

# ICWA LETTERS

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*Christopher P. Ball is an Institute Fellow studying and writing about Hungarian minorities in the former Soviet-bloc nations of East and Central Europe.*

## Decentralization or Just Local Confusion?

"...power must be dispersed. If government is to exercise power, better in the country than in the states, better in the state than in Washington."

—Milton Friedman, 1962, *Capitalism and Freedom*

BUDAPEST, Hungary

NOVEMBER 1997

By Christopher P. Ball

To be sure, decentralization of power is important. In the United States, the decentralization debate still rages although we have largely accepted the principle of decentralized power. We have city councils, local taxes, locally-funded social projects, local school boards, and so on. We are, it seems, merely attempting to find an even better balance between State and National power. The basic premise of decentralized power (and for that matter separation and balance of central powers), however, has long been accepted by and ingrained in us. We take it for granted.

In Romania the situation is different. Under communism power is centralized in the hands of a few party apparatchiks. Under Ceausescu's dictatorship power was not only centrally held in the hands of a few, but often in the hand of one, Nicolae Ceausescu. Local government did not exist in Ceausescu's Romania and local authorities were nothing more than the finger tips of the dictator's long, controlling hand. In a newly freed Romania the need for decentralization has, not surprisingly, been especially acute.

## GREATER CULTURAL AUTONOMY

City and county councils came into existence in 1990. Their structure and function were defined in 1991 by law 69/1991. Nevertheless, they had no tax or budgeting authority and consequently little power. Most decisions were still made in Bucharest and handed down to local authorities.

In Spring 1997, however, the new CDR government of President Emil Constantinescu began reforming local administrative law, resulting in the first real move toward decentralization in Romania since the revolution of 1989.

Much of the decentralization effort has taken place largely in the sphere of cultural affairs. This includes allowing both local and county councils to distribute funds for cultural events like folk festivals and art shows, but includes funding for local theaters and libraries as well. We could also include here support for the right of ethnic minorities (where they comprise 20 percent or more of the local population) to use their mother tongue in local administrative affairs, to put up bilingual street signs, and to educate their children in their mother tongue.<sup>1</sup>

Doru Branea, Cultural Affairs Inspector for Timis county, in western Romania

1. For more on changes in policy as it relates to ethnic minorities see CPB 9.

near the border of Hungary, argues that the cultural decentralization that took place in Spring 1997 succeeded in giving much more power to local authorities. "Since Spring," he began, "local institutions can get money from the county council and from Bucharest. It's much better." In addition, city-wide institutions in the county seat of Timisoara (as opposed to county-wide ones) can also get money from the city council.

"If an NGO [Non-Governmental Organization], say, is clever it can now get money from the city council, county council and Ministry of Culture [in Bucharest]," he added. In explaining what has happened, Mr. Branea said that the same funds, previously centralized in Bucharest, have since Spring been spread out among the three above-mentioned bodies.

Concerned with helping long-neglected cultural institutions in Romania, Mr. Branea is understandably enthusiastic about the new development. His office of Cultural Affairs for the County Government has a budget of approximately 8 million Romanian Lei per month (approximately U.S.\$1,000), out of which it funds around 25 projects, some ongoing, others one-timers. The budget for this is determined by the Ministry of Culture in Bucharest, to which the County Cultural Affairs office must submit monthly reports.

Whether this situation is really better is subject to de-

bate. On one hand, it is clear that in the current situation, one organization seeking funds will now have to go to three different governmental bodies to collect the same amount of money it would have gotten before from one central body. On the other hand, more local organizations have access to money perhaps not previously available because they lacked good contacts in Bucharest.

An obvious problem is that of overall funding. The central government still sets the budget for local and county governments instead of allowing them to raise their own funds through local taxes.

## TAXES AND LOCAL BUDGETS

This problem extends beyond the realm of cultural affairs. "Still lacking are three basic laws: a budget law, an asset law, and a civil servant law." That is how Viorel Rat, Timis county councilor, sizes up the problem. He paints a picture that stands in contrast to Branea's optimistic view of things.

A budget law is needed so that local authorities can levy their own taxes to cope with their own needs. According to Mr. Rat, local authorities collect taxes locally, but must send all receipts directly to Bucharest. There the money gathers for all of Romania, the following year's budget is determined and the money is finally redistributed according to the goals of the central authorities. "Of



course, local authorities are net losers in this system. We never get back as much as we pay in," commented Rat.

The problem is that local government didn't exist under communism. Today, some structures are in place, like city and county councils, but no real power is given them. "[So], we act like collection agencies for the central authorities," said Rat.

