

DECENTRALIZATION DEVELOPMENTS IN ROMANIA AND POLAND SINCE 1990

Abstract

Romania and Poland started their democratization process in 1990 having relatively similar socio-economic conditions and an almost equal GDP per capita. Nonetheless, 25 years later, Poland's GDP per capita is around 30% higher although Romania's population decreased more. While there are several explanations for this unequal development, Poland has benefited significantly from the 1998 local government reform when it created an administrative system based on three levels of subdivision. Romania, on the other hand, still retains a slightly modified version of the 1968 administrative system with only two levels of subdivision which is not taking into account the historical regions which formed the modern state. While Poland has become a best-practice in terms of decentralisation and regional development in Central and Eastern Europe, Romania continues with the centralised system imposed by the communist regime. The article looks into the steps taken towards decentralisation seen in these two countries since 1990.

Keywords: Romania, Poland, decentralisation.

JEL CODES:

EVOLUȚIA PROCESULUI DE DESCENTRALIZARE ÎN ROMÂNIA ȘI POLONIA ÎNCEPÂND CU ANUL 1990

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Rezumat

România și Polonia au demarat procesul de democratizare în 1990 având condiții socio-economice similare și un PIB per cap de locuitor aproape egal. Cu toate acestea, 25 de ani mai târziu, PIB-ul pe cap de locuitor în Polonia este mai mare cu aproximativ 30% mai mare deși populația României a scăzut mai mult. Deși există multe explicații pentru aceste evoluții inegale, Polonia a beneficiat din plin de reforma administrației locale din 1998 când s-a creat un sistem administrativ bazat pe trei niveluri de subdiviziune. România pe de altă parte, încă folosește o versiune puțin modificată a sistemului administrativ creat în 1968 cu doar două niveluri de subdiviziune și care nu ia în calcul regiunile istorice care au format statul modern. În timp ce modelul polonez de descentralizare și regionalizare este considerat o bună practică în Europa de centru și de est, România continuă să funcționeze cu un sistem centralizat impus de regimul comunist. Acest articol analizează evoluția procesului de descentralizare în cele două țări începând cu anul 1990.

Cuvinte cheie: România, Polonia, descentralizare.



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1. INTRODUCTION

Poland and Romania are the largest countries from the Eastern Bloc and the sixth and seventh largest countries in the European Union. Both countries started their post-communist path from rather similar conditions – almost the same GDP per capita (around 1,700 USD), a public administration still anchored into old practices and a centralised territorial design imposed by the communist leadership. Nonetheless, 25 years later the situation could not be more different. The GDP per capita in Poland is almost 50% higher compared to Romania (14,423 USD vs 9,997 USD in 2014). At the same time, the population in Romania dropped with around 16.5% while in Poland it remained rather constant. Furthermore, while the Polish public administration has been constantly appreciated for its good governance in terms of absorbing the EU Funds, Romania has often been criticised for its lack of capacity in this area. Finally, while Romania remains a rather centralised country with administrative divisions inherited from the communist times, Poland has embarked on a complex process of regionalisation and decentralisation of power. This article looks into this particular issue in order to observe the developments in terms of decentralisation in the two countries.

2. DECENTRALISATION DEVELOPMENTS IN ROMANIA SINCE 1990

After the fall of communism one could observe a lag between Romania and Western Europe in terms of local government empowerment. The distribution of powers between the different layers of government generated many political discussions as several politicians were not particularly in favour of decentralisation. Still the process started when the first post-communist Constitution enacted in 1991 brought forward the principles of local autonomy and administrative decentralisation. However, the GDP share for local governments was increased only seven years later when it was almost doubled from 3.6% to 6.5%. The 2003 revised Constitution introduced the concept of deconcentration and added a fiscal component. It also added new administrative rights for the national minorities.

At the local level both the municipal/communal and the county level are elected by the resident population. At the regional level there is no accountable administration. The prefect is the central government's representative in each county overseeing the deconcentrated public services of the central public administration (i.e.: emergency situations and civil protection, public health, cultural and heritage affairs). The prefect's institution can challenge before an administrative court any act issued by the county council, the local councils or the mayors if it is considered to breach the national legislation and until a ruling is provided, the respective act is suspended.

