

The political economy of local governance in Central and Eastern Europe

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1. Theory/model. What I am trying to explain?

a) question to be researched

The institutional structure of state authority in many democratic countries assigns some forms of policy authority to local governments over issues of local economic matters. This dissertation proposes to inquire about the forms in which local governments' as policy agencies deal with local developmental challenges given their national institutional constraints, cross-border externalities, and European regional policies. My general questions concern the independence of local governments' policies in exercising state authority? What role are these new local political authorities assuming in the framework of European accession, given that special incentives for local governmental cross-border and regional economic activities are available? And what is their relevance in this process as state authority holders?

b) relevance of the question

Policy authority allocation between central local government is a relevant issue for all countries and regions in the world. Territorial distribution of state authority has been subject of debate in Western democracies since a long period (Page & Goldsmith, 1986; Cummings, S., 1995). There has been research about the advantages and disadvantages of different forms of allocation, about different levels of allocation and about the specificity of sectorial allocations. The relevance of providing an empirically based explanation of local governments policy behavior in dealing with local economic policy challenges emerging from different sources could provide the missing link in explaining the role of decentralized policy authorities in processes of regionalization. More generally, it might help understand the linkages between Central and Eastern European (CEE) decentralization and its impact on regionalization within the context of European enlargement.

c) theoretical relevance

There are many arguments supportive for high levels of decentralization (Rodinelli & Cheema, 1983; Osborne & Gaebler, 1993; Walsh, 1996; Foster & Plowden, 1996) and there also one's in favor of centralized provision of governmental services (Walsh, 1996). Moreover, counter-arguments for decentralization (Olsen, 1975; Ophuls, 1973; Ostrom, 1990; Bernier, 1992; Segal, 1997) and centralization have been developed. On third line of arguing focuses on the specifics of policy domains and on the analysis of the advantages of provision at different levels. These studies are focusing mainly on the effects of decentralization on state capacity and the quality of governmental service provision (Werlin, 1992). Even more striking is that the same arguments are many times used to argue both for and against different forms of central - local policy authority allocation. In this context showing that forms of national intergovernmental relations (including both formal and informal ones) have direct impact on local capacity to deal with cross-border policy externalities is potentially an important contribution for explaining local governmental policy success and failure in the general framework of local policy making.

d) proposed alternative theoretical solution

The challenges of understanding the economic role of the public sector emerge from several different sources. First are the extent and the form of authority allocation between local and central governments impact local governments' policy-making capability. Sufficient amount of state authority has been allocated to local governments to be able to sustain local policy processes for their full cycle? The extent aspect leads to two possible course of factual resolution. On the one hand, there might exist policy domains for which local governments have full authority through the whole policy process and it is meaningful for dealing with regional cross-border externalities. On the other hand, for some country cases we might not be able to find any single policy domain for which local governments would enjoy full autonomy for a full policy cycle, but still they might retain sufficient administrative authority in order to adapt to such regional cross-border externalities.

Second the perception issue of the new policy environment by political agency. The authority reallocation transformed some bureaucratic organizations into policy drawing ones. Thus, for each country we need to determine who are the political agents and/or bodies with policy-making authority? And how is their behavior changed given their new role? One set of reasons often mentioned in supporting decentralization is that it creates a more flexible, effective, innovative and a higher morale than over-regulating centralized government structures (Osborne & Gaebler, 1993). On the down size of decentralization the development of a market competition among local governments for business and citizens is considered (Walsh, 1992). Third, the evaluations of European and regional cross-border externality constraints local governments have to consider in drawing local coping policies. These externalities can be economic, political and socio-demographic externalities. For all types of externalities we can differentiate given their sources of origin.

In this context Kingdon's (1995) focus on the development of public policy over time, becomes relevant for local governments in CEE concerning issues of foreign relations, related to the access to European public funds. Thus, the decentralization process is a re-shaping of the institutional structure from the perspective of local agency. However, this agency faces specific policy challenges from the perspective of local agenda setting and policy problem development. My general research question is what is the agenda setting influence of public investment funds availability given their national policy authority allocation level? Three main corollaries of these working hypotheses are: What forms of local government dependency structures on central government public funds exist, and at what extent are the central government funding relates to the possibility of European public funding? In what ways different levels of local policy competencies constitutes into a European pre-accession convergence to the Union's subsidiary principle's and administrative capacity enhancement?

