: none"> proposals and notices presented in the sessions of the communal board (proposals and counter proposals from the side of community deputies or mayor) membership of citizens in various committees of the communal board organisation of public hearings or gatherings of communal residents involvement of inclusive citizens in public opinion research or opinion polls 	<ul style="list-style-type: none"> proposals and notices presented in the sessions of local councils by inclusive citizens involvement of inclusive citizens in public opinion research or opinion polls, for inclusive citizens possibility of referenda for citizens 	<ul style="list-style-type: none"> possibility of public hearings in some cases obligatory public discussion on certain acts enacting policy solution (carried out by providing open access to the draft act and possibility to comment on it at a municipal council meeting open to the public). possibility of referenda, assembly of citizens or opinion polls 	
	Active Participation	<ul style="list-style-type: none"> information call meetings of citizens-voters with their deputies proposals and counter-proposals presented in the sessions of the Communal board (comments, remarks, etc.) by inclusive citizens 	<ul style="list-style-type: none"> information calls meetings of citizens-voters with their councillors proposals presented in the sessions of the local councils or posted on the website (comments, remarks) by inclusive citizens 	<ul style="list-style-type: none"> information calls meetings of citizens-voters with their councillors, mayor proposals presented in the sessions of the local councils or posted on the website (comments, remarks) possibility of assembly for inclusive citizens possibility of demonstrative activity if policy proposals from city hall differs strongly from the inclusive citizens' ideas 	

DECISION-MAKING			
Information	<ul style="list-style-type: none"> obligatory publication of communal board's and mayor's decisions publication of a report (minutes) of a communal board's session 	<ul style="list-style-type: none"> obligatory publication of local council's and mayor's decisions publication of a report (minutes) of a local council's sessions 	<ul style="list-style-type: none"> obligatory publication of local council's and mayor's decisions publication of a report (minutes) of a local council's sessions publication of accepted local legal acts
Consultation	<ul style="list-style-type: none"> voting (within the election) for citizens alone polling (within the referendum) for citizens alone appeal for presentation of residents' requirements or perceptions in the sessions of the communal board organisation of public hearings or gatherings of communal residents involvement in public opinion research Policy Selection or opinion polls 	<ul style="list-style-type: none"> voting (within the election) for citizens alone polling (within the referendum) for citizens alone organisation of public hearings or gatherings for inclusive citizens involvement in public opinion research or opinion polls of inclusive citizens 	<ul style="list-style-type: none"> voting (within the election) for citizens alone polling (within the referendum) for citizens alone assembly of citizens organisation of public hearings or gatherings for inclusive citizens involvement in public opinion research or opinion polls of inclusive citizens
Active Participation	<ul style="list-style-type: none"> information call meetings of citizens-voters with their deputies initiation of gatherings of communal residents initiation of election initiation of referendum involvement in the sessions of the communal board residents' petitions residents' demonstrative activities 	<ul style="list-style-type: none"> information call meetings of citizens-voters with their deputies initiation of public meetings initiation of election initiation of referendum involvement in the local councils' sessions residents' demonstrative activities 	<ul style="list-style-type: none"> information call meetings of citizens-voters with their deputies, mayors initiation of public meetings initiation of election initiation of referendum involvement in the local councils' sessions residents' demonstrative activities

Stages of the policymaking process		POLICY IMPLEMENTATION				
Gramberger's Classification (2001)	Information	<ul style="list-style-type: none"> • publication of the obligatory as well as optional information in regard to implementation of selected tools 	<ul style="list-style-type: none"> • publication of local councils' activity reports (optional) 	<ul style="list-style-type: none"> • publication of local councils' activity reports 	<ul style="list-style-type: none"> • Ljubljana (Slovenia) 	
	Consultation	<ul style="list-style-type: none"> • mayor's application for residents' assistance or co-operation in regard to implementation of selected tools • involvement of inclusive citizens in public opinion research or opinion polls 	<ul style="list-style-type: none"> • involvement of inclusive citizens in public opinion research or opinion polls 	<ul style="list-style-type: none"> • involvement of inclusive citizens in public opinion research or opinion polls • online tool for reporting problems with the ability to follow the actions taken by the municipality to improve the situation 		
	Active Participation		<ul style="list-style-type: none"> • information call • meetings of citizens-voters with their deputies • involvement of inclusive citizens in the implementation of selected tools (e.g. voluntary brigade) 	<ul style="list-style-type: none"> • information call • meetings of citizens-voters with their deputies • involvement of inclusive citizens in the implementation of selected tools (e.g. voluntary brigade) 	<ul style="list-style-type: none"> • information call • meetings of citizens-voters with their deputies, mayor • involvement of inclusive citizens in the implementation of selected tools (e.g. voluntary brigade, collecting additional money) 	
			<ul style="list-style-type: none"> • information call • meetings of citizens-voters with their deputies • involvement of inclusive citizens in the implementation of selected tools (e.g. voluntary brigade) 	<ul style="list-style-type: none"> • information call • meetings of citizens-voters with their deputies • involvement of inclusive citizens in the implementation of selected tools (e.g. voluntary brigade) 	<ul style="list-style-type: none"> • information call • meetings of citizens-voters with their deputies, mayor • involvement of inclusive citizens in the implementation of selected tools (e.g. voluntary brigade, collecting additional money) 	

POLICY ASSESSMENT			
Information	<ul style="list-style-type: none"> • publication of local councils' activity reports (optional) 	<ul style="list-style-type: none"> • publication of the information in regard to outputs that are associated with the implementation of selected tools 	<ul style="list-style-type: none"> • publication of local councils' activity reports (optional)
Consultation	<ul style="list-style-type: none"> • organisation of public hearings • involvement of inclusive citizens in the public opinion researches or opinion polls 	<ul style="list-style-type: none"> • appeal for presentation of residents' satisfaction or dissatisfaction in regard to policy implementation in the sessions of communal board • organisation of public hearings • involvement of inclusive citizens in public opinion research or opinion polls 	<ul style="list-style-type: none"> • organisation of public hearings • involvement of inclusive citizens in public opinion research or opinion polls
Active Participation	<ul style="list-style-type: none"> • information call • meetings of citizens-voters with their deputies • proposals/complaints presented in the sessions of local councils or addressed to mayor (complaints, remarks, and other incentives from the side of communal residents) • evaluation of outputs from the side of various NGOs, think-tanks, etc. • residents' petitions • residents' demonstrative activities 	<ul style="list-style-type: none"> • information call • meetings of citizens-voters with their deputies • proposals presented in the sessions of the communal board or addressed to the mayor (complaints, remarks, and other incentives from the side of communal residents) • evaluation of outputs from the side of various NGOs, think-tanks, etc. • residents' petitions • residents' demonstrative activities 	<ul style="list-style-type: none"> • information call • meetings of citizens-voters with their deputies, mayor • proposals/complaints presented in the sessions of local councils or addressed to the mayor (complaints, remarks, and other incentives from the side of communal residents) • demand for referenda, assembly of citizens, petition. • evaluation of outputs from the side of various NGOs, think-tanks, etc. • residents' demonstrative activities

Development

Holistic View of International Capacity Building: Partnership of Community in Kragujevac, Serbia

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Abstract

This paper examines areas of capacity building that are still in uncharted territory. In particular, it examines the nature of human, economic, social, civic, political, and natural resource capital as they relate to holistic capacity building. A case study illustrates the process of building capacity in local government in the partnership between University of Kragujevac and the city administration. The process uses a bottom-up phased approach in developing the local government administration to meet European Union standards in a holistic approach, building the capacity of its human resources and technology to meet the community's challenges of regional and global competition.

Key words: *Capacity building, Local government, Development, Economics, Organisations, Public-private partnerships*

1. Introduction – On Capacity Building for Public Administration

The primary purpose of capacity building for local government is to increase the capability of people to develop and enact their community's potential to meet the changing needs of the community commonwealth in a fair, equitable and robust way. With globalisation of the economy we need to develop a holistic approach to capacity building that looks, not only at the many levels of needs in a single community, but we also need to develop a capacity building theory and methodology that is relevant to include the multi-layered world community and its economy.

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In a standard bureaucratic model, public organisations are organised around function areas such as street maintenance, utility services, police and fire protection. The key goals of this type of production model are standardisation, control of assets and social order. Growth in capacity of the organisation is economic, based on increased tangible assets by adding structural departments and layers of employees. The current public bureaucratic structure is a heavy top-down structure that sustains a standardised work effort and control and creates the values that guide action. This *taken-for-granted sense of reality* is viewed as a norm. Structure can also be understood in terms of networks of interaction among citizens. Particularly in post-Communist states, the role of networks in building capacity of local public organisations to deliver services deserves further investigation (Pickering 2002).

In the 21st century, leading-edge organisations in the private and public sectors recognise that the key to building capacity is knowledge and the organisational ability to create a collaborative system that is knowledge generation and innovation. This does not occur in the isolation of a structured department, but is the result of a collaboration of diverse views. Thus, capacity is built by innovation with knowledge as its key asset and *collaboration* is the meta-capability by which knowledge will be exploited to drive innovation and reap its economic benefits.

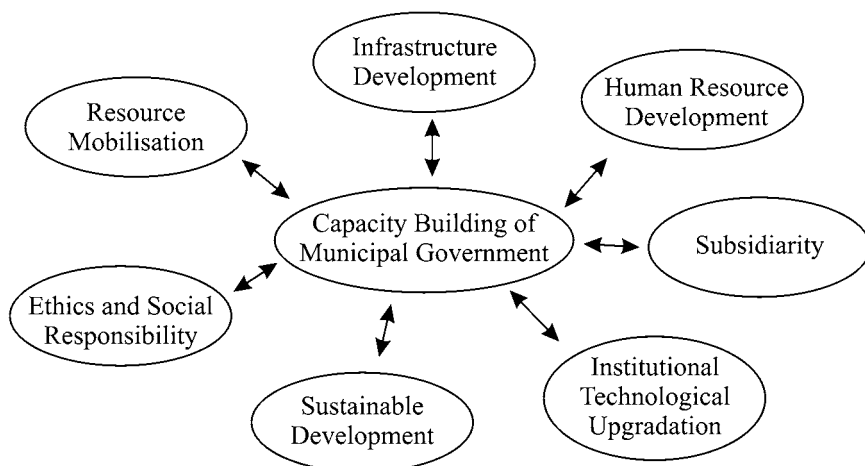
The structuration theory (Giddens 1984) proposes a duality of structure where rules and resources that are both “the medium and the outcome of the conduct it recursively organises. The structural properties of social systems do not exist outside of action but are chronically implicated in its production and reproduction” (374). No action takes place in the absence of social structure (Giddens 1984; Sewell 1992). Hardworking, serious, reflexive public servants can make a difference, but to do so they need to create a collective action. Furthermore, this structure can be changed by the same agency that produces it (Sewell 1992). Key to creating such change is the legitimising of change in society. Commitment to change requires collective approval. Perhaps the reason change is, at best slow and uneven in ex-communist societies, is the absence of inclusion of stakeholder groups in the effort.

The capacity building efforts by local governments in nations that are in transition have encountered a diverse application of methods and terminology regarding capacity building. After sharing with each other informally and in written papers their experiences, it is apparent there is a need for gathering the concepts, components and methods of local government capacity building into an integrated whole. The brief case study following the discussion on methodology for change illustrates that no matter how different capacity building efforts are in situation and goals, there is a holistic crossover of communication and communal influences that shape the outcomes.

