

Regional and Local Self-Governance: How Decentralization Developed in the Czech Republic



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In the 1990s, the Czech Republic undertook a process of gradual transformation that resulted in the development of institutions of a liberal democratic state and economy based on market principles. An essential part of this process consisted in recreation of truly decentralized corporations of public law at two levels – the level of self-governed municipalities and later also the level of self-governed regions. Besides horizontal division of powers between legislature, executive, and judiciary – which is a must in a democratic state – this transformation provided also division of powers within a unitary state in a vertical sense. It also brought administration of public affairs and self-governance closer to citizens, in line with requirements of the governing principle of subsidiarity.

DECENTRALIZATION FOR SELF-GOVERNANCE VERSUS HIERARCHICAL DECONCENTRATION OF STATE POWER

Decentralization must be distinguished from a mere deconcentration of power in state¹. **Decentralization** provides space for self-governance at a lower level and closer to citizens than the level of the whole state. It allows people to vote for their deputies that decide over issues that concern an individual part of a country. The elected leadership manage the property of a smaller unit and most often provide for basic services to the inhabitants such as transportation, waste disposal, water distribution, and many others.

Statutory provisions at the state level also delimit certain space for self-governed regulations in which a decentralized unit can specify the rules for situations of public interest – for instance, as regards maintenance of clean public areas or securing of public order in connection with sport or cultural

¹ See also Dušan, H. et al. (2003) *Správní právo. Obecná část*, 5th edition. Prague: C.H.Beck, p. 372.

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DECENTRALIZATION MUST BE DISTINGUISHED FROM A MERE DECONCENTRATION OF POWER IN STATE

events, and similar issues. However, self-governed units cannot lay down new duties for individuals unless they have a specific delegation in a statutory provision of the state to do so.

The self-governed rights of municipalities and regions are guaranteed in a specific section of the Czech Constitution². The state is allowed to intervene into self-governed issues only to protect the rule of law and only in a way that is stipulated in statutory provisions³. This could be seen also at the organizational level, where appointments of those who are responsible for decisions in the sphere of self-governance must be based on democratic elections (either direct or through directly elected deputies).

Self-governed decisions may vary between individual units. The result is a variety of self-governed rules and styles of property management that can be applied throughout the country. This variety reflects the very liberal approach to which it is expected that people can decide on the issues

² Section seven (Article 99 to Article 105) of the Constitution of the Czech Republic, No. 1/1993 Coll., as amended.

³ Article 101 (4) of the Constitution of the Czech Republic.



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that concern them, such as the organization and availability of municipal public services, and securing of public order in the best way without the necessity of centralized decisions.

In contrast to decentralization, the concept of **deconcentration** represents only a way of internal organization of a state and division of responsibilities among its offices. The state need not operate only through its central offices (such as ministries with territorial authority over the whole country).

The state operates offices such as the state police or tax authorities, which are located all around the country and have a presence in almost every large town. These are, however, not self-governed entities with appointments based on local elections, but are units that are subordinate to the central offices of the state. Deconcentration can be a means of bringing administration of public affairs closer to the citizens, but at the same time one that keeps the control in the hands of the central authorities.

This clear-cut distinction between decentralization and deconcentration should not be blurred by various forms in which state power is deconcentrated. State deconcentrates its powers not only between its central and local offices (as is the case of tax authorities that are divided between central ministry and regional and district authorities responsible for specific territory), but it also delegates its powers to already existing offices in regions and municipalities.

These offices thus have two roles. First, they provide administrative support for self-governance tasks (e.g. managing property of a municipality) fully under the control of regionally or locally elected assemblies. At the same time, they also serve as offices performing tasks on behalf of the state. In the latter case, they must have the guidance of central state authorities, whereas the execution of these tasks is financed from the central budget.

LOCAL SELF-GOVERNANCE AND ITS CHANGES OVER TIME

The features of self-governance were introduced to the Czech lands – then a part of the Habsburg monarchy – for the first time in 1849 by the so-called Stadion's provisional municipal establishment⁴. The establishment was dominated by a modern principle under which "a free municipality is a foundation of a free state"⁵. The modern municipal regime that had been brought about by the revolutionary year 1848 was soon overshadowed by the decade of neo-absolutism and centralization under chancellor Alexander Bach⁶.