e) theoretical significance of the research

The expected observable implications of this hypothesis are the experiences of regional integration, while national diversification strengthens given differentiated local policy framing incentive structures. The relevance of an inquiry in this direction emerges from the advantage the analysis of the incentive and constraints in terms of the new structure of authority allocation might offer in understanding the role of state in these countries. The advantages are that this approach could shed light on some of the issue concerning the role of local state authority in local policy-making. In second order, it could present the cause of the need for reassessing the functions and effects of state authority in the new regimes. Third, could account for some of the state authority that by most of the globalization literature is considered vanishing.

f) policy significance of the research

One of the central questions of the field of comparative policy analysis is how to deal with differentiating between the role of institutions and policy problems. Which are more important in determining public policy outcomes? Peter John, 2000, considers that "both processes are part of the explanation of public decision making"¹. Nevertheless, the growing literature seeking understanding of the new forms of local governance in the post-communist transition focuses mainly on the legal-institutional aspect of the decentralization process (Bennet, 1997; Munteanu, 1999). Yet, it is equally important to pay systematic attention to the way local governments define problems and make decisions (Nagel, 1999). Given this problem of the field this analysis through its findings might contribute to the policy argument, by showing the its relative independence when considering agenda setting effects of specific institutional settings.

2. Methodology - Research Design

¹ John, Peter & Alistair Cole (2000) When do Institutions, Policy Sectors, and Cities Matter? Comparative Political Studies, Vol. 33, No. 2, March 2000

Given the long range effect of the decentralization process, with time necessary for local government policy making capacity development and the need for local capacity for the development of international linkages and the co-action of multiple independent variables I am proposing the application of factorial design. The advantages of this design (Nachmias, 1996) are that it allows for multiple independent variables, thus permitting for observing variation at different levels. Therefore, different sources of agenda setting for local policy making will be observable. Moreover, it is also sensitive to the interaction among independent variables. Therefore, the analysis will be sensitive to the relations between national and European public funding co-ordinations, as well as to the collaborative actions of local governments in soliciting public funding.

Applying factorial analysis to research in the domain of comparative public policy analysis is common. Nagel defines "public policy analysis ... as determining which of various alternatives public or government policies will most achieve a given set of goals in light of the relations between the policies and the goals"². This permits for "study the nature, causes and effects of alternative public policy". The major advantage of using policy analysis for assessing local government economic policy is its strength in being sensitive to the available alternatives to achieve a set of goals given the relation between policies and the goals for which they were designed to achieve. This means that the analysis is sensitive to the normative constraints, the relative weight of policy goals and that it is able to encompass the different relations between policies and goals, such as intuition, authority, statistics, observation, deduction or other similar means.

2.2. Sample

In early 1990's CEE states (Bulgaria, Czech Rep., Hungary, Poland, Romania and Slovakia), within the framework of system transformation, moved away from socialist centralized economic planning. These countries have been chosen from the ones belonging to the same region because of their Associate Member Status to the European Union which confers local government a similar European incentive structure. From the 15 countries only these six are political entities, which were state entities during socialist times, comply with democracy requirements, and have implemented decentralization policies. One effect of this change was that besides many other transformations (Offe, 1991; Musil, 1992), it involved institutional redesign of state authority. Both the extents of state authority and the forms it was allocated among central and local state institutions were redefined (Baldersheim & Illner, 1996). The time period in which similar policies adopted may occur at sensitively different time lags. I will need to specially consider the agenda setting role for other local authority decisions over other authorities policies.

2.3. Data collection procedures

The data necessary for testing the working hypothesis and its corollaries will be collected using mainly archival data. The main reason for the use of these data are that they are accurate in presenting the actual public fund soliciting behavior local governments, at least the official one. First, for the assessing of local government policy making authority content analysis of national state authority allocating policies among central and local governments. In this phase governmental documents of state policy authority allocation among central and local governments will be collected and analysed. Will help to evaluate the policy domains over which local governments have policy drawing authority – local policy competences. Second, for the analysis of the national and European public fundings available to local governments from the accession countries context analysis of official application archives will be used. Answers for the following questions will be sought: What national and European funds are available for local governments for given period? And if possible who applied for what? and who succeeded in securing funds and for what?. Third, for evaluating the economic characteristics, and levels of economic development actuarial records will be used. Fourth, for evaluating local policy makers perceptions of their local governments policy capacity and local priorities the survey method of personal interviews will be applied.

²Nagel, S. (1999) Policy Theory Policy Evaluation Vol. 5, Issue 4 Winter

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