2. On International Capacity Building Methodology

A comprehensive methodology with a global view needs to include the basic development fields of capacity building and capacity development (Lusthaus et al. 1999) and is revealed in Figure 1. Each of these development fields has its own methodology, theory and lengthy history. The major task of capacity building is to involve these development fields in a holistic focus where they can enhance each other to build a community's capacity to grow, develop, and contribute as a participant in the changing global community in an equitable and robust way.

Figure 1
Capacity Building in Municipal
Institutions: Key Issues



In addition, capacity building efforts experience several natural phases of change. These phases include: (1) *Learning Capacity Development* – a development expedition for staff in “Learning-to-Do”; (2) *Seeding Capacity* – providing people start-up development capacity building resources; (3) *Growing Capacity*: – training people to teach others how to builds their capacities; (4) *Expanding Capacity* – nurturing a development culture in other communities; (5) *Networking Capacity*: – an effective mutually supportive community capacity building programme.

Capacity building involves engaging the people who will be affected in the capacity building effort to have meaningful and honest participation in plans and implementation. Capacity building for local government would therefore include the institutions and the working organisations, private and public, in the community. Additionally, capacity building could include roles for people, organisations and communities with which the community has various private and public relations.

2.1 The Role of Capital in Capacity Building

The word *capital* carries a great deal of usage. For that reason, capital as used in this paper will be restricted to refer to resources that can be allocated or reallocated to meet existing and new needs and opportunities. Capital resources can include not only financial capital, but also human resources, social, civic and political resources, as well as natural resources. In addition, resources already being used, i.e., capital assets, can qualify as capacity building resources if they can be readily reallocated to other more desirable capacity building efforts. For example, a building being used for a discontinued purpose and be made available for a capacity building effort for training citizens and public administrators in new service delivery methods.

Although capital provides the building blocks and fuel for capacity building, such capital cannot accomplish capacity building in itself. Capacity building is a methodology to develop access to ready capital resources to meet new or unmet needs. In this larger view, capacity building involves methods that people working together can use in applying and sharing their resources for the increased benefit of all members of the community.

Therefore, capacity building blends the various forms of capital together. For example, human capital refers to the unrealised potential of individual people to increase their knowledge, skills, and abilities. Social, civic, and political capital refer to the ability to increase the level to which people can develop their trust in relationships, norms, values, ethics, governance and processes within a community in order to better promote each individual to exercise their capabilities together with others for the betterment of the commonwealth of the community. Financial capital includes the reserve of assets, goods, infrastructure, and services. Natural resource capital is the reserve of renewable and non-renewable resources found in nature (Fisher 2007).

2.2 Human Capital and Human Resource Development

Capacity building is fundamentally dealing with people; it is primarily the endeavour of people finding ways to get along and work together to increase their mutual and equitable benefit. Human resource development is the fundamental field in capacity building. However, human resources are not people; they are people's knowledge, skills, abilities, health, lives and commitment that the person can bring to the organisation. Seen in this light, human resources will be found in the organisation's account as credits in the form of the goods and services to which people have contributed their skills, knowledge, abilities, time, and energies that build organisational capacity. Therefore, capacity building begins with building the capacity of the individual along with the tools, work processes, and materials people need to do the work.

2.3 Social, Civic, and Political Capital

Social, civic, and political capital can be viewed as capital required for capacity building in increasingly complex communities and usually takes the form of institutions and organisations. There is a wide diversity in the literature on the difference between institutions and organisations that have led to confusion in holistic capacity building.

On one hand, *institutions* are considered as human artefacts in the form of basic human relationships, such as trusted agreements, norms, ethics, mores and customs. Namely, they are cultural elements of behaviour that become institutionalised among people and social groups arising out of the potential mutual advantage of them living and working together in a group community. People institute these informal rules of behaviour in their efforts to facilitate their sharing the productivity of their combined resources, to make the tasks of living more efficient, to promote happiness and to minimise the level of conflict and discord by agreeing on what is fair and what is not fair.

On the other hand, *organisations* are formal human artefacts that arise out of more complex communities and living arrangements. Organisations often employ special requirements for people to qualify for participation or access to the organisations' services and products (e.g. transaction applications such as membership qualification, fees, price payments, and contracts). Admittedly, there is blurred demarcation between institutions and organisations; the terms are often used interchangeably.

At the primary level, social capital is the potential for people to institute ways to improve getting along and trusting one another in new and different ways in group settings. Instituting informal behaviour norms, values, ethics, economies and more required to get results in a basic common culture is the object of social capacity building. The need for civic capital arises from a community's potential to grow beyond the bounds of a single culture when there are groups of various degrees of cultural diversity living together or adjacent to the community. Typically, capacity building involves developing more formal cultural artefacts such as social, protection and market organisations. Civic capital is the citizens' potential for increased tolerance and flexibility to develop their mutual behaviour norms, ethics, etc., and vest their trustworthiness, especially in a cross-culture of mutual trust and respect, both formal and informal. Here, the potential and flexibility to develop a greater degree of trust and transparency of respect and co-operation across different cultures are core values in capacity building requiring the community's civic capital.

As with social and civic capital, political capital becomes most useful when embedded in a network of reciprocal social and civic relations that build trust. Interaction enables people to build communities, to commit themselves to each other and to knit the social fabric. (Putnam 2000) Both civic capital and political capital

focus on the connections and networks between people, their economies, and their government.

2.4 Natural and Physical Capital; Natural Resources and Infrastructure Development

To every community befalls a destiny that is circumscribed by the natural resources found within the physical limits of their “home” place. This is “Nature’s Bounty” and the originating source of capital in the form of unused, undeveloped, or re-allocate-able physical resources such as land, minerals, plants, water, animals, and space. In any case, natural resources are always viable candidates for constant discovery or re-evaluation for redevelopment in capacity building. Where a community’s natural resources may seem to have been completely developed and exploited, changing situations in other areas may make new uses for resources that did not warrant any kind of development in the past. Natural resources such as air, water, and land are threatened for us all and have become prime candidates for protective development concerns that can affect most communities’ capacity building efforts.

2.5 Financial Capital and Economic Development

Financial capital refers to a community’s ability to access new or reserve revenue, usually in the form of a tax base, to create community investment potential. Cornelia Butler Flora, Jan L. Flora, and Susan Fey (2003) describe financial capital as money that is used for investment rather than routine municipal consumption. Financial capital is particularly important because it can be directly converted into the other forms of building capital cited above. Employment diversity, private investments, reallocation of funding and low poverty rates also characterise potential sources of a community’s financial capital. For capacity building in local government, financial capital is closely tied to the political ability of the community to provide for its common wealth. The decentralisation of fiscal power to regional and state levels, namely subsidiarity, to generate and acquire revenues among themselves is key to capacity building for local government.

Capacity building in its broadest consideration is economic development. The economy is, in practice, the commonwealth of the community. Any capacity building contributes to the economy; it is the co-development of all of the resources of communities, countries, or regions for the well-being of their inhabitants. If resources are seen as the sustenance for the community, then the economy is the means by which the community shares and takes care of its people in an equitable and fair way.

The economy is the arena in which a community’s potential ability to build its capacity to fulfil its collective and changing needs are played out. One of the most important functions of economic development to capacity building is nurturing the degree of trust of the people in the institutions and organisations that make the

economy of the community robust. People must feel confident that their particular property (capital) is safe to participate in the economy without the fear of loss on the part of public disorder or from appropriation by unscrupulous public officials. This capital security includes trusted institutions that will deliver restitution to the person for such violations of the public trust (Djankov et al. 2003).

2.6 Capacity Building for Local Government – The Vision

Capacity building is more than a project plan for specific economic changes in the community. Because capacity building is building on multi-layered living cultures long in existence, some of them over many millenniums, special notice of the specific culture must be taken. In promoting a holistic organisation theory useful for local governments' capacity building and methodology, "We may find ourselves working closer to practice (Schultz and Hatch 2005), generating insight from small-sample research (March et al. 1991), and doing more action research" (Lewin 1946; Susman and Evered 1978).

Capacity building is rarely a "tear-down" and systematic "grand plan" rebuild programme. The clue of how to proceed in holistic capacity building is found not only in the word *culture*, but also with a global view. Capacity building is more a nurturing and a growing multilayered development process than reconstruction to a fixed design. Any effort to build capacity not only involves change and building new institutions, but it also may require creating temporary institutions and layers of organisation scaffolding within the nested institutions and organisations already in place. Since any capacity building effort is itself an institution, it needs to find a way to link up with the existing human networks in a way that observes norms, etc. of the culture or cultures involved.

3. Case Study: Developing Capacity for Public Administrators in Kragujevac

Give a person a fish and you feed that person for a day;
Teach that person how to fish and you feed that person for a lifetime.

Lao Tzu

Teach that person how to teach others to fish;
You feed the entire village for generations to come.

Neely Gardner

3.1 Capacity development: A Fishing Expedition in "Learning-To-Do"

Capacity building for local government involves local people learning about building their capacity to learn new ways to manage their Public Administration. "The

primary purpose of capacity building for local government is to increase the capability of people to develop and enact their community's potential to meet changing needs of individuals, families, and the community commonwealth in a fair, equitable, and robust way" (Bruce, Sipovac, Sharma and Erakovich 2008). This is a bottom-up strategy involving a few "capacity building" members of the community in building their own capacities to facilitate the development of local public administrators' capacity to manage the city's resources to result in fair and effective outcomes for the community. Perhaps a better term here is *capacity development* since the city already has government capacity to deliver services and goods to the community.¹ Therefore, the next step in capacity building is to collaborate with the current public administrators to have them develop their capacity to meet the challenges and new needs in the community. We found that capacity building for local government management has several phases:

1. Developing capacity – Training local people how to manage their public administration
2. Growing capacity – Train people to teach others how to manage their public administration
3. Expanding capacity – Nurturing local public management culture
4. Networking capacity – Developing a public management development industry
5. Re-grounding capacity – Teach public administration at the University of Kragujevac
6. Alignment capacity – Link in with other nations and the European Union (EU)

3.2 Developing Capacity: Training Local People How to Manage Their Public Administration

The purpose of the Centre for Public Administration at the University of Texas at Arlington is to create a sustainable base for training and research in modern methods of management and technical assistance to local public administrators. To this end, the Centre established certificate programmes for training professional public administrators and conducts certificate training outreach programmes throughout Central Serbia. One such programme, The Certified Professional Public Management training modules, was developed to teach Kragujevac City employees a broad spectrum of modern management methods and skills applicable to public administration. The certification-training programme is designed into seven separate modules.

Representatives from the University of Kragujevac completed two months of intensive training at the University of Texas at Arlington followed by six months of online training, culminating in their certification as Certified Professional Public Manager trainers. Together with professors from the University of Texas at Arlington, the University of Kragujevac representatives adapted the Certified Professional

Public Management training programme used in Texas to the professional public administrator training needs in Kragujevac and Central Serbia.

By participating in the Certified Professional Management Programme, professionals in the public service have an opportunity to be in a structured, learning environment where they can share ideas and work experiences with other public officials. This certificate not only allows professionals to gain new knowledge, experiences, and expertise, but also provides credentials that can be recognised and respected throughout the world. The participants completed the seven modules in order to receive their Certificate in Public Management.