⁴ Janšová, M. (2001) *Historie územní samosprávy*, epravo.cz. Available [online]: <https://www.epravo.cz/top/clanky/historie-uzemni-samospravy-15359.html?mail>

⁵ Pavlíček, V. et al. (1998) *Ústavní právo a státověda: 1. díl – Obecná státověda*. Prague: Linde, p.332.

⁶ Zimek, J.(1998) *Ústavní vývoj České republiky*. Brno: Právnická fakulta MUBrno, p. 12.



DECONCENTRATION CAN BE A MEANS OF BRINGING ADMINISTRATION OF PUBLIC AFFAIRS CLOSER TO THE CITIZENS, BUT AT THE SAME TIME ONE THAT KEEPS THE CONTROL IN THE HANDS OF THE CENTRAL AUTHORITIES

The self-governance features reappeared after the resignation of chancellor Bach and with the end of absolutism in the 1860s. Then, self-governance had been introduced also to a district level⁷, while a new constitution gave legislative powers over the municipal regime to assemblies of individual lands in the monarchy⁸.

The birth of a new Czechoslovak Republic in 1918 was connected with a broad reception of the established self-governed levels that already existed in individual parts of the new republic. In 1920, a new statute introduced a completely new partially self-governed

⁷ Pavlíček, V. et al. (1998) *Ústavní právo a státověda: 1. díl – Obecná státověda*. Prague: Linde, p. 332.

⁸ Janšová, M. (2001) *Historie územní samosprávy*, epravo.cz. Available [online]: <https://www.epravo.cz/top/clanky/historie-uzemni-samospravy-15359.html?mail>

level of larger counties (*župy*) that consisted of several districts. These counties were assumed to have elected local assemblies which appointed permanent committees chaired by county governors who were installed by the central government⁹.

The counties' establishment became effective only in the Slovak part of the country. In the historic Czech lands (i.e. Bohemia, Moravia, and the part of Silesia that remained in the Czechoslovak Republic), their introduction was consistently postponed, and never become effective¹⁰. This was partly due to criticism of only limited self-governance rights and strong elements of bureaucracy¹¹.

It is, however, important to note that further approaches to divide the country into larger counties or regions existed, and that Bohemia under this system was supposed to be divided for administrative and self-rule purposes into nine counties, with county capitals in Prague, Pardubice, Hradec Králové, Mladá Boleslav, Česká Lípa, Louny, Karlovy Vary, Plzeň, and České Budějovice¹². Moravia should have consisted of five counties with seats in Brno, Jihlava, Olomouc, Uherské Hradiště, and Moravská Ostrava and the remnants of Silesia formed one county with capital in Těšín¹³. The historic Czech lands were supposed to be divided into fifteen counties. As mentioned previously, the reform did not become effective, and no political subject desired to spend political capital in support

