

A Decentralization Paradigm and the Legacy of USAID's Local Government Reform Project in Croatia

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The Local Government Reform Project (2000–2007) in Croatia is described and commented. Main premises are noticed and work within the Project systematised. There were four reform directions – policy reform with a focus on decentralization, knowledge and skill transfer to increase accountability, institution building, and, finally, media outreach and local government and citizen information. Measures for reaching policy reform were, for example, introduction of a comprehensive decentralization reform, improvement of respective legislation, strengthening the role of the Association of Cities and building advocacy network. Knowledge and skills transfer was attempted by building capacity of local government professionals, working on asset and internal financial management, procurement and investment procedures and practices, creating new software with regard to financial management, promoting e-government measures, etc. Institution building was concentrated on the Association of Cities, the Local Democracy Academy, education initiatives throughout the country, and local

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government cooperation. The overall approach was participative, bottom-up, practical, and supportive.

Key words: local government reform – Croatia, decentralization, accountability and transparency, institution building, public management

Introduction

*The Local Government Reform Project (LGRP) in Croatia,*** funded by the U.S. Agency for International Development (USAID), was a primary vehicle for the delivery of U.S. Government assistance to address the comprehensive needs of the local government system in Croatia.¹ The main focus of the project(s) has been to assist central and local institutions in Croatia to work toward greater decentralization and transparency and improve accountability and management practices among local governments. It is the opinion of the authors that the work of the LGRP contributed to advancing decentralization in Croatia following a paradigm that addressed reform of local governments in Croatia.

Policy Paradigm: Decentralization and Accompanying Reforms

Decentralization holds a promise for better (accountable, transparent) delivery of public services. However, whether decentralization actually improves service delivery depends on the institutional arrangements governing its implementation. Decentralization must be accompanied by corresponding measures to increase accountability and transparency of local governments before full benefits can be realized.

Premise one: In order for decentralization to increase allocative and productive efficiency, local governments need to have the authority to respond to local demand as well as adequate mechanisms for accountability. Worldwide experience with decentralization has shown that giving authority for additional functions to governments without accountability

** The views expressed in this article are those of the authors and not necessarily those of USAID, the U.S. Government or The Urban Institute.

¹ Between 2000 and 2007, The Urban Institute was awarded two consecutive contracts by USAID for LGRP I and LGRP II.

can lead to corruption and lower productive efficiency. Therefore, for true decentralization to take place, it must be accompanied by reforms that increase transparency and hold government more responsible to citizenry.

Premise two: The devolution of functions needs to be granted to the lowest level of government (closest to citizens) in order to increase allocative efficiency. This follows the principle of subsidiarity that states that the lowest level of government is likely to be more aware of the needs and preferences of its citizens to adjust to desired public service delivery.

Premise three: Citizens should have available means of participation and expression of their preferences to government at all levels, but especially to local government. To effectively influence public policies and exercise some control over local governments and elected officials, citizens need to have information – information about government and its activities. For this, the media play an important role in conveying information about the work of local government and educating citizenry on the functions of local government.

The Work of the Local Government Reform Project (LGRP)

The Urban Institute's approach to the Local Government Reform Project was to provide for technical assistance to meet the demands of the above paradigm, encompassing promotion of the devolution of functions to local governments with commensurate changes in accountability and transparency in local governments that are supported by media/citizen outreach.

Policy Reform with a Focus on Decentralization

- *Decentralization Frameworks.* LGRP introduced a comprehensive decentralization framework to the Government of Croatia. The approach was accepted by the Prime Minister, ministers of various state agencies, the Central State Office for Administration, and the European Union. The approach resulted in the formation of the Decentralization Commission, which is made up of the representatives of local governments, county governments and core ministries. The Commission has been following a strategic plan and has been at work for over two years and promises to remain in place for more years as the country continues to decentralize.