The Centre for Public Administration's first Certified Professional Public Management training programme was initiated on 13 April 2004 with fifteen participants. The participants attended full-time training in the following seven Certified Professional Public Management training modules: 1) *Role of Managers in Public Administration* (one day), 2) *Strategic Planning* (three days), 3) *Performance Measurement* (two days), 4) *Budgeting in public Administration* (three days), 5) *Organisation and Staff Development* (three days) 6) *E-Government* (three days), and 7) *Ethics* (two days). At the end of the training, the participants earn certificate status as professional public administrators. In addition, the Centre for Public Administration has now trained several participants in the current Certified Professional Public Management programme to become certified trainers. They are now able to use the Centre for Public Administration's support to train professional public administrators in their own respective departments as well as other departments and other municipal administrations.

3.3 Growing Capacity – Train People to Teach Others How to Manage Their Public Administration

The Centre for Public Administration – Kragujevac designed a Training of Trainers programme involving two phases: 1) Training participants in key training theory and methods, and 2) Training participants how to design and deliver training programmes. The first step involved discussions and practice exercises in lecturing, handling questions and answers, conducting discussions, presentations and using visual aids, critical incidents, case studies, and using role play. Then several “openers, energisers, and closers” were assigned, one to each participant to design and conduct a training session for the entire group, including the senior trainers. The participants stood up in turn and became trainers for the first time.

The second step had the participants of the Training of Trainers programme train some of their “participants” to be Training for Trainers as well. The Centre used Neely Gardner's *Action Training and Research* as the basis for the design of the Training of Trainers programme (Bruce and Wyman 1998). *Action Training and Research* seeks to involve the learner in the training design through developing a *learning community* of the trainers and the learners. Gardner based his *Action*

Training and Research methodology on the work of Kurt Lewin's concepts of re-education. Training is somewhat different from education. Education is learning to know, while training is learning to do. Lewin found that a change of behaviour, that is, learning to do something new, requires training in three things:

1. New knowledge
2. New values/benefits
3. New experience/practice (Gardner 1974)

The Training of Trainers programme was developed according to these principles of developing a *learning community* in which all are learning and training through acquiring new knowledge, values, and practice regarding training others. This approach was accomplished by designing a "*learning-to-do*" workbook with which the senior trainers and the participants could walk through the process of designing a training product together. As an exercise, the senior staff divided the practitioners into two groups. Their assignment was for each group to practice designing a competitive training programme proposal on a specific new subject for the Centre to add to its training programme modules. The groups used the *step-by-step* workbook to create a practical training module design and the necessary support information to make it attractive to potential public administrators.

3.4 Expanding Capacity – Nurturing Local Public Management Culture

The Centre's development strategy envisions expanding the training for professional public employees to be able to grow, in a geometric progression, for other clients in Serbia and Montenegro. For example, nine of these newly-trained Kragujevac participants volunteered to be trained as trainers for Certified Professional Public Management. This increased the Centre to six senior trainers and nine new co-trainers to conduct future training of Public Administration employees. In addition, training modules developed by the Training of Trainers course augmented the original seven Certified Professional Public Managers programme modules. One new module, Training Design, could now function as a new module, as well.

3.5 Networking Capacity – Developing a Public Management Development Industry

In order for the Centre to continue after the start up grant is concluded it must be successful in finding client organisations to fund further certificate programmes for training professionals in Serbia and Montenegro and other Balkan nations. Clearly, there is an important and wide spread need for professional managers and public administration employees. Developing a professionalised public administration at all levels of government in Serbia and Montenegro is one of the required paths to becoming a member of the EU or at least to becoming a Trusted Trading Partner with the European Union (EU).

For these reasons, the Centre for Public Administration in Kragujevac has conducted outreach activities to make the Centre's capabilities and the value of its training programmes better known to government and other support institutions in Serbia and Montenegro. The Centre trained and assisted the City of Podgorica, Montenegro, in setting up their Centre for Public Administration in 2004. The Kragujevac Centre for Public Administration was cited by Serbia's Treasury Department of the Ministry of Finance as one of the most capable training resources available.

3.6 Re-grounding Capacity – Teach Public Administration at the University Of Kragujevac

If public administration is to be professionalised to meet European and US levels of practice, one of the most glaring needs that came out of the Centre's experience was the need to establish and fund a Specialised Area of Studies in the Universities for Public Administration. To this end, the University Of Kragujevac School of Law, Centre for Public Administration and the University of Texas' School of Urban, and Public Affairs have put together a proposal to establish a curriculum for specialised studies. The university created an Office on International Relations to network with capacity building efforts in other nations.

3.7 Alignment – Linking With Other Nations and the European Union

Linking the Centre's capacity building efforts with others involves the Official EU programme for rebuilding the 15 Eastern Serbian Municipalities' infrastructure. An EU representative for training invited the Centre for Public Administration staff to share the Centre's work at a conference, in Zajecar, for Eastern Serbia. Because of the Centre's presentation, they were invited to make a presentation to four city governments in Eastern Serbia: Bor, Mijdampek, Bela Pilinka, and Babusnica. The Centre's staff went to each city and did a presentation of possible training model combinations from seven to 13 modules, with total sessions ranging from 13 to 25 days that could be tailored to each city's special needs. The EU Training Representative explained to the Centre Coordinator that there was a very large interest in training by all Eastern Serbian municipalities. The EU has developed a separate budget line item for training needs and purposed development strategy. To further their network efforts while waiting for newly elected local leaders to assume their offices in January 2005, the Kragujevac and Podgorica Centres hosted a "Public Issues Forum on Strengthening Local Government Conference" 2006 in Bečići, Montenegro.

4. Conclusion

In the twenty-first century, public organisations should minimise developing more hierarchical structures and understand that in order to build capacity, it requires re-

lationship management among many partners. Such organisations will require individuals, groups, and even larger sub-units to collaborate. The City of Kragujevac and its management is an example of how to build capacity with society, private industry, university, and local government administrations. They form a network consortium of capacity building in integrating Human Resource Development, Institutions and Organisation Development, Natural Resource Development and Economic Development into a composite Capacity Building enterprise for the whole community. At the foundation of community and government, citizens, member institutions, and organisations seek to ground their capacity building efforts on their common spirit of humanity. This spirit manifests itself in the community's capacity to build its common wealth through evolving its capital resources, especially its social, civic, and political capital resources together in an equitable and fair-minded way.

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Metropolises and Big Cities as Regions' Growth Locomotives: Analysis of Regional Strategies in Poland

Dominika Wojtowicz¹

Accession of Poland to the European Union in 2004 created an immense possibility to reinforce regional development instruments, since the country is the biggest beneficiary of the Cohesion Policy, with a total allocation that exceeds 67 billion euro. One of the fundamental determinants of the region's socio-economic growth is the development of their metropolises and big cities – often called “regions' locomotives” – and this paper concentrates on analysing whether and how Polish regions' authorities use financial measures within the Cohesion Policy to support the development of those “locomotives”.

Recent studies clearly show that the most important role for a region's development is played by big, modern, well-connected cities. They are often called “regions' locomotives”. Such a situation leads to spatial polarisation. Ireland is a good example of the polarisation process which is a product of the slow growth of lagging regions and the rapid advancement of the metropolitan cores. As Castells says: “Metropolises govern the world, because they became the nodes of the ‘economy of flows’” [Castells 1997].

Similar regional patterns can be found in central and eastern European countries. Capital city regions “escape” from the rest of the country and the regions that contain big cities follow them. The border regions – both located at the external borders of the EU as well as those located along the internal border, do display slow growth – at the same time they are usually the less-developed regions in all CEE countries. Thus divergence is a fact, which may be attributed to the relatively fast growth that is concentrated mostly in capital and big city regions. The problem is how to take advantage of the rapid growth of big cities so that the whole region or country can benefit from the spread effect.

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Poland, like most European countries, is characterised by large disparities of growth levels across regions and within regions. As the country joined the European Union in 2004, the process of social and economical development can be increasingly supported by EU assistance funds. The new budget period for the years 2007–2013 provides considerably more funds for territorial self-governments to use. It must be stressed that since 2007, the regional policy implementation system has been considerably changed – regions' authorities were given a wider scope of competence to run development policies. That is why regional policies differ within Polish voivodeships where the authorities can choose the priority areas to support with EU money.

Therefore the following questions are fundamental:

- how will regions use this unique chance to reinforce their development potential?
- what part of this assistance will be allocated to the development of regions' big cities?
and finally
- what kind of solutions (activities) are provided to strengthen the competitiveness of big cities?

This paper presents an analytical description of the present situation in Poland. The author presents the levels of socio-economic development in Polish regions and tries to explain what the reason is for those disparities by analysing the role of metropolises and big cities in the development of each region. The aim of this article is also to compare different Regional Development Strategies operated and adopted by Polish voivodeships. The author evaluates the potential effectiveness of activities and policies addressed in the regions' biggest cities and tries to predict a possible regional pattern for Poland for the next decade.

EU Structural Funds for Regions – Regional Policy Implementation System 2007–2013

EU structural funds have been available since Poland joined the European Union in 2004 and are being implemented within Operational Programmes, which specify the main objectives to support socio-economic growth. Nearly one quarter of the budget (24.9%) is allocated to investment in the development of regions. As Poland is the biggest beneficiary of the Cohesion Policy for 2007–2013, the total allocated sum exceeds 67 billion euro.

In place of the Operational Programmes elaborated by each region in Poland, both because of pressures from the EC and the central administration's fear that regions lack experience and organisational skills, the national level-coordinated

Integrated Regional Operational Programme (IROP) was implemented – according to the rule that “one size fits all”. This differs only in the allocation of funds (with the use of an algorithm taking into account regional population, the unemployment rate in poviats, which had the most unemployed and the Gross Regional Product – giving them weights of 80:10:10 respectively). For the 2007–2013 period, significant changes have taken place – there are now separate Regional Operational Programmes elaborated and implemented by 16 Polish regions. The justification for the preparation of the 16 ROPs are: the decentralisation of the programming of the regional development process; the increased effectiveness in the provision development activities by the public administration; the strengthening of the civic and self-government dimension and the effective use of structural measures for the period 2004–2006 by regions under the IROP.

All ROPs have a similar structure, but their contents and financial resources are specified at regional level. The need to harmonise the list of activities implemented under regional programmes results from a number of premises, of which the most important is to ensure the consistency between the regional approach and the goals and priorities of the national and European strategies, as well as taking into account activities concerning state aid for the SMEs' sector (uniform criteria for the granting of aid will be laid down at national level).

The objectives of the ROPs are, on the one hand, set by voivodeships, in compliance with regional development strategies, whilst on the other hand, they are also inscribed in such NSFR goals as the enhanced competitiveness of individual regions and the promotion of balanced development.

The main objective of the ROPs implemented during the 2007–2013 period, is to provide conditions for improving regional competitiveness and to counter the marginalisation of some areas in such a way as to facilitate the long-term economic development of Poland, its economic, social and territorial cohesion and its integration within the European Union. A significant part of the funds within ROPs (40 %) has been earmarked for projects which meet the Lisbon Strategy goals – mainly projects focused on an innovation and learning economy. Investment has focused largely on basic infrastructure targets (roads, utilities, environmental infrastructure) including activities related to the local infrastructure and with relatively little significance for regional development. This means that the main beneficiaries of the programme (i.e. an institution submitting a project) are the territorial self-governments and administration bodies subordinate to local government. Entrepreneurs participate in the programme mainly by carrying out an investment Project commissioned by local administration units and, to a lesser extent, through activities supporting the enterprises themselves.