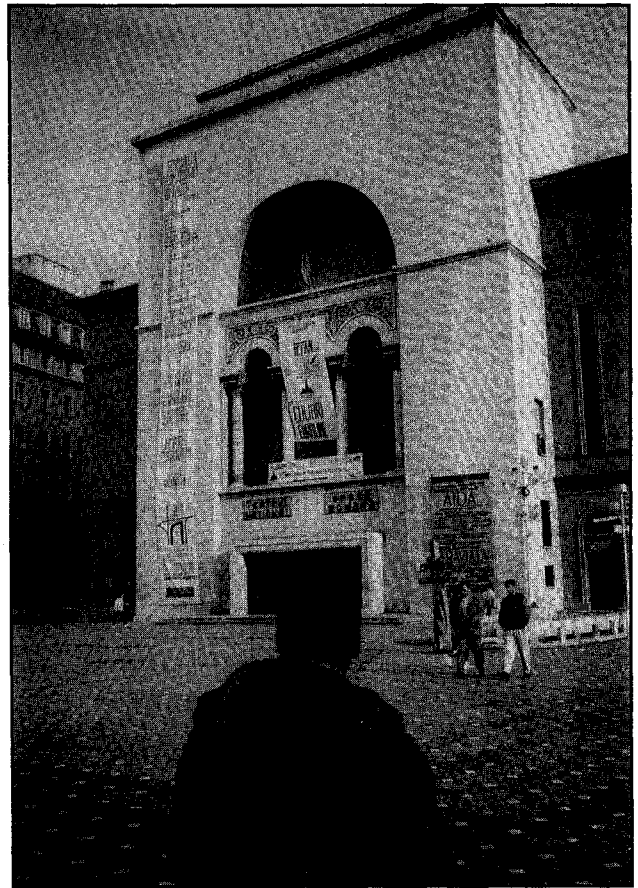
"To make matters still worse," adds Dorin Popovici, Timisoara city councilor, "the central budget is supposed to be drafted by the new year, but it never is. The money in the central budget is divided up around the new year, but is then further divided into its component parts for ministries, the military, and so on, and only then [is it] distributed among counties and, finally, cities. That means we only get our annual budget in mid-summer, usually late July. Only then can we finalize our plans for the year and try to spend all the money before December 31st. What we don't spend we have to send back to Bucharest. We get to keep nothing."

### PROBLEMS WITH OWNERSHIP

For Mr. Popovici, the major problem is the lack of a good asset law and clear property-rights assignment for local councils.

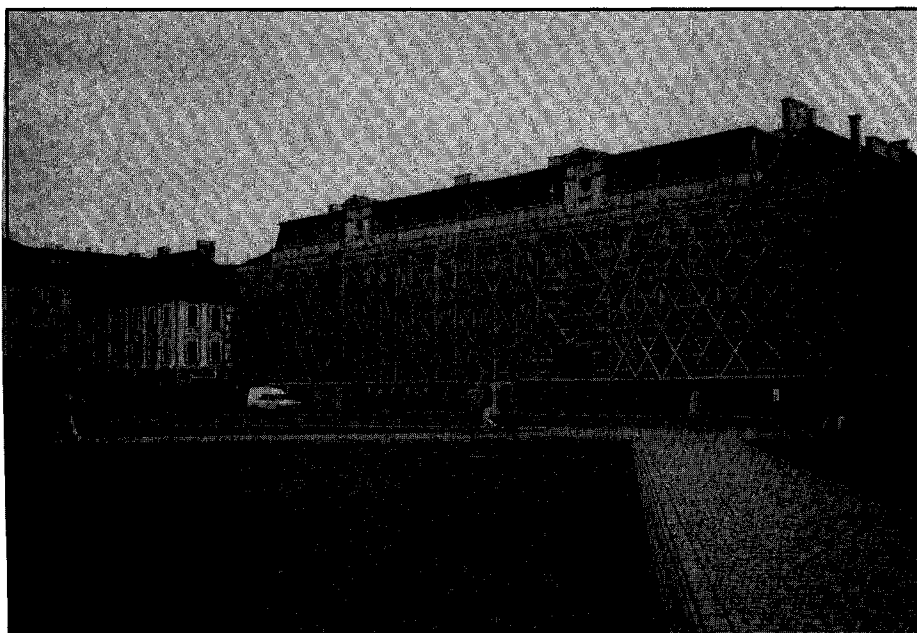
"A council can own two kinds of property: public and private," he explained. "The important difference between the two is that public property cannot be sold or rented. Private property, on the other hand, can be sold. That means we can privatize it to help fund its improvement or rent it out and thereby raise local funds."