- *Decentralized Functions and Other Reform Legislation.* Through the work of LGRP and its Croatian partner organizations, a number of laws on the decentralization of governmental functions and on the ways local leaders are elected have been improved. These include amendments to the organic Law on Local and Regional Self Government, as well as a new Law on Local Public Servants and new Law on Direct Election of Mayors, the Law on Development, Law on Construction, Law on Public Roads, Law on Financing Local Governments, and the Law on Elementary Education.
- *Association of Cities and Advocacy Network.* The Croatian Association of Cities has followed a model for legislative drafting and a bottom-up advocacy campaign that has led to national policy reform in Croatia. This approach uses standing and ad hoc committees of technical staff members (taken from the ranks of member and non-member cities) that develop policy positions as well as reviews the expert opinions of others. These led to drafted legislation being proposed and then adopted by the AOC Presidency, supported by a wide spectrum of political parties for the first time ever in Croatia. This ongoing approach has now become standard, leading to drafting of nine legislative initiatives in 2007 alone. Foremost of these was the Law on Direct Elections of the Mayor (which also incorporates many of LGRP's recommendations and comments) that will soon be adopted by the Parliament and leave its lasting mark on reform of local governments in upcoming local elections.
- *Advocacy Network.* As part of its work with stakeholders to advocate for local government interests, LGRP established a network of institutions, organizations and individuals throughout Croatia interested in local government issues. Membership in the Advocacy Network (AN) was very high from the beginning (238 members) and has continued to grow over the past few years, as more and more individuals and organizations have requested to be added to the list. AN's Listserv has been an effective dissemination tool for key decentralization issues including current and upcoming legislation on decentralization and ongoing advocacy activities being supported by the Association of Cities. This Listserv has been passed on to the Association of Cities to allow them to continue disseminating important updates and information to the members about local government decentralization and opportunities for advocating change on that topic.

Knowledge and Skill Transfer to Increase Accountability

- *Capacity of Local Government Professionals.* Through LGRP's extensive training programs with local governments, thousands of local government staff members have been exposed to training in the best of European, international and American practices in many core local government functions, such as budgeting, procurement, capital investment planning, asset management, public administration, economic development, investment project packaging and e-Government.
- *New Local Government Asset Management Departments and Internal Procedures.* New asset management procedures introduced in major Croatian cities including the key cities of Split, Rijeka, Šibenik, Varaždin, and Karlovac. These procedures have resulted in significant improvements in the financial management of these cities on the order of \$2.3 billion of inventoried assets generating \$73 million of revenues for city budgets. In order to achieve such dramatic results, the cities have had to transform their internal organizations and, in some cases, even form new departments. New procedures for centralizing inventory control and introducing fair market appraisals will have a lasting effect on how cities manage their assets for the benefit of their citizens. As well, the processes introduced by the Project have resulted in greater transparency of city owned assets.
- *Procurement.* LGRP trained hundreds of local government officials and department heads on new (and first ever) procedures for conducting procurement. These processes have been developed in coordination with the Government of Croatia's Office of Procurement and the European Union, and will remain the state-of-the-practice for many years to come, thus reinforcing efforts to transform the governments of Croatia into more transparent and accountable institutions and help build trusting relationships with citizens in this critical area. As part of this effort, LGRP together with its partners developed the first ever Procurement Manual for public entities that is compliant with EU directives and regulations. This manual, once applied in all public procurement entities, will help Croatia reach its aspirations to become a full member of the European Union and address much needed transparency in public procurement practices.