Table 1
Structural Funds for Polish regions within ROP (2007–2013)
and IROP (2004–2006)

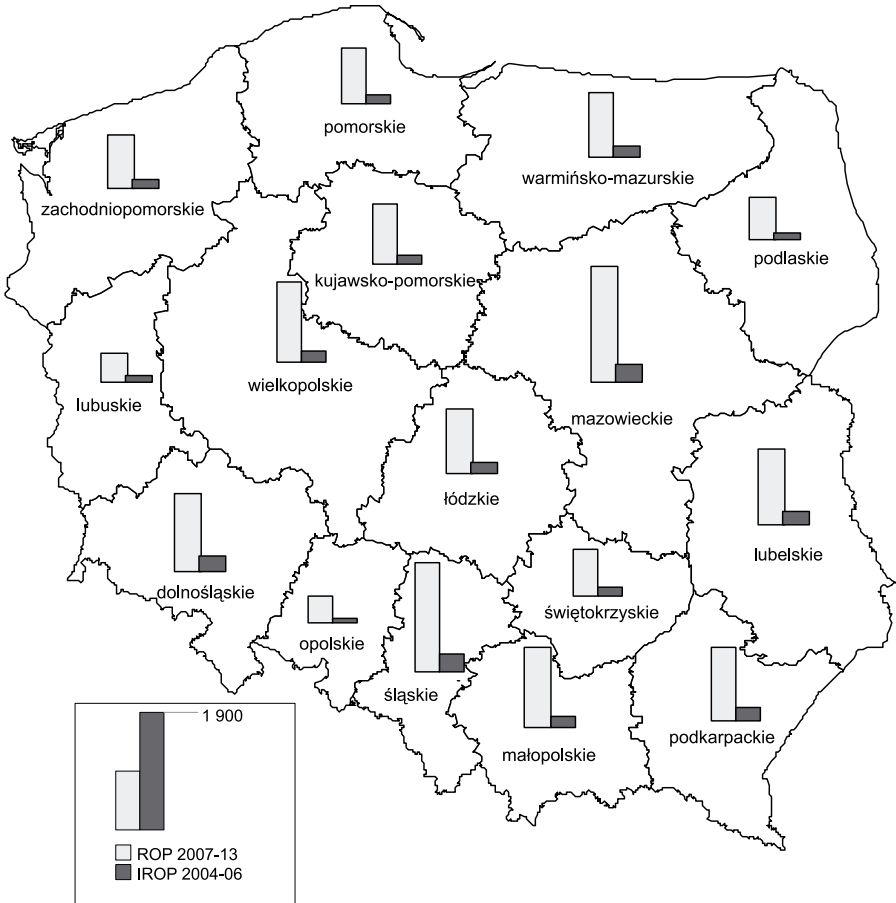
Voivodeship	ROP		IROP		Allocation changes
	Million euro	%	Million euro	%	
Dolnośląskie	1,213.1	7.33	223.6	8.10	0.77
kujawsko-pomorskie	951.0	5.74	142	5.14	-0.60
Lubelskie	1,155.9	6.98	201	7.28	0.30
Lubuskie	439.2	2.65	82.5	2.99	0.34
Łódzkie	1,006.4	6.08	157.1	5.69	-0.39
Małopolskie	1,290.3	7.79	185.2	6.71	-1.08
Mazowieckie	1,831.5	11.06	299.9	10.86	-0.20
Opolskie	427.1	2.58	76.8	2.78	0.20
Podkarpackie	1,136.3	6.86	192	6.96	0.09
Podlaskie	636.2	3.84	110	3.98	0.14
Pomorskie	885.1	5.35	159.6	5.78	0.44
Śląskie	1,713.0	10.35	279.8	10.14	-0.21
Świętokrzyskie	725.8	4.38	133.1	4.82	0.44
warmińsko-mazurskie	1,036.5	6.26	182	6.59	0.33
Wielkopolskie	1,272.8	7.69	196	7.10	-0.59
zachodnio-pomorskie	835.4	5.05	140	5.07	0.03
Total	16,555.6	100.00	2,760.6	100.00	0.00

Source: Own elaboration based on Polish Ministry of Regional Development documents.

The Role of Big Cities in RDS – Structural Funds Support for Development of Big Cities and Metropolises

Although Poland has one of the fastest growing economies in Europe, almost 40 per cent of the population of approximately 40 millions inhabitants, still lives in rural areas. Agriculture will probably also, in the foreseeable future, play a major role in the Polish overall economy, but a huge migration from rural areas to towns is expected in the coming decades, bringing Poland to a situation similar to Western Europe. In Western Europe, the migration from rural to urban areas during the last century had enormous consequences for life in the countryside, as well as in the towns, demanding huge investments in infrastructure, housing and commercial and industrial buildings. The growth of cities will challenge the Polish economy. At the moment, Poland is lagging behind in housing, modern infrastructure and commercial areas, and the foreseeable migration from rural to urban areas will demand investments of a magnitude that Poland probably cannot

Map 1
 Structural Funds for Polish regions within ROP (2007–2013)
 and IROP (2004–2006) – Allocation in million euros



Source: Own elaboration based on Polish Ministry of Regional Development documents

procure on its own. This will provide great opportunities to foreign investors and open up co-operation between Polish and foreign consultants, contractors and investors [Smetkowski et al., 2009].

As mentioned above, more than 62 per cent of the population lives in urban localities. This figure has barely changed over the past 15 years due to low urban birth rates and fewer immigrants from the countryside. Higher urbanisation is characteristic of the country's western voivodeships and those with large industrial centres, while eastern Poland is part of Europe's least urbanised areas. There are

17 cities with more than 200 000 inhabitants and only one with over 1 million inhabitants – which is the capital city of Warsaw. Not all big cities can be considered metropolises – size is not the only determinant. The level of modernity and innovation of their economies and infrastructure offered to businesses and tourism, communication links with other cities, high quality of human resources accessible on the market and the concentration of important public institutions are a qualitative determinant of metropolises. In Poland, only five cities can be considered as such – Warsaw, Wrocław, Cracow, Poznan and Gdańsk.

Table 2
Big cities of Poland with number of inhabitants (over 200 000)

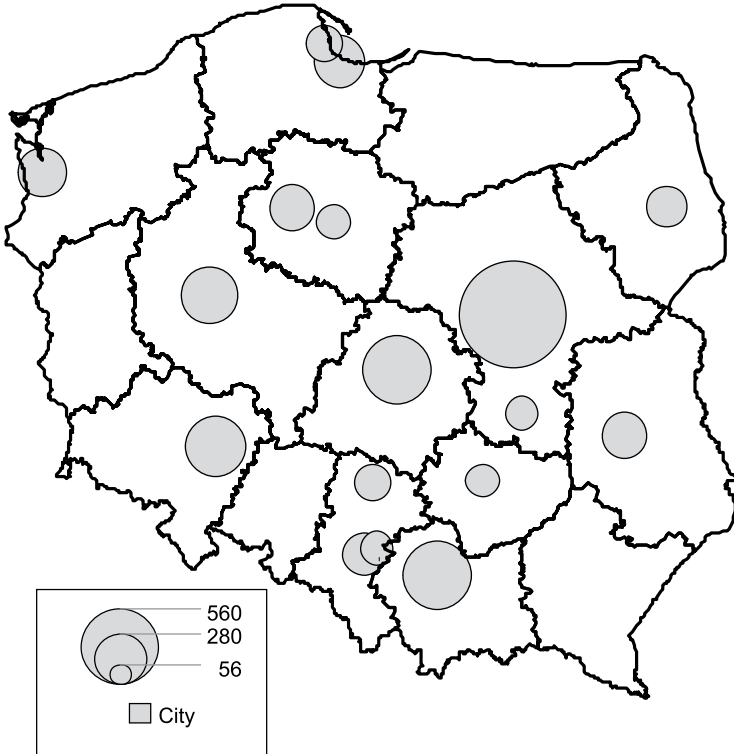
	City	Number of inhabitants	Voivodeship
1	Warszawa	1,697,596	mazowieckie
2	Łódź	767,628	łódzkie
3	Kraków	757,144	małopolskie
4	Wrocław	635,932	dolnośląskie
5	Poznań	567,882	wielkopolskie
6	Gdańsk	458,053	pomorskie
7	Szczecin	411,119	zachodniopomorskie
8	Bydgoszcz	366,074	kujawsko-pomorskie
9	Lublin	354,967	lubelskie
10	Katowice	317,220	śląskie
11	Białystok	294,864	podlaskie
12	Gdynia	252,791	pomorskie
13	Częstochowa	246,890	śląskie
14	Radom	227,018	mazowieckie
15	Sosnowiec	226,034	śląskie
16	Kielce	208,193	świętokrzyskie
17	Toruń	208,007	kujawsko-pomorskie

Source: Central Statistical Office of Poland

Much of the conducted research clearly shows that big cities determine the competitiveness of the entire region but we cannot neglect the negative aspects of the existing metropolises – not only do they cumulate growth agents but they also cause phenomenon such as unemployment, social exclusion, criminality and degradation of the environment etc. The authorities responsible for the elaboration of regional development strategies had to take into consideration both the positive and negative aspects and try to balance the funds allocated to support or survey them.

Even though big cities generate socio-economic growth for surrounding areas and investments in their development is highly remunerative, due to the Cohesion Policy's objective promoting less-developed areas, relatively small funds were allocated for direct support of cities in ROPs.

Map 2
Big cities of Poland with number of inhabitants (over 200 000)



Source: Own elaboration based on the Central Statistical Office of Poland

The policy towards cities is different, depending on ROP. The vast majority of regions dedicate their priority axis to “urban” projects. Some regions will not support cities, or some of their functions, but consider these activities as elements of ROP complementary priorities e.g. in such areas as economic infrastructure or local development.

In the following, the main solutions (intervention areas) aimed at strengthening the competitiveness of big cities are characterised. The differentiation in those solutions within ROPs is also presented.

Intervention areas for the development of cities provided within ROPs

Regions recognise that the economic renewal and revitalisation of cities are an important stimulus for regional development processes, hence, the presence of revitalisation projects in almost all regional strategies within which the investments listed below are possible to finance:

- restoring the value of public and economic use of degraded areas (including post-industrial and post-army areas);
- the development of city centres and deprived areas;
- the development of a local infrastructure, creating conditions to enhance the investment attractiveness of deprived areas;
- housing renewal.