The most common, and least problematic, example of



*Opera House of Timisoara*

public property is streets. City streets are public property under city council management and county roads the same, under county council management. "Streets are not really an issue because they aren't very profitable for anyone," explained Popovici. "Nobody can sell them or rent



*Museum of Timisoara, under repair*



*Site of contested building estimated to fall in one to two years*

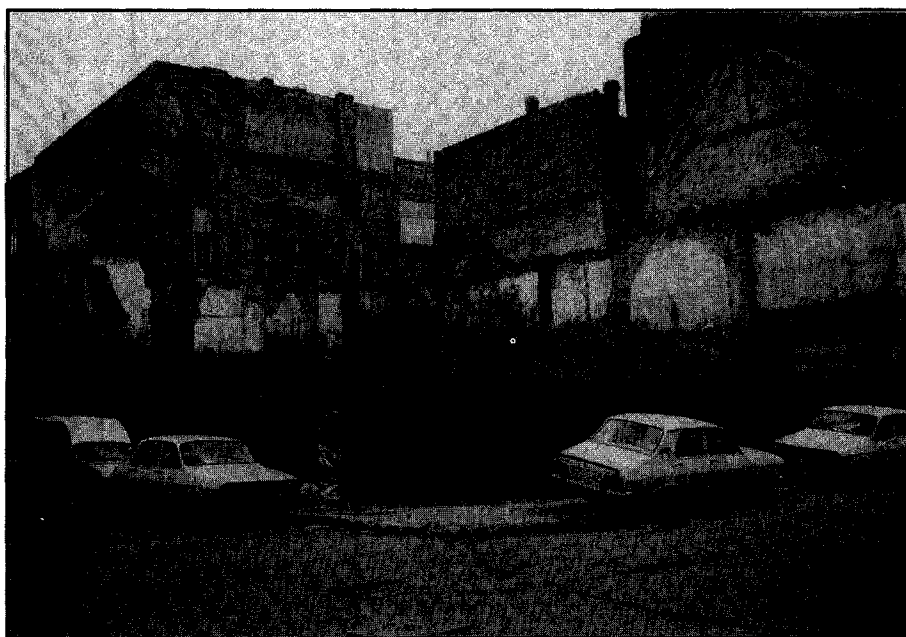
them and earn any real money.”

The most common example of private property is buildings, and it is here that all the problems start. “Buildings,” continued Popovici, “are very valuable and the ownership is still extremely vague. Nobody really wants to give up ownership of them. For most buildings, not including museums and opera houses which are public property, the law is absolutely unclear as to whether the central government, county or city government owns them.”

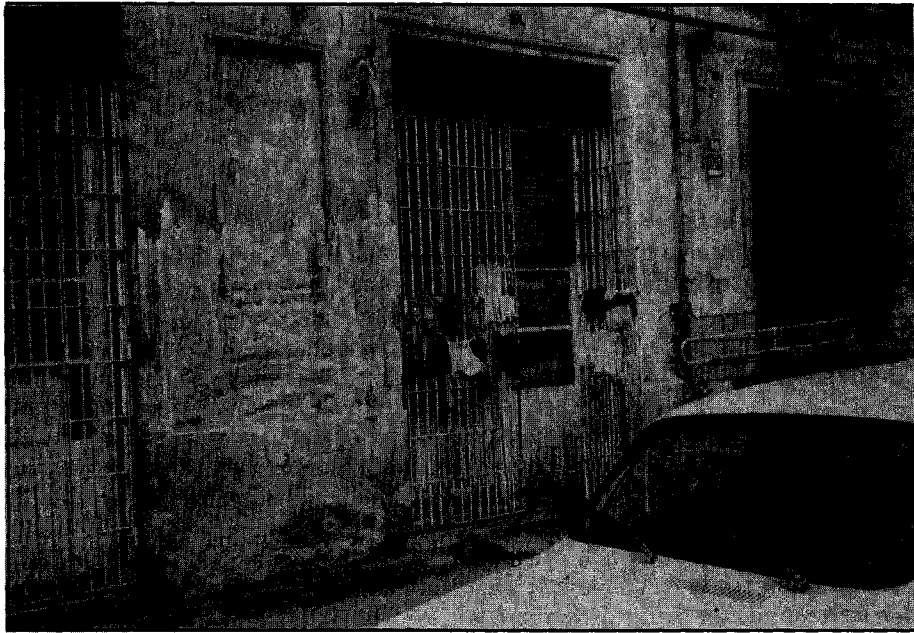
A humorous example is the Prefecture office, the building in Timisoara that houses both the city and

county council. Since 1990 there has been an ongoing debate between the two councils as to whose property it is. Popovici, the city councilor, says that if it is the city’s property, then the county council should be paying rent. Rat, naturally feels that the county council should own it and the city should pay rent.