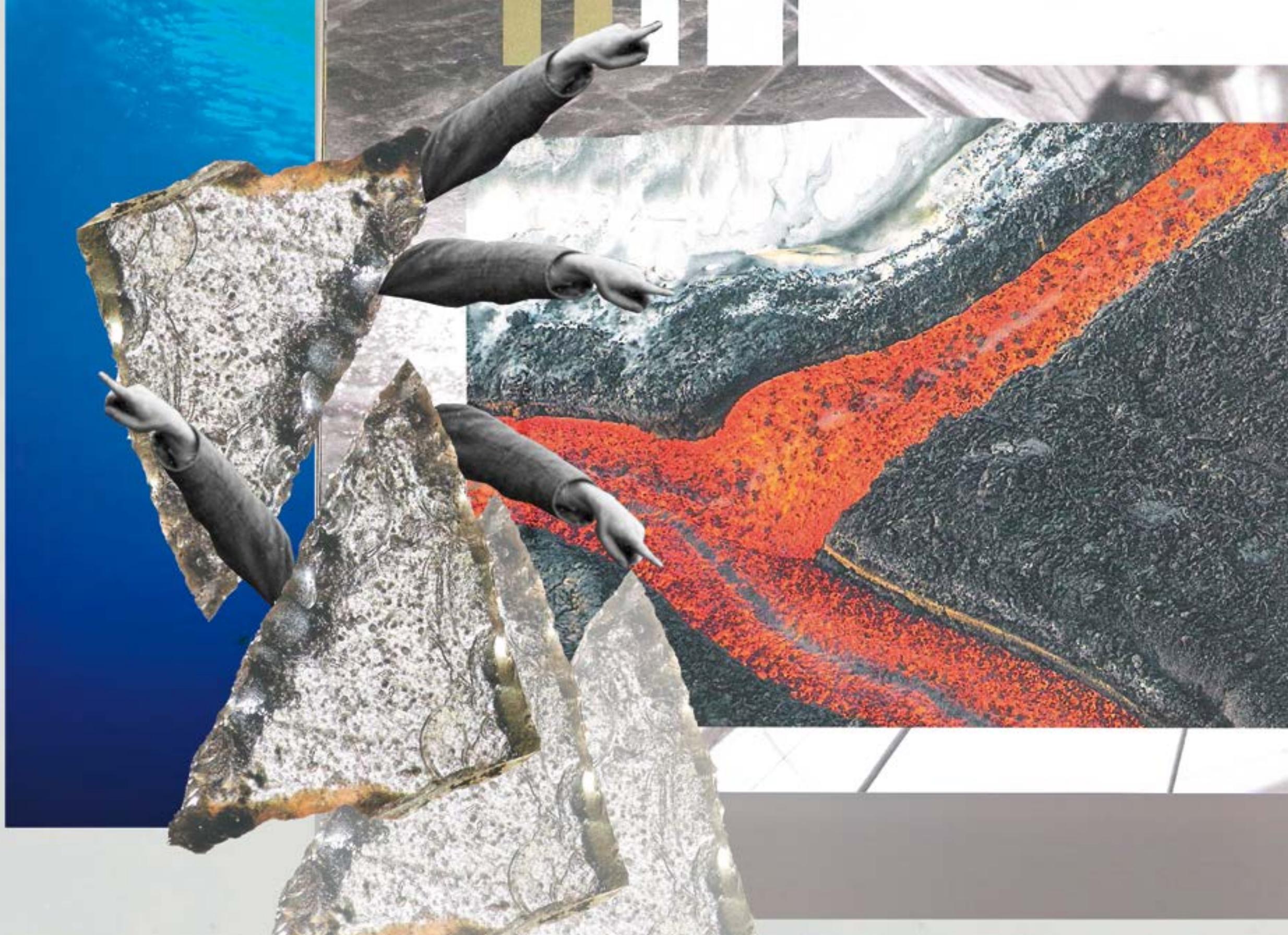
⁹ Malý, K et al. (1997) *Dějiny Českého a Česko-Slovenského práva do roku 1945*. Prague: Linde, pp. 315-319.

¹⁰ Janšová, M. (2001) *Historie územní samosprávy*, epravo.cz. Available [online]: <https://www.epravo.cz/top/clanky/historie-uzemni-samospravy-15359.html?mail>

¹¹ Malý, K et al. (1997) *Dějiny Českého a Česko-Slovenského práva do roku 1945*. Prague: Linde, p. 319.

¹² Ibid, p. 317.

¹³ Ibid.



” MUNICIPALITIES – AS BASIC UNITS OF SELF-GOVERNANCE – WERE RECREATED IN THE CZECH REPUBLIC IN 1990

of the introduction of counties into the historic Czech lands. The reason why the reform was introduced only in the Slovak part of the republic may be that the counties served there as an additional layer of central control.

The German occupation of the historic Czech lands before the beginning of World War II brought the introduction of German authorities overseeing the remnants of the formally existing self-governing structures, which were finally demolished by the Heydrich administrative reform of 1942. In light of the reform, all previously autonomous parts of administration became centrally appointed and mayors in towns were substituted by German governmental commissioners¹⁴.