Table 3

Funds allocated for revitalisation within Regional Operational Programmes

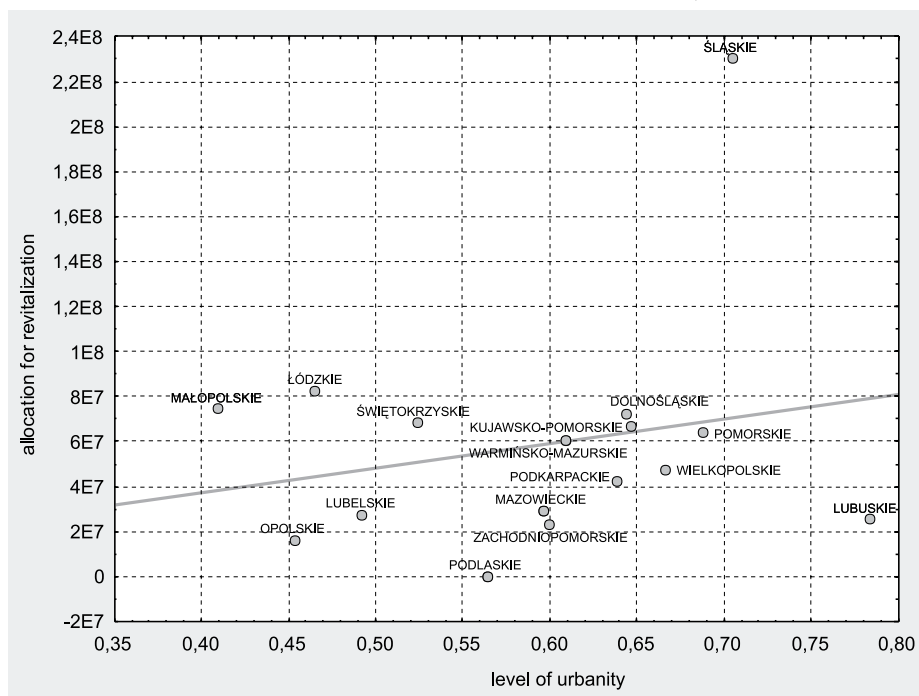
Region (voivodeship)	Allocation for revitalisation (in EUR)	Total allocation in ROP (in EUR)	Percentage in ROP
dolnośląskie	72,135,296	1,213,144,879	5.95
kujawsko-pomorskie	66,475,167	951,003,820	6.99
lubelskie	27,740,509	1,155,854,549	2.40
lubuskie	26,011,012	439,173,096	5.92
łódzkie	82,523,235	1,006,380,910	8.20
małopolskie	74,978,849	1,290,274,402	5.81
mazowieckie	28,900,000	1,831,496,698	1.58
opolskie	16,402,361	427,144,813	3.84
podkarpackie	42,895,620	1,136,307,823	3.77
podlaskie	0	636,207,883	0.00
pomorskie	64,609,800	885,065,762	7.30
śląskie	230,732,445	1,712,980,303	13.80
świętokrzyskie	68,270,964	725,807,266	9.41
warmińsko-mazurskie	60,637,709	1,036,542,041	5.85
wielkopolskie	47,928,750	1,272,792,644	3.77
zachodniopomorskie	23,410,000	835,437,299	2.80
Total	933,651,717	16,555,614,188	5.64

Source: Own elaboration based on Regional Operational Programmes' financial tables

Within this category the highest allocation was made by the Silesian region which can be explained by the fact that the region presents the highest level of urbanisation. Significantly lower allocations are provided by the eastern voivodeships where the level of urbanity and development of cities' infrastructure is the lowest in Poland. One region – Podlaskie – has not provided any revitalisation investments in its strategy. The graph below shows the correlation between the amount of funds allocated for urban projects and the level of urbanity of Polish voivodeships.

Graph 1

Scatter plot – correlation between the allocation for revitalisation projects (in million euros) and the level of urbanity



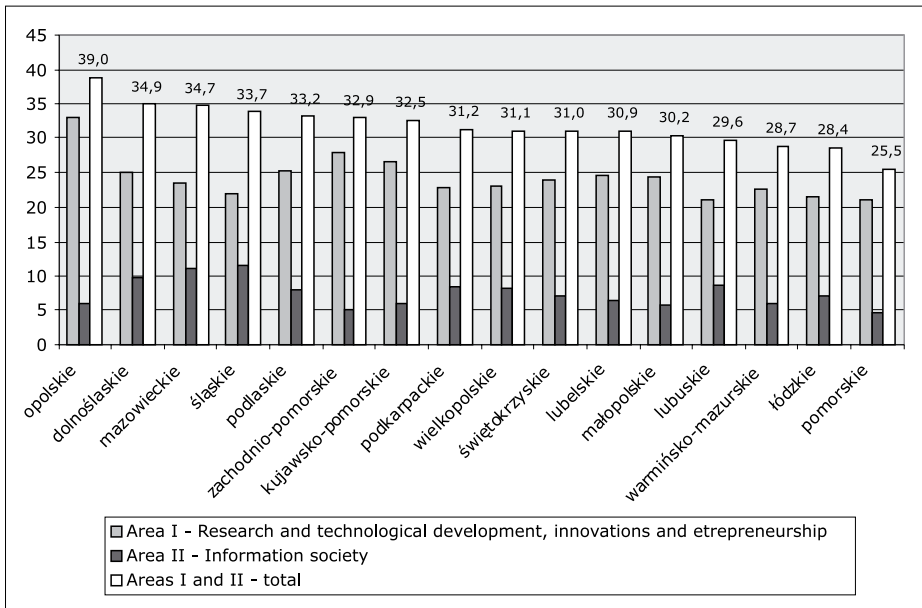
Source: Own elaboration

The promotion of innovative incentives plays a significant role in big cities, metropolises' and the whole region's growth. Stimulation of innovativeness requires a synergy effect between the education system, research staff, back-up research facilities, enterprises ready to implement and general innovation, technical and institutional resources that would promote and support innovative solutions, innovation financing sources, scientific and business contacts with foreign partners, as well as a society prepared and open to innovative measures [Olechnicka, 2004]. Due to Poland's commitment to allocate at least 40 per cent of the funds obtained from the

EU to finance the instruments essential to meet the goals of the Lisbon strategy, all regional authorities provided, in their operational programmes, funds to support the areas listed previously.

Graph 2

Funds allocated for Research, technological development, innovations and entrepreneurship and Information society within Regional Operational Programmes



Source: Own elaboration based on Regional Operational Programmes’ financial tables

As the graph above presents, the differences in allocations for research, technological development, innovations, entrepreneurship and an information society in Polish regions’ strategies are not significant. This proves that all regions’ authorities are aware of the importance of investments in these areas for cities’ and regions’ economic development.

Not all voivodeships dedicated the whole priority axis on cities’ development. Silesia is one of the regions that provided within its ROP (as was mentioned above) a *Sustainable urban development* priority axis with its main objective to improve the competitiveness of the urban areas of the region. The Silesia region is the most urbanised region in Poland (78.6% of the population lives in cities and towns). There are 71 cities and towns in the voivodeship, including 19 towns with the status of a district. Silesian cities and towns have had special problems adapting to the social and economic changes taking place since the 1990s. Gradual changes in the structure of the regional economy, a shift from the economy based on mining

and metallurgical industries towards an economy based on modern industry and services, resulted, in the past 15 years, in the degradation of urbanised industrial areas. Multiple heavy industry enterprises are or were situated in the very centres of cities and towns. As a result, the majority of urban areas in the voivodeship contain devastated areas or areas in the direct vicinity to them. The significance of the transformation of brownfield sites is a result of their large numbers and also of their location in potentially valuable sites – city centres, near main roads or in the vicinity of areas with significant natural and landscape attributes [Silesia Regional Operational Programme].

Another example is Małopolska whose strategy provided *Kraków Metropolitan Area with a priority axis*. Under this priority, the comprehensive support of the most important growth centre in Małopolska – Kraków Metropolitan Area (KMA) was financed. The intervention was aimed at broadening the range and volume of metropolitan services offered, at strengthening Research and Development (R&D) establishments located in the metropolis, and at improving the internal transport system within the KMA and its accessibility by air transport. As a result, the key metropolitan functions and its pro-development impact on other parts of the region will be enhanced. The importance and competitiveness of Kraków as a European economic, medical (specialist treatment), cultural, tourist and academic centre will grow [Małopolska Regional Operational Programme].

Urban dimension in other Operational Programmes

According to the National Strategic Reference Framework urban dimension in the 2007–2013 period is realised within three areas of activity: using the potential of the largest urban centres as a driver of regional development, strengthening the relationship between metropolises and urbanised areas and surrounding areas, and promoting internal cohesion of urban areas, in order to reduce the high concentration of economic, environmental and social problems within major urban centres.

Urban dimension is implemented mainly through the above presented 16 ROP, but projects focused on the development of cities are also provided within two other Operational Programmes. Three priority axes of Infrastructure and Environment OP concern investments in cities' infrastructure. *Environmentally-friendly transport provides the realisation of a project aimed at increasing the proportion of environmentally-friendly public transport in metropolitan areas, and extension of the railway network*. Priority will be given to projects that integrate various transport sub-systems.

Within culture and cultural heritage, the construction, extension and reconstruction of cultural institutions located in the city centres are envisaged. These projects are considered to be crucial for their key role in achieving their goals in the cultural sector. Investments in culture increase a location's attractiveness for inves-

tors and citizens, determine the development of tourism and co-determine the metropolitan function of cities. The *Infrastructure of the higher education* priority aims at the development of modern academic centres in leading universities in Poland through the construction and reconstruction of infrastructural objects.

In the development of Eastern Poland's Operational Programme's, one of the specific objectives concerns the *Development of selected metropolitan functions of voivodship cities* and foresees the following activities:

- A collective municipal transport system (support for environmentally-friendly transport projects);
- infrastructure of congress and fair travel (construction and modernisation of the infrastructure for fairs, congresses and conferences).

An additional Priority Axis: *Modern Economy and Transport Infrastructure* will contribute to implementing urban policy (modernisation of the infrastructure of universities, supporting innovativeness, industrial parks, innovation centres). The Eastern Poland Operational Programme is being implemented in the five least-developed regions: Warmińsko-mazurskie, Podlaskie, Podkarpackie, Lubelskie, Świętokrzyskie [Eastern Poland Operational Programme].

Summary

The future of the regions as a whole depends, to a large extent, on well thought-out spatial organisation of development processes and the creation of big cities and metropolises performing higher level functions for the whole voivodship. Agglomerations are the centres of economic growth and innovation, affecting the surroundings by diffusion, which is the basis for the development opportunities for the entire region. Big cities must be competitive with other centres in the country and appear in the European metropolis network, as well as be able to join the innovative segment of the global economy. Regional Operational Programmes which aim at implementation of regional strategies will contribute to the growth of the potential of the agglomeration by developing and strengthening, inter alia, the innovative economic potential, the scholar, and scientific, as well as cultural background or international access to the agglomeration. The paper shows that European Union structural funds reserved for Polish regions for the period 2007–2013 have significantly grown, thus creating the possibility for regional authorities to reinforce support for research, technological development, innovations, entrepreneurship and information society projects. Nevertheless, it should be emphasised analyses demonstrate that only a few regions' authorities decided to dedicate financial measures for sustainable urban development of their big cities and/or metropolises. It may be justified by the large scale of non-urban areas' calls which Regional Operational Programmes tries to fulfil.

Interventions undertaken by the regions differ and the effectiveness of those may be evaluated in the following years.