Beyond humor, things become serious when a building is not well maintained for a long period of time. Because no one knows to whom they belong and no one is willing to spend money to improve them, several such contentious buildings in Timisoara have recently collapsed. “Without knowing who owns them, we can’t privatize them or even rent out space. Without enough



*Site of contested building that collapsed in 1996*



*Squatters' laundry at currently crumbling building*

budget money, we can't fix them up ourselves," added Popovici.

Most of the buildings remain empty or are occupied by squatters. Such buildings not only make unpleasant sights, detracting from Timisoara's beauty, but soon become safety hazards.

In 1996, one such building began to crumble slowly. First the roof caved in, luckily not harming any of the squatters living there. Then the newly freed walls began leaning farther and farther over the street. Finally, they too fell, crashing onto the street and cars below.

"There was nothing we could do," complained Popovici, "nobody had the authority to do anything. It was still not clear who owned [the building]. Those whose cars were damaged had no one to sue or complain to. It was simply nobody's building."

Several other buildings are in a similar state of decay, but no progress is being made. If the city owns a building it can earn large sums of money by privatizing it or renting it out. Therefore, it is not in the county council's interest to let the city have the building. "It's all about power. Whoever owns the building can make a lot of money. So, nobody wants to give up the chance at ownership," Popovici summed up.<sup>2</sup> In the meantime, buildings continue to crumble.

## CIVIL SERVANT'S LAW

The final missing law deals with the role of civil servants. Some roles are well defined, such as that of the

mayor or those of the councilors. Others, like that of Dorin Branea of the County Cultural Office, are not yet defined.

Branea explained: "I wrote a proposal for what I thought the County Cultural Affairs Inspector should do and how our office should determine who gets funding. They hired me and then told me that my proposal was to be the new standard. I literally defined my own position."

When a job is not defined, a worker can't be fired for failing to perform it. Over time some positions slowly define themselves, as in Branea's case. A precedent has now been set for the position of County Cultural Affairs Inspector. Future inspectors will have to meet or modify the role defined by Branea. In either case, there is at least some existing definition and standard now. There is a starting point.

Others feel this process is too slow and that the jobs should be more rapidly defined, giving starting points for all civil-service jobs. Viorel Rat holds this opinion, which is why he argues that a civil servants law is still lacking.

"Two problems present themselves here. First, it is not fully defined who has the jurisdiction to define the roles of the civil servants. Who defines the positions for city servants? The mayor, the city council, county council? Who? Shouldn't there be some conformity between local positions in Timisoara and those in, say, Iasi [a similar-sized city in another county]?"

"The second problem is that under the current system

2. In economic jargon we might call this a tri-lateral monopoly problem between the central, county and local governments. Each so highly values the good in question, that no solution is achieved.

[where roles can be self-defined], there is a strong incentive to define one's own role very, very loosely so you can't be fired for anything and have few duties to perform. There simply needs to be a new law that defines the role of civil servants, like the law defining the role of mayors and prefects [heads of the county]."

Rat and other councillors at both the city and county level have asked the new government to vote on such a law before the new budget year begins. So far nothing has happened.

## SOME INITIAL CONCLUSIONS

It is clear that there is still much work to be done if decentralization is to succeed in Romania. Despite complaints voiced by those with whom I spoke, all felt that the situation is better today than before the move to decentralize in Spring 1997. Prior to that, they felt, local government in Romania did not really exist. Now at least they can distribute some funds for cultural affairs. The reason Dorin Branea could define his job is because before Spring 1997 all oversight, or inspection, of cultural projects was done from Bucharest. Now at least the job is done locally by someone who knows local conditions. These are clearly steps in the right direction.

Unfortunately, they don't go far enough. The money

is still collected locally, sent to Bucharest and then transferred back again to local authorities. Aside from being an extremely inefficient way to manage money, this means local government has no control over its own budget. Without its own budget, a local government cannot properly plan and is effectively powerless.

Most of those with whom I spoke were quick to note that the current budget is still the one left behind by the previous government of Ion Iliescu. It had already been determined before the new government took power in November 1996. Thus they hope (and have received some promises to this effect from the new government) that things will be better in 1998. If local authorities are given local taxing power, then only two potential problems will remain: clearing up the confusion over ownership and civil servant duties — and possible corruption.