The post war years brought the introduction of the so-called *national committees* (*“národní výbor”*), which after 1948 lost any real self-governance character – despite formal elections that were still held under the Communist regime¹⁵. The system of national committees consisted of three layers: the municipal layer, the district layer,

¹⁴ Zimek, J.(1998) *Ústavní vývoj Českého státu*. Brno: Právnická fakulta MU Brno, p. 74.

¹⁵ Pavlíček, V. et al. (1998) *Ústavní právo a státověda: 1. díl – Obecná státověda*. Prague: Linde, p. 332.

and the regional layer. In 1949, the historic Czech lands were divided into thirteen regions.

This was changed in 1960, when the number of regions was reduced to seven plus one (with the capital city of Prague as a separate entity). Bohemia was divided into five regions. Moravia was divided into two regions. The part of Silesia that remained in the Czechoslovak Republic became part of the Northern Moravia region.

MUNICIPALITIES

Municipalities – as basic units of self-governance – were recreated in the Czech Republic in 1990. The whole territory of the Czech Republic is currently divided into districts of individual municipalities¹⁶. In accordance with the principle of subsidiarity, competence over self-governance issues is set as a primary for municipalities, while regions are charged with issues that are better governed for larger territories. Public transportation serves as a good example of this division. Connections within the territory of one town are organized at the municipal level while regional mass transportation between individual towns is organized at the regional level.

In the Czech Republic there are a considerable number (over 6,200) of municipalities. The average population is the lowest among all OECD countries¹⁷. Three quarters of municipalities have less than 1,000 inhabitants (and one quarter even less than 200 inhabitants) which leads the OECD to repeatedly mention that the Czech municipalities are too small to provide effective public services

¹⁶ The only exception to this rule is the territories that serve for military training purposes and thus are exempted from the system of self-governance.

¹⁷ OECD (2016) *Hospodářské přehledy OECD Česká republika*. Available [online]: <http://www.oecd.org/eco/surveys/Czech-Republic-2016-overview-hospod%C3%A1%C5%99sk%C3%A9-p%C5%99ehledy.pdf>, p. 38-39.

” THREE QUARTERS OF MUNICIPALITIES HAVE LESS THAN 1,000 INHABITANTS (AND ONE QUARTER EVEN LESS THAN 200 INHABITANTS) WHICH LEADS THE OECD TO REPEATEDLY MENTION THAT THE CZECH MUNICIPALITIES ARE TOO SMALL TO PROVIDE EFFECTIVE PUBLIC SERVICES

and that their costs are higher than would be necessary with a smaller number of municipalities¹⁸.

The sustainability of the system with such a high number of small municipalities is provided by the authorized offices in larger municipalities with authority (e.g. Building Authority) not only for the municipal territory where the office is located, but also for territories of smaller municipalities in the vicinity. This system of authorization adds up to two more layers of public administration that exist between the smallest municipali-

¹⁸ Ibid.

ties and the level of regional authority. Thus, the system is costly but reflects the village landscape of the country. It is an outcome of a mixture of influences ranging from historical tradition of municipalities, to institutional path dependency strengthened by the fact that changes to the system could be challenged as an intrusion into the constitutionally recognized right for self-governance.