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Large Industrial Cities of Russia: Old Problems and New Challenges

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The problems and development tendencies of the large industrial cities of Russia, specialising in the iron and steel industry are analysed in this paper. The thesis that large industrial cities, in modern times, are becoming the core of rapidly developing regional systems of economy and displacement, concentrating on both the productive assets of key industries in the national economy, and the considerable masses of the population are logically developed. An expansive comparative evaluation of the economic and social situations of such cities is made. By virtue of the results, the conclusion is that those cities which are at the centre of the iron and steel industry are still marked by the lagging quality of life indicators and the level of development of the economy industries, oriented towards satisfying the needs of the city and surrounding area's population. The key economic indicators of the major iron and steel plants, shaping the towns, are analysed. It is stressed that for a complete evaluation of the town-forming enterprises' influence on the urban economy it is necessary to take into consideration the process of vertical integration. The methodical aspects of town-forming enterprises, influencing the evaluation of the economy of large cities, are defined. The necessity for accounting the direct, as well as indirect forms of town-forming enterprises influencing urban economy is proved. Mechanisms and conditions, encouraging the diversification of the functional specialisation of a large industrial city under circumstances of economic growth are observed in detail. It should be emphasised that the most favourable outcome for a city is locating on its territory the main production centre and the centre of decision-making of vertically-integrated holdings. Finally, the prospective trends for the development of large industrial Russian cities which are the centres of the iron and steel industry are formulated.

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Introduction

For eleven centuries in Russia, a chain of urban settlements was formed, whose area, position and functions were shaped through the influence of complex and unique factors, among which were the very significant state role, low attention to the interests of the local community, and irrevocable priority of the industrial town-forming functions over city service functions. A combination of factors, forming the Russian city system, made them unique in their structure and type of urban settlements, one factor being that large industrial cities had key significance during the Soviet period. The accelerated industrialisation and the transfer of the agro-industrial country economy to an industrial style economy required new forms of economically sound locations which changed the demands regarding the form of displacement. The basic town-forming factor in this case was the building of large heavy industrial enterprises, which had state significance. Large enterprises were started up, which required a large number of employees and which determined the explosive growth of a city's population.

Although the large industrial cities of Russia lost their importance in the modern national economy, they remained strategic. However, strategic importance does not automatically solve their problems. The transformation period crisis has clearly shown to what extent urban mono-specialisation is vulnerable to unfavourable external circumstances. However, an insufficient knowledge of the laws and principles of these settlements' functioning decreased the effectiveness of the state and municipal policy of mono-cities' support. To overcome the existing scarcity of theoretical ideas about the specific character of the economic and social development of the large industrial cities within the framework of this article, we will attempt the following:

- to describe the large industrial cities of Russia from the point of view of their administrative status, population and specific character of their functional and specialised beginning;
- to characterise the town-forming enterprises of these cities and to reveal the special features of the structure of the corresponding town-forming complexes;
- to estimate the contribution of large industrial cities to the development of regional, social and economic systems;
- to reveal the forms of influence that the town-forming enterprises had on the development of the economy and the social sphere of the cities;
- To describe the intensity and specific forms of the contemporary economic crisis' influence on the economy of large industrial cities and to formulate recommendations regarding conducting an anti-crisis urban policy.

Large industrial cities as the object of a research

Large industrial cities, specialising in the iron and steel industry, are the object of our research. This choice was determined by the fact that the most brilliant achievements of industrialisation are connected with the foundation of the modern domestic iron and steel industry, while metallurgy is the strategic centre of the industrial economy. In particular, the iron and steel industry's production was 14.5 per cent of total Russian exports (second, after oil and gas), representing 5 per cent of GDP, 17 per cent of total industrial production and 2 per cent of total employment. Russia occupies fourth place in the world in the production of steel (after China, Japan and the USA) and third place in the production of rolled metal (after China and Japan) [7].

From the viewpoint of population size, we used criteria formulated in the Urban Planning Code of RF (1998), when distinguishing this group of cities. In this document, large cities are those which have a population ranging from 250,000 to 1 million people. It should be noted that there is no methodology agreement on this question. The New Urban Planning Code does not include any city classification criteria with regard to population. In compliance with the norms of the Urban Planning Code, adopted in the 1950s, large cities were those with a population ranging from 250,000 to 500,000 people. However, the first approach seems to be more legitimate, considering the scale of national economic growth from the time of the Gosstroy norms' adoption.

At present, the main metal product producers are nine large integrated iron-and-steel works: Magnitogorskiy (Magnitogorsk), Cherepovetskiy (Cherepovets), Novolopetskiy (Lipetsk), Nizhnetagilskiy (Nizhniy Tagil), Zapadnosibirskiy and Novokuznetskiy (Novokuznetsk), Chelyabinskiy (Chelyabinsk), Oskolskiy (Staryi Oskol), and Uralskaya Stal (Novotroitsk). The main industrial potential of this national economy strategic branch is concentrated in eight cities. A brief description of those cities is presented in Table 1.

All these cities, with the exception of Novotroitsk, were founded in the Soviet period and most of them have city status, but, at the same time, they differ in population size, the timing when awarded city status and the genetic continuity of their economic specialisation. The two oldest "metallurgical" cities, Lipetsk and Nizhniy Tagil, have the clearest direct genetic link to economic specialisation. Their appearance is linked to the formation of the oldest metallurgical centres in Russia – Central and the Ural. They arose initially as settlements around the first iron and steel plants.

Table 1
Description of the largest RF cities with an iron
and steel industry specialisation

City	Settlement's history	City status	Size of the population as at 1 January 2007 in thousands of people	Administrative status
Lipetsk	Workers' settlement, which appeared in 1703, when iron works began on the River Lipovka	1779	502.6	<ul style="list-style-type: none"> • The administrative centre of the Lipetsk Region • The centre of Lipetsk municipal district
Cherepovest	Monastic suburb of the Cherepovetskiy Voskresenskiy Monastery, founded in the mid XIVth century and moved to the trade village, Fedosievo	1777	307.8	<ul style="list-style-type: none"> • City of oblast subordination • The centre of Cherepovets municipal district
Novokuznetsk	Kuznetsk fortress, built in 1618. The smithy was spread among natives	From 1622 the town of Kuznetsk and after its reorganisation in 1961 became Novokuznetsk	560.9	<ul style="list-style-type: none"> • City of oblast subordination • The centre of Novokuznetsk municipal district
Nizhniy Tagil	The settlement appeared in 1722 at the beginning of the magnetic iron ore deposit exploitation on Vysokaya mountain – Vyiskiy copper plant	1919	377.5	City of oblast subordination
Magnitogorsk	Cossack village Magnitnaya, not far from the Magnitnaya mountain – ironstone exploitation 1743	1931	410.5	City of oblast subordination
Chelyabinsk	The Russian fortress in Chelyaba area, 1736	1787	1,091.5	The administrative centre of the Chelyabinsk region
Staryi Oskol	Ustoublinsk fortress, 1571	1593	219.1	<ul style="list-style-type: none"> • City of oblast subordination • The centre of Staryi Oskol municipal district
Novotroitsk	Novotroizk village, founded by the colonists, around the 1920s	1945	103.2	City of oblast subordination

It was a long-standing, well-known fact that there was an ironstone deposit on the territory of Novokuznetsk and Magnitogorsk; however its active development only began during the Soviet period. The necessity for the large industrial centres' formation and the plants' evacuation from the European part of the country during World War II were behind the growth of the iron and steel industry in Chelyabinsk. Cherepovets, Staryi Oskol and Novotroitsk became the largest iron and steel industry centres in the post-war period.

The late granting of city status to Nizhniy Tagil stands out particularly. Large industrial production began there in the XVIIIth century and Nizhniy Tagil is a unique example of a company town. Its building was conducted in accordance with the economic demands of the country because of the metal industry and its interests in defence capacity strengthening. Most of these settlements do not have city status, although many of them surpassed cities in their size and economic significance. For example, about 40 industrial enterprises and about 300 commercial establishments worked in Nizhniy Tagil at the beginning of the twentieth century. Nizhniy Tagil was inferior to Perm and Ekaterinburg in terms of population (34,700 people in 1909). According to the classification, which existed in Russia at that time, its population size corresponded to a province city with 20,000–100,000 people [2].

In pre-Soviet times, large industrial centres were directly controlled by state authorities. Those centres looked like cities, but were governed like military bases, without municipality and autonomy. (Kalinigrad/Königsberg might be somewhat similar after WWII.) The economic activities were organised by families such as the Stroganovs (<http://en.wikipedia.org/wiki/Stroganovs>). (This made them filthy rich, of course.)

Although it is typical for all cities which are metallurgical centres, to be oriented towards state tasks' fulfilment and "city for the country", but not "for themselves", this peculiarity is especially demonstrated in Nizhniy Tagil. This genetic specific character, to a large extent, determined its course which entailed all the problems of modern development. Established almost simultaneously with Nizhniy Tagil, Lipetsk received city status in 1779.

From the viewpoint of administrative status, Lipetsk and Chelyabinsk are the administrative centres of the regions. Other cities, with the exception of Novotroitsk, are the so-called "second" cities of the Federal Subjects. We will now focus our attention on an analysis of the situation in Cherepovets, Lipetsk, Magnitogorsk, Nizhniy Tagil and Novokuznetsk. Territorial localisation of these cities is shown in Figure 1.

Chelyabinsk is a "capital" city with a population of more than one million. The mechanisms and economic structure of such a large city will significantly differ from the other group. Novotroitsk, with its population of about 100,000, is too small to be considered large. Staryi Oskol is close to the population size of a large

Fig. 1
Territorial localization of large cities – iron and steel industry centers



city; however, it only became a centre in the iron and steel industry at the beginning of the 1980s.

A description of town-forming iron and steel works is shown in Table 2.

Steelworks have a town-forming complex strategic centre in most of the cities analysed. However, the town-forming complex structure has a dual nature in Novokuznetsk and Nizhny Tagil. In Novokuznetsk there are two steelworks, which are included in one holding – the Evraz Group. The situation in Nizhny Tagil is more difficult. Nizhny Tagil steelworks is also part of the Evraz Group Holding, but OJSC, “Uralvagonzavod”, one of the largest machine building enterprises in the country, is the leader. Having previously been a federal state unitary enterprise, nowadays, it has transformed into a public corporation, joining 15 defence enterprises situated in different parts of the country.

All the organisations are included in vertically integrated groups. In other words, today’s situation differs from that of the 90s, when a town-forming enterprise frequently had to manage its internal and external risks on its own. Nowadays, the holding itself deals with a considerable part of the risks connected to providing feedstock, production, technology, transport, finance and service infrastructure. The vertically integrated groups’ components, of course, differ significantly in a number of enterprises and organisations, but they are similar in structure. As

Table 2
Description of town-forming iron-and-steel works

Town-forming works	Date of establishment / date of first production	Employees, 2007	Holding
OJSC Novolipetsk steelworks (OJSC "NLMK")	1931 – building start-up /1934 – first production	34,895	OJSC "NLMK"
OJSC Cherepovets steelworks (OJSC "CherMK")	1940 – decision-making on building /1955 – first production	35,392	OJSC "Severstal"
OJSC West-Siberian steelworks (OJSC "ZSMK")	1957 – building start-up /1964 – first production	22,271	Evraz Group
OJSC Novokuznetsk steelworks (OJSC "NKMK")	The late 20s – building start-up /1932 – first production	10,500	
OJSC Nizhniy Tagil steelworks (OJSC "NTMK")	Nizhniy Tagil plant, 1720 – building start-up /1725 – first production Nizhniy Tagil steelworks, 1931 – building start-up /1940 – first production	23,316	
OJSC Magnitogorsk iron and steel works (OJSC "MMK")	1929 – building start-up /1932 – first production	26,049	OJSC "MMK" group
OJSC Chelyabinsk steelworks (OJSC "ChMK")	1941 – building start-up /1943– first production		OJSC "Mechel"
OJSC Oskolsky electrometallurgical works (OJSC "OEMK")	1974 – decision on building was made /1982 – first production	11,700	Holding "Metalloinvest"
OJSC "Uralskaya Stal" (Orsko-Khalilovsky steelworks before)	1940 – building start-up /1955 – first production	18,443	

a rule, they include the main metallurgical sub-division, ore and coal extraction enterprises, transport sub-divisions and financial organisations. The following figures confirm their significance in providing the development of a stable national economy. In 2007, the aforementioned holdings assured 82 per cent of the total steel capacity produced in the country; 89 per cent of the total finished steel volume and more than 90 per cent of pre-tax profits [3].