To my mind, the ownership problem is by far the most urgent. For the population it is irrelevant whether the city or the county council privatizes (or rents) a building. The important point is that the bickering end and the ownership laws be clarified so that the buildings stop collapsing and get put to good use. Regardless of whether the initial assignment of property rights is viewed as good or bad, the essential thing is that they at least be defined. Until then, nothing can be done and confusion will continue to reign. □





# Institute of Current World Affairs

FOUR WEST WHEELLOCK STREET  
HANOVER, NEW HAMPSHIRE 03755

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## Institute of Current World Affairs Fellows and their Activities

**Adam Smith Albion.** A former research associate at the Institute for EastWest Studies at Prague in the Czech Republic, Adam is studying and writing about the republics of Central Asia, and their importance as actors within and without the former Soviet bloc. A Harvard graduate (1988; History), Adam has completed the first year of a two-year M. Litt. Degree in Russian/East European history and languages at Oxford University. [EUROPE/RUSSIA]

**Christopher P. Ball.** An economist, Chris Ball holds a B.A. from the University of Alabama in Huntsville and attended the 1992 International Summer School at the London School of Economics. He studied Hungarian for two years in Budapest while serving as Project Director for the Hungarian Atlantic Council. As an Institute Fellow, he is studying and writing about Hungarian minorities in the former Soviet-bloc nations of East and Central Europe. [EUROPE/RUSSIA]

**Chenoa Egawa.** An enrolled member of the Lummi Indian Nation, Chenoa is spending two years living among mesoAmerican Indians, studying successful and not-so-successful cooperative organizations designed to help the Indians market their manufactures, agricultural products and crafts without relying on middlemen. A former trade specialist for the American Indian Trade and Development Council of the Pacific Northwest, Chenoa's B.A. is in International Business and Spanish from the University of Washington in Seattle. [THE AMERICAS]

**Marc Michaelson.** A program manager for Save the

Children in The Gambia, Marc has moved across Africa to the Horn, there to assess nation-building in Eritrea and Ethiopia, and (conditions permitting) availing and unavailing humanitarian efforts in northern Somalia and southern Sudan. With a B.A. in political science from Tufts, a year of non-degree study at the London School of Economics and a Master's in International Peace Studies from Notre Dame, he describes his postgraduate years as "seven years' experience in international development programming and peace research." [sub-SAHARA]

**Randi Movich.** The current John Miller Musser Memorial Forest & Society Fellow, Randi is spending two years in Guinea, West Africa, studying and writing about the ways in which indigenous women use forest resources for reproductive health. With a B.A. in biology from the University of California at Santa Cruz and a Master of Science degree in Forest Resources from the University of Idaho, Randi is building on two years' experience as a Peace Corps agroforestry extension agent in the same region of Guinea where she will be living as a Fellow with her husband, Jeff Fields — also the holder of an Idaho Master's in Forest Resources. [sub-SAHARA]

**John B. Robinson.** A 1991 Harvard graduate with a certificate of proficiency from the Institute of Kiswahili in Zanzibar, John spent two years as an English teacher in Tanzania. He received a Master's degree in Creative Writing from Brown University in 1995. He and his wife Delphine, a French oceanographer, are spending two

years in Madagascar with their two young sons, Nicolas and Rowland, where he will be writing about varied aspects of the island-nation's struggle to survive industrial and natural-resource exploitation and the effects of a rapidly swelling population. [sub-SAHARA]

**Daniel B. Wright.** A sinologist with a Master's Degree in International Relations from the Nitze School of Advanced International Studies of the Johns Hopkins University, Dan's fellowship immerses him in southwest China's Guizhou Province, where he, his journalist-wife Shou Guowei, and their two children (Margaret and Jon) will base themselves for two years in the city of Duyun. Previously a specialist on Asian and Chinese affairs for the Washington consulting firm of Andreae, Vick & Associates, Dan also studied Chinese literature at Beijing University and holds a Master of Divinity degree from Fuller Theological Seminary of Pasadena, California. [East Asia]

**Teresa C. Yates.** A former member of the American Civil Liberties Union's national task force on the workplace, Teresa is spending two years in South Africa observing and reporting on the efforts of the Mandela government to reform the national land-tenure system. A Vassar graduate with a juris doctor from the University of Cincinnati College of Law, Teresa had an internship at the Centre for Applied Legal Studies in Johannesburg in 1991 and 1992, studying the feasibility of including social and economic rights in the new South African constitution. [sub-SAHARA]

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Executive Director: Peter Bird Martin  
Program Administrator: Gary L. Hansen  
Publications Manager: Ellen Kozak

Phone: (603) 643-5548  
Fax: (603) 643-9599  
E-Mail: ICWA@valley.net

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