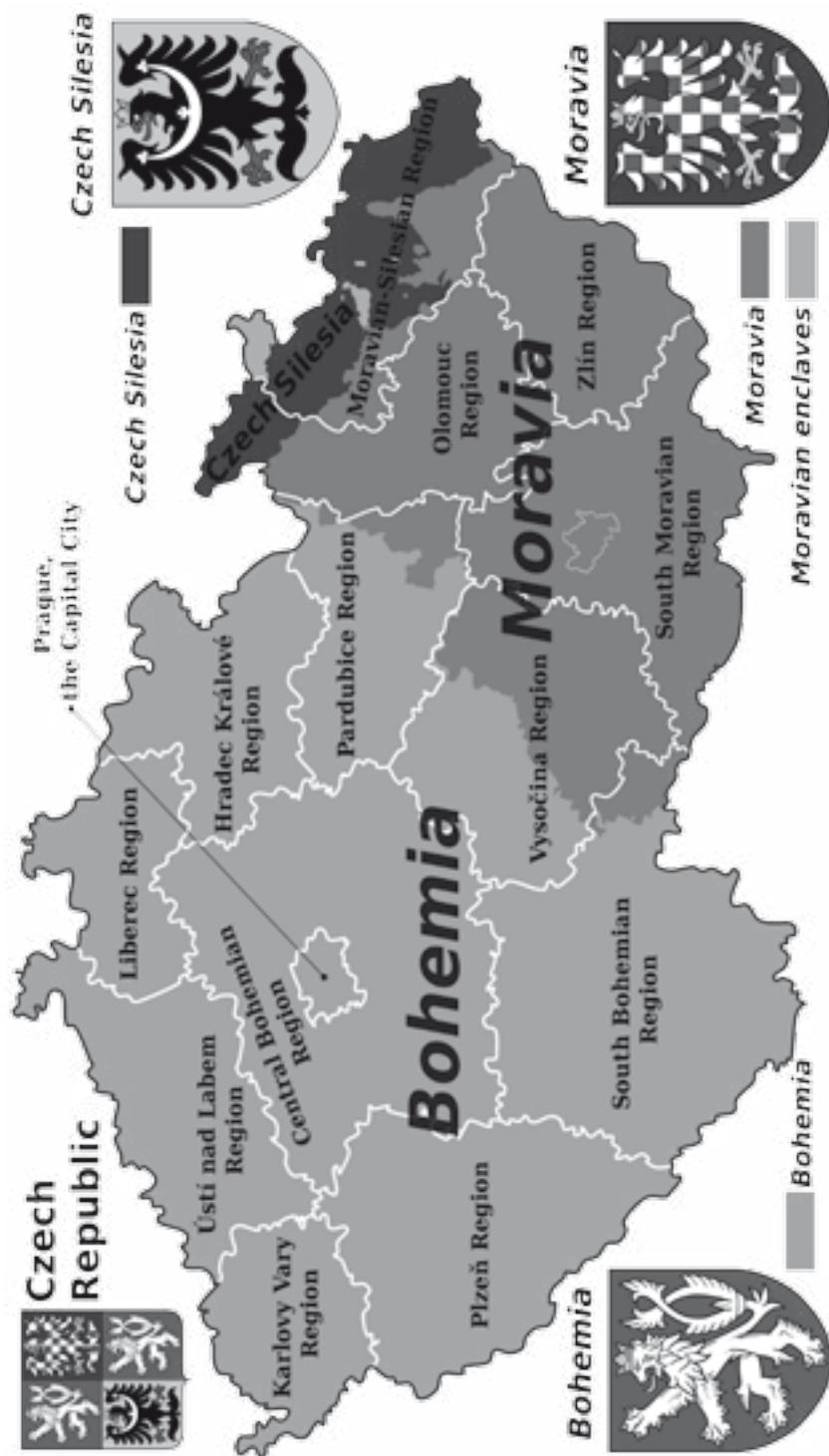
REGIONS

A comparison of the supposed fifteen counties from the statute from 1920 and country division under the communist regime (firstly into thirteen regions and later into seven plus Prague), shows that there was a trend of creating a shrinking number of larger regions. This trend was reversed when a regional level of self-governance was finally introduced to the Czech Republic in January 2000. The new setting of regions is a step back and closely resembles the territorial arrangement into thirteen regions that existed between 1949 and 1960.

Currently there are fourteen regions, including Prague as the capital city of the country. The regions that are on the border between Bohemia and Moravia include significant parts of both of these historical Czech lands. The remnants of Silesia form Morsvskoslezský region together with the northern parts of Moravia. This is a strong aspect of the new regional setting as it blurs the historical division between Bohemia and Moravia, as well as remnants between Silesia and Moravia. It was one of the reasons for creating the thirteen regions in 1949, and this argument reappeared after the Velvet Revolution and together with regional lobbying gained ground in parliament when the new regional system was introduced¹⁹.