In 2006, the Parliament issued a law regarding decentralisation which stated that the process of decentralisation in Romania needs to follow the principles of subsidiarity, responsibility, stability, predictability and equity. The central government can only decentralise services based on the potential economies of scales and the geographical area. Local governments have exclusive, shared or delegated competences. Asymmetric decentralisation was also introduced in order to allow the centre government to exercise efficiently the devolved responsibilities to the capable layer of administration. In this regard, if a subnational authority at the municipal level cannot handle the entrusted tasks, the devolved responsibilities are transferred at the county level. While the decentralisation law did not create regional authorities, in several fields these entities have been established through specific pieces of legislation. These authorities cannot replace the local authorities established in each county but can coordinate several authorities in a specific region (Ruano and Profiroiu, 2016).

In 2014 the Romanian Constitutional Court ruled out a modification of the decentralisation law as it infringed local autonomy principles. Furthermore, the proposal was drafted without consulting the local governments.

In terms of the administrative divisions, the territorial system introduced in 1968 is still in place today with a few small modifications. Romania has a three-tier system of government with central, county and municipal/ communal layers. The 41 counties and Bucharest have an average surface of 5,680 square kilometres and an average population of 480,000 inhabitants (National Institute of Statistics, 2011). At the municipal/ communal level there are 103 municipalities, 217 towns and 2.861 communes. In 2014 the population of these 3,181 units ranged from 129 to 1,908,669 with an average of 6,683 (EUROSTAT, 2014). There are also eight development regions created only for statistical reasons and management of European funds. These administrative divisions were created without any historical, geographical or cultural bases and do not have any legal status.

As of 2006 the budgets of the local administration are composed of own revenues: taxes and levies and a quota from the income tax, a quota from the state revenues, subsidies provided by the central government budget; donations and sponsorship, external funding (EU and others). In this regard both the expenditure and the revenue incurred at the local level grew from roughly 7% of the 2003 GDP to more than 9% of the 2014 GDP.

Between 2006 and 2011 the municipal/ communal level received 47% from the income tax quota, the county councils received 13% and 22% was earmarked for balancing budgets. As of 2011, the quota of the municipal/ communal councils was reduced to 41.75%, the quota for the county council was reduced to 11.25% and only 18.5% was earmarked for balancing budgets. In Bucharest, the general city council

and the six district council receive 64.50% with only 7% earmarked for balancing the local budgets within the capital. 70% of the state revenues are allocated based on the financial capacity of counties and 30% is based on surface. The county councils receive 27% of the total allocation. The other 73% is divided between the municipalities and the communes. In 2014 there were big differences between counties in terms of budgets as Bucharest had an allocation 15 times higher than the smallest county in the country (Ministry of Regional Development and Public Administration, 2014)..

30% of the local budgets are earmarked for personnel, 23% are for goods and services, EU-funded projects take 9% and 6% are earmarked for social assistance. In terms of services, education infrastructure, social benefits and general public services have the highest allocations (Ministry of Regional Development and Public Administration, 2014).

As of 1995 local governments have been allowed to borrow money under the supervision of a committee appointed by the central government. These loans may be taken as bank credits or bonds issues up to a level of 30% of the average own revenues in the past three years (Ruano and Profiroiu, 2016). According to the latest provided by the Ministry of Finance in September 2015 out of the total public debt, local governments had a share of 6%.

Looking retrospectively it can be noticed that Romania is still influenced by the communist legacy of centralism (Hughes et al. 2004). Nonetheless, due to international pressures, the country embarked slowly in a couple of decentralisation developments. However, decisions have not been coherent and consistent and were constantly delayed (Rezessy et al. 2006). In addition, as the central government has had a continuous control over the state budget, there was a mismatch between the devolved responsibilities and the resources made available (Poputoaia and Bouzarovski 2010). While the legislation might have seemed coherent, weak coordination and a lack of clarity regarding roles and accountability hampered the implementation (Laking, 2005).

3. DECENTRALISATION DEVELOPMENTS IN POLAND SINCE 1990

Historically, Poland has been a unitary state, subordinated to the authority of the central leadership – a king or a government after World War I. Still, especially in the first half of the 20th century, regions were given a certain autonomy. The Polish communist regime, however, abolished the traditional local government apparatus by replacing it with entities subordinated to the centre party. Since 1990 Poland has made a U-turn and saw decentralisation as the key element of the democrat functional state.