All the cities contained in the group analysed are characterised by a dramatic, population explosion (Table 3). The years of the nation's census were used as an estimate for population size (with the exception of 2007). However, a population reduction can be seen, according to the 2002 census. The reasons are not simply demographic. The iron and steel industry's development has greatly influenced the forming of territorial production centres, but an extensive increase in personnel does not necessarily mean a rise in production growth, and this naturally limits any

population increase in the cities. On the whole, the population size in Novokuznetsk has increased by more than 180 times; in Cherepovets and Magnitogorsk, by more than 40 times and in Lipetsk, by almost 25 times over the last 110 years. The population in Nizhniy Tagil increased by slightly less – 12.5 times (Table 3). It should be noted that the indices are not given in percentages, but in relative amounts, because of their high level.

Table 3

The rate of population growth in cities – iron and steel industry centres

	1939 /1897	1959 /1939	1989 /1959	2002 /1989	2007 /2002	2007 /1897
Lipetsk	3.28	2.36	2.86	1.13	0.99	24.76
Novokuznetsk	54.5	2.25	1.58	0.94	0.99	180.9
Cherepovets	4.7	2.83	3.38	1.01	0.99	44.6
Nizhniy Tagil	5.3	2.11	1.18	0.98	0.97	12.6
Magnitogorsk	14.44	2.13	1.42	0.95	0.98	40.6

* Calculated on [1].

Large industrial cities as elements of regional social and economic systems

The analysis of cities – iron and steel industry centres in the regional settlement systems – produced interesting results. In the group analysed, Lipetsk is the only city which is an administrative centre of the Federal subject, i.e. it not only carries out industrial functions, but also administrative. The other cities have their own specifics (Table 4).

Thus, Cherepovets and Novokuznetsk exceed their regional centres in population size; Vologda and Kemerovo are similar, which is not typical in Russia with its over-centralisation of production and settlements. This excess is relatively small (in Cherepovets it represents 21,500 people more in 2007 and in Novokuznetsk the figure is 41,100 more). However, this can become an important factor, which determines economical activity growth limits in terms of an intensive workforce shortage. This means they have a higher level of population size than the administrative centres in the region. Cherepovets and Novokuznetsk have less, with their volume of works executed in buildings, providing service dwelling-houses and retail turnover. At the same time, the presence of two large comparable city centres, where economic activity is concerned, has a positive influence on the long-term perspective. Competition between such cities does not suppress business initiatives; the effect of labour, finan-

cial and material resources in a capital city will not be so evident in a region, as the regional system of production and settlement is relatively decentralised.

Table 4

The ratio of “capital” cities – regional centres and “non-capital” industrial cities in the regional indices, 2007, %

	the Vologda Region		the Kemerovo Region		the Sverdlovsk Region		the Chelyabinsk Region	
	Vologda	Cherepovets	Kemerovo	Novokuznetsk	Ekaterinburg	Nizhny Tagil	Chelyabinsk	Magnitogorsk
The size of the population (on 1 January 2007 г.)	23.3	25.1	18.4	19.8	30.6	8.6	31.0	11.7
The average annual number of personnel in the organisations	28.5	29.7	22.6	23.3	37.0	10.0	35.8	14.0
The availability of capital stock of organisations (at the end of the year)	57.2	30.0	37.6	20.3	26.3	5.3	38.2	20.5
The volume of shipped goods, executed works and services by type of activity:								
• Mining	–	–	2.1	17.7	1.3	13.1	3.4	12.2
• Manufacturing	6.3	86.4	13.0	73.9	19.3	19.2	34.0	43.1
• Production and distribution of electric power, gas and water	58.3	15.4	25.6	29.6	33.9	10.6	36.2	10.3
Volume of works executed on “Building” activity	37.8	25.3	21.9	23.9	54.9	6.8	44.0	32.8
Putting into service dwelling-houses	35.1	31.2	24.9	25.1	57.3	5.5	41.5	13.3
Retail turnover	32.4	31.9	30.4	28.8	66.0	5.5	57.9	14.9
Fixed investment	8.3	33.7	21.0	22.2	34.3	10.2	37.5	33.0

* Calculated on [4].

The situation in Magnitogorsk and Nizhny Tagil, which are, at first sight, typical “second” cities, is no less interesting. Magnitogorsk, which shares regional population size, is 3 times less than Chelyabinsk but, at the same time, it is approaching the regional centre in its volume of building works and investments. However, according to the index of regional dwelling-houses and retail turnover, the gap with

the regional centre is depressingly high (28.2 and 48 % respectively). In addition, the nominal monthly average salary was 13,000 roubles in Magnitogorsk in 2006, i.e. 2,000 roubles more than the salary in a regional centre. It proves a significant imbalance between the population's spending capacity and the level of city consumer market development.

The situation in Nizhniy Tagil is less clear. Here, the city, which takes second place in population size, has much lower indices, which characterise its share in capital stock, building, dwelling-houses and retail turnover, than the regional centre. Thus, with 8.6 per cent of the total regional population size, Nizhniy Tagil covers 6.8 per cent of the building works' volume and only 5.5 per cent of dwelling-houses' and retail turnover volume. On the other hand, Ekaterinburg, where about 30 per cent of the regional population lives, has 57 per cent of the total regional dwelling-house volume and 66 per cent of retail turnover. Here, the average salary was a little higher than the 10,500 roubles in the city, i.e. 3,500 roubles less than in the regional centre.

Thus, the regional settlement system of the Sverdlovsk Region is characterised by the highest level of centralisation and resource concentration.

Forms and the methods of the town-forming enterprises influencing city development

From the viewpoint of the prospects of the present economic profile, it is clear that their further development in the near future will maintain the leading role of the steelworks in the structure of the town-forming complex. All town-forming steelworks have export-oriented enterprises with full metallurgical production. They launch a great variety of products, but at the same time, each has its own unique competitive position. NLMK is one of the largest electrical-sheet steel manufacturers in the world; one of the largest plants with concentrated vanadium titaniferous ore processing worldwide and one of the largest rail producers in Russia i.e. from a formal viewpoint, the industrial mono-specialisation of the large cities will be preserved. However, it should be remembered that a town-forming enterprise's influence on the city is changeable and can be both negative and positive.

The direct town-forming enterprise's influence on a city's vital activity is determined by such indices as the town-forming enterprise's share in industrial production volume, financial results, city investments, municipal budget income, the share of the enterprises' employees in the total population size, the number of those employed, and the town-forming enterprise's share in the volume of harmful substances in the environment. As the results of the analysis show, most enterprises are really town-forming for their cities (Table 5). Their share in population number is from 1.9 to 11.5 per cent. This index increases significantly if we estimate the share of the average number of the city's employed as from 4.5 to 29.8 per cent.

Table 5

The share of steelwork employees in the total population size and based on the average number of the city's employed, 2007, %

	NLMK	CherMK	NKMK	ZSMK	NTMK	MMK	OEMK	Uralskaya Stal
The share in population size	6.9	11.5	1.9	4.03	6.2	6.3	5.3	17.9
The share of number employed	19.5	29.8	4.5	9.8	15.7	18.3	15.5	45.2

* Calculated on [3, 4].

The leading enterprise in the workforce in Nizhniy Tagil, as was pointed out above, is OJSC "Uralvagonzavod", whose percentage is 21.9 per cent of those employed and 8.6 per cent of population size. Thus, 37.6 per cent of the total number employed work in just two enterprises. The data on the Uralskaya Stal steelworks, situated in Novotroitsk, shows the difference between the level of labour force concentration in the town-forming enterprise in both a large and relatively small settlement. However, from a formal viewpoint, Cherepovets steelworks is the only town-forming enterprise in a large city. In accordance with section 169 of the Federal Law "On insolvency (bankruptcy)" from 26 October 2002 No. 127-FZ a town-forming organisation is a legal entity, whose personnel number is not less than 25 per cent of the working population in the corresponding settlement. At the same time, it should be pointed out that the most complete estimate of the steelworks' share in the city economy can be calculated by taking into consideration all the indices of the enterprises included in a holding.

There were rather unpredictable results when analysing MMK shares in the leading economic indices of Magnitogorsk for the last 10 years (Table 6).

Table 6

The dynamics of MMK shares in the leading economic indicators of Magnitogorsk, %

Index	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Share in population size	6.5	8.0	7.8	7.9	8.2	8.2	7.6	6.9	6.4	6.3
Share in the volume of industrial production	82.0	87.5	87.9	85.0	85.9	85.5	83.9	78.7	76.1	72.3
Share in the volume of investments	59.7	59.9	65.7	69.0	46.8	66.5	64.4	48.0	48.9	40.6

The decreasing trend of the town-forming enterprise's share can be seen in all indices, but with a different level of intensity in Magnitogorsk. A similar process is apparent in other cities. Thus, the shares of NLMK in the population size of Lipetsk have decreased by 3.0 per cent for the period from 2000 to 2007. On the whole, there is no need to expect a steelworks' personnel share growth in the total number of employed under intensive reproduction conditions in the future.

Thus, the rate of direct influence and the intensity of direct town-forming steelworks enterprises' economic links on the city economy are falling. However, against this background, there is a dramatic complication in the indirect influence forms. The holdings' policy on the allocation of maintaining productive steel work activities in independent business is a diversification from the vertically integrated group's structure. Repairs, building, transport and financial structures have the opportunity for independent activity on regional and inter-regional markets, as well as maintaining the necessary productive work necessities which, in turn, promote economic growth in the city area. As a result, the formerly strict limit between economic floods and town-forming enterprise links and urban economy is disappearing. Thus, the level of direct influence of town-forming steelworks enterprises on the city economy is decreasing. However, their indirect influence becomes more complex. The holdings' policy on the allocation of maintaining productive steel work activities in independent business is a diversification from the vertically integrated group's structure. Repairs, building, transport and financial structures have the opportunity for independent activity on regional and inter-regional markets, as well as maintaining the necessary production work which, in turn, promote economic growth in the city area. As a result, the formerly strict dividing line between economic processes of town-forming enterprises and local urban economy is disappearing. Steelworks holdings became interested in their own local market, going beyond the former dividing line. So, a new urban economy sector, with a high awareness of horizontal relations and the development of their local market segment, arises. The diversification tendency is apparent not only in the sphere of production. The organisations of a social sphere (health resorts, patient care institutions, rest houses etc.), which had worked previously only for the town-forming personnel, are functioning successfully in the market environment too. These enterprises can become the foundation for new types of functional city specialisation. Thus, LLC "Abzakovo", LLC "Akvapark", "Metallurg" and "Jubileynyi" sanatoriums, included in OJSC "MMK", have become the basis for specialised tourist recreation centres of inter-regional significance in Magnitogorsk.