- *Investment Project Packaging.* While working with local governments on packaging capital projects, LGRP learned that in many instances the obstacle to implementing investment projects was not a lack of funds, but rather a lack of the needed knowledge and skills to develop good investment projects. LGRP demonstrated that the local governments are interested in learning more and are willing to be persistent in pursuing various forms of financing for investment projects. The City of Glina worked with LGRP to develop a plan (feasibility study) for the reconstruction of key water works and, although initially not granted EU-funding, the City persisted, and Glina was chosen to receive Government of Croatia (GoC) and USAID funds. LGRP expects many more local governments to follow the example of Glina to gain access to funds using its investment project methodologies that demonstrate clear and transparent guidelines for project finance.
- *Financial Management (Croatian Budget System).* After LGRP created the Croatian Budget System² (CBS), several local governments, including the City of Dubrovnik, began working regularly with the software. As a dissemination and sustainability strategy, LGRP trained IT firms to understand and use the software to allow many more local governments to utilize the product in the future. Through dissemination efforts of IT firms, over 200 local governments now benefit from its application to finance. This has served local government to be more transparent with their finances and help disseminate information on the local budget to hundreds of citizens.
- *e-Government.* Through its work to develop an e-Government system for local governments, the LGRP enhanced citizen participation in local government through e-participation. Now, citizens have better access to local government officials not only for public services but also for communicating their preferences by way of forums and chats. Internally, local governments use e-Government systems to save time and communicate on levels not realized in the past through electronic conferences. In all, e-Government has provided local governments with enhanced capabilities

² CBS is a user-friendly software tool that supports budget preparation in program budget format along with report generation for multiple purposes such as presentation of the budget to local government councils and reporting to the Ministry of Finance.

for citizens to express themselves and access information on the activities of their local government.

Institution Building

- *Association of Cities.* The Croatian Association of Cities (AOC) has emerged as the leading voice of Croatian local governments. Over the course of LGRP, the AOC Presidency has grown from 21 members to 42, and it has established a central office in Zagreb with paid staff, standing and ad hoc committees, a visual identity (logo), and a monthly newsletter. Representatives of the central government (Central State Office for Administration) have stated that they have finally found a local government partner with which to work. Leading media organizations have written about and acknowledged a new political force in Croatia. The AOC is now poised to launch its own strategic plans for advocacy of its legislative agenda.
- *Continuing Education Centers – University of Zagreb, University of Split, Zagreb School of Economics and Management, Selectio and MPA at the University of Rijeka.* Through LGRP's public administration (PA) training component, over 300 local government officials have been trained on best practices and new management techniques. As an outgrowth of this work, four institutions have established continuing education centres – three of which are located in existing institutions of higher education (Universities of Zagreb and Split and the Zagreb School of Economics and Management) and one is part of the private sector human resource firm (Selectio d.o.o). This institutionalization will support the ongoing education of local officials in key areas of public administration to enhance accountability and transparency in local government.
- *Local Democracy Academy (LDA).* The Academy is a newly formed institution filling a critical gap in state-sponsored education for local public officials established at the initiative of LGRP and the Central State Office for Administration. The role of the Academy is to assess the training needs, provide training standards and facilitate and coordinate training activities. LGRP drafted the enabling documents and legislation for establishing this critically important institution. LGRP also successfully lobbied for two of

the five seats to be named by the AOC and Croatian Union of Counties. The LDA has become active and has already teamed up with NGOs such as GONG and the Association of Cities (AOC) to implement several trainings for local officials and public servants on the implementation of various laws, such as the Freedom of Information Act and Law on Local Public Servants. The LDA is financed from the State Budget.

- *Local Government Cooperation.* Over 36 local governments applied to be a part of the pilot cluster project created by LGRP. Two of the pilot clusters were tasked with developing and signing formal cooperation agreements, as well as adopting common investment studies and plans for important joint projects. In one of the clusters, four local governments centered on the City of Zabok proposed to increase the services and capacity of a local preschool so that it could serve multiple communities. As a result of LGRP's interventions, the school will now receive financing for its completion and thus meet the common goals of these local governments. LGRP is confident that more local government cooperation on service delivery will develop as a direct result of this example and others promoted by LGRP through its publications and templates for enhanced cooperation.

Media Outreach and Local Government and Citizen Information

- The goal of the LGRP media outreach was to build a positive local government climate as an important element in the overall enabling framework for local government development. LGRP's approach to Media Outreach addressed the knowledge and information deficit on local government issues found among media professionals at national, regional, and local levels and the need to educate both media representatives and citizens on the viability and purpose of local governments in creating a stable democratic state. This also required educating local government officials on how to work effectively with media representatives, communicate with the public and develop a positive relationship with the media. In one year alone, the LGRP was able to document 543 articles on the topic of local government in the press.