¹⁹ Jeřábek P. (2014) “Krajské uspořádání? Vadí i po čtrnácti letech”, [in:] *deník.cz*. Available [online]: https://www.denik.cz/z_domova/krajske-usporadani-va-di-i-po-ctnacti-letech-20140102.html

Figure 1: Map of Czech Republic showing borders of historical lands and current administrative regions



Source: https://upload.wikimedia.org/wikipedia/commons/2/23/Czech_Rep_-_Bohemia%2C_Moravia_and_Silesia_III_%28en%29.png (Creative Commons 3.0)

The relationship to the regional capital has been a significant issue in formation of identity for some of the regions. The creation of new regions was easily accepted where strong bonds to a regional capital existed. For instance, former Eastern Bohemia (Východočeský region) was dominated by two bigger cities – Hradec Králové and Pardubice – both having about 90,000 inhabitants. Former regional division allowed only Hradec Králové to be a regional capital, while the new regional setting allows both cities to keep proper administrative importance for themselves and their surroundings. On the other hand, Jihlava Region (named originally after its capital, Jihlava) had been renamed to Vysočina Region soon after its creation. The demand from its inhabitants brought the name of the mountain range located in the region into the region's name instead of the name of its capital. Five of the regions have names based on their geographical location, while the remaining regions bear the names of their regional capitals and biggest towns.

A disadvantage of introducing this new regional division is that in the minds of many people, the former division into seven regions (done for its geographic simplicity and four decades of existence) is still strongly imprinted. Apart from this, the state kept the former regional structure in the formation of its bodies, particularly for regional courts and regional state attorneys' offices. Thus, the people from Královehradecký and Plzeňský region still have their regional courts in Plzeň, whereas those who live in Hrálovehradecký and Pardubický have theirs located in Hradec Králové. This is a disadvantage that still complicates the orientation of people in the structures of public authorities.

ELECTORAL TURNOUT

A regular electoral term in the Czech Republic lasts four years. The first free modern elections at the municipality level were

“ REGIONAL ELECTIONS IN THE CZECH REPUBLIC ARE OFTEN WON BY ONE DOMINANT POLITICAL PARTY

held in 1990, and since they took place right after the fall of the communist regime they proved highly popular with electoral turnout reaching 73%. Unsurprisingly, voter turnout decreased throughout the 1990s. Since the new millennium, it has become stable with turnout hovering between 40% and 50%²⁰.

The first elections in the regions were held in 2000 due to the deferred introduction of regions as a new self-governed level of administrative organization in the country. This means that every two years either regular, local or regional elections take place. A specific situation occurs in the capital city, Prague, which holds the regional and local elections together in time of the regular local election in the country.

The usual turnout in regional elections is between 30% and 40%. Regional elections thus attract less voters than the general or local elections but are still doing better when compared with elections to the upper chamber of the parliament, or elections to the European Parliament (which in 2014 had turnout of only 19.5%).

²⁰ This is behind the turnout in general elections to the lower chamber of the Czech parliament, which in the last decade was around 60%. Nevertheless, the local elections still have the second highest average turnout in the country.

Regional elections in the Czech Republic are often won by one dominant political party. The first elections were dominated by the Civic Democrats. Later, in 2008, the Social Democrats won in all regions and gained electoral victories in most regions in the next elections in 2012. In 2016, the political movement ANO 2011 came first in nine out of thirteen regions. This suggests a relatively flat diffusion of political moods in the Czech population with only minor regional differences, such as slightly higher support for Christian Democrats in the southern part of Moravia in comparison with the rest of the country, and slightly higher support for Communists in structurally impacted regions in the northern part of the country.

HOW MUCH DOES IT COST?

Self-governed units have various sources of income. The total income of municipalities reached CZK 282 bn (with a budgetary surplus of CZK 40.5 bn) in 2016²¹. Municipalities receive most of their income (about two thirds) as their share of tax revenue²².

The second biggest source of income for municipalities constitute monetary transfers from the state (the contribution on performance of state powers by offices of the municipalities and other subventions, e.g. from the Ministry of Education), from regions, or from EU funds.²³ The remaining income sources are revenues from municipalities' or regions' property (e.g. rents of real estate owned by municipalities) or their capital revenues²⁴.