The first developments of the Polish decentralisation took place between 1989 and 1997 when the municipalities were re-empowered. Nevertheless, the territorial organisation of the state remained

unchanged. Between 1993 and 1997 the large cities were granted more responsibilities and functions while the central government started a programme of deconcentration of tasks to the local level by creating different agencies accountable to the government in Warsaw. Finally, a new Constitution was enacted that stated that the territorial system of the country must ensure the decentralisation of public power.

Between 1998 and 2003 a radical development is observed. Firstly, in 1999 Poland switched from a two-tier to a three-tier territorial division composed of 2.489 municipalities, 308 counties and 16 regions, after long and vivid public discussions (Dabrowski, 2008). Secondly, as of 2002 the citizens were given the right to directly elect the mayors in their municipalities. Consequently, the trust in the local institutions became higher as compared to the central government (Swianiewicz, 2001).

After the EU accession in 2004 the decentralisation process consolidated especially after the regional governments were put in charge of managing the EU funds made available at the regional level although conflicts over power and political influence between the different layers of government were still observed (Regulski, 2010).

The current sub-national government system consists of three tiers incorporating 2.479 municipalities and 380 counties, out of which 66 are city counties, at the local level and 16 voivodeships at regional level. In 2005 the average population of a municipality was 15.528, the average population of county was 101.304 and the average population of voivodeship was 2.405.981 (Central Statistical Office, 2015). Municipalities are responsible for all public issues of local significance, which have not been delegated by law to other levels of government. Tasks not capable of being addressed at municipality level like high school level education, healthcare or county-level infrastructure are attributed to the country level. At the regional level, the voivode is the representative of the central government (similar to the prefect in Romania) coordinating services like the police, the emergency services or the environmental protection while also supervising the lower tiers of government. Some tasks of the governmental administration are delegated at the county level under the coordination of the starosta. The design and implementation of regional development programs and the maintenance of the technical infrastructure within the region are also within the responsibilities devolved at the regional level (Ruano and Profiroiu, 2016).

In the past 25 years the size of sub-national public sector in Poland has expanded continuously. Initially municipalities received an increasing number of tasks to perform but were not receiving enough financial resources (Regulski 1999). Between the end of the 1990s and the end of the 2000s, expenditures at the local level grew from 11% to 12.5 % of GDP.

Local revenues in Poland come from own sources (local taxes – especially the tax on real estate, fees for services and various own revenues), a share from the income tax collected by the central government, general-purpose grants and earmarked grants (especially from the European Union). It should be noted that Poland applies an equalisation system in order to increase the allocations for poorer regions. At the regional level each voivodeship enters into an agreement with the central government in order to receive the co-financing needed for implementing the EU funds. Public debt at the local level is lower than the EU average as the central government restricts the process of borrowing (Ruano and Proftoiu, 2016).

CONCLUSIONS

Romania and Poland have had a very different experience in relation to decentralisation in the past 25 years although in 1990 the situation in the two countries was rather similar. While Poland is considered a good practice in Eastern Europe, Romania is still seen as a rather centralised country.

Poland has witnessed significant developments as regards decentralisation and regionalisation in the past 25 years which led to an economic and political shift. Legislation adopted in Poland after 1990 has encouraged local autonomy and delegation of competencies as mentioned in the Constitution. In this regard Polish local authorities have seen a significant shift in terms of both responsibilities and resources especially after the country moved from a two-tier to a three-tier territorial division. The quality of governance and access to the European and global market were incentives for embarking on these reforms.

The post-communist Romania has inherited the administrative divisions created in 1968 by Nicolae Ceaușescu as the recently created development regions are still not functional as long as these entities are not given legal status. Furthermore, the authority at local level continues to be rather low, strongly influenced by the central government and the resources given are insufficient in comparison with the given responsibilities. As regards the latter, in some of the sectors there is still an incomplete transfer of responsibilities. Nonetheless, as both the decentralisation process and local autonomy are mentioned in the Constitution, some steps in this direction have been taken mostly through deconcentration but also through devolution of responsibilities in some sectors. In addition there seems to be a political will to decentralise more responsibilities, albeit not in the most transparent manner.

The post-communist governments of Poland have understood better than their Romanian counterparts the principle of subsidiarity. They have started the discussions about decentralisation early in the 1990s and managed to switch from a two-tier to a three-tier territorial division before joining the EU. Romania, on the other hand, did not bring this issue forward in the first post-communist decade as politicians in

Bucharest wanted to retain as much power as possible. This lack of empowerment of the local government has been visible on the long term. In this regard, Romania can look into the good practices developed in Poland in the past decades.

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