Conclusion

LGRP worked to build management and technical capacity among the elected and appointed officials of local governments, advocacy groups, central governments and other organizations in not only policy reform but also capacity building leading to enhanced accountability and transparency. This was accomplished through a variety of approaches including hundreds of workshops, numerous conferences and public events, one-to-one mentoring and issuance of reports and publications. The project also initiated a unique media outreach program that helped to disseminate information to citizens and greater a greater understanding of local government in Croatia.

From the beginning of the project, the goal was to leave behind state-of-the-practice technical knowledge and cadres of local government officials, NGOs and national agencies with well-trained staff/consultants and institutionalized good practices, Croatian organizations capable of monitoring *and* supporting local governments, and individuals with new skills and in-depth experience in efficient and accountable governance. The Project worked to advance decentralization in Croatia following a paradigm that calls for a parallel effort to increase accountability and transparency in local governments as well as to increase the citizens' channels to effectively communicate with local governments by expressing their preferences for the desired mix of public services.

A DECENTRALIZATION PARADIGM AND THE LEGACY OF USAID'S LOCAL GOVERNMENT REFORM PROJECT IN CROATIA

Summary

The Local Government Reform Project (2000–2007) in Croatia is described and commented. Main premises are noticed and work within the Project systematised. There were four reform directions – policy reform with a focus on decentralization, knowledge and skill transfer to increase accountability, institution building, and finally, media outreach and local government and citizen information. Measures for reaching policy reform were, for example, introduction of a comprehensive decentralization reform, improvement of respective legislation, strengthening the role of the Association of Cities and building advocacy

network. Knowledge and skills transfer was attempted by building capacity of local government professionals, working on asset and internal financial management, procurement and investment procedures and practices, creating new software with regard to financial management, promoting e-government measures, etc. Institution building was concentrated on the Association of Cities, the Local Democracy Academy, education initiatives throughout the country, and local government cooperation. The overall approach was participative, bottom-up, practical, and supportive.

Key words: local government reform – Croatia, decentralization, accountability and transparency, institution building, public management

DECENTRALIZACIJSKI MODEL I REZULTATI USAID PROJEKTA REFORME LOKALNE SAMOUPRAVE U HRVATSKOJ

Sažetak

U radu se opisuje i komentira The Local Government Reform Project (2000–2007) u Hrvatskoj, navode njegove temeljne premise te sistematizira rad na Projektu. Radilo se na četiri reformska pravca – jačanje decentralizacijske politike, prijenos znanja i vještina radi jačanja odgovornosti, oblikovanje institucija te suradnja s medijima i obavještavanje lokalnih samoupravnih jedinica i građana. Jačanje decentralizacijske politike nastojalo se provesti, na primjer, iniciranjem obuhvatne decentralizacijske reforme, radom na promjenama i poboljšanjima zakonodavstva, jačanjem uloge Udruge gradova te izgradnjom mreže za zagovaranje decentralizacije. Prijenos znanja i vještina nastojao se provesti usavršavanjem lokalnih službenika, poboljšanjem metoda upravljanja lokalnom imovinom i financijama, usavršavanjem postupaka i prakse javne nabave i investicija, izradom kompjutorskog programa za upravljanje lokalnim financijama, nastojanjem oko primjene mjera e-upravljanja u lokalnoj samoupravi, itd. Izgradnja institucija bila je usmjerena prema Udruzi gradova, Akademiji lokalne demokracije, obrazovnim inicijativama širom zemlje te jačanju suradnje lokalnih samoupravnih jedinica. Pristup je bio participativan, odozdo-prema-gore, praktičan i podupirući.

Ključne riječi: reforma lokalne samouprave – Hrvatska, decentralizacija, odgovornost i transparentnost, oblikovanje institucija, javni menadžment