²¹ Matej, M. (2017) "Financování obcí v ČR – současný stav a další vývoj RUD a dotací", [in:] *Deník veřejné správy*. October. Available [online]: <http://denik.obce.cz/clanek.asp?id=6743008>

²² Ibid.

²³ Ibid.

²⁴ Ibid.



THE REVENUE FROM TAXES PAID IN THE CZECH REPUBLIC IS DIVIDED BETWEEN THE STATE, THE REGIONS, AND THE MUNICIPALITIES

The revenue from taxes paid in the Czech Republic is divided between the state, the regions, and the municipalities based on a key that is specified in a specific statute²⁵. The share of the total revenue varies according to tax type. For instance, revenue from real estate tax is fully dedicated to a municipality where a specific piece of real estate is located. Municipalities can also set a specific coefficient that can increase or decrease real estate tax paid in their territory.

Regions and municipalities are not exempt from income taxation of legal persons. However, the revenue from such a tax is fully dedicated back to them. Most of the remaining tax revenues (VAT, various forms of income tax) are divided based on a key according to which 8.92% of tax revenue goes to regions, 23.58% of tax revenues goes to municipalities, whereas 67.5% remains in the state budget. The share of a specific level is further divided among individual regions and municipalities according to coefficients that reflect, primarily, the number of inhabitants and, secondarily, features such as the land area or the number of children in schools established by a specific municipality.

²⁵ See An Act no. 243/2000 Coll., as amended.

In 2017, tax revenues of municipalities amounted to CZK 206.3 bn²⁶, whereas the tax revenue of regions was CZK 64.43 bn²⁷. This part of income has been constantly increasing in time due to:

- a gradual increase of the share of regions and municipalities on the total tax revenue;
- improved tax collection, and;
- steady economic growth in the last several years²⁸.

In 2016, the overall debt of municipalities and regions in the Czech Republic reached CZK 98.6 bn, while, at the same time, the available financial assets of municipalities and regions amounted to CZK 197.8 bn (representing positive surplus of financial over debt of CZK 102.2 bn)²⁹. The financial situation of municipalities and regions may suggest very healthy finances and a high level of financial prudence of self-governed units in the Czech Republic. Nevertheless, it also shows a limited ability to invest in the development of much needed infrastructure.

CONCLUSIONS

The vertical division of powers and responsibilities for public affairs that has developed within the last three decades in the Czech Republic has resulted in a stable arrangement of public administration. However, this does not mean that suggestions of partial reforms are not a part of the general political and public discussions that are currently taking place in the country.

²⁶ Ministry of Finance of the Czech Republic (2018) *Vývoj daňových příjmů obcí a krajů 2005–2017*. Available [online]: <https://www.mfcr.cz/cs/verejny-sektor/uzemni-rozpocty/prijmy-kraju-a-obci/zakladni-informace/2018/vyvoj-danovych-prijmu-obci-a-kraju-2005-32304>

²⁷ Ibid.

²⁸ Ibid.

²⁹ Ministry of Finance of the Czech Republic (2017) *Zadluženost územních rozpočtů v roce 2016*. Available [online]: <https://www.mfcr.cz/cs/verejny-sektor/uzemni-rozpocty/zadluzenost-uzemnich-rozpoctu>

The most attention is given to such issues as introducing new features of direct democracy – including, for instance, direct elections of majors, issues of responsibility of elected deputies in municipal and regional representative bodies, or the never-ending dispute on a proper division of tax revenues between the state level, the level of regions, and the level of municipalities. A possible issue for the future is how to motivate self-governed entities to invest their financial surpluses into a sensible development of needed infrastructure.

The need of investments could become more imminent if economic performance in the country begins to slow down in the future. The surpluses of self-governed entities could be used for investments that might cushion such an economic development. Some way of further offsetting the situation with the large number of small municipalities (under 200 inhabitants) in the Czech Republic could also be a topic in case of economic recession. and scarcity of resources. ●



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