In turn, increased production means a demand for various business services – financial, patents, engineering and legal. Although metallurgical holdings try to attract well-known Russian and foreign companies, opportunities for business services sector growth in the city have appeared.

Large town-forming enterprises also create a stable demand for educational services, beginning with regular labour force training and extended courses and ending with highly qualified specialist training, which also includes scientific schools. It is not a coincidence that there is a large regional academic complex, which includes a specialised institution of higher technical education (university or regional university subsidiary), several institutions of intermediate vocational education, which carry out the training of mining and smelting specialists and scientific research institutes in each of the cities analysed. If the relationship between a town-forming enterprise and a scientific educational institution had, to a large extent, a random character during the period of total economic downfall, then, nowadays, this partnership is more often based on long-term foundation.

One more interesting effect, connected to the development of metallurgical holdings, is the effect of management and administrative functions' concentration of a holding in the managing company's area. In this case, a large industrial city begins to take on leading functions, which are new, becoming not just a main production area, but also a centre for strategic decision-making. Thus, the city, where both the main production area and holding management centre are situated, receives additional competitive advantages and becomes a holding "capital". In this case, this motivates highly qualified special services for both business and the population. The other positive point is that it is a managing company, which concentrates its financial flows and makes decisions on their use, particularly in the sphere of social investments. In a situation where the productivity area and the managing centre of a group coincide, large opportunities for growth of social investments in the city's development appear, and contacts between officials and the municipal government and top management of a company are simplified. Even psychologically, the managing company's interests are higher in the present area's development, if it is located in the same city, but not in another region or abroad. From this viewpoint, Lipetsk, Cherepovets and Magnitogorsk, are in a strong position where they have joint production centres (steelworks) together with managing centres. Novokuznetsk and Nizhny Tagil are simply distributing productive work centres.

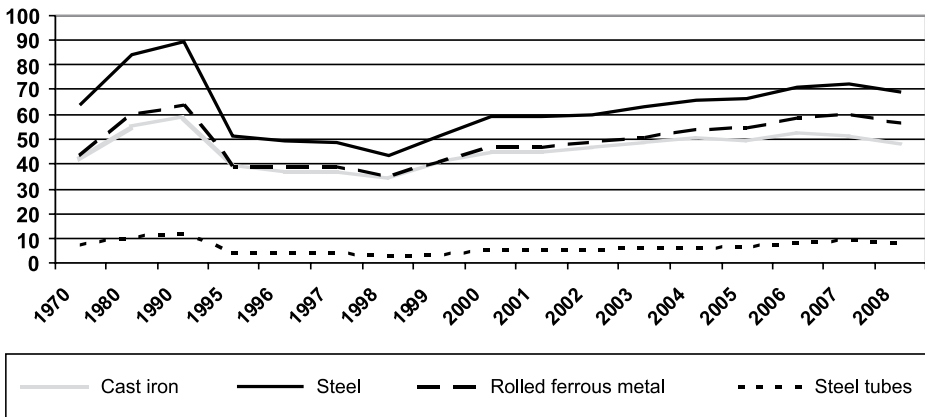
Under the existing conditions, the strategic priorities of cities' iron and steel industry centres' development – will be:

- enrichment of the traditional industrial mono-specialisation and development of central service functions, connected with providing services both for business and the population;
- enlarged space for service and sales areas with a maximum realisation of the positive agglomerative effects and strengthening of economic links with population clusters, included in the economic space of a large city;
- Strengthening of the strategic partnership between the powers that be, the population and big business, in which case, the positioning of local authorities as

coordinators of social investments of large metallurgical holdings on their territories are appropriate.

Large industrial cities under the conditions of the economic crisis: in search of an effective anti-crisis policy

Figure 2
Dynamics of the cast iron, steel, rolled ferrous metal, steel tubes production output in mln tons



During periods of a downfall in the economy, mono-cities become the most vulnerable. Thus, all federal subjects, whose specialisation is connected with metallurgy, suffer more from the crisis. The specifics of the modern situation are that a dramatic decrease in production output, expressed in physical terms, is observed in the sphere of the iron and steel industry for the first time in many years (Figure 2).

The decrease continued in 2009. The volume of Russia's GDP for the 1st quarter of 2009 was 90.2 per cent compared to the 1st quarter of 2008 and 76.5 per cent compared with the 4th quarter of 2008. In the first half-year of 2009, the volume of cast iron production was 72.3 per cent, steel – 69.6 per cent, rolled ferrous metal – 73.0 per cent and steel tubes – 69.7 per cent compared with the remainder of the corresponding period in 2008. This decrease in production increases social problems. The regime of reduced working hours is widespread. In June 2009 reduced hours can be seen in the processing production organisations, where 7.1 per cent of workers were working reduced hours, which was instigated by the employer (in May 2009 – 7.0%); 5.3 per cent of workers worked shorter hours in an agreement between the employee and the employer (in May 2009 – 5.8%) and 4.3 per cent of workers were on leave with reduced salaries (in May 2009 – 6.0%) [6]. Social insta-

bility strengthens the increase in the overdue accrued payroll. The sum of accrued payroll increased in the 1st quarter of 2009 compared with the 1st quarter of 2008 by 301.9 per cent; in the 2nd quarter of 2009 compared with the 2nd quarter of 2008 this figure was 251.6 per cent (Table 7). An increase in the overdue accrued payroll and the use of a regime of partial employment is the reason why, in spite of a decrease in production, the level of unemployment in Russia is not very high.

These social problems are most serious in the mono-cities, whose economy is affected most because of the downturn due to the crisis. In this case, the contemporary crisis is more serious for the mono-cities than the crisis of 1998. The crisis at the end of the 90s was caused by internal problems, the internal ineffectiveness of the economic system and policy decisions. The current crisis is of a global nature. Considering the high export orientation of the metallurgical town-forming enterprises, the reduction of external demand will have more prolonged and severe consequences.

Table 7
Overdue accrued payroll – million roubles, [6].

	End December 2007	End March 2008	End June 2008	End September 2008	End December 2008	End March 2009	End June 2009
Overdue accrued payroll	2,667.8	2,900.1	2,859.2	3,017.5	4,673.7	8,754.6	7,194.0

The crisis has touched all the largest steelworks. Relative stability is demonstrated only by comparatively small companies, which have a guaranteed sales market. Also, enterprises which previously realised large scale modernisation of production methods and which were capable of releasing products with a higher gross value add (for example “MMK”), are now coping more easily with the current crisis conditions. However, medium-term and short-term economic fluctuations are not the reason for the refusal from strategic territory selection. The properly chosen priorities of area development have a long-term character; reflect historically imposed conditions; area development specifics and long-term social economic trends. At the same time, the crisis process can speed up or slow down strategic priorities’ realisation, requiring a change in social economic tools. Local authorities cannot change the process of general economic cycles. Their task is to soften, as much as possible, the negative social consequences, and not allow the social disorganisation of a local community; to maintain public goods and services’ production; provide effective work for the municipal economic sector on the basis of cost optimisation; maintain operative and effective participation in recession-proof actions and intensify activities to produce favourable conditions for small- and medium-size business start-ups. That is why it is necessary to speak not about a special recession-

proof policy, but about improving effectiveness and enriching and changing municipal management tools. New developments in the public-private partnership system can become an important condition for social stabilisation at the municipal level. Both traditional partner relations between the administration and town-forming enterprises and partner relations between municipal units appear to be the most effective method. As far as town-forming enterprises' relations are concerned, the most effective will be those whose social efficiency improves. The dramatic reduction in town-forming enterprises' financial resources will require a distinct formulation of social investment priorities from local administrations during the crisis. In relation to inter-municipal co-operation, we should emphasise the importance of the perspective of contact development amongst neighbouring areas with different economic specialisations. At the same time, inter-municipal co-operation should stimulate economic integration expansion, the formation of a more receptive internal market and the strengthening of intra-agglomeration links. Thus, creating conditions for free access to agricultural producers in the neighbouring regions to the consumer goods market cannot stabilise the situation as regards providing food at reasonable prices, but it can stimulate agricultural and food processing development in the nearby area.

During the post-crisis period, the steady, long-term plan tendency to reduce staff in the largest metallurgical town-forming enterprises will continue and the process of city economic diversification will be intensified. Under current conditions, maintaining the strategic course of local administrations towards a diversification of large industrial cities' functions, with their increased role in territorial economic systems and their displacement as a metropolitan agglomeration centre, internal market expansion will take on greater significance. After the crisis, the long-term tendency of losing jobs in the largest metallurgical town-forming enterprises will continue and the process of economic diversification of industrial cities will be more intensive. The diversification of large industrial cities' functions, parallel with the reorganisation of economic regions and formation metropolitan centres, makes the market expansion of industrial cities immensely important. As traditional industrial branches tend to lose their role in the world's economy, such diversification is of growing importance. If medium-term and short-term economic fluctuations continue to select certain areas and urban policy tools, the underestimation of long-term development trends may cause a long recession with high expenses and unpredictable social consequences.

Conclusion

The complexity of the problems in Russian cities today determines the necessity to fundamentally study the present situation and the strategic development prospects for the Russian urban system. We believe that the following conclusions and the

results of this research are a significant contribution towards the solution of the problems raised.

1. Large cities with a specialisation in the sphere of ferrous metallurgy, as a rule, have a population from between 300 and 500,000 people; they have the status of municipal formations (urban districts) and are usually the “second” cities and “industrial capitals” of the corresponding areas of the Federation. Their birth is connected either to the period of the industrial revolution in the epoch of capitalism or with the period of socialist industrialisation.
2. Iron and steel works are most frequently the centres of town-forming complexes of the cities analysed. However, town-forming complexes can have a more complicated structure. In this case, in the city, (in the examined cases, two) important town-forming enterprises can co-exist, and can carry out both united and individual policies with respect to the territories of their localisation. All iron and steel works are part of complex vertically integrated holdings, that unite both Russian and foreign actives.
3. The analysis of the industrial cities’ contribution to the regional social and economic indices gave contradictory results. On the one hand, industrial cities very frequently overtake the regional capitals with their rates of economic growth, but in this case, they lose out on the quality of life and the development of a consumer market, education and public health.
4. A study of the town-forming enterprises’ role in the urban economy revealed two forms of influence: direct and indirect. The significance of the direct form of this influence, which characterises the share of the town-forming enterprise in the basic indices of the urban economy, reduced during the last decade. The share of the town-forming enterprise in the number of those employed, the volume of industrial production, and the volume of investments decreased. In this case, the significance of the indirect forms of influence connected to the detachment from the town-forming enterprise of new independent business structures and the increase in demand for new goods and business services sharply increases.
5. The current economic crisis exerts more influence on the mono-cities with a specialisation in the sphere of ferrous metallurgy, than the crisis at the end of the 90s. If, in the 90s, Russia encountered a reduction in domestic demand, then now, both the internal and external demand for metallurgical production is greatly reduced. However, this does not mean that the cities must reject the realisation of strategic development priorities. The crisis must become the stimulus for the introduction at municipal level of new effective management technologies, clear budgeting, and more active inter-municipality co-operation.

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ISBN 978-80-89013-51-7